GAZAL CORPORATION LIMITED
ACN 004 623 474

NOTICE OF ANNUAL GENERAL MEETING 2017

29 November 2017 AT 10.00am

EY, LEVEL 35,
200 GEORGE STREET,
SYDNEY NSW 2000

THE BUSINESS OF THE ANNUAL GENERAL MEETING INCLUDES PROPOSED RESOLUTIONS FOR THE APPROVAL OF THE PROPOSED SALE OF BISLEY AND ASSOCIATED SHARE BUY-BACK (AS DESCRIBED IN THE NOTICE OF MEETING).

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE PROPOSED SALE OF BISLEY AND ASSOCIATED SHARE BUY-BACK IS FAIR AND REASONABLE TO NON-ASSOCIATED SHAREHOLDERS.

Gazal Corporation Limited ABN 57 004 623 474
3-7 McPherson Street Banksmeadow NSW 2019 Australia Private Bag No.27 Post Office Botany 1455
Telephone 61 2 9316 2800 Fax 61 2 9316 4704 Web www.gazal.com.au

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About this document

This document contains a Notice of Annual General Meeting and includes an Explanatory Memorandum. In addition to the ordinary business of the Company's 2017 Annual General Meeting, the Meeting will consider a proposal for the sale of the Bisley Business to, and associated buy-back of Shares from, entities associated with Mr David Gazal.

Disclaimer and important notices

This is an important document. You should read it in its entirety before deciding how to vote on the ordinary business of the Meeting, the Bisley Sale Resolution and the associated Share Buy-Back Resolution. It does not take into account your individual investment objectives, financial situation, taxation position or particular needs. If you have any doubt regarding what you should do, you should consult your investment, financial or other professional adviser.

Forward looking statements

Certain statements in the Explanatory Memorandum relate to the future. These statements reflect views only as of the date of the Explanatory Memorandum. These forward looking statements are subject to inherent risks and uncertainties. Actual events or results may differ materially from the expectations expressed or implied in such forward looking statements. Neither the Company nor any other person gives any representation, assurance or guarantee (express or implied) that the occurrence of an event expressed or implied in any forward looking statements in the Explanatory Memorandum will actually occur.

Responsibility for information

The information contained in the Explanatory Memorandum (except for references to the Independent Expert's Report) has been prepared by the Company and is the responsibility of the Company.

Deloitte Corporate Finance Pty Limited ABN 19 003 833 127 AFSL 241457 (the **Independent Expert**) has prepared the Independent Expert's Report and has consented to the report accompanying the Explanatory Memorandum. The Independent Expert takes responsibility for that report, and for references to that report in the Explanatory Memorandum, to the extent that the information is used to evaluate the Proposed Bisley Transaction by Non-Associated Shareholders. The Independent Expert is not responsible if the information is used by any other person for any other purpose, nor is the Independent Expert responsible for any other information contained within the Explanatory Memorandum. Shareholders are encouraged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made. None of the Company, its related bodies corporate and their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the information in the Independent Expert's Report except, in the case of the Company, in relation to information supplied by the Company to the Independent Expert.

Dates and times

Unless stated otherwise, all times in this document are references to Sydney time. While the Company does not presently anticipate any changes to these dates and times, it reserves the right to vary them. Any changes will be announced to the ASX as soon as possible.

Definitions

Capitalised words and phrases in this document (other than in the Independent Expert's Report) have defined meanings that are set out in the glossary contained in the Explanatory Memorandum. The Independent Expert's Report has its own defined words and phrases, which are set out as in the glossary of that report.

Date of this Document

This document is dated 23 October 2017.

LETTER FROM THE CHAIRMAN

Dear Shareholder

I am pleased to invite you to attend the 2017 Annual General Meeting (**Meeting**) of Gazal Corporation Limited (the **Company**).

The Meeting will commence at 10.00am Sydney time on 29 November 2017 and will be held at the offices of EY located at Level 35, 200 George Street, Sydney NSW 2000.

In addition to the ordinary items of business, shareholders will be asked to consider an ordinary resolution to approve the sale of the Group's Bisley Workwear business to a company controlled by Mr David Gazal for $35 million and a special resolution to approve the Company buying back approximately 9.8 million shares in the Company held by companies associated with Mr David Gazal, at a price of $2.50 per share.

The Board considers that these resolutions, if approved by Shareholders, will enable the Company to advance its forward strategy, allowing the Company to focus on maximising the significant growth opportunities in its PVH Brands Australia joint venture with the US-based PVH Corp. and to consider other strategic opportunities to grow shareholder value.

Your Non-Associated Directors unanimously support these resolutions. Furthermore, each such Director intends to vote all shares owned or controlled by them in favour of these resolutions.

The Company has engaged Deloitte Corporate Finance Pty Limited (**Independent Expert**) to provide an Independent Expert's Report on whether the proposed sale of the Bisley Workwear business and the associated share buy-back is fair and reasonable to shareholders not associated with Mr David Gazal. The Independent Expert has concluded that these transactions are fair and reasonable to such shareholders.

The Independent Expert's Report is included in this document, together with the Notice of Meeting and an Explanatory Memorandum prepared by the Company and a Proxy Form. I strongly encourage you to read these documents carefully.

Your Directors look forward to seeing you at the Meeting. If you are unable to attend, you may appoint a proxy to vote for you at the Meeting by completing the attached Proxy Form. If you intend to appoint a proxy, please complete and return the Proxy Form in accordance with the directions on the form by 10.00am Sydney time on 27 November 2017.

These documents, together with the Company's 2016/17 Full Financial Report, are available on the corporate web site www.gazal.com.au under the "Investor Relations" tab.

Yours faithfully

Michael Gazal
Chairman

KEY DATES

Proxy form to be received no later than	27 November 2017 at 10.00am
Record date for determining entitlement to vote at the Meeting	27 November 2017 at 7.00pm
Meeting held	29 November 2017 at 10.00am
Scheduled Completion of the Proposed Bisley Transaction	29 December 2017

Note: All dates and times are references to Sydney time and are subject to change. In particular, Completion of the Proposed Bisley Transaction is subject to the satisfaction of the conditions precedent described in Section 7.1(b) of the Explanatory Memorandum.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of Shareholders of Gazal Corporation Limited (**Company**) will be held at:

EY, Level 35,
200 George Street, Sydney NSW 2000

on 29 November 2017 at 10.00am

for the purpose of conducting the following business.

Business

Item 1: Annual accounts and reports

To receive and discuss the Company's annual financial report together with the reports of the Directors and Auditors thereon for the year ended 30 June 2017.

Item 2: Retirement and re-election of Mr Michael Gazal

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

That, Mr Michael Gazal who retires by rotation in accordance with clause 3.6 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.

Item 3: Retirement and re-election of Mr Craig Kimberley

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

That, Mr Craig Kimberley who retires by rotation in accordance with clause 3.6 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.

Item 4: Remuneration Report

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

That the Company's Remuneration Report for the financial year ended 30 June 2017 be adopted.

Note: The vote on this item is advisory and does not bind the Directors or the Company, although the outcome of the vote may affect the business to be conducted at the Company's annual general meeting in 2018. For further details, please refer to the Explanatory Memorandum accompanying this Notice of Meeting.

Item 5(a): Bisley Sale

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

That for the purposes of ASX Listing Rule 10.1, sections 200E and 208 of the Corporations Act, and for all other purposes, the Bisley Sale (as defined and described in the Explanatory Memorandum accompanying the Notice of Meeting), be approved.

Item 5(b): Share Buy-Back

To consider, and if thought fit, pass the following resolution as a special resolution:

That for the purposes of ASX Listing Rule 10.1, sections 200E, 208 and 257D(1)(a) of the Corporations Act, and for all other purposes, and for all other purposes, the Share Buy-Back (as defined and described in the Explanatory Memorandum accompanying the Notice of Meeting), be approved.

Note: Completion of the Bisley Sale is inter-conditional with completion of the Share Buy-Back. Accordingly, if either the resolution in Item 5(a) or the resolution in Item 5(b) is not passed, neither the Bisley Sale nor the Share Buy-Back will proceed.

Voting exclusion statements

Item 4: Remuneration Report

In accordance with the Corporations Act, no member of the Company's key management personnel (**KMP**) who is disclosed in the Company's Remuneration Report, nor their closely related parties, may vote on the resolution regarding the Remuneration Report. These restrictions apply to votes cast by or on behalf of those persons.

Closely related party is defined in the Corporations Act and includes a spouse, dependent and certain other family members, as well as any companies controlled by the KMP.

The voting exclusions referred to above will not apply if the vote is not cast on behalf of a person described above and:

- the vote is cast by a person as proxy for a person who is entitled to vote on the relevant resolution, in accordance with the directions on the proxy form; or

- the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote on the relevant resolution, the proxy form is undirected and expressly authorises the Chairman to exercise his discretion in exercising the proxy even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

Item 5(a): Bisley Sale

The Company will disregard any votes cast on the Bisley Sale Resolution by DJG Corporation, Mr David Gazal, Mrs Jaclyn Gazal, or any associate of any of them (including DGFC and Gazjac).

However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form.

Item 5(b): Share Buy-Back

The Company will disregard any votes cast on the Share Buy-Back Resolution by DGFC, Gazjac, Mr David Gazal, Mrs Jaclyn Gazal, or any associate of any of them (including DJG Corporation).

However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form.

Entitlement to Vote

For the purposes of determining a person's entitlement to vote at the Meeting, a person will be recognised as a Shareholder and the holder of Shares if that person is registered as a holder of those Shares at 7.00pm (Sydney time) on 27 November 2017. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

If you wish to vote in person, you must attend the Meeting. If you cannot attend the Meeting, you may vote by proxy, attorney or, if you are a body corporate, by appointing a corporate representative.

Proxies

A proxy form accompanies this Notice of Meeting. A Shareholder has the right to appoint a proxy. A proxy need not be a Shareholder of the Company. A Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints two proxies and the appointment does not specify the proportion or the number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of those votes. Where two proxies are appointed, a separate proxy form should be used to appoint each proxy. (You may copy the accompanying proxy form for this purpose.)

The proxy form (and the power of attorney or other authority (if any) under which it is signed or a certified copy thereof) must be deposited at the Company's registered office, 3-7 McPherson Street, Banksmeadow, NSW 2019 or received by facsimile on (+61 2) 9316 4704 by 10.00am on 27 November 2017, being not less than 48 hours before the appointed time of the meeting.

If you appoint the Chairman of the Meeting as your proxy but do not direct him how to vote on the resolution the subject of Item 4 (Remuneration Report), then by completing and returning the proxy form accompanying this notice of Meeting, you are expressly authorising him to exercise his discretion in exercising your undirected proxy even though that resolution is connected directly or indirectly with the remuneration of a member of the Company's key management personnel.

The Chairman of the Meeting intends to vote undirected proxies available to be voted by him in favour of each of the resolutions set out in the Notice of Meeting.

However, in exceptional circumstances, the Chairman of the Meeting may change his voting intention on any resolution, in which case an ASX announcement will be made.

If you appoint a member of the key management personnel of the Company other than the Chairman of the Meeting (which includes the Directors) or a closely related party of such a member as your proxy, you must direct him/her how to vote on the resolution the subject of Item 4 (Remuneration Report) – otherwise they are not permitted to vote undirected proxies on the resolution and your votes will not be counted in calculating the required majority if a poll is called.

Body corporate representatives

A Shareholder that is a body corporate may appoint an individual to act as its corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority (or a certified copy of the authority) under which it is signed.

IMPORTANT

Please refer to the Explanatory Memorandum accompanying this Notice of Meeting for:

- the reasons for, and information in relation to, each of the resolutions set out in this Notice of Meeting; and
- details regarding eligibility to vote and how to vote at the Annual General Meeting.

By order of the Board

P.J. Wood.

Peter J Wood, Company Secretary
23 October 2017

EXPLANATORY MEMORANDUM

1 Introduction

1.1 This Explanatory Memorandum

This Explanatory Memorandum provides background to, and information relevant to, your consideration of the resolutions proposed to be considered at the Company's Annual General Meeting on 29 November 2017 at 10.00am, including an important proposal relating to the sale of the Group's Bisley Business and an associated selective buy-back of Shares (**Proposed Bisley Transaction**).

This Explanatory Memorandum is to be read in conjunction with an independent expert's report prepared by Deloitte Corporate Finance Pty Limited ABN 19 003 833 127 AFSL 241457 regarding the Proposed Bisley Transaction (the **Independent Expert's Report**), which accompanies this Explanatory Memorandum.

You should read this Explanatory Memorandum in full, together with the Independent Expert's Report, before deciding how to vote on the resolutions to be considered at the Annual General Meeting.

1.2 Defined terms

Throughout this Explanatory Memorandum, certain capitalised words and phrases have defined meanings4. Their definitions can be found in in the glossary contained in Section 12 of this Explanatory Memorandum.

1.3 Further advice

This Explanatory Memorandum is not intended to provide personal financial or taxation advice and has been prepared without taking into account your personal circumstances, objectives or needs. You should consider obtaining independent professional advice (including financial and taxation advice) before making any decisions about the contents of this Explanatory Memorandum.

1.4 Opportunity to ask questions

Detailed below are explanatory notes relating to the items of business to be considered at the Annual General Meeting. Shareholders will have a reasonable opportunity to ask questions or make comments on each item of business at the Annual General Meeting.

2 Ordinary business

2.1 Item 1: Annual accounts and reports

In accordance with the Corporations Act, the Company will lay before the meeting the Company's annual financial report together with the reports of the Directors and Auditors for the year ended 30 June 2017.

Although neither the Company's Constitution nor the Corporations Act requires a vote of Shareholders on the reports, reasonable opportunity will be given to Shareholders to ask questions on the reports at the meeting. Additionally, a reasonable opportunity will be given to Shareholders to ask the Company's Auditors questions relevant to the conduct of the audit and the preparation and content of the Auditor's report.

2.2 Item 2: Retirement and re-election of Mr Michael Gazal

Mr Michael Gazal joined the Group in 1986 after gaining experience in merchant banking and stock broking. In November 1989, after the passing of Mr. J.S. Gazal A.M, his father and founding Chairman of the Group, he was appointed Chief Executive Officer and was responsible for the day-to-day management of the Group. On 15 November 2012, Mr Michael Gazal was appointed as Executive Chairman of the Group.

The Board (with Mr Michael Gazal abstaining) unanimously recommends the re-appointment of Mr Michael Gazal.

Mr Michael Gazal's reappointment requires an ordinary resolution to be approved.

2.3 Item 3: Retirement and re-election of Mr Craig Kimberley

Mr Craig Kimberley was formerly the founder of the Just Jeans retail chain and has had over 30 years' experience in the retail and apparel industries. He is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.

The Board (with Mr Craig Kimberley abstaining) unanimously recommends the re-appointment of Mr Craig Kimberley.

Mr Craig Kimberley's reappointment requires an ordinary resolution to be approved.

2.4 Item 4: Remuneration Report

The vote on this item is advisory and does not bind the Directors or the Company. However, under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Company's remuneration report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution that another meeting be held within 90 days, at which the Directors (other than the Managing Director) would be subject to re-election.

The Board will take the outcome of the vote into consideration when reviewing the remuneration policies and practices of the Company.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report.

3 Overview of the Proposed Bisley Transaction

3.1 Background to the Proposed Bisley Transaction

Over recent years the Group has been reviewing opportunities to leverage global relationships, assess the strategic fit of its existing businesses and consider other opportunities to grow Shareholder value.

This review has resulted in an expansion of the PVH Brands Australia joint venture with PVH Corp. and the disposal of businesses not aligned with the long-term strategy of the Group, including the sale of the Midford wholesale and retail schoolwear businesses (both of which completed in FY15) and the sale of the Trade Secret off-price retail business (which completed in FY16). The Group now proposes to undertake the Proposed Bisley Transaction, which (if implemented) will result in the sale of its Bisley Business.

Although the Bisley Business delivers a positive earnings and cash contribution to the Company there is a lack of strategic fit with the remainder of the Group. Its divestment will simplify the Group's operating model and allow the management team to focus on maximising the significant growth opportunities in its PVH Brands Australia joint venture with PVH Corp.

In the second half of 2014 and again in late 2015 the Company sought to identify and engage with potential buyers of the Bisley Business. Expressions of interest were received, however the potential buyers either did not proceed or were not prepared to transact on terms acceptable to the Company. The Board this year decided to again seek offers from potential buyers of the Bisley Business under a refreshed sale process. Subsequent to that decision, Mr David Gazal put forward a proposal to purchase the Bisley Business, subject to approval by Non-Associated Shareholders. Having considered the terms proposed by Mr David Gazal in conjunction with the Company's advisers, the Non-Associated Directors determined that the terms proposed were sufficiently attractive to recommend to shareholders for approval and that, having regard to the expressions of interest previously and there being no significant positive change in the performance of and outlook for the Bisley Business since the previous sale processes, it was unlikely that more favourable terms would be offered by other potential purchasers.

3.2 Components of the Proposed Bisley Transaction

The Proposed Bisley Transaction has two components:

- the sale of the Bisley Business to a company controlled by Mr David Gazal for a cash payment of $35 million, subject to certain adjustments (**Bisley Sale**); and

- the selective buy-back of a total of 9,803,364 Shares held by companies associated with Mr David Gazal for $2.50 per Share (or a total of $24,508,410) (**Share Buy-Back**).

The Bisley Sale will not proceed unless the Share Buy-Back proceeds (and vice-versa). If they do proceed, then Mr David Gazal will resign from all of his roles with the Group, including as a director of the Company and as an employee, with effect from Completion.

Subject to the satisfaction of the conditions precedent described in Section 7.1(b), Completion is expected to occur on 29 December 2017.

3.3 Summary of the Bisley Sale

Gazal Apparel, a wholly-owned subsidiary of the Company, currently owns the Group's Bisley Business. The Bisley Business is described in Section 5.

Under a Business Sale Agreement and a Share Subscription and Sale Agreement, Gazal Apparel has agreed to, in effect, sell the Bisley Business to DJG Corporation Pty Ltd ACN 621 254 706 (**DJG Corporation**) in consideration for a cash payment of $35 million, subject to certain adjustments. The material terms of these agreements are described in Section 7 and DJG Corporation is more fully described in Section 6.

If the Proposed Bisley Transaction Resolutions are approved, the Bisley Sale will result in an extraordinary profit on Completion, anticipated to be approximately $7 million in cash after allowing for transaction costs not already incurred and tax, and will increase the net assets of the Group upon Completion. The proceeds from the Bisley Sale will be used to reduce debt which will further strengthen the Group's balance sheet and provide improved flexibility to pursue alternative growth opportunities intended to maximise value for Shareholders.

DJG Corporation will fund its purchase under the Bisley Sale by a combination of the Share Buy-Back and Mr David Gazal and companies controlled by him and his spouse, Mrs Jaclyn Gazal, selling their respective Shares to unassociated third parties. The approximately $24.5 million payable by the Company under the Share Buy-Back will be set off against the $35 million payable by DJG Corporation under the Bisley Sale (subject to adjustments). See Sections 7.1(a) and 7.3 for further information.

Completion of the Proposed Bisley Transaction is subject to the approval of the Proposed Bisley Transaction Resolutions by the Non-Associated Shareholders at the Meeting, and certain other conditions precedent described in Section 7.

3.4 Summary of the Share Buy-Back

The Share Buy-Back consists of the buy-back by the Company, for $2.50 per Share, of:

(a) 8,883,364 Shares held by David Gazal Family Company Pty Limited ACN 104 693 576 (**DGFC**) in its capacity as trustee of the David Gazal Family Trust; and

(b) 920,000 Shares held by Gazjac Pty Limited ACN 106 280 648 (**Gazjac**).

As a result of the Share Buy-Back, the Company will acquire a total of 9,803,364 Shares, resulting in their immediate cancellation and a reduction in the number of Shares on issue from 58,354,847 to 48,551,483 (assuming no change in the number of Shares between the date of the Notice of Meeting and Completion).

The Company will pay a total of $24,508,410 under the Share Buy-Back, although this amount will be fully netted-off against the purchase price under the Bisley Sale, as described in Section 7. In effect, Mr David Gazal will partly pay for the purchase of the Bisley Business (via DJG Corporation) by selling back to the Company 9,803,364 Shares held by DGFC and Gazjac, being companies controlled by him and his spouse, Mrs Jaclyn Gazal, as described in Section 6.

3.5 Alternatives to the Proposed Bisley Transaction

The Group has previously sought to identify and engage with potential buyers of the Bisley Business. Expressions of interest were received, however the potential buyers either did not proceed or were not prepared to transact on terms acceptable to the Company. The Company has also considered retaining the Bisley Business, however, consistent with the strategic review referred to in Section 3.1, the Non-Associated Directors do not prefer this alternative.

If the Proposed Bisley Transaction Resolutions are not passed, the Directors intend that the Group will continue to own the Bisley Business and continue to operate it in the manner that it is currently being operated. The Group may revisit a possible sale of the Bisley Business in the future.

3.6 Approval of the Proposed Bisley Transaction

The **Bisley Sale Resolution** (Item 5(a)) is to approve the Bisley Sale. The **Share Buy-Back Resolution** (Item 5(b)) is to approve the Share Buy-Back.

Together, the Bisley Sale Resolution and Share Buy-Back Resolution are referred to in this document as the **Proposed Bisley Transaction Resolutions**.

The Non-Associated Directors consider the Proposed Bisley Transaction to be in the best interests of the Non-Associated Shareholders and recommend that they vote in favour of the Proposed Bisley Transaction Resolutions.

Each Non-Associated Director intends to vote (or procure the voting of) all Shares owned or controlled by them in favour of the Proposed Bisley Transaction Resolutions.

4 Benefits and disadvantages of the Proposed Bisley Transaction

4.1 Benefits of the Proposed Bisley Transaction

The Non-Associated Directors believe the Proposed Bisley Transaction is in the best interests of Non-Associated Shareholders and unanimously recommend that Non-Associated Shareholders vote in favour of the Proposed Bisley Transaction Resolutions.

The reasons for the Non-Associated Directors' recommendation is as follows:

(a) The Proposed Bisley Transaction is consistent with the Company's forward strategy

The sale of the Bisley Business will simplify the Group's operating model and allow the management team to focus on maximising the significant growth opportunities in its PVH Brands Australia joint venture with PVH Corp., particularly for brands *CALVIN KLEIN, TOMMY HILFIGER* and *Van Heusen.* The Non-Associated Directors consider the upside potential for the Bisley Business to be modest compared to the amount of attention that it requires from the Directors and management.

As identified in the Independent Expert's Report, there are a number of macroeconomic indicators which may have an impact on the growth and margins of participants in the workwear industry going forward. These are noted in the Independent Expert's Report to include the following:

- whilst industry demand from the construction sector has increased over the past five years, conditions in other downstream markets have been weaker. The manufacturing sector has struggled due to fierce competition from lower cost international suppliers, weak export volumes and declining productivity. These factors have reduced employment levels, particularly as manufacturing firms have moved operations offshore;

- whilst sales in relation to defence and corrections are less sensitive to broader economic trends, there is a positive correlation between the number of Australian defence personnel and the demand for uniforms. The number of defence personnel is expected to remain fairly constant over the short to medium term;

- competitive pressures have been moderate, however are expected to increase in the near future. The owners of brands such as Hard Yakka and King Gee are competing for tenders on price and putting pressure on industry margins. Some competitors are also offering private label products at lower prices;

- margin pressures have been experienced by players as a result of a decline in demand from the resources sector, exchange rate pressures and increased competition; and
- a following of OH&S standards by industry participants results in a constant demand for safety equipment, as all employees and contractors are required to follow the OH&S standards in terms of protective clothing and equipment. In addition, the development of new products within the safety equipment industry will help to maintain the future demand for safety products.

As a consequence of the trends described above, the workwear business to business wholesaling and retailing market is expected to grow at only a moderate rate in the short term, with those businesses leveraged to the resources sector. On a longer term basis, the Independent Expert expects businesses operating in the market to be impacted by high competition from an increasing number of private label garments offered by competitors, as well as the potential vertical integration of other market participants.

(b) The Bisley Sale represents an attractive and fair valuation for the Bisley Business

The Group has previously undertaken a sale process to identify and engage with potential buyers of the Bisley Business. Although expressions of interest were received, the potential buyers either did not proceed or were not prepared to transact on terms acceptable to the Company. The Non-Associated Directors believe that proceeds from Bisley Sale is an attractive and fair valuation that reflects the strategic value and the long-term growth prospects of the Bisley Business within the Group.

(c) The Proposed Bisley Transaction will improve the Company's financial flexibility to pursue other growth opportunities

Net cash proceeds received by the Company as result of the Bisley Sale will be used to repay debt. This will further strengthen the Group's balance sheet and provide improved flexibility to pursue alternative growth opportunities intended to maximise value for Shareholders.

(d) The Proposed Bisley Transaction will result in the realisation of an extraordinary profit

The Bisley Sale will result in an extraordinary profit on Completion of approximately $7 million (after allowing for transaction costs not already incurred and tax) and will increase the net assets of the Group.

(e) It is unlikely that a superior proposal will emerge

As at the date of this Explanatory Memorandum, the Group has not received any superior proposals in relation to the Bisley Business. Having regard to the outcomes of the comprehensive sale process previously undertaken with respect to the Bisley Business, the recent trading performance of the Bisley Business, prevailing retail market conditions and the outlook for the Bisley Business within the Group, the Non-Associated Directors consider it unlikely that any superior proposal will be forthcoming.

(f) The Independent Expert has concluded that the Proposed Bisley Transaction is fair and reasonable to Non-Associated Shareholders

The Independent Expert's conclusion is based on its analysis of the fair market value of Shares before and after the Proposed Bisley Transaction. We encourage Non-Associated Shareholders to read the Independent Expert's Report.

4.2 Disadvantages of the Proposed Bisley Transaction

For the reasons given in Section 4.1, the Non-Associated Directors unanimously recommend that Non-Associated Shareholders vote in favour of the Proposed Bisley Transaction Resolutions.

However, there are certain consequences that you should be aware of if the Proposed Bisley Transaction proceeds, including the consequences set out below. Certain Shareholders may take the view that these consequences outweigh the advantages of the Proposed Bisley Transaction. Unless both of the Proposed Bisley Transaction Resolutions are approved, the Proposed Bisley Transaction will not occur.

(a) Loss of opportunity to participate in earnings and potential growth of the Bisley Business

If the Proposed Bisley Transaction is approved, Shareholders will no longer have exposure to the earnings and growth potential of the Bisley Business. However, this should be evaluated in the context of the other growth opportunities which the Group will be better positioned to pursue following the sale of the Bisley Business, particularly the expansion of the PVH Brands Australia joint venture. Whilst not without risk, the Non-Associated Directors expect these other growth opportunities will be value accretive over time.

(b) Reduced retail market diversification

The Bisley Business is a supplier of corporate uniforms and workwear and has different end-markets, risks and growth opportunities compared to the remainder of the Group which focuses on lifestyle and intimate apparel brands and related accessories. Disposal of the Bisley Business will reduce the diversification of the Group. The performance of the Bisley Business has, however, been more volatile than the remainder of the Group in recent years.

(c) Price of the Share Buy-Back

The price under the Share Buy-Back is $2.50 per Share. This is a premium to the closing price of Shares on the ASX on 20 October 2017 (the last practicable date before the date of this document), which was $2.30 and the volume-weighted average price of Shares over the 30 trading days before that date, which was $2.3407.

The Non-Associated Directors consider $2.50 per Share to be a fair price if the Share Buy-Back proceeds, having regard to:

- the expected financial position and prospects of the Company following Completion;
- the Independent Expert's Report;
- the willingness of other purchasers (including PVH Corp.) to purchase Shares at $2.50 per Share on Completion, under the transactions described in Section 8.2; and
- the light trading volumes of Shares on the ASX. Between 1 January 2017 and 20 October 2017, the last practicable date before the date of this document, there has been a total of 430,114 Shares traded on-market (less than 1% of the total Shares on issue), over 122 trades.

(d) Effect on franking credits

The Company will utilise approximately $5.9 million in franking credits through the Share Buy-Back, leaving approximately $1.7 million in franking credits remaining. The Non-Associated Directors believe that the Group's ability to fully frank future dividends paid in the ordinary course will not be affected by the release of franking credits under the Share Buy-Back.

Refer to Section 8.1 for further information.

(e) Provision of transitional services

Following Completion, the Group will provide certain transitional services to the Bisley Business to facilitate a smooth transition to the new owner, DJG Corporation. The services will be equivalent in nature and extent to those typically used by the Bisley Business before Completion. For the initial six-month period after Completion, the Group will charge DJG Corporation a fixed fee of $1 million for these services. The fixed fee may not cover the costs incurred by the Group in providing these services. The Non-Associated Directors believe that any disadvantage associated with unrecovered costs is outweighed by the overall benefits to be realised by the Group as a result of the Proposed Bisley Transaction.

(f) **Transaction costs**

Transaction costs associated with the Proposed Bisley Transaction are expected to be approximately $0.6 million. These costs include financial advisory fees, legal fees, accounting fees and the Independent Expert's fees.

5 Information about the Bisley Business

5.1 Nature of Bisley Business

The Bisley Business was established by the Company in 1991 and produces a broad range of workwear and corporate uniforms for both men and women. Key product categories include workwear, safetywear, protectivewear, X Airflow, Flex & Move, industrial and womens, and the majority of products are manufactured overseas. All products are sold through the Company's diverse wholesale relationships. The Bisley Business has no physical stores however it does have distribution facilities in Sydney, Perth, Darwin and New Zealand. Sales are primarily made to customers operating in Australia and New Zealand with some other minor sales overseas. The Bisley Business also has distribution rights for the Bisley brand with registered marks in Australasia and some overseas destinations where it has sales. The end-customers of the Bisley Business primarily operate in the mining and construction industries.

5.2 Financial information about the Bisley Business

The financial contribution of the Bisley Business to the Group for FY17 is summarised below.

FY17[1] ($m)	Group statutory accounts	Bisley Business	Percentage Share
Total assets	159.4	33.6	21.1%
Total equity	107.1	26.8	25.0%
Total revenue	170.0[4]	62.1	36.5%
EBITDA[2]	21.3[4]	5.8	27.2%
PBT[3]	15.0[4]	2.7[5]	18.0%

1 Based on continuing operations.

2 EBITDA is earnings before net interest, tax, depreciation and amortisation.

3 PBT is operating profit before tax.

4 Includes 50% contribution (look-through basis) from the PVH Brands Australia joint venture. Due to the significance of the PVH Brands joint venture to the operating results of the Group, the Directors believe it is useful to present non-IFRS financial information.

5 After deducting intra-Group interest paid by the Bisley Business.

Further information about the Bisley Business is contained in the Independent Expert's Report that accompanies this Explanatory Memorandum.

6 Information about Mr David Gazal and associated companies

Mr David Gazal and certain companies controlled by him and his spouse, Mrs Jaclyn Gazal, have each agreed to sell all of their respective Shares as set out below for $2.50 per Share.

Shareholder	Shares	Percentage Share
DGFC in its capacity as trustee of the David Gazal Family Trust	12,668,141	21.71%
Gazjac	920,000	1.58%
Mr David Gazal	416,665	0.71%
Total	**14,004,806**	**24.00%**

These Shares will be sold to a combination of:

(a) unrelated third parties (including PVH Corp. as described in Section 8.2); and

(b) the Company under the Share Buy-Back, specifically:

(i) 8,883,364 Shares to be sold by DGFC in its capacity as trustee of the David Gazal Family Trust; and

(ii) 920,000 Shares to be sold by Gazjac.

Mr David Gazal and Mrs Jaclyn Gazal, jointly own all of the shares in DGFC and together are the only directors of DFGC. DGFC (in its capacity as trustee of the David Gazal Family Trust) holds all of the shares in Gazjac. Accordingly, in effect, the Shares held by Gazjac are held for the benefit of the David Gazal Family Trust. Mrs Jaclyn Gazal is the sole director of Gazjac.

The proceeds of the sale of Shares described above will be used to fund the acquisition by DJG Corporation of the Bisley Business. DGFC (in its capacity as trustee of the David Gazal Family Trust) holds all of the shares in DJG Corporation. Accordingly, in effect, the Bisley Business is being acquired for the benefit of the David Gazal Family Trust indirectly through DJG Corporation. Mr David Gazal is the sole director of DJG Corporation.

The David Gazal Family Trust is a discretionary family trust. The beneficiaries of the David Gazal Family Trust include Mr David Gazal, Mrs Jaclyn Gazal and other family members.

7 Key Terms of the Proposed Bisley Transaction

7.1 Share Subscription and Sale Agreement

Gazal Apparel, Bisley Sales, DJG Corporation and Mr David Gazal have entered into the Share Subscription and Sale Agreement under which Gazal Apparel has agreed to sell all of the issued shares in Bisley Sales to DJG Corporation for $35 million (subject to certain adjustments), with Mr David Gazal guaranteeing DJG Corporation's obligations under the Share Subscription and Sale Agreement.

(a) Summary of key terms of Share Subscription and Sale Agreement

Gazal Apparel currently holds the only share in Bisley Sales, and will continue to be the sole Shareholder until Completion.

Under the Share Subscription and Sale Agreement, Gazal Apparel has agreed to subscribe for 24.7 million shares in Bisley Sales equivalent in value to the $24.7 million of debt arising under the Business Sale Agreement at Completion (see Section 7.2). The obligation of Bisley Sales to repay that debt will be satisfied by setting it off against Bisley Sales' payment obligation in connection with this subscription.

Immediately following that subscription, Gazal Apparel will sell all of the shares in Bisley Sales (including the newly-issued shares) to DJG Corporation for $35 million. The obligation of DJG Corporation to pay that amount will be reduced by setting it off against the $24,508,410 otherwise payable by the Company to DGFC and Gazjac under the Share Buy-Back Agreement.

The Share Subscription and Sale Agreement also requires Mr David Gazal to resign from all of his roles with the Group, including as a director of the Company and as an employee, with effect from Completion.

Gazal Apparel is required to conduct the Bisley Business in the ordinary course and in accordance with its usual business practices until Completion. It is also subject to certain specific restrictions, including in relation to incurring material capital commitments, material contracts, disposing of material assets, and other restrictions that may be considered customary for a transaction of this nature.

The Share Subscription and Sale Agreement also includes various mechanical provisions to give effect to the subscription and sale of shares in Bisley Sales, as well as limited warranties given by Gazal Apparel to DJG Corporation regarding the shares in Bisley Sales being sold, and customary title, authority and solvency warranties.

The Share Subscription and Sale Agreement may be terminated by any party if:

(i) another party fails to fulfil its obligations at Completion and does not remedy that failure on a second attempt at Completion to occur between two and five business days later;

(ii) the conditions described below are not satisfied (or the parties agree they cannot be satisfied) by 31 March 2018;

(iii) the Business Sale Agreement or the Share Buy-Back Agreement is terminated; or

(iv) the other party is in material breach of its obligations under the Share Subscription and Sale Agreement, including the parties' obligation to use reasonable endeavours to procure that the conditions to Completion described below are satisfied by 31 March 2018 and the obligations of Gazal Apparel in relation to conduct of the Bisley Business prior to Completion.

(b) Conditions to Completion

The Share Subscription and Sale Agreement provides that Completion is conditional upon:

(i) the Non-Associated Directors recommending in this document that Shareholders vote in favour of the Proposed Bisley Transaction Resolutions and stating that they intend to vote the Shares that they own or control in favour of the Proposed Bisley Transaction Resolutions (and the Non-Associated Directors not withdrawing or adversely modifying their recommendation or statement of intention);

(ii) the Shareholders passing the Proposed Bisley Transaction Resolutions;

(iii) the Company (as the member of Gazal Apparel) approving the transactions under the Share Subscription and Sale Agreement under section 200E of the Corporations Act. Provided that the Company does not receive a superior proposal before Completion, the Company intends to give that approval;

(iv) a member of the Group receiving $10,503,605 in relation to the sale of Shares by Mr David Gazal or persons associated with him at $2.50 per Share. Such people have entered into agreements with unrelated third parties (including PVH Corp., as described in Section 8.2 below) on terms that, once performed, would satisfy this condition.

Subject to the satisfaction or waiver of these conditions, Completion is expected to take place on 29 December 2017. If any conditions have not been satisfied or waived by 31 March 2018, then either Gazal Apparel or DJG Corporation may terminate the Share Subscription and Sale Agreement.

(c) Exclusivity and break fee

The Share Subscription and Sale Agreement prohibits any member of the Group from engaging in certain activities in relation to competing proposals to directly or indirectly acquire all or substantially all of the assets of the Bisley Business (**Competing Transactions**). In summary, no member of the Group may directly or indirectly:

(i) solicit or encourage any proposal for a Competing Transaction;

(ii) participate in or facilitate any discussions regarding a Competing Transaction; or

(iii) permit any person to undertake due diligence investigations into non-public information about the Bisley Business.

However, the restrictions in paragraphs (ii) and (iii) do not apply to the extent that they would restrict the Company or Gazal Apparel, or their respective directors, from taking any action with respect to an unsolicited bona fide offer or proposal for a Competing Transaction which the Non-Affiliated Directors reasonably consider to be superior to the Proposed Bisley Transaction.

In addition, if any member of the Group is approached in relation to a Competing Transaction, Gazal Apparel must ensure that DJG Corporation is given full details of the Competing Transaction and any discussions held in respect of it.

The restrictions and notification obligations described above apply until the earlier of 31 March 2018 and the termination of the Share Subscription and Sale Agreement.

A break fee of $350,000 is payable by Gazal Apparel to DJG Corporation if, before the Meeting, a third party communicates an alternative proposal to the Proposed Bisley Transaction and the Proposed Bisley Transaction Resolutions are not passed at the Meeting or the Company cancels the Meeting. However, for the break fee to be payable, the Non-Associated Directors must have considered the alternative proposal to be superior to the Proposed Bisley Transaction, and either the Non-Associated Directors ceased to recommend the Proposed Bisley Transaction or the Independent Expert determined that it is not fair and reasonable to Non-Associated Shareholders.

7.2 Business Sale Agreement

The Company and Bisley Sales have entered into a Business Sale Agreement under which Gazal Apparel has agreed to sell the Bisley Business and Bisley Sales, has agreed to buy the Bisley Business. Completion under the Business Sale Agreement will occur at the same time as, and is conditional upon, Completion under the Share Subscription and Sale Agreement and the Share Buy-Back Agreement.

(a) Summary of key terms of the Business Sale Agreement

At Completion, Gazal will be required to transfer to Bisley Sales all of the constituent parts of the Bisley Business (other than Chinese and New Zealand assets which may be included at the election of DJG Corporation as per below), such as its intellectual property, fixed assets, inventory, goodwill, trade receivables, and rights under contracts relevant to the Bisley Business, and must assist in the transfer of the employment of certain employees in the Bisley Business to Bisley Sales.

In consideration for the sale of the Bisley Business, Bisley Sales must pay $24.7 million (**Net Assets Target**) to Gazal Apparel. This payment will be effected using a set-off mechanism in connection with Gazal Apparel's subscription for further shares in Bisley Sales under the Share Subscription and Sale Deed (which is further described in Section 7.1(a)). The Net Assets Target represents an estimate of the net assets of the Bisley Business at Completion, excluding goodwill.

Following Completion (i.e. once Bisley Sales is owned by DJG Corporation), Gazal Apparel and Bisley Sales will assess the actual value of the net assets of the Bisley Business as at Completion. If the actual value of the net assets of the Bisley Business at Completion exceeds the Net Assets Target, Bisley Sales must pay to Gazal Apparel an amount equal to the excess. If the actual value of the net assets of the Bisley Business at Completion is less than the Net Assets Target, Gazal Apparel must pay to Bisley Sales an amount equal to the shortfall.

There are limited assets used in connection with the Bisley Business that are held within Group companies incorporated in China and New Zealand. If Bisley Sales (acting at the direction of DJG Corporation) so elects, it may purchase the shares in either or both of those companies from Gazal Apparel for a cash amount equal to the value of the share capital of the company (or companies) purchased. The Company estimates that these amounts will be approximately the Australian dollar equivalent at Completion of RMB 1 million (for the Chinese company) and NZ$100 (for the New Zealand company) (approximately A$190,000 and A$90 respectively) and that these amounts will closely reflect the value of the net assets remaining in those companies at Completion. The Share Subscription and Sale Agreement requires DJG Corporation to provide the funding to Bisley Sales to make that payment.

Under the Business Sale Agreement, Gazal Apparel has given certain non-compete undertakings to Bisley Sales that Gazal Apparel will not (and that it will procure that the Company and its subsidiaries do not) take certain actions in competition with Bisley Sales in relation to workwear and safetywear (including in relation to its suppliers, licensors, customers and employees). The non-compete undertaking applies to actions taken in Australia and New Zealand for two years following Completion. Any activities of the PVH Brands Australia joint venture and activities related to business attire or casual attire are specifically excluded from the non-compete undertakings.

The Business Sale Agreement also includes various mechanical provisions to give effect to the sale of the Bisley Business, as well as limited warranties given by Gazal Apparel to Bisley Sales regarding the Bisley Business being sold, and customary title, authority and solvency warranties.

(b) Transitional services

Following Completion, Bisley Sales will engage Gazal Apparel to provide certain transitional services (including making available part of the Group's Banksmeadow office and warehouse space). The services will be equivalent in nature and extent to those typically used by the Bisley Business before the entry into the Business Sale Agreement.

For the initial six month period after Completion, the Group will charge DJG Corporation a fixed fee of $1 million for the transitional services. The fixed fee is not expected to fully cover the costs incurred by the Group in providing these services. The Non-Associated Directors believe that any disadvantage associated with unrecovered costs is outweighed by the overall benefits to be realised by the Group as a result of the Proposed Bisley Transaction. In the event that the provision of transitional services continues beyond the initial six month period, the fee charged to DJG Corporation will change to a variable structure and the Group expects at a minimum to break-even on the provision of these services.

7.3 Share Buy-Back Agreement

The Company, Gazal Apparel, DGFC (in its capacity as trustee of the David Gazal Family Trust), Gazjac and Mr David Gazal have entered into a Share Buy-Back Agreement under which, subject to satisfaction of certain conditions, including completion of the sale of Shares by DGFC and Mr David Gazal described in Section 8.2, the Company will agree to buy back 8,883,364 Shares held by DGFC (in its capacity as trustee of the David Gazal Family Trust) and 920,000 Shares held by Gazjac, for $2.50 per Share (or $24,508,410 in total). The Company will exercise its right to pay this sum directly to Gazal Apparel in partial satisfaction of DJG Corporation's obligation to pay the purchase price for the shares in Bisley Sales under the Share Subscription and Sale Agreement. (This is discussed further in Section 7.1(a).)

Completion under the Business Sale Agreement will occur at the same time as, and is conditional upon, Completion under the Share Subscription and Sale Agreement and the Share Buy-Back Agreement. The Share Buy-Back Agreement may be terminated by the Company, DGFC or Gazjac if any of those conditions are not satisfied (or the parties agree they cannot be satisfied) by 31 March 2018.

The Share Buy-Back Agreement also includes various mechanical provisions to give effect to the Share Buy-Back, and customary warranties as to information symmetry, title, authority and solvency.

8 Additional information about the Share Buy-Back

8.1 Effect on the Company's financial position

As noted in Section 7.3, the Company intends to exercise its right to pay the $24,508,410 total consideration for the Share Buy-Back directly to Gazal Apparel. As a result, the consolidated cash position of the Group will not be affected by the Share Buy-Back.

The Share Buy-Back price of $2.50 will comprise a capital return of $1.09 per share and a dividend of $1.41 per share that will be fully franked. As a result, the Company will utilise approximately $5.9 million in franking credits through the Share Buy-Back, leaving approximately $1.7 million remaining.

For further information about the financial effect of the Share Buy-Back, please refer to the Independent Expert's Report accompanying this Explanatory Memorandum.

8.2 Effect on Shareholdings

As noted in Section 3.4, the Share Buy-Back consists of the Company buying back a total of 9,803,364 Shares, resulting in their immediate cancellation and a reduction in the number of Shares on issue from 58,354,847 to 48,551,483, or a buy-back of approximately 16.80% of the total number of Shares on issue, assuming no change in the number of Shares between the date of the Notice of Meeting and Completion.

The position of substantial shareholders before and after the Share Buy-Back is summarised in the table below. The figures are based on the assumption that there is no change in the number of Shares between the date of the Notice of Meeting and Completion.

The figures below also reflect:

(a) the sale of a total of 3,851,442 Shares held by DGFC as trustee for the David Gazal Family Trust and Mr David Gazal to PVH Corp.; and

(b) the sale of 350,000 Shares by Mr David Gazal to Aitken Murray Capital Partners Pty Ltd (an unassociated stockbroker which does not currently hold any Shares) or its nominee,

both of which will occur at the same time as, and are conditional upon, Completion.

Holder	**Holdings before Share Buy-Back**		**Holdings after Share Buy-Back**	
	Shares	**Percentage**	**Shares**	**Percentage**
Companies associated with Mr Michael Gazal	17,418,280	29.85%	17,418,280	35.88%
Mr David Gazal and companies associated with him (including DGFC and Gazjac)	14,004,806	24.00%	Nil	Nil
PVH Corp.[1]	5,815,920	9.97%	9,667,362	19.91%[2]
Investors Mutual Limited[1]	3,703,813	6.35%	3,703,813	7.63%
Harvey Norman Holdings Limited and Yoogaloo Pty Limited[1]	4,165,656	7.14%	4,165,656	8.58%
Other holders	13,246,372	22.70%	13,596,372	28.00%
Total	**58,354,847**	**100%**	**48,551,483**	**100%**

1 Figures are based on most recent respective substantial holder notices filed and includes holdings through custodians.

2 Of the 9.94% increase in PVH Corp.'s percentage holding (rounded to two decimal places), 6.60% relates to the 3,851,442 Shares purchased by PVH Corp. from DGFC and Mr David Gazal as described above, and 3.34% relates to the increase in its percentage holding due to the smaller number of Shares following the Share Buy-Back.

As reflected in the table above, the percentage holding of companies associated with Mr Michael Gazal will increase from 29.85% to 35.88%, an increase of 6.03%. Section 606 of the Corporations Act in effect prohibits a transaction in relation to shares if, because of the transaction, a person's voting power increases from a starting point that is above 20%, unless an exception applies. Section 611, item 19, specifies as one of the exceptions an acquisition that results from a buy-back authorised by section 257A. Since the Share Buy-Back, if approved by Shareholders under section 257D (see section 9.4) will be authorised by section 257A, the exception in section 611, item 19, will apply.

9 Why the Proposed Bisley Transaction Resolutions are required

9.1 Approval under Listing Rule 10.1

(a) Introduction

Listing Rule 10.1 requires that a listed company must ensure that neither it nor any of its subsidiaries disposes of a substantial asset to any of the following without the approval of holders of the company's ordinary shares:

(i) a related party of the listed company;

(ii) a substantial holder in the listed company, if the substantial holder and its associates have a relevant interest, or had a relevant interest in the six months before the transaction, in at least 10% of the total votes attached to the voting shares in the listed company; or

(iii) an associate of a person in (i) or (ii) above.

As DJG Corporation, DGFC and Gazjac are all controlled by Mr David Gazal (who is a director of the Company) and his spouse Mrs Jaclyn Gazal as described in Section 6, DJG Corporation is a related party of the Company for the purposes paragraph (i) above. In addition, as DJG Corporation, DGFC and Gazjac are associates of Mr David Gazal (who is a substantial holder with a relevant interest in more than 10% of Shares), the Bisley Sale and Share Buy-Back will both fall within paragraph (iii) above. Listing Rule 10.2 provides that an asset is a substantial asset if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company disposing of it as set out in the latest accounts given to ASX under the Listing Rules. The Company's audited accounts lodged with the ASX on 28 September 2017 show the equity interests of the Company as being approximately $107.1 million (as at 30 June 2017), meaning that the 5% threshold is approximately $5.4 million.

The $35 million purchase price for the shares in Bisley Sales under the Share Subscription and Sale Agreement, and the approximately $24.5 million aggregate purchase price under the Share Buy-Back, both exceed this threshold. Consequently, the shares in Bisley Sales and the cash payable under the Share Buy-Back will each be considered to be a substantial asset for the purposes of Listing Rule 10.1.

The Proposed Bisley Transaction Resolutions are therefore being put to Non-Associated Shareholders so that, if it is passed, the Company will satisfy Listing Rule 10.1 and the Proposed Bisley Transaction may be completed.

As noted in the Notice of Meeting, the Company will disregard any votes cast on the Proposed Bisley Transaction Resolutions by:

(a) in the case of the Bisley Sale Resolution (Item 5(a)) – DJG Corporation, Mr David Gazal, Mrs Jaclyn Gazal, or any associate of any of them (including DGFC and Gazjac); and

(b) in the case of the Share Buy-Back Resolution (Item 5(b)) – DGFC, Gazjac, Mr David Gazal, Mrs Jaclyn Gazal, or any associate of any of them (including DJG Corporation).

9.2 Approval under section 208 of Corporations Act

Subject to certain exceptions, section 208 of the Corporations Act requires that the Company obtain the approval of Shareholders for the Company or an entity it controls (such as Gazal Apparel) to give a financial benefit to a related party of the Company. For this purpose, Mr David Gazal is considered to be a related party of the Company because he is a director, and DJG Corporation, DGFC and Gazjac are considered related parties of the Company because they are controlled by Mr David Gazal and his spouse Mrs Jaclyn Gazal. 'Financial benefit' has a wide meaning and includes a sale of shares in Bisley Sales to DJG Corporation and the buy-back of Shares held by DGFC (in its capacity as trustee for the David Gazal Family Trust) and Gazjac. As a result, the Bisley Sale and Share Buy-Back fall within section 208.

The Corporations Act provides an exception from the need to obtain Shareholder approval under section 208 where the financial benefit is given on terms that would be reasonable in the circumstances if the Company and the related party were dealing at arm's length. The Non-Associated Directors consider that this exception applies in relation to the Bisley Sale and the Share Buy-Back, having regard to, principally:

(a) the steps previously taken by the Company to identify potential buyers for the Bisley Business, as noted in Section 3.5;

(b) the valuation of the Bisley Business noted in Section 4.1(b);

(c) the opinion in the Independent Expert's Report that the Proposed Bisley Transaction is fair and reasonable to Non-Associated Shareholders; and

(d) the Share Buy-Back price being at the same price per Share that other purchasers (including PVH Corp.) have agreed to pay, as noted in Section 4.2(c).

However, for the avoidance of doubt and given the need for the Proposed Bisley Transaction Resolutions to be sought for other reasons, the Proposed Bisley Transaction Resolutions include Shareholder approvals for the purposes of section 208 of the Corporations Act. This Explanatory Memorandum and the accompanying Independent Expert's Report contain the information required by Chapter 2E of the Corporations Act to be provided to Shareholders being asked to approve the giving of a financial benefit that would otherwise be prohibited under section 208.

9.3 Approval under section 200E of Corporations Act

Section 200B of the Corporations Act prohibits a person from giving a benefit to a person in connection with the retirement by a person from an office or position of employment with a company or a related body corporate if the office or position is a managerial or executive office. In addition, section 200C of the Corporations Act prohibits a person from giving a benefit to an associate of a person who holds or has previously held a managerial or executive office in a company or related body corporate in connection with the transfer of the whole or any part of the undertaking of the company. 'Benefit' is widely defined and includes any kind of real or personal property, such as shares or cash.

The Bisley Sale may fall within sections 200B and 200C because DJG Corporation, an associate of Mr David Gazal (an executive director of the Company), would be receiving a benefit (the shares in Bisley Sales) in connection with the transfer of part of the undertaking of Gazal Apparel, and the Share Subscription and Sale Agreement requires Mr David Gazal to resign from all offices in the Group upon Completion. Given that Completion of the Share Buy-Back is conditional on Completion of the Bisley Sale, and associates of Mr David Gazal (DGFC and Gazjac) are entitled to be paid cash under the Share Buy-Back, it is arguable that the Share Buy-Back also falls within sections 200B and 200C.

The prohibitions in section 200B and 200C do not apply if shareholders of the Australian-listed parent company (i.e. the Company) approve the giving of the benefit, and certain other requirements are satisfied in accordance with section 200E.

This Explanatory Memorandum and the accompanying Independent Expert's Report contains the information required by section 200E to be provided to Shareholders being asked to approve a benefit that would otherwise be prohibited under sections 200B and 200C.

9.4 Approval under section 257D of Corporations Act

Given that the Share Buy-Back only applies to Shares held by DGFC (in its capacity as trustee of the David Gazal Family Trust) and Gazjac (i.e. it is a 'selective buy-back'), the Share Buy-Back must be approved by a special resolution of Non-Associated Shareholders under section 257D of the Corporations Act before it can be implemented.

This Explanatory Memorandum and the accompanying Independent Expert's Report contains the information required by section 257D to be provided to Shareholders being asked to approve a selective buy-back.

10 Independent Expert's Report

The Company has engaged Deloitte Corporate Finance Pty Limited ABN 19 003 833 127 AFSL 241457 (the **Independent Expert**) to prepare an Independent Expert's Report about the Proposed

Bisley Transaction, including an opinion from the Independent Expert as to whether the Proposed Bisley Transaction is fair and reasonable to Non-Associated Shareholders.

The report (**Independent Expert's Report**) is dated 23 October 2017 and accompanies this Explanatory Memorandum. Shareholders are encouraged to read the full text of the Independent Expert's Report.

The Independent Expert has formed the view that, having regard to the relevant ASIC regulatory guides, the Proposed Bisley Transaction is **fair and reasonable to Non-Associated Shareholders**.

The Independent Expert has given, and not before the date of this document withdrawn, its consent to the inclusion of the Independent Expert's Report in this document and to the references to the Independent Expert's Report in this document being made in the form and context in which each such reference is included.

In accordance with ASX Listing Rule 10.10A.3, a copy of the Independent Expert's Report is also available on the Company's website at www.gazal.com.au, and if a Shareholder so requests, the Company will send an additional hard copy of the Independent Expert's Report free of charge to that Shareholder.

11 Role of the Directors and their recommendations as to the Proposed Bisley Transaction Resolutions

References in this Explanatory Memorandum to the Non-Associated Directors are to the Directors other than Mr David Gazal. None of the Non-Associated Directors have an interest in the outcome of the Proposed Bisley Transaction Resolutions.

The Non-Associated Directors unanimously recommend that Non-Associated Shareholders vote in favour of the Proposed Bisley Transaction Resolutions, for the reasons described in Section 4.1.

In addition, each Non-Associated Director intends to vote (or procure the voting of) all Shares owned or controlled by them in favour of the Proposed Bisley Transaction Resolutions.

Mr David Gazal does not give a recommendation as to how Non-Associated Shareholders should vote on the Proposed Bisley Transaction Resolutions, given his material personal interest in the outcome of the Proposed Bisley Transaction Resolutions as controller of the purchaser under the Bisley Sale and the sellers of Shares under the Share Buy-Back, and as personal guarantor under the Share Subscription and Sale Agreement. For the same reason, Mr David Gazal did not take part in the Directors' evaluation of the Proposed Bisley Transaction, nor vote on the associated Directors' resolutions to approve it.

12 Glossary

Term	Meaning
Annual General Meeting or Meeting	The 2017 annual general meeting of Shareholders, scheduled to be held at 10.00am on 29 November 2017.
ASIC	The Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.
Auditors	Ernst & Young.
Bisley Business	The business described in Section 5.
Bisley Sale	The sale of the Bisley Business as described in Sections 3.3, 7.1 and 7.2.
Bisley Sales	Bisley Sales Pty. Limited ACN 608 776 816.
Bisley Sale Resolution	The resolution described in Item 5(a) of the Notice of Meeting, relating to the approval of the Bisley Sale by Non-Associated Shareholders.

Term	Meaning
Board	The Board of Directors of the Company.
Business Sale Agreement	The Business Sale Agreement described in Section 7.1.
Company	Gazal Corporation Limited ACN 004 623 474.
Completion	Completion of the Bisley Sale and the Share Buy-Back.
Constitution	The Constitution of the Company.
Corporations Act	*Corporations Act 2001* (Cth).
Corporations Regulations	*Corporations Regulations 2001* (Cth).
DGFC	David Gazal Family Company Pty Limited ACN 104 693 576.
DJG Corporation	DJG Corporation Pty Ltd ACN 621 254 706. DJG Corporation was formerly known as "DG Holdco Pty Ltd" but changed its name to "DJG Corporation Pty Ltd" with effect on and from 10 October 2017.
Directors	The directors of the Company.
Gazal Apparel	Gazal Apparel Pty Limited ACN 000 058 533, a wholly-owned subsidiary of the Company.
Gazjac	Gazjac Pty Limited ACN 106 280 648.
Group	The Company and its subsidiaries.
FY15	The financial year ended 30 June 2015.
FY16	The financial year ended 30 June 2016.
FY17	The financial year ended 30 June 2017.
IFRS	International Financial Reporting Standards.
Independent Expert	Deloitte Corporate Finance Pty Limited ABN 19 003 833 127 AFSL 241457.
Independent Expert's Report	The report by the Independent Expert, which accompanies this document.
KMP	The Company's key management personnel.
Listing Rules	The official listing rules of the ASX.
Non-Associated Directors	Directors other than Mr David Gazal. None of the Non-Associated Directors have an interest in the outcome of the Proposed Bisley Transaction Resolutions.
Non-Associated Shareholders	All Shareholders other than DJG Corporation, Mr David Gazal, or any associate of either of them, including DGFC and Gazjac.
Notice of Meeting	The notice of annual general meeting dated 23 October 2017, which accompanies this explanatory memorandum.
Proposed Bisley Transaction	The transaction summarised in Section 3.2 and described in the Explanatory Memorandum generally.
Proposed Bisley Transaction Resolutions	The Bisley Sale Resolution and the Share Buy-Back Resolution.
PVH Corp.	PVH Corp. and its subsidiaries, including PVH Services (UK) Limited. PVH Corp. is the Group's partner in the PVH Brands Australia joint venture.
Section	A section of the Explanatory Memorandum.
Share	A fully paid ordinary share in the Company.
Share Buy-Back	The buy-back by the Company of a total of 9,803,364 Shares held by companies controlled by Mr David Gazal for $2.50 per Share, as described in Sections 3.4 and 7.3.

Term	Meaning
Share Buy-Back Agreement	The Share Buy-Back Agreement described in Section 7.3.
Share Buy-Back Resolution	The resolution described in Item 5(b) of the Notice of Meeting, relating to the approval of the Share Buy-Back by Non-Associated Shareholders.
Shareholder	A registered holder of Shares.
Share Subscription and Sale Agreement	The Share Subscription and Sale Agreement described in Section 7.1.

INDEPENDENT EXPERT'S REPORT

See overleaf

Deloitte.

Gazal Corporation Limited

Independent expert's report and Financial Services Guide

23 October 2017

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (**FSG**) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

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The Complaints Officer	Financial Ombudsman Service
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	info@fos.org.au
complaints@deloitte.com.au	www.fos.org.au
Fax: +61 2 9255 8434	Tel: 1800 367 287
	Fax: +61 3 9613 6399

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Deloitte Corporate Finance Pty Limited
A.B.N. 19 003 833 127
AFSL 241457
Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0)2 9254 1198
www.deloitte.com.au

The Independent Directors
Gazal Corporation Limited
3-7 McPherson Street
Banksmeadow NSW 2019

23 October 2017

Dear Independent Directors

Re: Independent expert's report

Introduction

On 25 August 2017, Gazal Apparel Pty Limited (**Gazal Apparel**), a wholly owned subsidiary of Gazal Corporation Limited (**Gazal** or **the Company**), entered into an agreement with entities related to Mr David Gazal (**Mr David Gazal**) in relation to:

- the sale of the Bisley Workwear business (**Bisley**) of Gazal Apparel to Mr David Gazal for consideration of $35 million[1] (**Bisley Sale**)
- a selective buy-back of 9.8 million shares held by Mr David Gazal at a price of $2.50 per share (**Share Buy-Back**).

Collectively, the Bisley Sale and the Share Buy-Back are referred to as the **Proposed Bisley Transaction**.

In addition to the Proposed Bisley Transaction, Mr David Gazal will sell his remaining 4.2 million shares at a price of $2.50 per share to third parties, including to existing shareholder, PVH Corp. (the **Share Sale**), which will increase PVH Corp's interest in Gazal's issued share capital from 10.0% to 19.9% (post Share Buy-Back).

On completion of the Proposed Bisley Transaction and the Share Sale, Bisley will be wholly owned by Mr David Gazal, Mr David Gazal will no longer own any shares in Gazal and he will resign as a director of all Gazal group companies.

The Bisley Sale and Share Buy-Back are inter-dependent and will not proceed unless the terms of both the Bisley Sale and Share Buy-Back are approved by relevant Gazal shareholders. Whilst the Share Sale does not require shareholder approval, it will only proceed if the Bisley Sale and Share Buy-Back are approved.

A detailed overview of the Proposed Bisley Transaction is set out in Section 1.

Purpose of the report

This independent expert's report is required pursuant to Chapter 10 of the Listing Rules of the Australian Securities Exchange (**ASX Listing Rule 10**) and Section 257D of the Corporations Act 2001 (**Section 257D**) to assist the non-associated shareholders of Gazal (being those shareholders of Gazal not associated with Mr David Gazal or related entity) (**Non-Associated Shareholders**) in their decision whether to vote in favour of the Proposed Bisley Transaction.

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[1] $: Australian Dollar

Section 257D

Section 257D deals with the shareholder approval process for selective buy-backs. Under Section 257D, a selective buy-back must be approved by a special resolution passed at a general meeting of the company, with no votes cast in favour of the resolution by any person whose shares are proposed to be bought back or by their associates. Section 257D does not require the provision of an independent expert's report, however the Australian Securities and Investments Commission (**ASIC**) Regulatory Guide 110 Share Buy-backs does provide that if a company proposes to buy-back a significant percentage of its shares or the holding of a major shareholder, the company should consider providing an independent expert's report.

ASX Listing Rule 10

Listing Rule 10.1 deals with transactions between a listed company and persons in a position of influence over that company.

Listing Rule 10.1 requires that a listed company must ensure that neither it nor any of its subsidiaries disposes of a substantial asset to any of the following without the approval of holders of the company's ordinary shares:

i. a related party of the listed company;

ii. a substantial holder in the listed company, if the substantial holder and its associates have a relevant interest, or had a relevant interest in the six months before the transaction, in at least 10% of the total votes attached to the voting shares in the listed company; or

iii. an associate of a person in (i) or (ii) above.

As Mr David Gazal is a director of Gazal, Mr David Gazal is a related party of Gazal for the purposes of paragraph (i) above. In addition, as Mr David Gazal is a substantial holder with a relevant interest in more than 10% of Gazal's shares, the Bisley Sale and Share Buy-Back both fall within paragraph (iii) above.

Listing Rule 10.2 provides that an asset is a substantial asset if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company disposing of it as set out in the latest accounts given to ASX under the Listing Rules. Gazal's audited accounts lodged with the ASX on 28 August 2017 show the equity interests of Gazal to be approximately $107.1 million (as at 30 June 2017), meaning that the 5% threshold is approximately $5.4 million. The $35 million Bisley Sale, and the approximately $24.5 million aggregate purchase price under the Share Buy-Back, both exceed this substantial asset threshold. Consequently, the shares associated with the Bisley Sale and the cash payable under the Share Buy-Back will each be considered to be a substantial asset for the purposes of Listing Rule 10.1.

Therefore the Bisley Sale and the Share Buy-Back will require approval of the Non-Associated Shareholders under Listing Rule 10. Listing Rule 10.10 requires the notice of meeting at which such approval is sought to include an independent expert's report stating whether the transaction is fair and reasonable to the Non-Associated Shareholders.

This report is to be included in the explanatory memorandum (the **Explanatory Memorandum**) to accompany the notice of meeting to approve the Proposed Bisley Transaction (the **Notice of Meeting**), which will be sent to Gazal's Non-Associated Shareholders. This report has been prepared for the exclusive purpose of assisting Non-Associated Shareholders in their consideration of the Proposed Bisley Transaction. Neither DCF, Deloitte, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders and Gazal, in respect of this report, including any errors or omissions however caused.

Basis of evaluation

In our assessment of the Proposed Bisley Transaction, we have had regard to the Corporations Act 2001, ASX Listing Rule 10, ASIC Regulatory Guide 110, ASIC Regulatory Guide 111 and ASIC Regulatory Guide 112.

As discussed above, the approvals sought from the Non-Associated Shareholders in relation to the Bisley Sale and Share Buy-Back are inter-dependent and the Bisley Sale and the Share Buy-Back will not proceed unless the terms of both are approved by the Non-Associated Shareholders and the other conditions precedent of the Bisley Sale and Share Buy-Back are met. In addition, the Share Sale will not proceed unless the Bisley Sale and Share Buy-Back are approved by the Non-Associated Shareholders.

As a result, when considering the Bisley Sale and Share Buy-Back from the perspective of the Non-Associated Shareholders, we consider it appropriate to assess the overall effect of the Proposed Bisley Transaction.

Consequently, we consider the fairness of the Proposed Bisley Transaction is most appropriately assessed by comparing:

- the estimated fair market value of a Gazal share on a control basis, prior to the Proposed Bisley Transaction (**Pre Transaction Value**) with
- the estimated fair market value of a Gazal share on a control basis, assuming the Proposed Bisley Transaction is approved (**Post Transaction Value**), taking into account the consideration received for Bisley and the reduced shareholding base.

In undertaking the above assessment, we have assessed the Pre Transaction Value (inclusive of Bisley) on a control basis and compared it with the Post Transaction Value on a control basis, which includes the consideration offered for Bisley. We consider it reasonable to assess both the Pre Transaction Value and Post Transaction Value on a control basis, for the following reasons:

- the value of Bisley is assessed on a control basis (captured within the Pre Transaction Value), which is compared to the $35 million consideration (captured within the Post Transaction Value)
- the Non-Associated Shareholders percentage shareholding in Gazal will increase from 76.0% to 100.0%.

To assess whether the Proposed Bisley Transaction is fair and reasonable to the Non-Associated Shareholders, we have adopted the tests of whether the Proposed Bisley Transaction is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

The approach set out above is not necessarily the only approach a stakeholder could take in assessing the merits of the Proposed Bisley Transaction. However, it is the approach that aligns with the requirements of ASIC Regulatory Guide 111 in undertaking an assessment of fairness.

Summary and conclusion

In our opinion the Proposed Bisley Transaction is fair and reasonable. In arriving at this opinion, we have had regard to the following factors.

The Proposed Bisley Transaction is fair

We have assessed whether the Proposed Bisley Transaction is fair by comparing the Pre Transaction Value with the Post Transaction Value.

Set out in the table below is a summary of our findings.

Table 1

$ per share	Low	High
Pre Transaction Value	**2.37**	**2.76**
Post Transaction Value	**2.31**	**2.65**

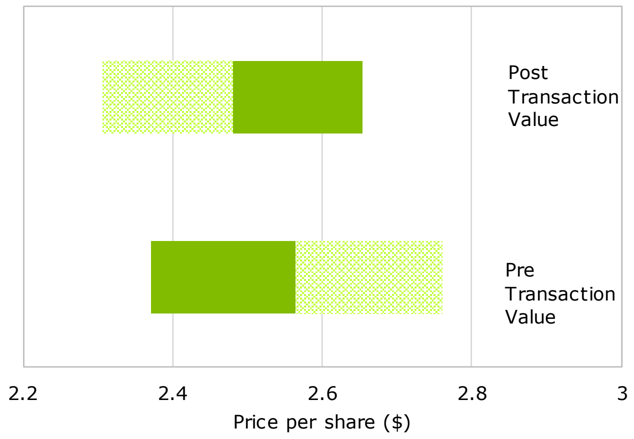
Source: Deloitte Corporate Finance analysis

In calculating the Post Transaction Value, we have adjusted for the capital gains tax associated with the sale of Bisley, however this same adjustment is not included in our assessment of the Pre Transaction Value. We understand that if the Proposed Bisley Transaction does not proceed, Gazal management will pursue alternative paths for exiting the business. Accordingly, it could be viewed that the Pre Transaction Value should also be adjusted for this. If we also adjust the Pre Transaction Value on a like-for-like basis, the Pre Transaction Value range decreases by $0.05 per share on the assumption that Bisley be sold to a third party for the same price. Based on the above, our preferred value per share is below the midpoint of the Pre Transaction Value range.

In considering the assessed Post Transaction Value range, the exit of Bisley from the Gazal business allows Gazal management to focus solely on the growth and development of PVH Brands Australia Pty Ltd (**PVHBA**). This opportunity and the potential benefits associated with this opportunity have not been explicitly factored into our Post Transaction Value range. In addition, Gazal owns the Banksmeadow property, which currently is utilised by Bisley, PVHBA and Corporate Services, and some floor space rented to TJX Companies Inc (**TJX**). If the Bisley operations are sold, Bisley are likely to move to alternate premises and Gazal will have a greater opportunity to realise the potential value of the property. This may involve reorganising the entire layout and renting a greater area to third parties, allowing additional floor and warehouse for the growth of PVHBA or potentially selling the building and renting an office and warehouse space in an area that demands lower rental rates. Our Post Transaction Value range does not take account of the opportunity to realise the potential value of the property. As a result of these two factors, our preferred Post Transaction Value per share is towards the high end of the range.

On the basis that our preferred value per share is below the midpoint of the Pre Transaction Value range and towards the high end of the Post Transaction Value range, we are of the opinion that the Proposed Bisley Transaction is fair to the Non-Associated Shareholders. The diagram below highlights our selected preferred value range.

Figure 1



Source: Deloitte Corporate Finance analysis

Our calculation of the Pre Transaction Value and the Post Transaction Value are summarised in the following table.

Table 2

		Pre Transaction Value		Post Transaction Value	
	Unit	**Low**	**High**	**Low**	**High**
Earnings before interest and tax (**EBIT**)	$'000	19,700	21,200	13,700	14,700
Earnings multiple (control basis)	times	8.3	8.8	9.5	10.0
Enterprise value (control basis)	**$'000**	**163,775**	**186,500**	**130,150**	**147,000**
Less: Adjusted net debt	$'000	(27,865)	(27,865)	(20,546)	(20,546)
Add: Oroton investment[2]	$'000	2,405	2,405	2,405	2,405
Equity value (control basis)	**$'000**	**138,315**	**161,040**	**112,009**	**128,859**
Number of shares on issue	'000	58,355	58,355	48,551	48,551
Value per share in Gazal	**$**	**2.37**	**2.76**	**2.31**	**2.65**

Source: Deloitte Corporate Finance analysis

[2] On 10 July 2017, Gazal became a substantial shareholder of Oroton (7.35% acquisition).

We have estimated the Pre Transaction Value and the Post Transaction Value by applying the capitalisation of maintainable earnings method, which estimates the value of Gazal by capitalising its maintainable earnings with an appropriate earnings multiple.

We have selected EBIT as an appropriate measure of earnings for the company and have capitalised this with a range of multiples having regard to those of trading and transactions in companies considered broadly comparable to Gazal.

The maintainable level of EBIT was selected based on an analysis of historical earnings, Gazal's prospects for future earnings growth and market analysis. The earnings multiples were selected based on the multiples of comparable listed companies and previous mergers and acquisition in the Australian and international retail and workwear industry.

As discussed Section 6.4, the following adjustments have been made to the Pre Transaction net debt to obtain the Post Transaction position:

- $10.5 million proceeds related to the sale of Bisley
- $0.6million hedging financial liability instruments
- $3.2 million of capital gains tax is expected to be incurred in relation to the Proposed Transaction.

As discussed Section 6.5, the number of shares will decrease by 9.803 million shares following the buy-back by Gazal of the shares held by Mr David Gazal.

To provide additional evidence of the fair market value of Gazal, we have had regard to a high level discounted cash flow analysis and share trading analysis (refer to Sections 6.8 and 6.9, respectively).

The Proposed Transaction is reasonable

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Bisley Transaction is reasonable. We also note the following.

The Proposed Bisley Transaction is in line with Gazal's future strategy and will allow Gazal to focus on its joint venture with PVH Corp.

In August 2014 Gazal announced that due to changes occurring in the retail landscape, the Board of Directors of Gazal (the **Board**) and management were reviewing the Company's forward strategy. A key focus of this strategy was to leverage global relationships, review the strategic fit of existing businesses within the Company and consider other strategic opportunities to grow shareholder value.

Since this date Gazal has disposed of the Midford business, the Trade Secret business and finalised the establishment of the PVHBA joint venture (**JV**) with PVH Corp, which holds the *Calvin Klein* and *Tommy Hilfiger* distribution licences, as well as Gazal's *Heritage Brands* and Shapeware businesses.

Gazal's remaining directly-owned business, Bisley, supplies workwear to participants in a number of industries. Management and directors consider that continuing to own the Bisley business is no longer in accordance with the strategic imperative of Gazal, as the Board has indicated a preference to focus on the retail market in Australia and focus on the PVHBA JV.

In 2015, management undertook a thorough process with the objective of selling Bisley, which included engaging the assistance of an independent advisor. The independent advisor identified possible purchasers who participated in an initial due diligence process, however these parties did not proceed through the process and Bisley was not sold. Management considers that the Proposed Bisley Transaction is the best alternative for Gazal. We also note that since Gazal announced its intention to dispose Bisley on 25 August 2017, no party has come forward expressing interest in the business.

The sale of Bisley will result in the simplification of Gazal and allows Gazal management to increase their focus on the PVHBA JV and other strategic opportunities.

Gazal will receive certain cash consideration for Bisley

In the event the Proposed Bisley Transaction proceeds, Gazal will realise a cash component for Bisley and will no longer be subject to the downside risk associated with the business. Management has indicated that the net cash proceeds raised through the sale of Bisley will be used to repay debt and strengthen the balance sheet of the Company. Whilst reduced financial leverage may not be beneficial in the current low interest rate environment, the lower leverage could allow Gazal to capitalise on future growth opportunities.

Share Sale consideration comparable to Post Transaction Value

PVH Corp and other parties are willing to purchase 4.2 million shares at $2.50 per share from Mr David Gazal, pursuant to the Share Sale. The consideration demonstrates the commitment of PVH Corp. and other parties to the future potential of Gazal and supports our assessment of the Post Transaction Value of Gazal.

Loss of exposure to work wear sector

Through the operations of Bisley, shareholders had exposure to the work wear sector, diversifying the industries to which they are exposed, through their shareholding in Gazal. The sale of Bisley will result in shareholders only being exposed to the Australian clothing retail sector.

Reduction in franking credits

The Share Buy-Back is partly comprised of a dividend, which has franking credits attached to it. The franking credits paid to Mr David Gazal (or related party) total $5.9 million, leaving approximately $1.4 million for distribution to Non-Associated Shareholders. The Non-Associated Directors have noted that Gazal's ability to fully frank future dividends paid in the ordinary course will not be affected by the release of franking credits under the Share Buy-Back. We note the alternative for the Non-Associated shareholders to realise value associated with the franking credits paid to Mr David Gazal (or related party) would be for Gazal to raise additional debt, and use this debt to distribute a special dividend to shareholders, which would have a franking credit associated with it.

Conclusion on reasonableness

On balance, in our opinion, as the Proposed Transaction is fair it is also reasonable.

Opinion

In our opinion, the Proposed Bisley Transaction is fair and reasonable to Non-Associated Shareholders. An individual Non-Associated Shareholder's decision in relation to the Proposed Bisley Transaction may be influenced by his or her particular circumstances. If in doubt the Non-Associated Shareholders should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

Stephen Reid
Authorised Representative
AR Number: 461011

Tapan Parekh
Authorised Representative
AR Number: 461009

Glossary

Reference	Definition
$ or AUD	Australian dollars
Agreements	Collectively the Business Sale Agreement, the Share Subscription Agreement and Sale Agreement and the Buy-Back Agreement
AR	Authorised Representative
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rule 10	Chapter 10 of the Listing Rules of the Australian Securities Exchange
Bisley	Bisley Workwear business
Bisley Sale	Sale of the Bisley Workwear business
Board	Board of Directors of Gazal
Business Sale Agreement	Business Sale Agreement between DG Group and Gazal
Buy-Back Agreement	Agreement between Gazal Corporation Limited to buy and David Gazal Family Company Pty Limited and Gazjac Pty Limited to sell, the Buy-Back Shares on the terms set out in the agreement
BOC	The BOC Group
Bps	Basis points
CAPM	Capital Asset Pricing Model
DCF	Deloitte Corporate Finance Pty Ltd
Deloitte	Deloitte Touche Tohmatsu
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EMRP	Equity market risk premium
EV	Enterprise Value
Explanatory Memorandum	Explanatory memorandum of the Proposed Bisley Transaction
Forecast Period	FY18 to FY22
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FX	Foreign Exchange
FY	Financial year
Gazal or the Company	Gazal Corporation Limited
Gazal Apparel	Gazal Apparel Pty Limited
GST	Goods and Services Tax
Hedging contracts	Bisley related foreign exchange hedge contracts outstanding at completion
Hype	Hype DC Limited
IBIS	IBIS World Pty Limited
Independent Directors	Independent directors of Gazal
ISO	International Organization for Standardization
JV	Joint Venture between PVH Corp. and Gazal
Mr David Gazal	Mr David Gazal or a related entity

n/a	Not available
n/m	Not meaningful
Net assets target	Agreed level of net assets target for Bisley's business on the date of completing the Proposed Bisley Transaction
Non-Associated Shareholders	Shareholders of Gazal not associated with Mr David Gazal
Notice of Meeting	Notice of the meeting to approve the Proposed Bisley Transaction
NPAT	Net profit after tax
NYSE	New York Stock Exchange
OH&S	Occupational health and safety
Ortoton	OrotonGroup Limited
Pacific Brands Workwear	Pacific Brands Workwear Group Pty Limited
Pre Transaction Value	Estimated fair market value of a Gazal share on a control basis, prior to the Proposed Bisley Transaction
Post Transaction Value	Estimated fair market value of a Gazal share on a control basis, assuming the Proposed Bisley Transaction is approved
Proposed Bisley Transaction	Collectively the Bisley Sale and the Share Buy-Back
PVHBA	PVH Brands Australia
RBA	Reserve Bank of Australia
RCG	RCG Corporation Limited Pty
RSEA	RSEA Pty Ltd
Section 257D	Section 257D of the Corporations Act 2001
Share Buy-Back	Selective buy-back of 9.8 million Gazal shares held by Mr David Gazal
Share Sale	Sale of 4.2 million Gazal shares held by Mr David Gazal to third parties
Share Subscription and Sale Agreement	Agreement between DJG Corporation Pty Ltd, Gazal Apparel Pty Ltd and Bisley Sales Pty Ltd in which Gazal Apparel Pty Ltd has agreed with Bisley Sales Pty Ltd to subscribe for the Subscription Shares and Bisley Sales Pty Ltd has agreed to issue the Subscription Shares to Gazal Apparel Pty Ltd. Gazal Apparel Pty Ltd and DJG Corporation Pty Ltd have agreed that the Gazal Apparel Pty Ltd will transfer the Sale Shares to DJG Corporation Pty Ltd on the basis set out in this Agreement
Shareholders	Existing holders of Gazal
Transitional Services	Transitional services provided by Gazal for a minimum period of six months
USD	US dollars
VWAP	Volume weighted average price
Wesfarmers	Wesfarmers Limited

Contents

1 Overview of the Proposed Bisley Transaction

1.1 Summary

On 25 August 2017, Gazal Apparel, a wholly owned subsidiary of Gazal entered into a conditional agreement in relation to the following:

- the sale of Bisley and related assets to Mr David Gazal for a consideration of $35 million (outlined in **Business Sale Agreement** and the **Share Subscription and Sale Agreement**)
- the buy-back of 9.8 million shares from Mr David Gazal (or a related entities) at a price of $2.50 per share (outlined in **Buy-Back Agreement**).

  Collectively the above are referred to as the **Agreements**.

On completion of the Proposed Bisley Transaction, Bisley will be wholly owned by Mr David Gazal and he will resign as a director of all Gazal group companies, of which he is a director.

The Bisley Sale and Share Buy-Back are inter-dependent and will not proceed unless the terms of both the Bisley Sale and Share Buy-Back are approved by relevant shareholders and the other approvals set out in the Agreements are met. Whilst the Share Sale does not require shareholder approval, it will only proceed if the Bisley Sale and Share Buy-Back are approved.

The Board has prepared an Explanatory Memorandum containing detailed terms of the Proposed Bisley Transaction.

The Proposed Bisley Transaction is subject to various conditions, the most significant being:

- the Independent Directors of Gazal recommend in the Explanatory Memorandum that Non-Associated Shareholders vote in favour of the Proposed Bisley Transaction and state that they intend to vote in favour of the Proposed Bisley Transaction (and do not withdraw or adversely modify their recommendation or statement of intention).

  However, the independent directors of Gazal (**Independent Directors**) may recommend that Non-Associated Shareholders vote against the Proposed Bisley Transaction or state that they do not intend to vote in favour of the Proposed Bisley Transaction if:

  - Deloitte Corporate Finance determines the Proposed Bisley Transaction is not fair and reasonable or
  - the Independent Directors have determined, in good faith and acting reasonably after receiving legal advice from its external legal adviser, that to do so (or not to do so, as the case may be) would constitute or would be reasonably likely to constitute a breach of any fiduciary or statutory duty of the Independent Directors
- the Non-Associated Shareholders passing the Proposed Bisley Transaction resolutions
- Gazal approving the transactions under the Share Subscription and Sale Agreement under section 200E of the Corporations Act, provided that the Company does not receive a superior
- the sale of $10,503,605 of shares by Mr David Gazal to third parties (including PVH Corp) being completed.

Post the completion of the Proposed Bisley Transaction, Bisley will be wholly owned by Mr David Gazal. Mr David Gazal will no longer be a director of Gazal nor will he hold any shares in Gazal. The number of issued shares in Gazal will decrease from 58.4 million to 48.6 million. In addition PVH Corp will increase it's shareholding in Gazal from 10.0% to 19.9%.

1.2 Bisley Sale

Under the terms of the Business Sale Agreement, the acquisition cash consideration is $35.0 million in relation to the sale of Bisley. Other key aspects of the Bisley Sale include:

- **net assets target**: the acquisition consideration specifies that net assets target of the business on the date of completing the Proposed Bisley Transaction will be $24.7 million. If the value of net asset is less than $24.7 million Gazal will need to pay a true-up adjustment to Mr David Gazal and vice versa. The net assets target is comprised of the following balance sheet items:
    - inventory (adjusted for obsolescence) and any stock in transit
    - trade receivables
    - trade payables
    - other creditors
    - transferring employee entitlements
    - fixed assets
    - prepayments
    - goodwill
- **hedging contracts:** as part of the Bisley Sale, Gazal will retain all Bisley related foreign exchange hedge contracts outstanding at completion
- **transitional services:** transitional services will be provided by Gazal for a minimum period of six months, which include:
    - accounting, administration, IT services and supply chain services, and
    - office and warehouse space

  for a flat fee of $1 million (excluding GST) for the six months period (this fee assumes a 'business as usual' situation and any special projects will be charged separately). If Bisley extends its use of the services beyond the six months period, then the following rates will apply on a monthly basis:
    - 4.5% of gross sales for accounting, administration, IT services and Supply Chain services; and
    - office space at rental rates of $240 per square metre and warehouse space at $155 per square metre. Outgoings will be $49 per square metre for both office and warehouse space.

1.3 Share Buy-Back

Key terms of the Buy-Back Agreement include the following:

- the shares being bought back by Gazal are on an ex-dividend basis and on completion of the Share Buy-Back, the vendors will benefit from any dividend declared by Gazal prior to completion
- the proceeds from the Share Buy-Back will form part of, and reduce the amount payable by Mr David Gazal to Gazal Apparel on completion of the Bisley Sale
- the proceeds from the Share Buy-Back will partly be in the form of cash and dividends, on which franking credits will be attached.

The Share Buy-Back is based on a consideration of $2.50 per share, which is composed of:

- $1.09 capital per share (total consideration: $10.7 million)
- $1.41 dividend component (total consideration: $13.8 million).

Attached to the dividend component, $5.9 million of franking credits will be transferred to Mr David Gazal in the Proposed Bisley Transaction.

2 Basis of evaluation

2.1 Guidance

In undertaking the work associated with this report, we have had regard to ASX Listing Rule 10, ASIC Regulatory Guide 111 in relation to the content of expert's report and ASIC Regulatory Guide 112 in respect of the independence of experts and common market practice.

As discussed in Section 1 above, the approvals sought from the Non-Associated Shareholders in relation to the Bisley Sale and Share Buy-Back are inter-dependent and the Bisley Sale and the Share Buy-Back will not proceed unless the terms of both are approved by the Non-Associated Shareholders and the other conditions precedent of the Bisley Sale and Share Buy-Back are met. In addition, the Share Sale will not proceed unless the Bisley Sale and Share Buy-Back are approved by the Non-Associated Shareholders.

As a result, when considering the Bisley Sale and Share Buy-Back from the perspective of the Non-Associated Shareholders, we consider it appropriate to assess the overall effect of the Proposed Bisley Transaction. Consequently, we consider the fairness of the Proposed Bisley Transaction is most appropriately assessed by comparing the Pre Transaction Value of a share in Gazal with the Post Transaction Value.

ASIC Regulatory Guide 111

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for a range of transactions.

Generally, ASIC expects an expert who is asked to analyse a related party transaction to express an opinion on whether the transaction is 'fair and reasonable' from the perspective of non-associated members. This analysis is specifically required where the report is also intended to accompany meeting materials for member approval of an asset acquisition or disposal under ASX Listing Rule 10.1.

ASIC Regulatory Guide 111 states that where an expert assesses whether a related party transaction is 'fair and reasonable', there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction.

Under ASIC Regulatory Guide 111 an offer is:

- fair, when the value of the financial benefit being offered by the entity to the related party is equal to or greater than the value of the assets being acquired
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote for the proposal.

To assess whether the Proposed Bisley Transaction is fair and reasonable to Non-Associated Shareholders, we have adopted the tests of whether the Proposed Bisley Transaction is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in Regulatory Guide 111.

Fairness

ASIC Regulatory Guide 111 defines an offer as being fair if the value of the consideration is equal to or greater than the value of the assets being acquired.

Gazal (including Bisley) has been valued at fair market value, which we have defined as the amount at which the business would be expected to change hands between a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of Gazal (including Bisley) has not been premised on the existence of a special purchaser.

We have considered the fairness of the Proposed Bisley Transaction by comparing the fair market value of a share in Gazal on a control basis prior to the Proposed Bisley Transaction (Pre Transaction Value) with the estimated fair market value of a share in Gazal on a control basis, assuming the Proposed Bisley Transaction is approved (Post Transaction Value).

Reasonableness

ASIC Regulatory Guide 111 considers an offer in respect of a control transaction, to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, Non-Associated Shareholders should accept the offer in the absence of any higher bid before the close of the offer.

We have assessed the reasonableness of the Proposed Bisley Transaction having particular regard to:

- Gazal's forward strategy, review process undertaken and the changes to the business structure over the past 12 months
- the implications to Non-Associated Shareholders if the Proposed Bisley Transaction proceeds
- the implications to Non-Associated Shareholders if the Proposed Bisley Transaction does not proceed.

3 Profile of Gazal

3.1 Overview and corporate history

Gazal was initially founded in 1958 and was listed on the ASX in 1973. The head office is located in Banksmeadow, New South Wales. Gazal currently has three operating segments (Wholesale, Joint Venture and Corporate Services), being the operations of its wholesale business (related to Bisley branded products), a 50% share in PVHBA and Corporate Services (including property management and management in relation to PVHBA). Refer to Section 4 and Section 5 for an overview of Bisley and PVHBA.

Gazal has previously owned numerous apparel brands throughout its operating history, including brands such as Mambo, Davenport, Loveable and Trent Nathan, all of which were disposed over the past 10 years. More recently, Gazal has undertaken the following transactions:

- the sale of the Midford business in June 2015 to Georges Apparel for $10.5 million consideration. Midford is involved in the wholesale and retail schoolwear business
- the sale of Trade Secret, Gazal's discount retail business to The TJX Companies, Inc. in July 2015 for $80.0 million consideration (gain on sale of $34.7 million after deducting the carrying amount of assets, deal costs and tax payable)
- establishment of PVHBA in February 2014. PVHBA is a 50/50 Joint Venture established between PVH Corp. and Gazal, which initially distributed and retailed *Calvin Klein Underwear and Jeans* products. In February 2015, the scope of the JV was significantly increased by the addition of the *Tommy Hilfiger*, *Van Heusen* and *Nancy Ganz* businesses in Australia and New Zealand, as well as certain of Gazal's other shirting, tailored and shapewear businesses
- the acquisition of 7.35% interest in OrotonGroup Limited (**Oroton**) for $3.1 million consideration on 10 July 2017.

3.2 Financial performance

The historical financial performance of Gazal is presented below:

Table 3

$'000	Audited FY2015	Audited FY2016	Audited FY2017
Trading revenue	50,993	59,608	62,112
Management fees	2,781	5,963	6,620
Rental revenue	0	1,185	1,824
Other revenue	383	185	299
Revenue	**54,157**	**66,941**	**70,855**
Revenue growth	n/a	23.6%	5.8%
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	**6,754**	**8,477**	**8,270**
EBITDA margin	12.5%	12.7%	11.7%
EBIT	**4,468**	**5,829**	**5,555**
EBIT margin	8.3%	8.7%	7.8%
Share of profit of the JV (PVHBA)	785	5,231	6,949
EBIT (including share of profit of the JV)	**5,253**	**11,060**	**12,504**

Sources: Gazal Annual Reports, Deloitte Corporate Finance analysis

Gazal's main sources of revenue and profit include the following:

- revenue and profit related to Bisley activity
- the management fees and partnering fees paid by PVHBA associated with the costs of administration and finance services
- rental of surplus office space at the Banksmeadow headquarters
- 50% share of profit of PVHBA.

3.3 Financial position

The historical financial position of Gazal is presented below:

Table 4

$'000	Audited FY2016	Audited FY2017
Cash	12,540	2,610
Receivables	8,957	12,168
Inventories	15,228	18,558
Other	8,665	1,974
Total current assets	**45,390**	**35,310**
Investments in the JV (PVHBA)	57,353	60,365
Property, plant and equipment	49,654	58,286
Intangibles	4,719	5,430
Total non-current assets	**111,726**	**124,081**
Total assets	**157,116**	**159,391**
Payables	(10,890)	(10,290)
Derivative financial instruments	(1,326)	(1,575)
Interest bearing liabilities	(950)	(5,453)
Income tax payable	(13,880)	(835)
Provisions	(2,790)	(2,700)
Total current liabilities	**(29,836)**	**(20,853)**
Other payables	-	(270)
Interest bearing liabilities	-	(20,000)
Provisions	(229)	(249)
Deferred income tax liabilities	(8,525)	(10,932)
Total non-current liabilities	**(8,754)**	**(31,451)**
Total liabilities	**(38,590)**	**(52,304)**
Net assets	**118,526**	**107,087**

Sources: Gazal Annual Report, Deloitte Corporate Finance analysis

We note the following in relation to the financial position of Gazal:

- The net debt position has increased from a net cash position $11.6 million in FY2016 to a net debt position of $22.8 million in FY2017, primarily due to the distribution of $27.9 million of dividends ($20.4 million relating to a special dividend following the sale of the Trade Secret business in FY2016) and the payment of the capital gains tax on the profit on sale of Trade Secret ($13.2 million). This was partially offset by the receipt of $4.0 million of dividends from PVHBA
- Property, plant and equipment is predominately comprised of the land and building in which the Company operates in Banksmeadow. An independent valuer determines the fair value of the land and buildings on an annual basis and as at 30 June 2017, the value was determined to be $56.0 million

(relying on a $3.6 million fully leased net income after vacancies), an $8.5 million increase from the prior year

- intangible assets include trademarks, finite life intangibles, software and goodwill
- investment in the JV relates to Gazal's investment in the PVHBA under the equity accounting method
- the income tax payable balance as at 30 June 2016 mainly relates to the capital gains tax on the Trade Secret sale
- as at 30 June 2017 the derivate financial instruments liability balance was $1.6 million and is associated with Bisley's purchases from Chinese manufacturers in US dollars (**USD**)
- receivables and payables relate to both Bisley and Gazal operations.

3.4 Capital structure and shareholders

As at 13 September 2017, Gazal had 58.4 million ordinary shares on issue. The Company's main shareholders are listed below:

Table 5

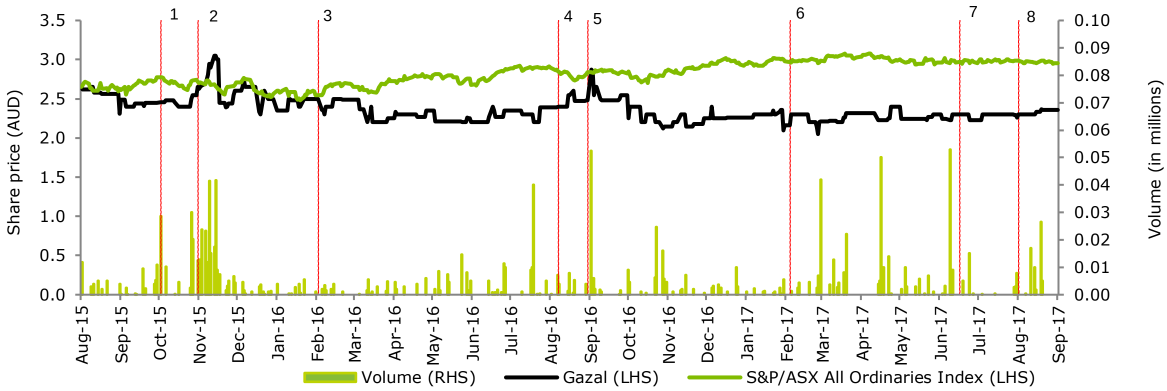
Shareholder	Number of shares held (million)	Percentage of shares held
Michael Gazal	17.4	29.8%
David Gazal	14.0	24.0%
PVH Corp.	5.8	10.0%
Independent directors	4.2	7.2%
Harvey Norman	4.2	7.1%
Investors Mutual	3.7	6.2%
Others shareholders	9.2	15.7%
Total	**58.4**	**100.0%**

Sources: Gazal management, Deloitte Corporate Finance analysis

3.5 Share price performance

Set out below is the summary of the performance of Gazal shares on the ASX since 1 September 2015.

Figure 2



Sources: Company website, ASX

Table 6

Note	Date	Comments
1	26/10/2015	Completion of the Trade Secret sale to TJX Companies.
2	24/11/2015	Special dividend announcement of $0.35 per share (record date 11/12/2015).
3	26/02/2016	Half year results announcement with improved earnings and sales compared to first half 2015. Interim dividend of $0.07 per share fully franked (record date 15/03/2016).
4	31/08/2016	Release of the final report for the fiscal year. Net Profit After Tax (**NPAT**) increased by 38.4%, incl. profit from the sale of Trade Secret. Final dividend announcement of $0.07 per share fully franked (record date 16/09/2016).
5	23/09/2016	Special dividend announcement of $0.35 per share fully franked (record date 29/09/2016). Major change in shareholding structure announcement: Mr Richard Gazal sold 9.5 million shares (16.3% of Gazal) at $2.065 per share (excluding special and final dividends) to PVH Corp. (5.8 million shares increasing its stake to 10% from nil), Harvey Norman Holdings Limited (3.2 million shares increasing its stake to 7.2% from 1.7%) and Mr Craig Kimberley, non-executive director of Gazal (0.5 million shares increasing his stake to 2.6% from 1.7%). Gazal Nominees Pty Limited transferred 10 million shares at $2.065 per share (excluding special and final dividends) to Executive Chairman, Michael Gazal (6.7 million shares increasing his stake to 30% from 18.5%) and David Gazal (3.3 million shares increasing his stake to 24.1% from 18.3%).
6	28/02/2017	Half year results announced: Increase in NPAT from continuing operations by 17.0% vs. HY 2016. Interim dividend of $0.06 per share fully franked announcement (record date 14/03/2017).
7	10/07/2017	Gazal becomes a substantial shareholder of Oroton (7.35% acquisition) at $1.00 per share ($3.1 million consideration).
8	25/08/2017	Announcement of Proposed Bisley Transaction. Release of the annual report for the year ended 30 June 2017. NPAT increased by 15.3%. Share of profit from PVHBA increased by 32.8%. A final dividend of $0.08 per share fully franked was announced (record date 15/09/2017).

4 Profile of Bisley

4.1 Overview

Bisley is an Australian based wholesaler of workwear, safety wear and protective wear. It is currently a division of, and 100% owned by, Gazal. Bisley products include:

- Workwear
- Industrial wear
- Safety wear
- Protective wear
- Casual
- Business
- Women's wear.

Mr. David Gazal, who is currently the Executive Director and 24.0% equity owner of Gazal, is also Bisley's General Manager and is responsible for the business. He is supported by Mr. Franco Polistina who is Divisional Manager and responsible for the day to day running of the division. Both have extensive experience in the Australian workwear and apparel industry.

4.2 Operations

4.2.1 Products

The design and development of clothing are key aspects of Bisley's operations. The Bisley design team is engaged in all facets of the planning, design and development of their garments.

While Bisley provides a range of clothing for different occasions and environments, core to the Bisley operating model is the development of protective wear. Innovation and development of clothing that delivers strong health and safety solutions to a broad range of risk environments is central to the business. Recently, Bisley has developed a range of protective fabrics and treatments that protect workers from a number of hazardous environments, which are compliant with global safety standards. Key Bisley products are summarised below:

Table 7

Product	Description
Bisley Flame Resistant	• draws on both inherent and flame resistant fabric solutions to ensure all flame risk categories are covered • complies with global standards and has been certified to applicable international test requirements.
Bisley Insect Protection	• each garment passes high test standards, is odourless and safe for human use • assists in protecting wearers from Malaria, Lyme disease, Dengue fever, Ross River fever and many others.
Bisley Workwear	• general workwear and safety wear • also includes the newly introduced Flex & Move and Move range.
Bisley Industrial	• garments are constructed to meet industrial laundering standards.

Sources: Bisley management, Deloitte Corporate Finance analysis

4.2.2 Suppliers and agreements

Bisley's clothing is manufactured by a number of different suppliers, based mainly in China and managed in conjunction with an office in Shanghai, China. Currently, in the Australian market place, Bisley is the most significant supplier of Tecasafe fabric, a flame retardant fabric used in Bisley's Flame Resistant products, which is sourced from Tencate, a United States supplier. Although there is no formal agreement for the supply of the Tecasafe fabric between Tencate and Bisley, there is a long standing working relationship.

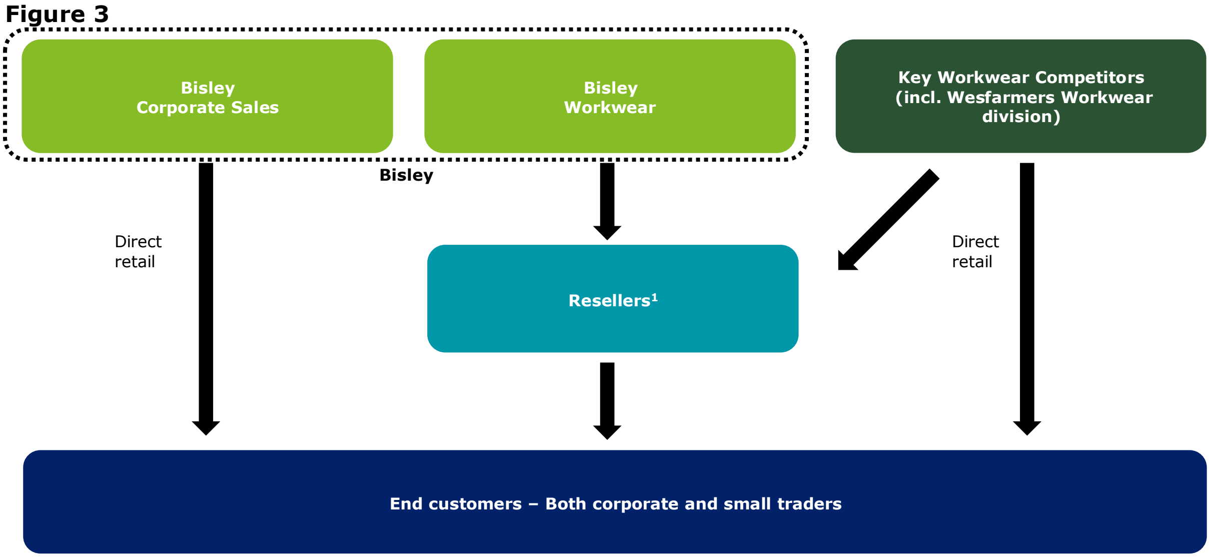
Bisley's entire clothing manufacturing process is strictly supervised through a series of quality control measures adhering to the standards required by ISO 9001:2008. By ensuring identification and resolution of any issues, the quality of the garments is assured and any relevant safety standards are met. Currently there is no manufacturing undertaken in Australia, apart from any necessary basic embroidery.

4.3 Competitive landscape

Bisley mainly operates as a wholesaler of workwear garments and has some direct contracts with several large corporate customers.

Although the safety equipment market has increased over the last five years the workwear market has remained stable due to reductions in the industry workforce. Bisley's percentage market share has remained relatively constant in this environment. Bisley has a number of key competitors in the Australian workwear industry. The following diagram sets out a high level overview of the route to market for Bisley and its key competitors.

Figure 3



Sources: Bisley management, Deloitte Corporate Finance analysis
1. Key resellers for Bisley include the BOC Group (**BOC**), RSEA Pty Ltd (**RSEA**)and Protector Alsafe Pty Ltd (**Protector Alsafe**).

Bisley is primarily a wholesaler of its workwear products, using retailers/resellers, such as BOC, RSEA and Protector Alsafe, to on-sell its products direct to the end customer. Bisley does not have the infrastructure and capabilities to directly sell its products to the end customer, however will occasionally enter into one-off contracts to supply directly to the end customer. In agreeing to these contracts Bisley generally accepts lower gross margins on its products, which is offset by other savings in the supply chain (i.e. warehouse and freight costs are reduced as the products are distributed directly to the customer). Bisley's competitors also use traditional reseller approaches for moving their products, however have progressed further in direct sales to customers through the establishment of their own retail stores and online websites.

Recently, competition has increased in the market from companies that have established their own brand of products. Resellers such as RSEA have started promoting their private label clothing, which is having a significant impact on the operating margins of traditional workwear businesses.

In 2014, Wesfarmers Limited (**Wesfarmers**) acquired Pacific Brands Workwear Group Pty Limited (**Pacific Brands Workwear**) which included the Hard Yakka and King Gee businesses. This enabled Wesfarmers to vertically integrate Hard Yakka and King Gee into their broader Industrial and Safety Division.

4.4 Customers and industries

Bisley has two main components: workwear (representing approximately 95% of revenue) and corporate uniforms (representing approximately 5% of revenue). As noted above, the workwear sales are made primarily to resellers where there have been long-standing relationships in place for over ten years. Corporate uniform supply arrangements are typically supported by formal agreements that vary in length up to three years. Key uniform customers include The Warehouse, Victoria Police and TNT.

Bisley products are manufactured to suit a wide range of environments, in an array of industries. Bisley products are known to be used by employees in the following industries:

- Mining
- Construction
- Ports
- Industrial
- Fire/emergency services
- Oil and gas.

We understand that a significant percentage of the garments that Bisley produce are used by men and women in the resources (mining, oil and gas) and construction sectors.

4.5 Financial performance

The historical financial performance of Bisley is presented below:

Table 8

$'000	Audited FY2015	Audited FY2016	Audited FY2017
Revenue	**51,947**	**59,655**	**62,147**
Revenue growth	*n/a*	*14.8%*	*4.2%*
EBITDA	**5,635**	**7,094**	**5,776**
EBITDA margin	*10.8%*	*11.9%*	*9.3%*
EBIT	**5,550**	**7,014**	**5,716**
EBIT margin	*10.7%*	*11.8%*	*9.2%*

Source: Gazal Annual Report, Deloitte Corporate Finance analysis

Bisley's revenue has improved from $51.9 million in FY2015 to $62.1 million in FY2017 due to increased demand for protective garments (in particular flame resistant garments) that meet global safety standards, as well as Bisley's ability to meet forward orders from customers at short notice.

However the positive growth in sales has been offset by margin pressure, primarily as a result of increased competition in the industry and currency fluctuations from its purchases of stock in US dollars. Bisley holds unfavourable foreign exchange (**FX**) hedges as a result of AUD:USD exchange rate movements, which could not be passed onto customers.

Corporate and administration costs are charged to Bisley by Corporate Services based on a set percentage of gross sales plus a further charge for the level of working capital employed.

4.6 Financial position

Certain items, such as taxation and funding, are dealt by Gazal on a consolidated group basis. As a result Bisley does not have significant balance sheet items associated with its operations, other than working capital and intangible assets. We have summarised in the table below the financial position of Bisley as at 30 June 2016 and 30 June 2017.

Table 9

$'000	Audited FY2016	Audited FY2017
Non-current assets	352	382
Inventories	15,228	18,558
Receivables	9,386	11,252
Total liabilities	(4,364)	(6,042)
Total capital employed	**20,602**	**24,150**

Source: Bisley management accounts

We note the following in relation to the assets associated with Bisley:

- receivables relate to accounts receivable from customers in the ordinary course of business
- inventories is stock on hand ready for sale

The total liabilities include the following:

- creditors, which are amounts owing to suppliers in the ordinary course of business
- other current liabilities, which consist mainly of accrued expenses
- employee entitlements, relating to annual leave and long service leave.

5 Profile of PVHBA

5.1 Overview

PVHBA is a 50/50 joint venture between Gazal and PVH Corp.

The JV was established in February 2014, initially to distribute *Calvin Klein* underwear and jeans products. In February 2015, the distribution licenses for *Calvin Klein* shirts and suits, Tommy Hilfiger and *Heritage Brands* (comprising *Van Heusen*, *Pierre Cardin*, *Nancy Ganz*, *Spanx*, *HoldmeTight*, *Bracks*, *Fred Bracks*, *Paramount* and *Trent Nathan*) were added to the JV.

The partnership leverages on both PVH Corp.'s global strength in the apparel industry and Gazal's expertise in the Australasian market. Gazal's extensive multi-channel distribution network helps PVHBA to address several distribution channels such as wholesale, company-operated retail and e-commerce channels.

In order to protect both parties, specific buy-out arrangements have been put in place in the Shareholders Deed of the JV and cover the following:

- board deadlock: If the procedures of dispute resolution are exhausted, Gazal has the right to require PVH Corp. to acquire its shares in PVHBA at 7 times the last twelve months EBITDA less any debt and PVH Corp. has the right to require Gazal to dispose its shares in PVHBA at 7 times the last twelve months EBITDA less any debt
- change of control in relation to Gazal: If a change of control of Gazal occurs, then PVH Corp. may require Gazal to sell its shares in PVHBA to PVH Corp. at 7 times the last twelve months EBITDA less any debt
- expiry or termination of licenses: If any of the licenses are terminated or expire, Gazal has the right to require PVH Corp. to acquire its shares in PVHBA at 7 times the last twelve months EBITDA less any debt. If a license is terminated due to a culpable termination event, then PVH Corp. has the right to require Gazal to sell its shares in PVHBA to PVH Corp. at a value to be determined by an independent valuer.

5.2 Operations

5.2.1 Products

The table below summarises the key brands held by PVHBA.

Table 10

		Description
Calvin Klein	CALVIN KLEIN	Founded in 1968, *Calvin Klein* is a brand diversified in fashion, home wear and fragrance. PVHBA holds a license and distribution agreement with Calvin Klein Inc, a wholly owned subsidiary of PVH Corp, for *Calvin Klein Jeans, Calvin Klein Underwear, Calvin Klein Performance* and *Calvin Klein* white label shirts, suits, handbags, footwear, casual sportswear and accessories.
Tommy Hilfiger	TOMMY HILFIGER	Founded in 1985, *Tommy Hilfiger* is one of the world's leading designer lifestyle brands and is internationally recognized for celebrating the essence of classic American cool style, featuring preppy with a twist designs. PVHBA holds the rights to license and distribute the *Tommy Hilfiger* brand in Australia and New Zealand.
Heritage Brands		
Van Heusen	VAN HEUSEN	One of the world's leading brands and the number-one selling business shirt brand in Australian department stores. PVHBA has the license to the *Van Heusen* brand in Australia.
Bracks	BRACKS SINCE 1956	Created in 1956, *Bracks* is the leading Australian men's trousers brand. PVHBA has the rights to operate the *Bracks* brand in Australian and New Zealand department stores.

		Description
Fred Bracks		Established in 2006, *Fred Bracks* is a fashionable apparel brand for young men, with a bias to tailored casual wear. *Fred Bracks* is an owned and operated brand of PVHBA.
Hold*me*Tight		Australian based brand created in 2007 that produces functional shapeware. Hold*me*Tight is an owned and operated brand of PVHBA.
Nancy Ganz		Established in the 1990s, *Nancy Ganz* has grown to be the number one shapewear brand in Australia. PVHBA has the Australian and New Zealand rights to *Nancy Ganz*. It also has a perpetual license with PVH Corp. for *Nancy Ganz* for all territories outside of Australia and New Zealand.
Paramount		Launched in 1964, *Paramount* was one of the original Australian men's business shirt brands. Paramount is an owned by PVH Corp. and operated brand of PVHBA.
Pierre Cardin		Founded in 1950, *Pierre Cardin* is French brand that has diversified in fashion, perfumes and cosmetics. PVHBA is the licensee in Australia for *Pierre Cardin* shirting and the *Pierre Cardin* tailored suiting in Australasia.
Spanx		Launched in 2000, *Spanx* is an American underwear maker focusing on shaping briefs and leggings. PVHBA is the distributor for *Spanx*.
Trent Nathan		Founded in 1961, *Trent Nathan* has served up timeless business and casual apparel to Australian men and women for over fifty years and is one of Australia's best known and regarded fashion labels. PVHBA has the rights to design, market and sell men's business shirts bearing the *Trent Nathan* brand in Australia and New Zealand.

Sources: PVHBA and companies websites

PVHBA works closely with PVH Corp. (owner of *Tommy Hilfiger* and *Calvin Klein*) in regards to the distribution and marketing of *Tommy Hilfiger* and *Calvin Klein* (excluding shirting) products for distribution in Australia. The design and manufacture of the branded products is undertaken by PVH Corp. The *Heritage Brands* business encompasses a varied selection of business wear, neckwear and related accessories, casual wear, shapewear and swimwear. PVHBA is responsible for the design of the formal wear divisions (shirting and suiting) of *Calvin Klein*, *Van Heusen* and *Pierre Cardin*. PVHBA is responsible for the design, manufacturing and marketing of *Nancy Ganz, Bracks, Paramount*, *Fred Bracks* and Hold*me*Tight branded products and only responsible for the marketing and distribution of the other *Heritage Brands* products.

5.2.2 Product distribution

PVHBA products are sold through a variety of different channels. Products are predominantly distributed in major department and specialty and independent stores primarily in Australia and New Zealand (i.e. Myer and David Jones). The wholesale business represents the core business of PVHBA, however it is complemented by the direct to consumer channel. PVHBA has retail stores for *Calvin Klein*, *Tommy Hilfiger* and *Van Heusen* products. As at September 2017, there were 24 *Calvin Klein*, 17 *Tommy Hilfiger* and 10 *Van Heusen* stores (including outlets) throughout Australia. Three new *Van Heusen* stores will open within the next 14 months. During FY2017, PVHBA has opened the new *Tommy Hilfiger* design concept in the extension of Chadstone Shopping Centre in Melbourne.

Products are also sold online through directly operated e-commerce websites for *Van Heusen*, *Nancy Ganz* and Hold*me*Tight, through e-commerce websites of third party retail partners and select pure-play "e-tailers". E-commerce is considered a growth area for PVHBA product distribution. In particular Amazon and its development in the Australian market will be a new distribution channel for PVHBA's brands.

5.3 Financial performance

The historical financial performance of PVHBA is presented below:

Table 11

$'000	Audited FY2015	Audited FY2016	Audited FY2017
Trading revenue	83,669	180,657	198,221
Other revenue	319	282	141
Total revenue	**83,988**	**180,939**	**198,362**
Revenue growth (%)	*n/a*	*115.4%*	*9.6%*
EBITDA	**4,426**	**18,481**	**25,810**
EBITDA margin	*5.3%*	*10.2%*	*13.0%*
EBIT	**3,205**	**14,311**	**20,127**
EBIT margin	*3.8%*	*7.9%*	*10.1%*

Source: Gazal Annual Report, Deloitte Corporate Finance analysis

PVHBA's sales and operating margin have improved significantly from $84.0 million in 2015 to $198.4 million in 2017 primarily due to the following:

- integration of *Tommy Hilfiger* and *Heritage Brands* businesses in 2015
- the development of new product categories across both *Calvin Klein* and *Tommy Hilfiger* with Myer and David Jones, the two key trading partners
- the development and improvement of the retail channel. During FY2017, 17 net new stores were opened across Australia and New Zealand (inclusive of 11 additional concession stores in Myer).

EBITDA margins have fluctuated, primarily a result of the integration of the various brands within PVHBA and movements in the foreign exchange rate (products are sourced in USD). EBITDA is inclusive of operating costs payable to Gazal, including the management fee payable to Gazal for the administration and finance function of PVHBA.

PVHBA distributed two fully franked dividends to ordinary shareholders in FY2017 for total consideration of $8.0 million.

5.4 Financial position

We have summarised in the table below the financial position of PVHBA as at 30 June 2016 and 30 June 2017.

Table 12

$'000	Audited FY2016	Audited FY2017
Current assets	63,399	68,629
Non-current assets	84,529	93,347
Current liabilities	(26,307)	(34,045)
Non-current liabilities	(3,231)	(3,521)
Equity	**118,390**	**124,410**
Portion of Gazal's ownership 50%	**59,195**	**62,205**
Carrying amount Gazal's investment		
Opening	**52,777**	**57,353**
Share of profit	5,081	6,949
Dividends received	-	(4,000)
Release of unrealised profit	150	-
Other comprehensive income	(655)	63
Closing	**57,353**	**60,365**

Source: Gazal annual report, Deloitte Corporate Finance analysis

We note the following in relation to the financial position of PVHBA as at 30 June 2017:

- current assets are primarily comprised of $41.0 million of inventories and $8.6 million of cash
- non-current assets include property, plant and equipment ($18.4 million) and intangible assets ($75.0 million of which $40 million is goodwill)
- current liabilities primarily consist of $24.8 million of trade and other payables and approx. $2 million of interest bearing loans and borrowings.

6 Assessment of fairness

6.1 Introduction

Deloitte has assessed the fair market value of a share in Gazal, prior to the implementation of the Proposed Bisley Transaction (**Pre Transaction Value**), to be in the range of $2.37 to $2.76, and post the implementation of the Proposed Bisley Transaction (**Post Transaction Value**), to be in the range of $2.31 to $2.65.

To estimate the fair market value of Gazal we have considered common market practice and the valuation methodologies which are applicable to corporate entities and businesses but can be applied as appropriate to other economic assets or asset groupings.

For the purpose of our opinion, we have referred to the concept of fair market value. Fair market value is defined as the amount at which the shares in the entities valued would be expected to change hands in a hypothetical transaction between a knowledgeable willing, but not anxious, buyer and a knowledgeable willing, but not anxious, seller acting at arm's length.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation has not been premised on the existence of a special purchaser.

The fair market value of the equity in Gazal reflects the value attributed to its operations less surplus assets and/or liabilities and net debt.

We have used the capitalisation of maintainable earnings method to assess the fair market value of a share in Gazal prior to and following the implementation of the Proposed Bisley Transaction. We have used the discounted cash flow method to provide additional evidence of the fair market value of a share in Gazal as well as considering current share trading as a cross-check for the Pre Transaction Value. The cross-checks provide support for our valuations. The premise of value adopted in arriving at our opinion of fair market value is going concern.

Refer to Appendix 1 for a detailed discussion on the various valuation methodologies which can be adopted in valuing corporate entities and businesses.

We have adopted a capitalisation of maintainable earnings approach due to the following factors:

- the maturity of the business
- Gazal does not have a finite lifespan nor does it have any approved plans to undertake significant capital expenditure in the near future
- the absence of detailed forecast cash flows to allow a full assessment of the business under a discounted cash flow analysis approach
- net asset valuation methods are likely to understate the value of Gazal as they may not reflect any value attributable to the brand of the business and any goodwill.

The capitalisation of future maintainable earnings method estimates enterprise value by capitalising future earnings using an appropriate multiple. To value Gazal using the capitalisation of maintainable earnings approach requires the determination of the following:

- an estimate of future maintainable earnings attributable to the business
- an appropriate earnings multiple for the business.

Our considerations on each of these are discussed separately below.

6.1 Future maintainable earnings

Future maintainable earnings represent the level of maintainable earnings that the existing operations could reasonably be expected to generate. In undertaking our valuation, we have considered EBIT as an appropriate level at which to estimate the earnings of Gazal.

Valuing entities with reference to EBITDA multiples can often be preferable given they are less sensitive to different depreciation and amortisation accounting policies, and where depreciation is not a reasonable proxy for the ongoing capital expenditure requirements of the company. EBIT multiples can also provide a better reflection of the relative capital expenditure intensity of a business. In the context of Gazal and its peer set, it is therefore important to take into account of whether the comparable companies manufacture or source manufactured products and whether they own property assets and the impact of each on margins and operating cash flows in selecting earnings multiples to apply to the selected earnings base of Gazal.

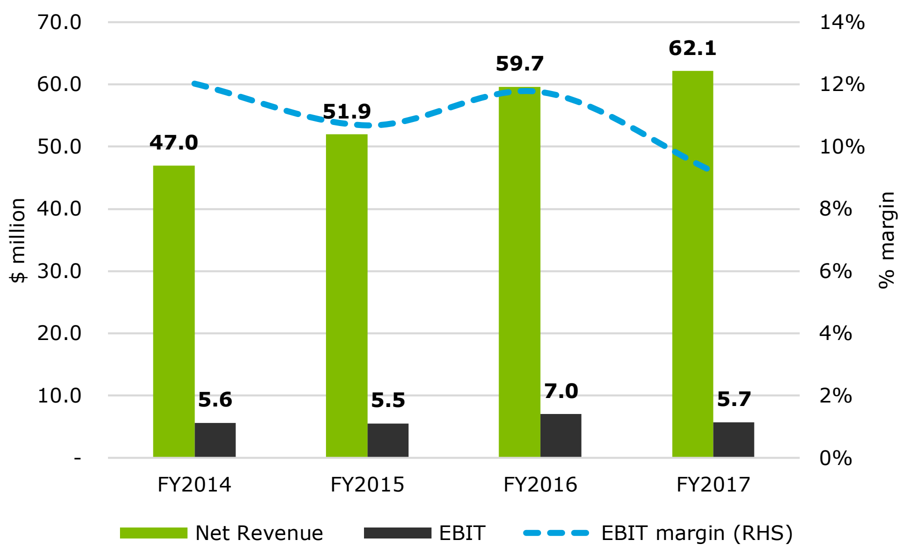
In determining future maintainable earnings, we have considered the following:

- the historical performance of each operating segment (Bisley, PVHBA and Corporate Services)
- the expected future prospects of each operating segment
- factors specific to the operating segments that we consider will influence its earnings in the future.

6.1.1 Maintainable earnings of Bisley

Bisley's historical revenue and earnings performance are summarised in the chart below, together with historical earnings margins. As a wholesale entity, Bisley does not own its retail network and buys its products from third parties. Therefore it incurs negligible depreciation, resulting in little difference between its historical EBITDA and EBIT.

Figure 4



Source: Bisley Management accounts

As part of Gazal, Bisley's historical earnings incorporate a corporate overhead passed onto Gazal by Bisley based on a set percentage of gross sales, plus a further charge for the level of working capital employed. The corporate costs include:

- rental charge on the building owned by Gazal
- finance and administrative costs that Bisley would incur if it operated on its own
- Gazal's total listing fees that Bisley would be unlikely to incur in full if the business was to operate within an unlisted framework
- Gazal's Board and other governance costs.

Bisley has arguably historically shared in the economies of scale provided by operating alongside Gazal's other, larger businesses. Some potential purchasers may be able to achieve some economies of scale in relation to sourcing manufactured products and the supply chain. However given Bisley's position in the market, its high quality products and its relationship with its suppliers, we would not expect significant synergies.

Between FY2014 and FY2017, Bisley delivered EBIT of $5.9 million on average per annum. FY2016 was considered an exceptional year ($7.0 million EBIT), driven by increased sales of Bisley's fire retardant garments and a good 'in-stock' position of basic replenishment stock items (i.e. was able to deliver garments while its competitors were not prepared for the increasing demand). Bisley's competitors now also stock fire retardant garments, which has eroded Bisley's competitive advantage.

Results have been impacted by margin pressure, resulting from increased competition in the industry and currency fluctuations from its purchases of stock in USD.

In order to continue to maintain and potentially increase market share (and revenue), Bisley needs to remain ahead of the market, invest in product improvements, whilst ensuring product quality is maintained. Bisley faces strong competition within the sector, particularly from non-branded products, which are inferior quality and generally lower priced.

Further, as Bisley is significantly exposed to the mining sector (50% to 60% of products are sold to participants in the mining sector), we consider it likely that Bisley will experience moderate growth going forward, in line with growth expectations for the mining industry. This moderate expected growth will be tempered by continued growth in the construction industry.

We have also had regard to FY2018 budget along with the year-to-date actual performance for the business. At a high level, but noting that year-to-date performance only reflects two months of trading, the business is trending slightly above the budget.

We have assessed a maintainable level of EBIT to be between $5.5 million and $6.0 million for Bisley.

This maintainable earnings assumption takes into account the attributes of Bisley's business such as:

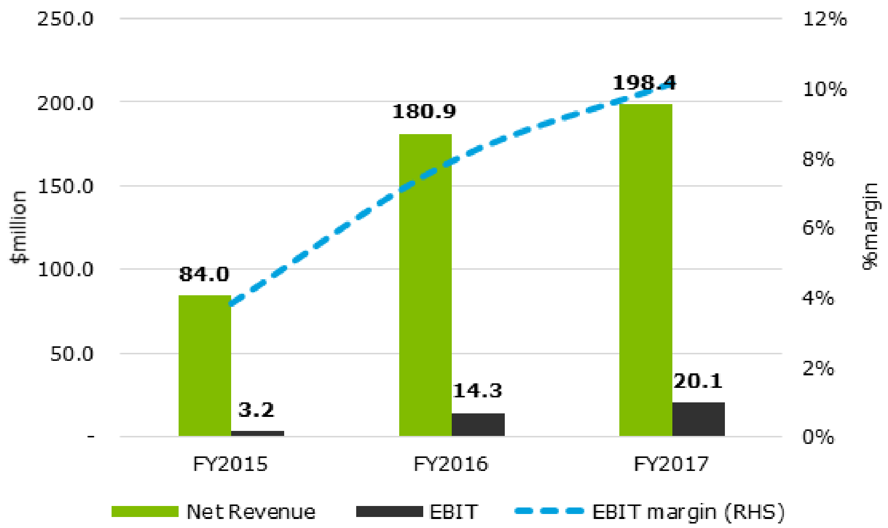
- a recognised brand in the Australian market and the high quality of Bisley's products
- Bisley's exposure to the mining sector
- highly competitive environment.

6.1.2 Maintainable earnings of PVHBA

In assessing the maintainable level of earnings which Gazal can expect to receive from its share in the PVHBA JV, we have considered 50% of the EBIT of PVHBA on a look through basis, as opposed to the distributable level of profit paid to Gazal, which has already been tax adjusted based on PVHBA's tax assessment.

PVHBA's historical revenue and earnings performance is summarised in the chart below on a 100% basis, together with historical earnings margins. As a retail business, PVHBA leases stores and incurs capital expenditures in order to make its stores in line the brand image. Therefore these investments incur depreciation, resulting is some difference between its historical EBITDA and EBIT.

Figure 5



Source: PVHBA Management accounts

Between FY2015 and FY2017, PVHBA's EBIT increased from $3.2 million to $20.1 million, principally due to the increase in product offering. Net revenue and EBIT improvement are explained by:

- the number of months contribution from the major brands (12 months for *Tommy Hilfiger* and *Heritage Brands* in FY2016 compared to 5 months in FY2015)
- the development of new product categories across both *Calvin Klein* and *Tommy Hilfiger* with key trading partners
- the ongoing development of the retail channel.

As discussed in Section 5, PVHBA products are sold through a variety of channels and sales and operating margin are expected to improve going forward as a result of the development of PVHBA owned retail stores, further development of e-commerce platforms and the expected positive impact to PVHBA of Amazon's entry into the Australian market.

We have also had regard to FY2018 budget for the business along with year-to-date actual performance for the business. At a high level, but noting that year-to-date performance only reflects two months of trading, the business is trending above last year performance.

Based on the above, we have assessed maintainable EBIT ranging from $24.0 million to $26.0 million ($12.0 million to $13.0 million attributable to Gazal for PVHBA).

This takes into account the attributes of PVHBA's business such as:

- the strong positioning of both *Calvin Klein* and *Tommy Hilfiger* with a long history and an iconic image
- the ability to innovate and offer the customer a new large range of product categories on a regular basis
- the rapid expansion of PVHBA's retail network (16 net new stores in FY2017 including 11 concession stores in Myer and the opening of the first new *Tommy Hilfiger* design concept store in the extension of Chadstone Shopping Centre in Melbourne)
- the strong like-for-like stores sales growth in FY2016 (+12.9%)
- the long-term licenses and distributions agreements, which will continue to support the long-term operations of PVHBA.

6.1.3 Maintainable earnings of Corporate Services

The Corporate Services segment represents the services supplied to the wholesale business, the joint venture and third party transitional service arrangements for disposed businesses, as well as rental income from the floor space at the Banksmeadow building leased to third parties.

Corporate Services currently provides transitional service arrangements to TJX following the sale of Trade Secret (ending 23 October 2017), receives rent from TJX (lease until October 2018), provides services to Bisley (management fees, rent and warehousing costs) and services to PVHBA (management fees and partnering fee). Management fees in relation to Bisley and PVHBA are a proportion of their net revenue. Gazal incurs costs associated with servicing Bisley and PVHBA, as well as depreciation associated with the Banksmeadow building and the fixtures and fittings.

Post Transaction, the Corporate Services segment's performance will be impacted by the disposal of Bisley, which will be offset in the short term by the transitional service arrangements to Bisley. Post the transitional services arrangements, there are several options available to Gazal to achieve a comparable return on its corporate activities.

We have assessed the maintainable level of earnings associated with the Corporate Services segment to be $2.2 million (Pre Transaction Value) and $1.7 million (Post Transaction Value). In determining the level of maintainable earnings, we have had regard to the following:

- the rental revenue of the space currently tenanted by TJX and the potential uplift in future rent following the recent update of the building valuation
- depreciation charge associated with the Banksmeadow property
- shared services provided to PVHBA and Bisley, since we expect Corporate Services to receive a certain level of margin for providing its services. The disposal of Bisley will negatively impact the level of margin related to third party services in the short term.

6.2 Earnings multiple

6.2.1 Introduction

In selecting an earnings multiple for Gazal, we have considered earnings multiples derived from share market prices of comparable listed companies and the multiples implied by the prices paid to acquire similar businesses based on publicly available information (refer to Appendices 3 and 4).

We have considered Australian and International companies operating in the clothing retail and wholesale sector as well as overseas companies operating in the safety product and the workwear sector.

Our analysis identified that there are a limited number of companies of a similar size with directly comparable operations to those of Gazal, either currently listed or transacted in recent years. Whilst there are a number of listed companies currently operating in the broader retail sector, we have also considered comparable companies operating directly in the workwear market. These companies are substantially larger and have significantly more diversified operations than Gazal.

In general, we would generally expect smaller companies to trade on a lower earnings multiple in comparison to larger comparable companies. In order to quantify the size premium achieved by larger companies, we have considered data observed from share trading as well as size premium analysis undertaken by Duff and Phelps, as set out below:

- we have calculated the current EBITDA multiple implied by share trading of ASX listed companies:

Table 13

Enterprise Value ($ million)	Count	EBITDA multiple (Average)	Implied size premium between ranges
Less than $25	561	6.6 times	n/a
$25 to $50	149	7.6 times	14%
$50 to $150	203	8.3 times	10%
$150 to $500	80	9.2 times	11%
$500 to $1,000	67	10.1 times	10%
Greater than $1,000	173	11.3 times	12%

Source: Capital IQ, Deloitte Corporate Finance analysis

As set out above, companies with enterprise values between $50 million and $150 million are trading at EBITDA multiples that are, on average, 10% higher than companies with enterprise values below $50 million, implying a discount of 10%

- Duff and Phelps sets out detailed analysis of the size premium that may be appropriate to be added to the discount rate calculated with reference to the capital asset pricing model (CAPM) to account for the additional risk associated with smaller sized companies. Duff and Phelps identified that trading in listed companies on the New York Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers Automated Quotation System implied that a size premium of approximately 6% is required for companies having a market capitalisation in the range of USD1 million to USD200 million. A higher size premium would result in a higher discount rate for the company under CAPM, implying a lower earnings multiple.

Based on our analysis above, we would therefore expect a lower multiple for Gazal on account of its size, all else remaining equal, compared with the companies considered in the comparable company analysis below.

6.2.2 Comparable company analysis

We have conducted a global search for listed companies and transactions in businesses comparable to Gazal. Our search focused on broader retail clothing companies and companies manufacturing protective clothing that operate in Australia and / or other developed economies.

Multiples based on trading in listed companies usually do not include the value associated with control of the business. Australian studies indicate the premiums required to obtain control of companies ranges between 20% and 40% of portfolio holding values, however these premiums can be driven by a number of factors, including the existence of synergies achievable by the purchaser for the asset that, in certain circumstances, could only be enjoyed by that purchaser. In comparison, the acquisition price achieved in mergers or acquisitions of companies represents the market value of a controlling interest in that company (where more than a 50% interest was acquired). Care must therefore be taken in interpreting multiples observed from trading in listed companies and, for this reason, often more emphasis is placed on multiples implied by transactions in similar business (refer to Appendix 5 for further details of control premiums observed in historical transactions).

Listed comparable companies – Workwear

Our analysis into global peers, which is set out in more detail in Appendix 3, identified that there are very few companies operating within the safety and industrial protective clothing markets from which we are able to draw meaningful observations. Of the companies identified, Cintas Corporation and UniFirst Corporation have enterprise values in excess of $2 billion and operate in the significantly larger economy of the United States of America, limiting their relevance to Bisley and therefore Gazal.

Notwithstanding it also operates in the US, Lakeland Industries, at an enterprise value of $125 million, could be considered the closest in comparability to Bisley. Although it is relatively diversified, both Lakeland Industries and Bisley sell protective garments and accessories for the safety and industrial protective clothing market, and have broadly consistent earnings margins.

Other comparable companies, namely Delta Plus Group and Superior Uniform Group are larger and slightly more diversified in their product offerings compared to Bisley. Delta Plus, based in France, manufactures and supplies safety equipment in addition to safety garments and accessories, while Bisley sources its products from third parties and does not sell safety equipment. Superior Uniform Group, based in the United States of America, primarily supplies uniforms for the workplace and has underperformed over the past few years.

Listed comparable companies – Retail

Our analysis, which is set out in more detail in Appendix 3, identified that there are nine companies listed on the ASX that are classified as operating in the broader retail industry. These companies have average current and forecast EBIT multiples (on a minority basis) of 7.7 times and 8.2 times, respectively.

Excluding Myer Holdings from the group, which is significantly larger and whose operations are leveraged to its significant property portfolio, the peer set of large companies includes Premier Investments, RCG Corporation and Kathmandu Holdings, all of which have enterprise values in excess of $400 million.

Premier Investments and Kathmandu Holdings operate across retail markets (i.e. manufacturing, wholesale and retail, and apparel and non-apparel) and, as a consequence, have higher earnings margins than the smaller, more comparable peers. Notwithstanding its size, RCG Corporation Limited (**RCG**) could be considered closely comparable to Gazal. Both RCG and Gazal distribute licensed branded apparel products and accessories in Australia and have broadly similar earnings margins. The current and forecast EBIT multiple (on a minority basis) of RCG is 7.6 times and 7.0 times respectively.

Globally we have also identified comparable companies with broadly similar businesses to Gazal. We note that most of these companies provide apparel and accessories under licensed brands in addition to their own brands. However, these companies are much larger in size compared to Gazal and operate in the much larger economies of the United States of America and the United Kingdom. These companies have average current and forecast EBIT multiples (on a minority basis) of 9.7 times and 8.9 times respectively.

Transactions - Workwear

Our analysis of control transactions involving broadly comparable businesses identified a number of recent transactions involving workwear related entities. Based on our analysis, we consider the Grolls AB and Pacific Brands Workwear transactions to be the most comparable to Bisley:

- Grolls AB develops and manufactures workwear and personal protective equipment. The EBIT multiple implied by the transaction was 9.5 times historical EBIT, on a control basis. The implied multiple is higher than we would expect for Bisley, on account of its larger size, wide range of product offerings and lower exposure to the mining industry, compared to Bisley
- Pacific Brands Workwear manufactures and sells industrial clothing, corporate uniforms and other workwear. Its brands include Hard Yakka, King Gee, NNT, Stubbies and StyleCorp. It is also exposed to similar geographic and regulatory conditions as Bisley. This acquisition enabled Wesfarmers to integrate the workwear brands within the wider Wesfarmers group. The EBIT multiple implied by the transaction was 8.2 times historical EBIT, on a control basis. However, the implied enterprise value of Pacific Brands was $180 million, over five times the size of Bisley, and it is superior to Bisley from a brand recognition and diversification perspective.

Transactions - Retail

Our analysis of transactions involving broadly comparable businesses identified a number of recent transactions involving retailing entities in Australia and globally. Generally speaking, the transactions with meaningful benchmarks involved the acquisition of significantly larger and more diversified businesses. We consider the acquisition of Hype DC Pty Limited (**Hype**) by RCG and Pacific Brands Limited by Hanesbrands Inc. to be most comparable as they mainly retail licensed branded products, similar to Gazal.

The acquisition of Hype implied an historical EBIT multiple of 7.2 times forecast earnings, on a control basis. Post the acquisition of Hype, RCG subsequently undertook an impairment write down of $9.7 million in relation to the Hype Brand (initially valued at $30.3 million), noting the Hype banner performed worse than expected. The acquisition of Pacific Brands implied an historical EBIT multiple of 15.3 times, on a control basis. The high price paid by Hanesbrands Inc. may be related to the expected savings from integrating Pacific Brands manufacturing and supply operations with its Asian manufacturing operations and eliminating third party manufacturing.

In relation to the global transactions, we consider the acquisition of Belle International and The Warnaco Group to be most comparable to Gazal, notwithstanding the significantly larger size of these transactions:

- Belle International distributes footwear under company owned and licensed brands. It was acquired at a historical EBIT multiple of 8.5 times, on a control basis. It is believed that the shareholders accepted a lower price for the business, given the Chinese economic slowdown has impacted the retail shoe industry and increased competition from e-commerce and international brands
- The Warnaco Group distributes apparel products primarily through licensed brands. The Warnaco Group acquisition at a historical EBIT multiple of 13.2 times on a control basis, gives PVH Corp direct global control of the jeans and underwear segments of the Calvin Klein brand and enables it to unlock additional growth potential from this designer.

Further detail on these transactions is set out in Appendix 4.

6.2.3 Selected multiple

We have calculated an EBIT multiple in the range of 8.3 times to 8.8 times (on a control basis) in relation to the Pre Transaction Value of Gazal (inclusive of Bisley and the JV with PVHBA) and 9.5 times to 10.0 times (on a control basis) in relation to the Post Transaction Value of Gazal (inclusive of the JV with PVHBA). Our selected range has been based on our assessment of a multiple of 5.25 times to 5.75 times in relation to Bisley and 9.5 times to 10.0 times in relation to the JV with PVHBA and the Corporate Services business.

In selecting the EBIT multiples, we have had regard to the following:

- PVHBA (10.1% FY2017 EBIT margin) is more profitable than Bisley (9.2% FY2017 EBIT margin)
- there is significantly greater growth potential in the PVHBA business than Bisley. As a joint venture with PVH Corp, PVHBA benefits from the experience of both PVH Corp and Gazal. The deep knowledge of Gazal on the Australian retail market, as well as PVH Corp's ability to manage high end brands, will the help of PVHBA to leverage the changing dynamics of the Australian retail industry
- the contribution of maintainable earnings of Gazal by Bisley (approx. 28%), PVHBA (approx. 61%) and Corporate Services (approx. 11%)

- regarding the workwear business, we have observed that Pacific Brands Workwear (8.2 times EBIT on a majority basis) and Grolls AB (9.5 times EBIT on a control basis) are the most comparable transactions. Regarding the retail business, we consider the acquisition of Hype by RCG to be the most comparable transaction (7.2 times on a control basis). However we note these transactions were larger than Gazal (including Bisley) and as noted in Table 13, we would therefore expect these transactions to transact on higher multiple
- we note Gazal does not have control over PVHBA, however it has in place specific buy-out arrangements, which are triggered under certain events. This could allow Gazal to exit the PVHBA JV at a 7.0 times the last twelve months EBITDA (less any debt). Based on FY2017 audited results of PVHBA, a 7.0 times EBITDA multiple is equivalent to a 9.0 times EBIT multiple
- Gazal owns its headquarters (hence is not subject to rent), which is valued at $56.0 million. The building is currently utilised by Bisley, PVHBA and the team supporting the corporate function, as well as leasing a portion of the building the TJX. The valuation of the building (inclusive of land) is based on a capitalisation rate of 6.5%
- our selected maintainable earnings for PVHBA and Bisley has had regard to the forecast level of earnings and we have therefore placed greater emphasis on the forecast multiples of the comparable companies
- having regard to the potential purchasers for Bisley (based on the previous process run by Gazal and its advisors), we do not consider that a transaction involving Bisley would generate a control premium at the high end of the control premium range set out in our analysis (Refer to Appendix 5).

6.3 Other considerations

6.3.1 Net Assets Target

The acquisition consideration includes an agreed level of working capital for the business on the date of the Proposed Bisley Transaction, being $24.7 million. In the event that the actual balance differs from this balance on the completion date, the variance will be settled by way of a cash adjustment post completion.

The completion date is expected to be 29 December 2017 or later. Management has provided us with a forecast net asset position of Bisley as of 31 December 2017. It is currently forecast to be higher than the Net Assets Target. However based on the valuation approach we have adopted, if the net asset position is higher at acquisition, net debt will also be higher and Mr David Gazal will be required to make a further payment.

6.3.2 Transitional services agreement

Transitional services will be provided by Gazal for up to 6 months following the finalisation of the Proposed Bisley Transaction, for a flat fee of $1 million (excluding GST) for the six month period (this fee assumes a 'business as usual' situation. Any special projects will be charged separately). If Bisley extends its use of the services beyond the six months period, then higher rates will be charged.

Based on discussions with management, the cost associated with Gazal for providing these services is approximately $1 million for the initial six month period and the Company will not receive any margin associated with the transactional services agreement. Post the six month period, we have not included any additional earnings associated with the transitional services agreement.

6.3.3 Oroton investment

On 10 July 2017, Gazal lodged a substantial holder notice with Oroton confirming it had acquired 7.35% shareholding at $1.00 per share for a total investment of $3.1 million (3.1 million shares).

As at 29 September 2017, Oroton shares traded at $0.78 ($2.4 million for 3.1 million shares).

6.4 Net Debt

Based on management analysis, Gazal's net debt as at 31 January 2018 is expected to be $27.3 million (pre Proposed Bisley Transaction). Management has not prepared a net debt position as at 31 December 2017 (the completion date), however note it would not be materially different to that projected as at 31 January 2018. We have made several adjustments to the net debt position, to reflect the impact of the Proposed Bisley Transaction.

Table 14

	Unit	Pre-Transaction	Post Transaction
Debt	$'000	(27,953)	(27,953)
Cash	$'000	641	641
Net (Debt)/Cash	**$'000**	**(27,312)**	**(27,312)**
Net (Debt)/Cash	**$'000**	**(27,312)**	**(27,312)**
Add: Proceeds from Bisley Sale	$'000	-	35,000
Less: Buy-Back	$'000	-	(24,508)
Less: Hedging contracts	$'000	(553)	(553)
Less: Capital gains tax	$'000	-	(3,173)
Adjusted Net (Debt)/Cash	**$'000**	**27,865**	**20,546**

Source: Deloitte analysis

The following adjustments have been made to the net debt position:

- $35.0 million related to the sale of Bisley out of which $24.5 million will be used to buy-back Mr David Gazal's shares in Gazal
- as at 30 June 2017 the hedging financial instruments liability balance was $1.6 million and is associated with Bisley's purchases from Chinese manufacturers in US dollars. The liability balance is expected to be $0.6 million as at 31 December 2017
- $3.2 million of capital gains tax is expected to be incurred in relation to the Proposed Bisley Transaction.

6.5 Number of shares

Based on the Proposed Bisley Transaction, we understand that:

- 9.803 million shares held by Mr David Gazal will be bought back by Gazal at a price of $2.50 per share.
- Mr David Gazal will sell his remaining 4.201 million shares at a price of $2.50 per share to third parties, including to PVH Corp.

The table below sets out the shareholding in Gazal pre and post the Proposed Bisley Transaction.

Table 15

Shares outstanding (million)	Pre Transaction	Post Transaction
Michael Gazal	17.4	17.4
David Gazal	14.0	-
PVH Corp.	5.8	9.7
Independent directors	4.2	4.2
Harvey Norman	4.2	4.2
Investors Mutual	3.7	3.7
Others shareholders	9.2	9.4
Total	**58.4**	**48.6**

Sources: Gazal management, Deloitte Corporate Finance analysis

6.6 Value per share

Based on the analysis above, our valuation of Gazal derived from the capitalisation of maintainable earnings method is summarised in the following table:

Table 16

	Unit	Pre Transaction Value		Post Transaction Value	
		Low	High	Low	High
Bisley	$'000	5,500	6,000	-	-
PVHBA JV	$'000	12,000	13,000	12,000	13,000
Corporate Services	$'000	2,200	2,200	1,700	1,700
Maintainable earnings (EBIT)	**$'000**	**19,700**	**21,200**	**13,700**	**14,700**
Earnings multiple (control basis)	times	8.3	8.8	9.5	10.0
Enterprise value (control basis)	**$'000**	**163,775**	**186,500**	**130,150**	**147,000**
Less: adjusted net debt	$'000	(27,865)	(27,865)	(20,546)	(20,546)
Add: Oroton investment	$'000	2,405	2,405	2,405	2,405
Equity value (on a control basis)	**$'000**	**138,315**	**161,040**	**112,009**	**128,859**
Number of shares on issue	'000	58,355	58,355	48,551	48,551
Value per share in Gazal	**$**	**2.37**	**2.76**	**2.31**	**2.65**

Source: Deloitte Corporate Finance analysis

6.7 Sensitivity analysis

Any capitalisation of earnings analysis can be viewed as being subjective in nature and dependent on the assumptions adopted. The values presented in the table above have been derived based on assumptions we have assessed to be reasonable. In addition, in comparing the Pre Transaction Value and Post Transaction Value, we have adopted assumptions that are consistent between the scenarios.

In the table below, we present a sensitivity of the difference in the low range Pre Transaction Value and high range Post Transaction Value as a result of adopting different EBIT multiples assumptions.

Table 17

		Pre Transaction multiple (low)				
		7.3x	7.8x	8.3x	8.8x	9.3x
Post Transaction multiple (high)	9.0x	0.31	0.15	(0.02)	(0.19)	(0.36)
	9.5x	0.47	0.30	0.13	(0.04)	(0.21)
	10.0x	0.62	0.45	0.28	0.11	(0.06)
	10.5x	0.77	0.60	0.43	0.26	0.09
	11.0x	0.92	0.75	0.58	0.41	0.25

Source: Deloitte Corporate Finance analysis

The scenarios which have a negative difference indicate scenarios which would result in the Proposed Bisley Transaction not being fair.

6.8 Discounted Cash Flow cross-check

We have also had regard to a high level discounted cash flow analysis as cross-check to our valuation under the capitalisation of maintainable earnings method. The discounted cash flow method estimates market value by discounting a company's future cash flows to their net present value. To value Gazal using the discounted cash flow method requires the determination of the following:

- future cash flows
- an appropriate discount rate to be applied to the cash flows
- an estimate of the terminal value.

Our considerations on each of these are discussed separately below.

6.8.1 Future cash flows

The current financial position of Gazal, the impact of increased competition and demand from customers on Bisley and the current development of PVHBA make it difficult to project the future cash flows of Gazal with a high level of certainty. Hence, we have cross-checked the value for Gazal under various assumptions, which reflect the possible future performance of the business. The Pre Transaction Value has been determined as the sum of the value of Bisley, Corporate Services, a 50% share in the JV and Oroton investment while the Post Transaction Value has been determined as the sum of the value of 50% share in the JV, Corporate Services and Oroton investment.

The following sets out the key assumptions we have considered in our discounted cash flow analysis:

- **revenue growth**: we have considered the following scenarios in relation to revenue over the period FY2018 to FY2022 (the **forecast period**):
  - Bisley: revenue growth is expected to be in line with the growth of the safety equipment industry, as Bisley broadly falls within this sector. Revenue growth is forecast to grow at an annualised real rate of 2.4% over the period to FY2022[3]

    PVHBA JV: Revenue growth is expected to be above that of the retail industry, as PVHBA is able to further capitalise on the roll-out of retail stores, as well as the development of the online retailing market in Australia. As such, we have adopted a flat real growth rate of 5.0% per annum over the Forecast Period
  - Corporate Services: Revenue growth is expected to increase at a nominal rate of 2.5% p.a., in line with inflation
- **EBIT margin**: we have considered a constant EBITDA and EBIT margin, in line with that achieved in FY2017 for each of the operating segments.
- **working capital**: our assumption takes into account the growth in the individual components of working capital over the forecast period. The growth rate depends on the different assumptions for revenue growth and EBIT margin as mentioned above
  - debtors and stock are expected to increase in line with the growth in revenue
  - creditors are expected to grow in line with the increase in costs of goods sold
  - other current assets, current liabilities and employee entitlements are expected to remain constant over the forecast period
  - no material movements in working capital are expected in the terminal year.
- **capital expenditure**: as Bisley, PVHBA or Corporate Services are not capital intensive operating segments, depreciation and capital expenditure are assumed to be consistent
- **tax**: an income tax at a rate of 30% consistent with the Australian corporate tax rate has been assumed.

6.8.2 Discount rate

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. In selecting an appropriate discount rate for the cash flows generated by Gazal we considered the following:

- Capital Asset Pricing Model (**CAPM**) having regard to market data
- the risk free rate of return in Australia, having regard to the yield on 10 year zero coupon Australian Government bonds, being 2.84% as at 29 September 2017
- historical and prospective estimates of the Australian equity market risk premium (**EMRP**). Based on our analysis, we have selected EMRP to be 7.5%
- beta's of listed companies that are comparable to Gazal. These betas, which are presented in Appendix 3, have been calculated based on weekly returns over a two year period and monthly returns over a 4 year period, compared to relevant indices. Based on our analysis we have selected

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[3] IBIS – Safety equipment - March 2015 (Forecasts until FY2020)

an un-levered beta in the range of 1.00 to 1.10 and a relevered beta in the range of 1.10 to 1.20 in relation to the Bisley and the PVHBA and Corporate Services discount rate

- we have selected a specific risk premium of 100 to 150 basis points (**bps**) in relation to risks specific to PVHBA and Corporate Services and 300 to 350 bps in relation to Bisley. We are of the opinion that PVHBA and Corporate Services are exposed to the same level of risk as PVH Corp. and various company specific risks based on its size, not captured by the other elements of the CAPM build-up. Bisley is exposed to company specific risks based on its smaller size as well as the building, construction and mining sectors.
- an appropriate pre-tax cost of debt of 5.25% based on Gazal's current debt rate and Australian debt benchmarks
- gearing levels exhibited by the identified comparable companies and the current average gearing of Gazal. Having considered these factors, we have selected a 10% debt to enterprise value ratio based on the Australian and New Zealand retail market.

Based on the above parameters, we have selected the following nominal after tax discount rate for Gazal:

- 10.5% to 11.5% in relation to PVHBA and Corporate Services value
- 12.5% to 13.5% in relation to Bisley value.

6.8.3 Terminal value

The terminal value estimates the value of the ongoing cash flows after the forecast period. We have estimated the terminal value based on the forecast cash flows in FY2022, the discount rate and an estimate of the long-term cash flow growth rate.

We have assumed a nominal long-term growth rate of 2.5%, having regard to long-term inflationary growth projections and the target level of inflation published by the Reserve Bank of Australia (**RBA**).

6.8.4 Conclusion

The following table sets out a range of share prices in relation to the Pre Transaction Value and the Post Transaction Value based on the discounted cash flow assumptions noted above, compared to the Pre Transaction Value and the Post Transaction Value based on the capitalisation of maintainable earnings approach.

Table 18

	Unit	Pre Transaction Value		Post Transaction Value	
		Low	High	Low	High
Enterprise Value	**$'000**	**167,677**	**187,454**	**134,042**	**150,557**
Add: Oroton investment	$'000	2,405	2,405	2,405	2,405
Less: Adjusted Net Debt	$'000	(27,865)	(27,865)	(20,546)	(20,546)
Equity Value (on majority basis)	**$'000**	**142,217**	**161,994**	**115,901**	**132,416**
Number of shares on issue	'000	58,355	58,355	48,551	48,551
Value per share in Gazal	**$**	**2.44**	**2.78**	**2.39**	**2.73**
Capitalisation of maintainable earnings method (per share)	**$**	**2.37**	**2.76**	**2.31**	**2.65**

Source: Deloitte Corporate Finance analysis

We consider that the cross-check provides support to our primary valuation of Gazal.

6.9 Analysis of recent Gazal share trading

The market can be expected to provide an objective assessment of the fair market value of a listed entity, where the market is well informed and liquid. Market prices incorporate the influence of all publicly known information relevant to the value of an entity's securities. We have had regard to recent share trading as a high level cross-check to the Pre Transaction Value. Generally, we believe that the share price is an appropriate measure of the fair market value of Gazal's shares for the following reasons:

- in the six months prior to the date of the announcement of the Proposed Transaction (25 February 2017 to 24 August 2017), the average volume of trading in Gazal shares was 0.6% of the total issued capital of Gazal per day, representing a liquid market for Gazal shares
- Gazal's share price ranged from $2.05 to $2.40 per share for the six months prior to the announcement of the Proposed Bisley Transaction on 25 August 2017, with a volume weighted average price (**VWAP**) of $2.24
- Gazal's audited financial statements for the year ended 30 June 2017 were released to the market on the day of the announcement and reviewed financial statements for the half year ended 31 December 2016 were released in February 2017, providing a recent update regarding Gazal's financial performance
- Gazal announced on July 10, 2017 the acquisition of 7.35% in Oroton as part of its strategic process.

The following figure sets out the daily VWAP of Gazal from 10 days to a 6 months basis.

Table 19

	10 days 11 August 2017 to 24 August 2017	1 month 25 July 2017 to 24 August 2017	3 months 25 May 2017 to 24 August 2017	6 months 25 February 2017 to 24 August 2017
VWAP	2.27	2.27	2.25	2.24
High	2.30	2.30	2.40	2.40
Low	2.26	2.23	2.23	2.05

Source: Deloitte Corporate Finance analysis

We note that whilst our Pre Transaction Value range has been determined on a control basis, if adjusted for the included control premium, the calculated value range would be broadly comparable to the pre-announcement share trading (i.e. our selected Pre Transaction Value implies a premium of 4% to 22% over the 10 day VWAP).

Appendix 1: Valuation methodologies

Common market practice and the valuation methodologies which are applicable to corporate entities and businesses are discussed below.

Market based methods

Market based methods estimate an entity's fair market value by considering the market price of transactions in its shares or the fair market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of an entity's recent share trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on an entity's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the entity's earnings are relatively stable.

The most recent share trading history provides evidence of the fair market value of the shares in an entity where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of an entity than other valuation methods because they may not account for entity specific factors.

Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting an entity's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Asset based methods

Asset based methods estimate the market value of an entity's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of an entity but does not take account of realisation costs.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of an entity's assets are liquid, or for asset holding companies.

Appendix 2: Clothing retailing industry & safety equipment industry

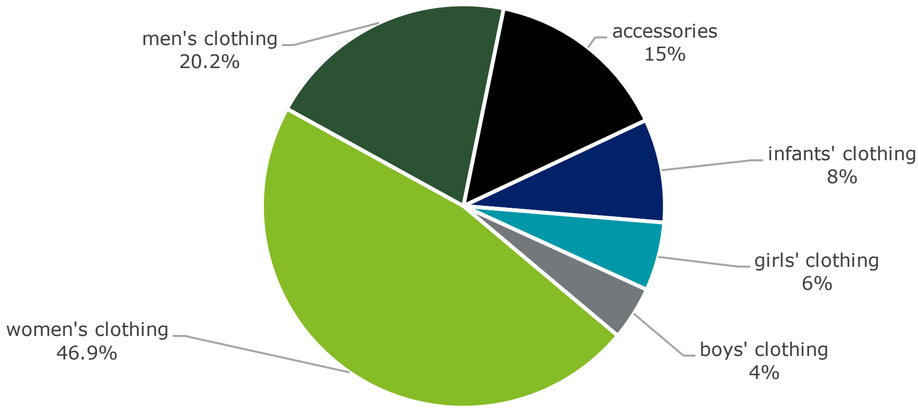
Clothing retailing industry

Overview

The clothing retailing industry in Australia predominantly focuses on the buying and selling of apparel products and accessories. The industry is fragmented and diverse with a large number of small independent owners, significantly contributing to economic output, generating $19.1 billion in revenues in 2016-2017.

The clothing retail industry's segmentation changes in line with population and demographic trends, however fashion trends create volatility for certain products in the short term. Currently, the women's clothing section accounts for the largest share of the industry at 46.9% and includes dresses, pants, shorts, skirts, tops, coats, jumpers and foundation garments. The figure below shows the segmentation of the clothing retail industry in 2016-2017.

Figure 6



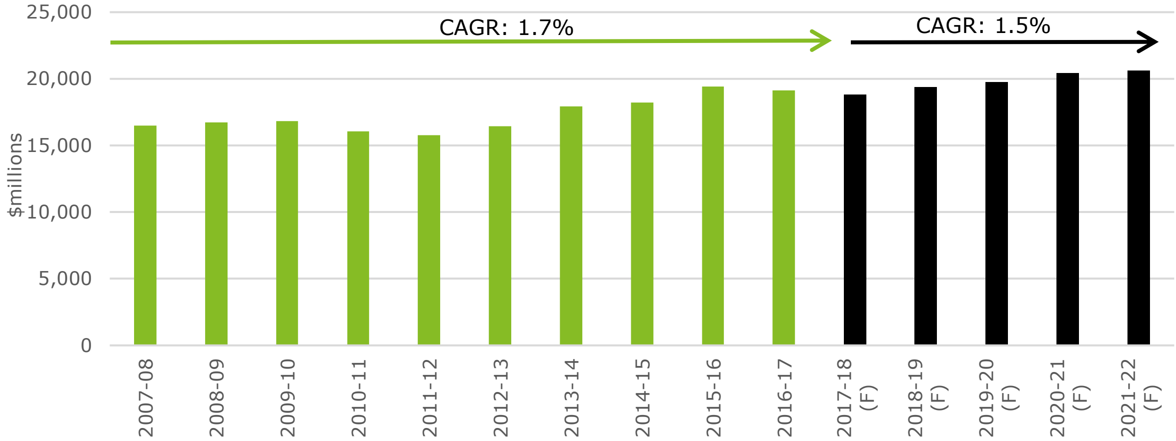
Source: IBISWorld

Demand for clothing is influenced by a number of factors, in particular, disposable income, consumer sentiment, fashion trends, brand status and weather conditions.

The increasing development of new technology and demand for online shopping have increased competition for traditional brick and mortar clothing stores. As a result of the rise of online shopping, a new model of retailing is appearing, where brick and mortar retailers are incorporating online retailing and becoming multi-channel retailers. Competition has also intensified as a result of international retail giants, who have scale and efficiency, and are expanding their presence in Australia.

The following chart outlines the historical and forecast revenue (in real terms) for the clothing retail market in Australia.

Figure 7



Source: IBISWorld

Clothing retailing industry revenue declined by 1.4% in 2016-2017 and is expected to grow at a moderate rate of 1.5% per annum over the next five years to 2021-2022, to $20.6 billion.

Industry trends and outlook

The clothing retailing industry is subject to the following trends:

- in the short term, particularly 2017-18, the industry is expected to struggle as consumers limit discretionary spending. Consumers are expected to become increasingly cautious about housing wealth, particularly as Australia's already high household debt faces increased risks if and when interest rates rise. There are ongoing concerns regarding the stability of the Australian economy following the end of the mining boom, resulting in households curbing purchase decisions
- industry competition will increase further, as major domestic players continue to expand their presence to compete with department stores and international heavyweights. Fierce competition from online shopping is also anticipated over the next five years, as websites become more sophisticated and offer a greater range of products
- the AUD has gained some ground through the first half of 2017. This provides some price advantage to imports which become relatively cheaper, and will help to keep retail inflation subdued. However, the AUD is likely to drift downwards over the next couple of years, erasing this advantage
- wage growth in Australia remains negligible, currently sitting at its lowest point in history at 1.9% over the year to June. Prices are growing slowly as well, at just 1.9% over the year on average. However retail prices are growing even slower, at just 1.0% over the year to June 2017
- the bricks and mortar shopping experience is projected to become more automated, with technological innovations encouraging consumer engagement. In particular, virtual stores and adaptive store fronts involving interactive digital displays are projected to become more common over the next five years.

The last financial year has been a struggle for retailers, with threats from Amazon, record-low wage growth and housing risks all impacting consumer spending. The short to medium term outlook remains modest as competition intensifies and participants fight for the consumer dollar.

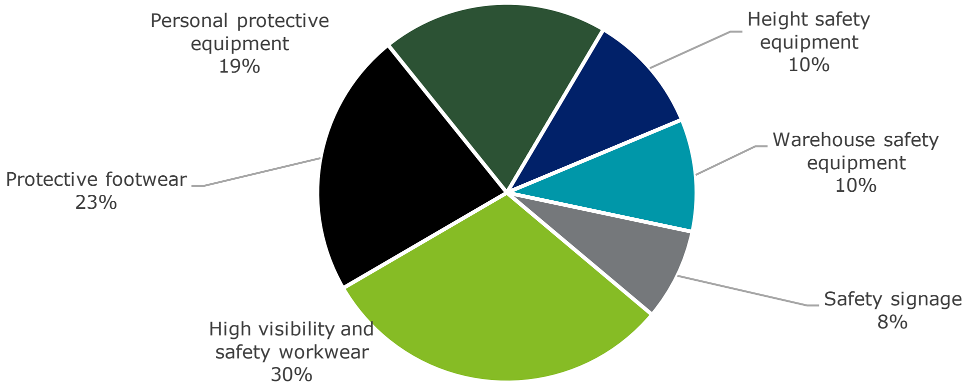
Safety equipment industry

Overview

The safety equipment industry in Australia predominantly consists of workwear, protective footwear, personal protective equipment and height safety products. The safety equipment industry is exposed to industries that require large amounts of manual labour, which include the mining, construction, manufacturing, agricultural and the health and community sectors. The safety equipment industry is predominately comprised of numerous small players with several well established brands, as well as numerous new entrants to the market.

The workwear segment accounts for approximately 30.5% of the safety equipment market and relates to safety clothing for the various industries to mitigate risks of accidents or exposure to dangerous or harmful substances. Bisley accounts for approximately 3.6% of the 30.5% market share relating to the workwear segment (i.e. 11.8% of the workwear segment). The figure below shows the product segmentation of the safety equipment market in 2016-17.

Figure 8

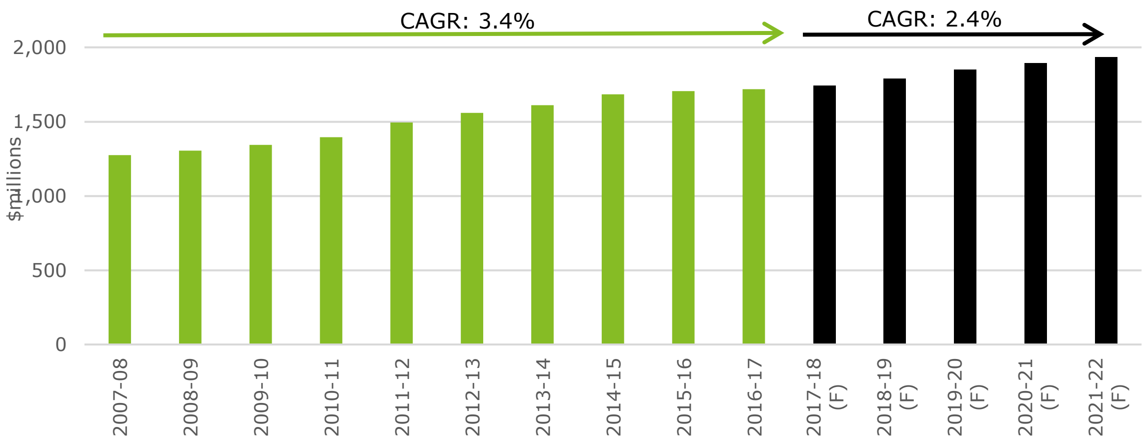


Source: IBISWorld

Demand for safety equipment is driven by an increase in activity in industries requiring safety equipment, as well as tightening of workplace health and safety standards. The industry is indirectly regulated by various government bodies, which mandate occupational health and safety (the **OH&S**) standards. OH&S standards are implemented by companies and unions, which ensure employees and contractors adhere to the guidelines (for example, construction workers must wear protective helmets on building sites).

The following chart outlines historical and forecast revenue (in real terms) of the safety equipment market in Australia.

Figure 9



Source: IBISWorld

The safety equipment industry has benefited from the increased construction activity, in particular from residential and infrastructure construction activity (i.e. roads, tunnels). This growth has been partially offset by the decline in demand from the mining industry, which accounts for approximately 15.1% of total safety equipment and supplies sales in Australia[4]. The mining industry is expected to grow at only a moderate rate, with the construction industry offsetting any decrease in demand resulting from the mining industry.

Over the five years through to FY2022, industry revenue is forecast to grow at a compound annual growth rate of 2.4% (real terms) to $1.9 billion, in line with expected growth in employment.

[4] IBIS – Safety equipment – February 2017

Workwear industry trends and outlook

Following are several macroeconomic indicators which have an impact on the growth and margins of participants in the workwear industry:

- whilst industry demand from the construction section has increased over the past five years, conditions in other downstream markets have been weaker. The manufacturing sector has struggled due to fierce competition from lower cost international suppliers, weak export volumes and declining productivity. These factors have reduced employment levels, particularly as manufacturing firms have moved operations offshore
- whilst sales in relation to Defence and Corrections are less sensitive to broader economic trends, there is a positive correlation between the number of Australian defence personnel and the demand for uniforms. The number of defence personnel is expected to remain fairly constant over the short to medium term
- competitive pressures have been moderate, however are expected to increase in the near future. The owners of brands such as Hard Yakka and King Gee are competing for tenders on price and putting pressure on industry margins. Some competitors are also offering private label products at lower prices
- margin pressures have been experienced by players as a result of decline in demand from the resources sector, exchange rate pressures and increased competition
- a following of OH&S standards followed by industry participants results in a constant demand for safety equipment, as all employees and contractors are required to follow the OH&S standards in terms of protective clothing and equipment. In addition, the development of new products within the safety equipment industry, will help to maintain the future demand for safety products.

As a consequence of the trends described above, the workwear business to business wholesaling and retailing market is expected to grow at only a moderate rate in the short term, with those businesses leveraged to the resources sector. On a longer term basis, we would expect businesses operating in the market to be impacted by high competition from an increasing number of private label garments offered by competitors, as well as the potential vertical integration of other market participants.

Appendix 3: Comparable entities

We identified the following companies whose securities are traded on various securities exchanges and we consider similar.

Table 20

Name	EV($m)	Gearing	EBIT multiple			EBIT margin			2-year weekly beta		4-year monthly beta	
			Historical	Current	Forecast	Historical	Current	Forecast	Levered	Unlevered	Levered	Unlevered
Workwear												
Cintas Corporation	22,127	17.9%	19.3x	18.2x	16.3x	16.0%	15.4%	16.3%	0.55	0.51	0.74	0.69
UniFirst Corporation	3,206	(13.1)%	13.2x	15.6x	14.3x	12.6%	10.3%	11.0%	0.87	0.87	0.50	0.50
Delta Plus Group	576	14.9%	16.5x	13.8x	13.0x	12.3%	12.6%	12.8%	n/m	n/m	0.64	0.51
Superior Uniform Group, Inc.	453	9.5%	15.1x	15.1x	12.7x	8.6%	9.2%	10.3%	0.71	0.65	n/m	n/m
Lakeland Industries, Inc.	125	(9.4)%	13.1x	10.9x	9.6x	8.4%	9.8%	10.7%	0.97	0.94	n/m	n/m
Median			**15.1x**	**15.1x**	**13.0x**	**10.4%**	**10.3%**	**11.0%**	**0.77**	**0.74**	**0.63**	**0.56**
Average			**15.4x**	**14.7x**	**13.2x**	**9.5%**	**11.5%**	**12.2%**	**0.79**	**0.76**	**0.64**	**0.51**

Name	EV($m)	Gearing	EBIT multiple			EBIT margin			2-year weekly beta		4-year monthly beta	
			Historical	Current	Forecast	Historical	Current	Forecast	Levered	Unlevered	Levered	Unlevered
Retail												
Australia & New Zealand												
Premier Investments Limited	1,927	(7.9)%	14.3x	14.0x	12.2x	12.7%	12.4%	13.1%	1.12	1.12	1.29	1.29
Myer Holdings Limited	579	(1.4)%	5.1x	5.4x	5.5x	4.1%	3.3%	3.3%	1.11	0.99	1.83	1.60
RCG Corporation Limited	470	12.4%	8.5x	7.6x	7.0x	8.7%	9.0%	9.0%	1.39	1.32	n/m	n/m
Kathmandu Holdings Limited	451	10.6%	9.3x	8.5x	8.5x	12.0%	12.7%	12.5%	1.33	1.20	n/m	n/m
Noni B Limited	166	(3.5)%	17.8x	7.9x	7.5x	3.0%	6.0%	5.9%	n/m	n/m	n/m	n/m
Specialty Fashion Group Ltd	66	12.6%	14.2x	n/a	n/a	0.6%	n/a	n/a	n/m	n/m	n/m	n/m
The PAS Group Limited	58	(8.5)%	5.3x	2.8x	n/a	4.2%	6.6%	n/a	0.66	0.66	n/m	n/m
Globe International Limited	35	(31.1)%	6.4x	n/a	n/a	3.9%	n/a	n/a	n/m	n/m	n/m	n/m
OrotonGroup Limited	31	(16.8)%	4.9x	n/a	n/a	4.6%	n/a	n/a	n/m	n/m	n/m	n/m
Median			**8.5x**	**7.8x**	**7.5x**	**4.2%**	**7.8%**	**9.0%**	**1.12**	**1.06**	**1.56**	**1.44**
Average			**9.5x**	**7.7x**	**8.2x**	**6.0%**	**8.3%**	**8.8%**	**1.12**	**1.12**	**1.56**	**1.44**
Global												
The TJX Companies, Inc.	56,833	(1.6)%	11.1x	11.2x	10.7x	11.6%	11.4%	11.3%	0.88	0.88	0.70	0.70
PVH Corp.	15,814	20.9%	15.8x	14.9x	13.7x	9.2%	9.8%	10.2%	1.53	1.27	0.71	0.59
Foot Locker, Inc.	4,257	(27.0)%	3.2x	4.4x	4.5x	13.0%	10.1%	9.8%	1.04	1.04	n/m	n/m
Tailored Brands, Inc.	2,572	69.5%	8.5x	9.4x	8.6x	6.8%	6.8%	7.5%	3.84	1.76	1.99	1.14
G-III Apparel Group, Ltd.	2,407	26.6%	16.3x	13.3x	10.1x	4.7%	5.2%	6.3%	1.32	1.20	n/m	n/m
Caleres, Inc.	1,722	13.0%	9.4x	9.0x	8.3x	5.4%	5.5%	5.8%	1.83	1.71	1.10	1.02
The Buckle, Inc.	560	(54.5)%	2.8x	3.7x	4.3x	15.7%	13.2%	12.0%	1.75	1.12	n/m	n/m
Boot Barn Holdings, Inc.	588	54.5%	11.5x	11.7x	10.7x	6.2%	6.2%	6.3%	1.48	1.48	0.85	0.85
Tilly's, Inc.	274	(50.0)%	9.5x	9.3x	7.9x	3.8%	4.1%	4.7%	n/m	n/m	n/m	n/m
Moss Bros Group plc	125	(26.0)%	10.6x	10.4x	10.0x	5.5%	5.5%	5.5%	0.61	0.61	n/m	n/m
Median			**10.1x**	**9.9x**	**9.3x**	**6.5%**	**6.5%**	**6.9%**	**1.58**	**1.23**	**1.07**	**0.86**
Average			**9.9x**	**9.7x**	**8.9x**	**8.2%**	**7.8%**	**7.9%**	**1.48**	**1.20**	**0.85**	**0.85**

Source: CapitalIQ, Deloitte analysis

Notes:

1. Enterprise value as at 12 September 2017
2. n/m: not meaningful
3. n/a: not available.

Appendix 4: Comparable transactions

We identified the following transactions involving similar businesses:

Table 21

Announced date	Target	Acquirer	% sought	EV	EBIT multiple
Workwear					
30-Mar-17	Elvex Corporation	Delta Plus Group	41%	n/a	n/a
15-Aug-16	G&K Services, Inc.	Cintas Corporation	100%	2,791	17.4x
24-Oct-16	International Textile Group, Inc.	Platinum Equity, LLC	100%	393[1]	5.8x
1-Aug-16	5.11, Inc.	Compass Diversified Holdings LLC & Management of 5.11, Inc.	100%	529	n/a
6-May-16	Grolls AB	Swedol AB	100%	131	9.5x
26-Aug-14	Pacific Brands Workwear Group Pty Ltd.	Wesfarmers Industrial And Safety Pty Ltd.	100%	180	8.2x
23-Dec-11	Lakeland Industries Inc.	Ansell	10%	59	17.2x
19-Dec-11	RSEA Pty Ltd	CHAMP Ventures Pty Ltd	79%	46	n/a
Average					**9.5x**
Median					**11.6x**
Retail – Australia & New Zealand					
27-Mar-17	Myer Holdings Limited	Metalgrove Pty Ltd	11%	933	8.1x
4-Jul-16	Hype DC Pty Limited	RCG Corporation Limited	100%	105	7.2x[2]
27-Apr-16	Pacific Brands Limited	Hanesbrands Inc.	100%	1,055	15.3x
22-Sep-15	The PAS Group Limited	Australia Brands Investment, LLC	26%	74	5.4x
3-Mar-15	The Warehouse Group Limited	James Pascoe Limited	9%	1,237	13.0x
25-Jul-14	Country Road Ltd.	Woolworths International (Australia) Pty Limited	12%	1,832	27.4x
15-Apr-13	R.M. Williams Pty Ltd	L Capital Asia LLC	50%	113	32.5x
1-Aug-12	Witchery Fashions Pty Ltd	Country Road Group Ltd	100%	165	13.6x
13-Apr-11	Retail Apparel Group Pty Ltd.	Navis Capital Partners Limited	100%	243	15.5x
Average					**13.6x**
Median					**15.3x**
Retail – Global					
28-Apr-17	Belle International Holdings Limited	Consortium led by Hillhouse Capital Group and CDH Investments	85%	7,512	8.5x
31-Oct-12	Warnaco Group Inc.	PVH Corp.	100%	2,798	13.2x
Average					**10.9x**
Median					**10.9x**

Source: CapitalIQ, Mergermarket, company announcements and press releases, other publicly available information, Deloitte analysis

Notes:

1. Includes consideration for ordinary and preference shareholders
2. Based on forecast figures for the year ended 30 June 2016
3. n/a: not available.

Appendix 5: Control premium

Set out in this appendix are a number of studies and analysis we have identified in order to inform our assessment of the appropriate range of control premiums to apply. Most specifically, we maintain our own database of transactions in the Australian market and using this database we are able to calculate historical control premiums.

Deloitte database of Australian public company M&A activity

We conducted a study of premiums paid in Australian transactions completed between 1 January 2000 and 31 July 2017. Our merger and acquisition data was sourced from MergerMarket, Capital IQ and Thomson Reuters along with publicly available news and information sources. This identified 601 transactions that were completed during the period under review.

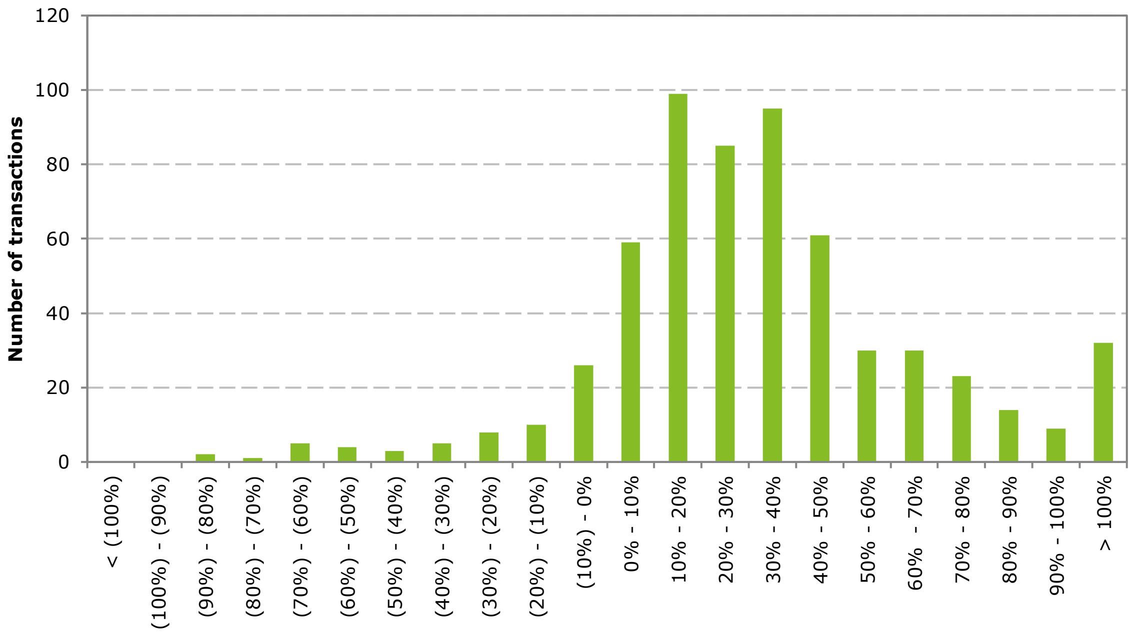
Our data set consisted of transactions where an acquiring company increased its shareholding in a target company from a minority interest to a majority stake or acquired a majority stake in the target company.

We assessed the premiums by comparing the offer price to the closing trading price of the target company one month prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer.

Summary of findings

As the following figure shows, premiums paid in Australian transactions between 1 January 2000 and 31 July 2017 are widely distributed with a long 'tail' of transactions with high premiums.

Figure 10: Control premium analysis - distribution of transactions



Source: Deloitte analysis

The following table details our findings.

Table 22: Control premium analysis – overall market findings

	Control premium
Upper quartile	48%
Average	35%
Median	30%
Lower quartile	13%

Source: Deloitte analysis

Many of the observed control premiums below 20% are likely to have been instances where the market has either been provided with information or anticipated a takeover offer in advance of the offer being announced. Accordingly, the pre-bid share trading price may already reflect some price appreciation in advance of a bid being received, which creates a downward bias on some of the observed control premiums in our study.

Many of the observed control premiums above 40% are likely to have been influenced by the following factors which create an upward bias on some of the observed control premiums in our study:

- some acquirers are prepared to pay above fair market value to realise 'special purchaser' value which is only available to a very few buyers. Such 'special purchaser' value would include the ability to access very high levels of synergistic benefits in the form of cost and revenue synergies or the ability to gain a significant strategic benefit
- abnormally high control premiums are often paid in contested takeovers where there are multiple bidders for a target company. In such cases, bidders may be prepared to pay away a greater proportion of their synergy benefits from a transaction than in a non-contested situation
- some of the observations of very high premiums are for relatively small listed companies where there is typically less trading liquidity in their shares and they are not closely followed by major broking analysts. In such situations, the traded price is more likely to trade at a deeper discount to fair market value on a control basis.

Accordingly, the observed control premiums to share trading prices for such stocks will tend to be higher.

For the reasons set out above, we consider the control premium range of 20% to 40% to be representative of general market practice for the following reasons.

Other studies

In addition to our own analysis as set out above, we have also had regard to the following:

- a study conducted by S.Rossi and P.Volpin of London Business School dated September 2003, 'Cross Country Determinants of Mergers and Acquisitions', on acquisitions of a control block of shares for listed companies in Australia announced and completed from 1990 to 2002. This study included 212 transactions over this period and indicated a mean control premium of 29.5% using the bid price of the target four weeks prior to the announcement
- 'Valuation of Businesses, Shares and Equity' (4th edition, 2003) by W.Lonergan states at pages 55-56 that: "Experience indicates that the minimum premium that has to be paid to mount a successful takeover bid was generally in the order of at least 25 to 40 per cent above the market price prior to the announcement of an offer in the 1980s and early 1990s. Since then takeover premiums appear to have fallen slightly."
- a study conducted by P.Brown and R.da Silva dated 1997, 'Takeovers: Who wins?', JASSA: The Journal of the Securities Institute of Australia, v4 (Summer):2-5. The study found that the average control premium paid in Australian takeovers was 29.7% between the period January 1974 and June 1985. For the ten year period to November 1995, the study found the average control premium declined to 19.7% (however, we note that during this period the Australian economy went through a period of unusually weak economic growth, including a recession)
- a study conducted by A. Gilmore, G. Yates and I. Douglas of RSM dated 2017, 'Control Premium Study 2017 – Insights into market dynamics, financial dynamics and other factors', on successful takeovers and schemes of arrangement completed between 1 July 2005 and 30 June 2016 for companies listed on the Australian Stock Exchange. The study included 463 transactions (for which meaningful data was available) and indicated an average implied control premium at 20 days pre-bid of 34.5% and a median implied control premium of 27.0%.

Appendix 6: Context to the report

Individual circumstances

We have evaluated the Proposed Bisley Transaction for the Non-Associated Shareholders as a whole and have not considered the effect of the Proposed Bisley Transaction on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Bisley Transaction from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Bisley Transaction is fair and reasonable to the Non-Associated Shareholder. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The report represents solely the expression by DCF of its opinion as to the fair market value of a share in Gazal before and after the Proposed Bisley Transaction as at the Valuation Date. The opinion of Deloitte is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

The report has been prepared at the request of the Independent Directors of Gazal and is to be included in the Explanatory Memorandum to be given to Non-Associated Shareholders for approval of the Proposed Bisley Transaction in accordance with the ASX Listing Rule 10. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Explanatory Memorandum in their assessment of the Proposed Bisley Transaction outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Bisley Transaction. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by Gazal and its officers, employees, agents or advisors (as set out below in 'Sources of Information'). Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Gazal management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by Gazal and its officers, employees, agents or advisors, Gazal has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which Gazal may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by Gazal and its officers, employees, agents or advisors or the failure by Gazal and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Bisley Transaction.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte's consideration of this information consisted of enquiries of Gazal personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the AUASB or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte considers that there are reasonable grounds to believe that the prospective financial information for Gazal included in this report has been prepared on a reasonable basis in accordance with ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of Gazal referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Stephen Reid B.Ec, M.App.Fin.Inv., CA, F.Fin and Tapan Parkeh B.Bus, M.Com, CA, F.Fin. Each have many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Deloitte will receive a fee for preparing this report. This fee is not contingent on the conclusion, content or future use of our report.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- Gazal proposes to issue a disclosure document in respect of the Proposed Bisley Transaction between Gazal and the holders of Gazal shares (the Explanatory Memorandum)
- the Explanatory Memorandum will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Explanatory Memorandum (draft Explanatory Memorandum for review
- it is named in the Explanatory Memorandum as the 'independent expert' and the Explanatory Memorandum includes its independent expert's report at page 21 of the Explanatory Memorandum.

On the basis that the Explanatory Memorandum is consistent in all material respects with the draft Explanatory Memorandum received, Deloitte Corporate Finance Pty Limited consents to it being named in the Explanatory Memorandum in the form and context in which it is so named, to the inclusion of its independent expert's report in the Explanatory Memorandum and to all references to its independent expert's report in the form and context in which they are included, whether the Explanatory Memorandum is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Explanatory Memorandum and takes no responsibility for any part of the Explanatory Memorandum, other than any references to its name and the independent expert's report as included at page 21.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- transaction documents including the draft Explanatory Memorandum,
- audited financial statements for Gazal for the twelve months ending 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017
- management accounts for Bisley for the twelve months ending 30 June 2016, 30 June 2017, 31 July 2017 and 31 August 2017
- management accounts for PVHBA for the two months ending 31 July 2017 and 31 August 2017
- financial budget for Bisley for the period September 2017 - January 2018
- net assets target forecasts ending 31 December 2017
- valuation report by the CBRE on the land & building owned by Gazal as of 30 June 2017
- financial hedging liabilities fair value analysis (September 2017)
- management presentation including strategic reviews and information packs on Gazal, PVHBA and Bisley
- annual reports and corporate presentations for comparable companies
- company websites for Gazal and comparable companies
- publicly available information on comparable companies and market transactions published by ASIC, Thompson research, Capital IQ, and Mergermarket
- other publicly available information, media releases and brokers reports on comparable companies and the safety equipment and workwear industry.

In addition, we have had discussions and correspondence with certain directors and executives, including:

- Patrick Robinson, Chief Executive Officer
- Guy Griffiths, Chief Financial Officer
- Peter Wood, Company Secretary
- Sonja Goyen, Financial Planning & Analysis
- Craig Kimberley, Non-executive Independent Director
- Graham Paton, Non-executive Independent Director
- David Gazal, General Manager of Sourcing; Executive Director
- Franco Polistina, Bisley Divisional Manager.

Deloitte.

GAZAL

GAZAL CORPORATION LIMITED
ABN 57 004 623 474

PROXY FORM

Return to: Company Secretary, Gazal Corporation Limited, 3-7 McPherson Street, BANKSMEADOW NSW 2019 or by facsimile on (+61 2) 9316 4704 (by no later than 10.00am (Sydney time) on 27 November 2017)

BOTH PAGES OF THIS PROXY FORM MUST BE RETURNED

I/We ____,
(name(s) in block letters)

of ____,
(address in block letters)

being a Shareholder(s) of Gazal Corporation Limited, hereby appoint

____,
(name of proxy in block letters)

or if no person is named, or if the person does not attend, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the offices of EY, located at Level 35, 200 George Street, Sydney NSW 2000 on 29 November 2017 at 10.00am (Sydney time), and at any adjournment of the Meeting.

My/our proxy is authorised to exercise _____________%, or if no % is designated all, or the remainder, of my/our voting rights. *(specify percentage)*

I/we acknowledge that the Chairman intends to vote undirected proxies available to be voted by him in favour of each of the resolutions set out in the Notice of Meeting, although in exceptional circumstances, the Chairman may change his or her voting intention on any resolution.

VOTING

You have the following choices as to how your proxy may vote your shares at the Meeting:

- You may give your proxy specific directions on how to vote by filling out the boxes in the section overleaf headed 'Directions to proxy'; or

- You may give your proxy an undirected proxy which, to the extent permitted by law, will authorise the proxy to vote as that person thinks fit, or abstain from voting. If you wish to give your proxy an undirected proxy, you do not need to fill out the boxes in the section overleaf headed 'Directions to proxy'; or

- You may direct your proxy how to vote on some resolutions by filling out the relevant boxes in the section overleaf headed 'Directions to proxy' and give your proxy an undirected proxy in relation to the other resolutions by not filling out the boxes relating to those resolutions in the section overleaf headed 'Directions to proxy'.

If you wish to give your proxy an undirected proxy, please see the important note below.

The Chairman of the Meeting intends to vote undirected proxies available to be voted by him in favour of each of the resolutions set out in the Notice of Meeting. However, in exceptional circumstances, the Chairman may change his voting intention on any resolution, in which case an ASX announcement will be made.

DIRECTIONS TO PROXY

Resolution	For	Against	Abstain
Item 2: Retirement and re-election of Mr Michael Gazal			
Item 3: Retirement and re-election of Mr Craig Kimberley			
Item 4: Remuneration Report			
Item 5(a): Bisley Sale			
Item 5(b): Share Buy-Back			

In the absence of a direction to the proxy in relation to a resolution, I/we authorise the proxy to vote or abstain from voting on any resolution in their discretion.

If the Chairman of the Meeting is my/our proxy, I/we authorise him to exercise the proxy for the resolution on Item D (Remuneration Report) even though the resolution is connected directly or indirectly with the remuneration of the Chairman as a member of the key management personnel of the Company.

SIGNING

Individual or joint shareholders – each must sign.

______________________	______________________	______________________	____________
Individual or first joint Shareholder	Shareholder 2	Shareholder 3	Date

Companies (affix seal if required)

______________________	______________________	______________________	____________
Sole Director and Sole Company Secretary	Director/Secretary (Delete one)	Director/Attorney (Delete one)	Date

This proxy form must be signed by the Shareholder or by an attorney of the Shareholder. Proxy forms (and the power of attorney or other authority (if any) under which it is signed or a certified copy thereof) must be deposited at the Company's registered office, 3-7 McPherson Street, Banksmeadow, NSW 2019 or received by facsimile on (+61 2) 9316 4704 by 10.00am on 27 November 2017, being not less than 48 hours before the appointed time of the meeting.