

Appendix 4E

Preliminary Final Report

Name of entity

GAZAL CORPORATION LIMITED

ABN

57 004 623 474

7 months ended

3 February 2018

Results for announcement to the market

		CONSOLIDATED			
		7 months ended 3 Feb 18	12 months ended 30 Jun 17	Comparison 7 months to 12 months	
Profit before income tax from continuing operations before impairment of investment	\$'000	8,829	6,434	Up	37.2%
Profit from ordinary activities after tax attributable to members- continuing operations	\$'000	5,430	6,579	Down	-17.5%
Profit after tax from discontinuing operations	\$'000	5,938	3,951	Up	50.3%
Net profit for the period attributable to members	\$'000	11,368	10,530	Up	8.0%
Basic earnings per share from continuing operations	cents	9.6	11.3		
Final dividend (fully franked) for the financial period end	\$'000	3,884	4,662		
Transitional dividend (fully franked) - Payable 4 May 18	cents	8.0	8.0		

As a result of the change in financial year the results for the 7 months ending 3 February 2018 is not comparable to the results for the 12 months ended 30 June 2017.

Dividends per security	Amount per security	Franked amount per security
Current period - 7 months 1 July 2017 to 3 February 2018		
Final dividend	8.0 ¢	8.0 ¢
Previous corresponding period -12 months 1 July 2016 to 30 June 2017		
Final dividend	8.0 ¢	8.0 ¢
Interim dividend	6.0 ¢	6.0 ¢
Total	14.0 ¢	14.0 ¢
Record date for determining entitlements to final dividend	18-Apr-18	

Refer to Page 21 for a brief explanation for any of the figures reported above.

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Financial year ended

3 February 2018

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Income Statement

For the 7 months ended 3 February 2018

	Notes	Consolidated	
		7 months ended 3 February 2018	Year ended 30 June 2017
		\$'000	\$'000
Fee revenues	5	4,648	6,620
Other revenues	5	948	2,137
Total revenues		5,596	8,757
Administration and distribution expenses	5	(3,188)	(8,637)
Finance costs		(520)	(635)
Share of profit of joint venture	2	6,941	6,949
Profit before income tax from continuing operations before impairment of investment		8,829	6,434
Impairment of investment		(3,121)	-
Profit before income tax from continuing operations		5,708	6,434
Income tax expense	6	(278)	145
Profit after tax from continuing operations		5,430	6,579
Discontinued operations			
Profit after tax from discontinuing operations	3	5,938	3,951
Net profit for the period		11,368	10,530
Profit for the period is attributable to: Owners of the parent		11,368	10,530
Earnings per share (cents per share)			
Basic for profit for the period	7	20.0	18.1
Basic for profit from continuing operations	7	9.6	11.3
Diluted for profit for the period	7	20.0	18.1
Diluted for profit from continuing operations	7	9.6	11.3

The Income Statement should be read in conjunction with the accompanying notes, which form an integral part of the preliminary final report.

Statement of Comprehensive Income

For the 7 months ended 3 February 2018

	Notes	Consolidated	
		7 months ended 3 February 2018	Year ended 30 June 2017
		\$'000	\$'000
Profit after tax for the period		11,368	10,530
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
(Loss) / gain taken to equity		-	(1,575)
Transferred to income statement		1,575	1,332
Income tax on items of other comprehensive income		(473)	74
Other comprehensive income from joint venture	2	(300)	63
Exchange differences on translation of foreign operations		(169)	(9)
Items that will not be reclassified subsequently to profit or loss			
Fair value revaluation of land and buildings		4,732	8,333
Income tax on items of other comprehensive income		(1,420)	(2,500)
Other comprehensive income for the period, net of tax		3,945	5,718
Total comprehensive income for the period		15,313	16,248
Total comprehensive income for the period is attributable to: Owners of the parent		15,313	16,248

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes, which form an integral part of the preliminary final report.

Statement of Financial Position

As at 3 February 2018

	Notes	Consolidated	
		As at 3 February 2018 \$'000	As at 30 June 2017 \$'000
Current assets			
Cash and cash equivalents	11	1,514	2,610
Trade and other receivables		2,658	12,168
Inventories		-	18,558
Other current assets		4,436	1,974
Total current assets		8,608	35,310
Non-current assets			
Property, plant and equipment		61,859	58,286
Intangible assets		1,812	5,430
Investment in joint venture	2	65,006	60,365
Total non-current assets		128,677	124,081
Total assets		137,285	159,391
Current liabilities			
Trade and other payables		5,305	10,290
Derivative financial instruments		-	1,575
Interest-bearing loans and borrowings		-	5,453
Income tax payable		2,095	835
Provisions		2,258	2,700
Total current liabilities		9,658	20,853
Non-current liabilities			
Other Payables		135	270
Interest-bearing loans and borrowings		20,000	20,000
Provisions		146	249
Deferred tax liabilities		13,987	10,932
Total non-current liabilities		34,268	31,451
Total liabilities		43,926	52,304
Net assets		93,359	107,087
Equity			
Contributed equity		53,138	63,373
Reserves		36,431	32,806
Retained earnings		3,790	10,908
Total Equity		93,359	107,087

The Statement of Financial Position should be read in conjunction with the accompanying notes, which form an integral part of the preliminary final report.

Statement of Cash Flows

For the 7 months ended 3 February 2018

	Notes	Consolidated	
		7 months ended 3 February 2018 \$'000	Year ended 30 June 2017 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		44,999	75,656
Payments to suppliers and employees (inclusive of GST)		(43,855)	(73,282)
Interest received		2	50
Interest and other costs of finance paid		(520)	(635)
Income taxes paid on operating activities		(1,353)	(1,775)
Net cash flows (used in)/from from operating activities		(727)	14
Cash flows from investing activities			
Purchases of property, plant and equipment		(647)	(2,335)
Proceeds from sale of buildings, plant and equipment		601	249
Purchase of intangibles		(28)	(1,624)
Proceeds from sale of discontinued operations	3	35,000	5,765
Income taxes paid on disposal of discontinued operations		-	(13,190)
Dividends from joint venture		2,000	4,000
Investment in Oroton		(3,121)	-
Net cash flows from/(used in) investing activities		33,805	(7,135)
Cash flows from financing activities			
Proceeds from share issue		450	600
Payment for share buy back		(24,509)	-
Proceeds from borrowings		3,500	27,000
Repayment of borrowings		(9,000)	(2,500)
Dividends paid		(4,662)	(27,912)
Net cash flows used in financing activities		(34,221)	(2,812)
Net decrease in cash and cash equivalents		(1,143)	(9,933)
Cash and cash equivalents at the beginning of the period		2,610	12,540
Net foreign exchange differences		47	3
Cash and cash equivalents at the end of the period	11	1,514	2,610

The Statement of Cash Flow should be read in conjunction with the accompanying notes, which form an integral part of the preliminary final report.

Statement of Changes in Equity

For the 7 months ended 3 February 2018

	Consolidated							
	Attributable to shareholders of Gazal Corp Ltd							
	Issued Capital	Asset Revaluation Reserve	Other Reserves	Employee Equity Benefit Reserve	Cash Flow Hedge Reserve	Reserves from joint venture	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2017	63,373	34,006	168	225	(1,102)	(491)	10,908	107,087
Profit for the period	-	-	-	-	-	-	11,368	11,368
Other comprehensive income	-	3,312	(169)	-	1,102	(300)	-	3,945
Total comprehensive income for the period	-	3,312	(169)	-	1,102	(300)	11,368	15,313
Transactions with owners in their capacity as owners:								
Cost of share-based payments	-	-	-	130	-	-	-	130
Share buy back	(10,685)	-	-	-	-	-	(13,824)	(24,509)
Share issue	450	-	-	(450)	-	-	-	-
Transfer	-	(1)	1	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(4,662)	(4,662)
At 3 February 2018	53,138	37,317	-	(95)	-	(791)	3,790	93,359
At 1 July 2016	62,773	27,611	739	600	(933)	(554)	28,290	118,526
Profit for the period	-	-	-	-	-	-	10,530	10,530
Other comprehensive income	-	5,833	(9)	-	(169)	63	-	5,718
Total comprehensive income for the period	-	5,833	(9)	-	(169)	63	10,530	16,248
Transactions with owners in their capacity as owners:								
Cost of share-based payments	-	-	-	225	-	-	-	225
Share issue	600	-	-	(600)	-	-	-	-
Transfer	-	562	(562)	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(27,912)	(27,912)
At 30 June 2017	63,373	34,006	168	225	(1,102)	(491)	10,908	107,087

The Statement of Changes in Equity should be read in conjunction with the accompanying notes, which form an integral part of the preliminary final report.

Notes to the Preliminary Final Report

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2017, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2017.

The adoptions of the mandatory amendments for annual periods beginning on or after 1 July 2017 have resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 3 February 2018, and with the exception of the recognition of the shared service fee of \$7,145,000 (12 months period to 30 June 2017: \$10,659,000), which will be recognised as revenue under 'IFRS15- Revenue from Contracts with Customers', these are not expected to have a material impact on the Group results.

No other Australian Accounting Standards and Interpretations that have recently been issued or amended (but are not yet effective) have been adopted for the annual reporting period ending 3 February 2018.

2 Investment in Joint Venture

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

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

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

Notes to the Preliminary Final Report (continued)**2 Investment in Joint Venture (continued)**

	7 months ended 3 February 2018 \$'000	Year ended 30 June 2017 \$'000
Sales revenue	144,659	198,221
Cost of sales	(52,372)	(74,575)
Gross profit	92,287	123,646
Other revenues	80	141
Selling and marketing expenses	(55,671)	(79,721)
Distribution expenses	(6,859)	(9,871)
Administration expenses	(5,899)	(8,384)
Depreciation and amortisation expenses	(3,931)	(5,683)
Finance costs	(123)	(44)
Profit before income tax	19,884	20,084
Income tax expense	(6,002)	(6,187)
Profit for the period	13,882	13,897
Share of profit from joint venture in the income statement	6,941	6,949
Group's share of other comprehensive income	(300)	63
Group's share of total comprehensive income	6,641	7,012

Notes to the Preliminary Final Report (continued)**2 Investment in Joint Venture (continued)**

	As at 3 February 2018 \$'000	As at 30 June 2017 \$'000
Current assets (1)	84,932	68,629
Non-current assets	90,832	93,347
Current liabilities (2)	38,369	34,045
Non-current liabilities	3,709	3,521
Equity	133,686	124,410
Portion of Group's ownership 50%	66,843	62,205
Carrying amount of investment:		
Opening	60,365	57,353
Share of profit	6,941	6,949
Dividends received	(2,000)	(4,000)
Other comprehensive income (3)	(300)	63
Closing	65,006	60,365

(1) Includes \$9,045,000 of cash and cash equivalents (30 June 2017: \$8,583,000).

(2) Includes \$nil of interest-bearing loans and borrowings (30 June 2017: \$2,000,000).

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

During the period the board of PVH Brands Australia Pty Limited resolved by circular resolution to pay fully franked dividends to the ordinary shareholders in the capital of the company totalling \$4,000,000, out of the retained profits of the joint venture (2017: \$8,000,000). \$4,000,000 was paid on 3 October 2017. The Group's share of the fully franked dividend was \$2,000,000.

The joint venture had no contingent liabilities or capital commitments as at 3 February 2018 or 30 June 2017.

Notes to the Preliminary Final Report (continued)

2 Investment in Joint Venture (continued)

Gazal's successful relationship with PVH Inc. ('PVH') has spanned over 30 years and will continue through the ongoing operations of the PVH Brands Australia joint venture ("JV"). The JV commenced in February 2014 with Calvin Klein underwear and Calvin Klein Jeans operations and later expanded through the acquisition of the Tommy Hilfiger Australian operations and the Van Heusen, Nancy Ganz and other shirting, tailored and shapewear businesses (collectively "Heritage Brands").

The JV has entered into licence and distribution agreements covering Calvin Klein (20 years), Van Heusen (20 years) and Tommy Hilfiger (12 years). These licences will continue to support the long-term operations of the JV.

3 Discontinued Operations

On 29 December 2017, Gazal sold its Bisley Workwear business and related assets for \$35 million to DJG Corporation Pty Ltd (formerly DG Holdco Pty Ltd), a company owned by Mr. David Gazal.

Total proceeds receivable for the sale were \$38,255,000. After deducting the carrying amount of assets, deal costs and tax, the gain on sale after tax was \$5,061,000.

Associated with the deal, the Company completed a share buy-back of 9.8 million shares whose relevant interest was held by Mr. David Gazal. The share buy-back was based on a consideration of \$2.50 per share which is composed of \$1.09 capital per share (total consideration: \$10.7 million) and \$1.41 dividend component (total consideration: \$13.8 million). Attached to the dividend component, \$5.9 million of franking credits were transferred to Mr. David Gazal.

Bisley Workwear trading results met expectations in the 7 months to 3 February 2018. Included in the results is the loss of \$672,900 on the closure of forward currency contracts that were held for future inventory purchases no longer required as a result of the sale of the business. The loss represents the difference in the contract rate and the spot rate at the time the contract was closed.

Notes to the Preliminary Final Report (continued)

3 Discontinued Operations (continued)

The results of the discontinued operations are presented below:

	7 months ended 3 February 2018		Year ended 30 June 2017		
	Bisley Workwear \$'000	Total \$'000	Bisley Workwear \$'000	Trade Secret \$'000	Total \$'000
Trading					
Sales revenue	34,276	34,276	62,112	-	62,112
Other revenue/ benefit	19	19	35	597	632
Cost of sales	(22,472)	(22,472)	(39,350)	-	(39,350)
Depreciation and amortisation	(34)	(34)	(61)	-	(61)
Employees benefit expenses	(2,611)	(2,611)	(4,369)	-	(4,369)
Other expenses	(7,927)	(7,927)	(12,882)	(286)	(13,168)
Profit before tax from discontinued operations	1,251	1,251	5,485	311	5,796
Tax expense	(374)	(374)	(1,646)	(199)	(1,845)
Profit for the period from discontinued operations	877	877	3,839	112	3,951
Gain on sale of discontinued operations after tax	5,061	5,061	-	-	-
Total profit from discontinued operations	5,938	5,938	3,839	112	3,951

*Note: Trade Secret in the year ended 30 June 2017 represents finalisation benefit from contracts subsequent to the disposal of the business in October 2015.

	3 February 2018 cents	30 June 2017 cents
Earnings per share - cents per share:		
- Basic from discontinuing operations	10.5	6.8
- Diluted from discontinued operations	10.5	6.8

Details of the net gain on sale of the discontinued operations are presented below:

	7 months ended 3 February 2018 Bisley Workwear \$'000
Gross sale proceeds	35,000
Working capital adjustment	3,255
Total gross sale proceeds	38,255
Proceeds recognised in cash flow statement	10,491
Share buy-back	24,509
Receivable	3,255
Total gross sale proceeds	38,255
Carrying amount of net assets sold	(27,955)
Gain on sale before transaction costs	10,300
Transaction costs	(2,356)
Net gain on sale of discontinued operations before income tax	7,944
Tax expense	(2,883)
Net gain on sale of discontinued operations after income tax	5,061

Notes to the Preliminary Final Report (continued)**3 Discontinued Operations (continued)**

Effect of disposal on the financial position of the Group are presented below:

	7 months ended 3 February 2018 Bisley Workwear Total \$'000
Plant and equipment	386
Intangible	3,307
Inventories	23,660
Receivables	9,083
Other assets	99
Payables	(7,965)
Employee benefits	(615)
Net Assets	27,955

Net cash flows of the discontinued operations are as follows:

	7 months ended 3 February 2018		Year ended 30 June 2017		
	Bisley Workwear \$'000	Total \$'000	Bilsey Workwear \$'000	Trade Secret \$'000	Total \$'000
Operating activities	1,285	1,285	5,546	(157)	5,389
Investing activities	-	-	-	5,765	5,765
Net cash inflow/(outflow)	1,285	1,285	5,546	5,608	11,154

4 Segment Information – Operating Segments**Identification of reportable segments**

The operating segments are identified by management based on differences in product and services provided. Discrete financial information about each of these operating segments is reported to the management team at least every month and the Board of Directors at least every two months. The operating segments have been reviewed based on the continuing operations post the sale of Bisley workwear. Based on this review, we have defined the operating segments as follows:

- Joint Venture
- Corporate services
- Property services

The comparatives have been restated for comparability.

Notes to the Preliminary Final Report (continued)

4 Segment Information – Operating Segments (continued)

Types of segment groups

Joint Venture

The joint venture income represents the Group's profit share from the joint venture.

Corporate services

The corporate services segment represents the services supplied for the PVHBA joint venture, wholesale business and third party transitional arrangements.

Property services

The property services segment represents the Group's rent revenue and expenses from the Banksmeadow property.

Accounting policies and inter-segment transactions

The key elements of the policy are described below.

Unallocated charges

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

Income tax balances and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment.

Notes to the Preliminary Final Report (continued)

4 Segment Information – Operating Segments (continued)

	Joint Venture	Corporate services	Property services	Total
	\$'000	\$'000	\$'000	\$'000
7 months ended 3 February 2018				
Revenue				
Revenue from joint venture	-	3,033	1,615	4,648
Other revenue	-	560	388	948
Segment Revenue	-	3,593	2,003	5,596
Share of income from joint venture	6,941	-	-	6,941
Segment net operating profit before tax	6,941	(2,102)	869	5,708
includes the following:				
- Interest revenue	-	2	-	2
- Interest expense	-	(520)	-	(520)
- Depreciation and amortisation	-	(1,075)	(470)	(1,545)
- Other non-cash expenses	-	(6)	-	(6)
Segment assets	65,006	10,913	58,111	134,030
Capital expenditure	-	615	32	647
Segment liabilities	-	27,721	31	27,752

	Joint Venture	Corporate services	Property services	Total
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2017				
Revenue				
Revenue from joint venture	-	4,168	2,452	6,620
Other revenue	-	1,635	502	2,137
Segment revenue	-	5,803	2,954	8,757
Share of income from joint venture	6,949	-	-	6,949
Segment net profit before tax	6,949	(2,560)	2,045	6,434
includes the following:				
- Interest revenue	-	50	-	50
- Interest expense	-	(635)	-	(635)
- Depreciation and amortisation	-	(2,030)	(625)	(2,655)
- Other non-cash expenses	-	1	-	1
Segment assets	60,365	11,827	53,574	125,766
Capital expenditure	-	1,851	354	2,205
Segment liabilities	-	33,118	31	33,149

Notes to the Preliminary Final Report (continued)**4 Segment Information – Operating Segments (continued)****i) Segment assets reconciliation to the statement of financial position**

In assessing the segment performance, the Board of Directors analyse the segment result as described above and its relation to segment assets. Segment assets are those operating assets of the entity that the management committee views as directly attributing to the performance of the segment.

	Consolidated	
	As at 3 February 2018 \$'000	As at 30 June 2017 \$'000
Segment operating assets	134,030	125,766
Wholesale assets	-	33,625
Other receivable	3,255	-
Total assets per statement of financial position	137,285	159,391

ii) Segment liabilities reconciliation to the statement of financial position

Segment liabilities include trade and other payables, borrowings, provisions and derivative liabilities. The Group has a centralised function that is responsible for managing tax for the segments.

	Consolidated	
	As at 3 February 2018 \$'000	As at 30 June 2017 \$'000
Segment operating liabilities	27,752	33,149
Income tax payable	2,095	835
GST payable	92	545
Deferred tax liabilities	13,987	10,932
Wholesale liabilities	-	6,843
Total liabilities per statement of financial position	43,926	52,304

Notes to the Preliminary Final Report (continued)**5 Revenue and Expenses from Continuing Operations**

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

	Consolidated	
	7 months ended 3 February 2018 \$'000	Year ended 30 June 2017 \$'000
Revenue and Expense		
(i) Revenue		
Fee Revenue		
Fees from joint venture (1)	4,648	6,620
Other revenue		
Interest revenue	2	50
Rental revenue	779	1,824
Other	167	263
Total other revenue	948	2,137
Total revenue	5,596	8,757
(ii) Expenses and losses		
Depreciation, amortisation and impairment		
Depreciation of buildings	468	621
Depreciation of plant and equipment	736	1,101
Depreciation of leasehold improvements	2	4
Amortisation of software	339	929
	1,545	2,655
Employee benefit expense		
Wages and salaries	5,625	9,401
Defined contribution superannuation expense	491	783
Employee entitlements	594	868
Share-based payments	130	225
	6,840	11,277
Borrowing costs - Interest expenses	520	635
Bad & doubtful debts expense/(recovery)	6	(1)
Operating lease rentals	79	230
Foreign exchange (gain)/loss	(6)	71
(iii) Administration and distribution expenses		
Administration expenses	6,572	13,414
Distribution expenses	3,761	5,882
Shared service fee recovery from joint venture	(5,703)	(7,978)
Shared service fee recovery from discontinued operations	(1,442)	(2,681)
	3,188	8,637

(1) Fees from joint venture represent partnership fees and rent charges.

Notes to the Preliminary Final Report (continued)**6 Income Tax**

The major components of income tax expenses for the 7 months ended 3 February 2018 and 30 June 2017 are:

	Consolidated	
	7 months ended 3 February 2018 \$'000	Year ended 30 June 2017 \$'000
Income Statement		
<i>Current income tax</i>		
Current income tax charge/(benefit) attributable to continuing operations	259	(101)
Adjustments in respect of current income tax of previous years	(344)	(192)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	363	148
Income tax expense/(benefit) reported in the income statement	278	(145)
 (b) Amounts charged or credited directly to equity		
<i>Deferred income tax related to items charged or credited directly to equity</i>		
Net gain/(loss) on cash flow hedges	473	(74)
Net gain on revaluation of buildings	1,420	2,500
Income tax expense reported in equity	1,893	2,426
 (c) Numerical reconciliation between aggregate		
Tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before tax from continuing operations	5,708	6,434
Profit before tax from discontinued operations and net gain on sale of discontinued operations	9,195	5,796
Accounting profit before income tax	14,903	12,230
At statutory income tax rate of 30% (2017: 30%)	4,471	3,669
Share of profit of joint venture	(2,088)	(2,085)
Impairment of investment	936	-
Other items	560	308
Amounts over provided in prior years	(344)	(192)
Total income tax attributable to operating profit	3,535	1,700
Income tax expense/(benefit) reported in the consolidated income statement	278	(145)
Income tax attributable to discontinued operations and gain on sale of discontinued operations	3,257	1,845
	3,535	1,700

Notes to the Preliminary Final Report (continued)**7 Earnings Per Share**

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

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

	Consolidated	
	7 months ended 3 February 2018 \$'000	Year ended 30 June 2017 \$'000
Net Profit attributable to ordinary equity holders of the parent from continuing operations	5,430	6,579
Profit attributable to ordinary equity holders of the parent from discontinued operations	5,938	3,951
Earnings used in calculating basic and diluted earnings per share	11,368	10,530
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	56,701,444	58,159,205
Effects of dilution from performance rights	-	195,652
Weighted average number of ordinary shares adjusted for the effect of dilution	56,701,444	58,354,857

The Group completed a buy back and cancellation of 9,803,364 shares during the reporting period as part of the transactions related to the sale of the Bisley Workwear business (2017: \$nil). 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: \$10.7m) and \$1.41 dividend component (total consideration: \$13.8m).

Notes to the Preliminary Final Report (continued)**8 Dividends**

	Amount per share	Total amount \$'000	Franked amount per share	Date of payment
1 July 2017 to 3 February 2018				
2017 final - ordinary	8 cents	4,662	8 cents	3 October 2017
Total amount	8 cents	4,662	8 cents	
1 July 2016 to 30 June 2017				
2016 final - ordinary	7 cents	4,066	7 cents	4 October 2016
2017 interim - ordinary	6 cents	3,490	6 cents	4 April 2017
Total amount	13 cents	7,556	13 cents	

Subsequent events

Since the end of the transitional financial year, the Directors resolved to pay the following dividend:

2017 transitional year - ordinary	8 cents	3,884	8 cents	4 May 2018
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The financial effect of the transitional dividend for the 7 months ended 3 February 2018 has not been brought to account in the financial statements for the 7 months ended 3 February 2018 and will be recognised in subsequent financial reports.

Dividend franking account

The balance of the franking account of Gazal Corporation Limited as at 3 February 2018 is \$541,422 (2017: \$6,321,652) after adjusting for franking credits/(debits) that will arise from:

- the payment/refund of the amount of the current tax liability;
- the franking credits associated with the payment of the dividend component of the share buy-back and
- before taking into account the franking credits associated with payment of the transitional dividend declared subsequent to year end.

9 Net tangible assets

	Consolidated	
	7 months ended 3 February 2018	Year ended 30 June 2017
Net tangible asset backing per ordinary share	1.89	1.75

Notes to the Preliminary Final Report (continued)

10 Contingent Liabilities

The parent entity has entered into a Deed of Cross Guarantee in accordance with a Corporations Instrument issued by the Australian Securities and Investments Commission. The parent entity, and all the controlled entities which are a party to the Deed, have guaranteed the payment of all current and future creditors in the event any of these companies are wound up.

There are no other contingent liabilities at 3 February 2018 (30 June 2017: nil).

11 Cash and Cash equivalents

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and short term deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	As at 3 February 2018 \$'000	As at 30 June 2017 \$'000
Cash at bank and on hand	1,514	2,610
	1,514	2,610

12 Events after Balance Date

Final Dividend

On 21 March 2018 the directors resolved to pay a final dividend of 8 cents per share fully franked, in line with last year's dividend paid in April of 6 cents per share fully franked. The record date for determining the shareholders' entitlement to the final dividend is 18 April 2018 and the final dividend is payable on 4 May 2018.

There are no other matters or circumstances that have arisen since 3 February 2018 that have significantly affected or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years.

Notes to the Preliminary Final Report (continued)

REVIEW AND RESULTS OF OPERATIONS

Background

The reporting period covered by the accompanying Preliminary Final Report (Appendix 4E) by Gazal Corporation Limited (Gazal) relates to the 7-month period ended 3 February 2018. The shorter financial reporting period bridges the change in financial reporting periods as Gazal moves to align itself closer with its JV partner PVH Corp. and to the retail industry calendar generally. Future financial periods will be for a 52-week period ending on (or around) the end of January each year.

All comparatives referred to in this report are against the previous corresponding period's unaudited results for the 7 months period ending 31 January 2017 (pcp).

Continuing Operations

Sales in PVH Brands Australia ("PVHBA") increased by 22% to \$144.7m for the 7 month period ended 3 February 2018. PVHBA after tax profit increased by 47% to \$13.9m. Gazal's share of the PVHBA profit after tax was \$6.9m compared to \$4.7m for the pcp.

The sales and profit growth in PVHBA was driven by the continuing development of new product categories across *CALVIN KLEIN* and *TOMMY HILFINGER* and the ongoing development of our retail channels.

EBITDA margins improved during this period based on a sales mix improvement from accelerated retail growth and overall costs being well contained.

PVHBA Joint Venture Results Summary

	7 months to 3 February 2018	7 months to 31 January 2017	Variance %
Revenue	144,659	118,218	+22%
EBITDA	23,939	16,545	+45%
EBITDA margin %	17%	14%	

Corporate Services and Property Services including fee revenue and other income delivered a positive return of \$2.4m (\$0.2m in the pcp).

Overall, profit before tax from continuing operations before impairment of investment rose to \$8.8m, up 91% on the pcp.

Notes to the Preliminary Final Report (continued)**REVIEW AND RESULTS OF OPERATIONS (continued)****Continuing Operations (continued)****Gazal Results Summary**

	7 months to 3 February 2018	7 months to 31 January 2017	Variance %
Profit before tax from continuing operations before impairment	8,829	4,628	+91%
Impairment of investment	(3,121)	-	
Profit before tax from continuing operations	5,708	4,628	+23%
Tax expense	(278)	(144)	
Profit after tax from continuing operations	5,430	4,484	+21%
Profit after tax from discontinued operations	5,938	2,381	+149%
Net profit for the period	11,368	6,865	+66%

Net Debt Position

At 3 February 2018, PVHBA had a net cash position of \$9.0 million (30 June 2017 - \$6.6m).

At 3 February 2018, Gazal had a net debt position of \$18.5m (30 June 2017 - \$22.8m).

Banksmeadow Property

In January 2018, CBRE were commissioned to undertake an independent valuation of the Banksmeadow warehouse and office property. This valuation ascribed a value to the property of \$60.5 million (including \$2.4 million of plant), up from the \$56.0 million value last year (which included \$2.2 million of plant). The directors have adopted the new valuation in the balance sheet as at 3 February 2018.

Impairment of investment in Oroton

On 6 July 2017, Gazal purchased \$3.1m Oroton shares. At the time of the purchase, Oroton was an ASX listed retailer and wholesaler specialising in leather handbags and accessories.

On 30 November 2017, Oroton announced that the directors had appointed administrators and was suspended from the ASX. Although the shareholding remains valid and Gazal reserves the right to take recovery action, the Directors believe that Gazal should fully provide against the value of the investment.

After allowing for the provision against the Oroton investment, Gazal net profit before tax results for the 7 months improved to \$5.7m, a 23% improvement on the pcip.

Notes to the Preliminary Final Report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

Discontinued operations

On 29 December 2017, Gazal announced that it had completed the sale of its Bisley Workwear business to a company controlled by Mr David Gazal. Associated with the deal, the Company completed a share buy-back of 9.8 million shares, in which a relevant interest was held by Mr David Gazal. The share buy-back was based on a consideration of \$2.50 per share.

The results of the Bisley operations are therefore disclosed as discontinued operations for the 7 month period ended 3 February 2018.

Initial proceeds from the sale of Bisley Workwear were \$35.0m. After deducting the carrying amount of assets, deal costs and tax, the net profit after tax was \$5.1m.

Outlook

The Gazal restructuring and recent divestment plans are now complete. As planned, the forward strategy will focus on the continued growth of the PVHBA joint venture, particularly the *TOMMY HILFINGER* and *CALVIN KLEIN* brands. Overall, the share of profits from the PVHBA joint venture is likely to increase, driven by improvements in the retail offerings of *CALVIN KLEIN*, *TOMMY HILFINGER* and Van Heusen.

Retail sales are likely to increase in line with the continued expansion of categories, new store openings and the expansion of existing stores. In line with the trends seen in the last 7 months, the sales momentum of PVHBA has been maintained in February and March and, subject to no adverse developments, the directors consider that it is likely to continue for the period.

The directors are anticipating only modest like-for-like growth in the wholesale channel.

COMPLIANCE STATEMENT

7.1 The financial report is in the process of being audited.

7.2 The company has a formally constituted audit committee.

ANNUAL GENERAL MEETING

The annual meeting will be held as follows:

Place

Ernst and Young, Level 35,
200 George Street, Sydney NSW 2000

Date

June 2018

Time

10:00am

Approximate date the annual report will be
available

June 2018



Signed:

Date: 21 March 2018

Company Secretary