Gazal Corporation Limited

ACN 57 004 623 474

Consolidated Financial Report & Appendix 4D
For The Half-Year Ended 4 August 2018

Gazal Corporation Limited
Consolidated Financial Report and Appendix 4D
For the Half-Year Ended 4 August 2018

Contents

Contents	Page
Appendix 4D	2
Directors' Report	3
Auditor's Independence Declaration	6
Income Statement	8
Statement of Other Comprehensive Income	9
Statement of Financial Position	10
Statement of Cash Flows	11
Statement of Changes in Equity	12
Notes to the Half Year Financial Report	13
Directors' Declaration	31
Auditor's Review Report	32
Corporate Directory	34

This Financial Report on the consolidated Group constitutes the Appendix 4D required by the Australian Stock Exchange. It should be read in conjunction with the Annual Report for the 7 months ended 3 February 2018 that is lodged with the Australian Stock Exchange under listing rule 4.2A.

All amounts are in Australian dollars unless otherwise stated and rounded where applicable. The information on which this Consolidated Financial Report is based has been reviewed by the Group's auditors, Ernst & Young. The Company has a formally constituted Audit Committee of the Board of Directors. This report was approved by resolution of a Committee of the Board of Directors on 28 September 2018.

Gazal Corporation Limited
Appendix 4D
For the Half-Year Ended 4 August 2018
Results for Announcement to the Market

Results for announcement to the market		CONSOLIDATED Half-year ended 4 Aug 18	6 months ended 31 Jul 17	Comparison 6 months to 6 months	
Profit before income tax from continuing operations	$'000	3,930	2,259	Up	74.0%
Profit from ordinary activities after tax attributable to members - continuing operations	$'000	4,932	2,467	Up	99.9%
Profit/(loss) after tax from discontinuing operations	$'000	-610	1,588	Down	-138.4%
Net profit for the period attributable to members	$'000	4,322	4,055	Up	6.6%
Basic earnings per share from continuing operations	cents	10.3	4.2		
Final dividend (fully franked) for the financial period end	$'000	3,884	4,662		
Interim dividend (fully franked) - Payable 14 December 18	cents	10.0	8.0		

		As at 4 Aug 18	As at 31 Jul 17	Movement %
Net tangible assets per share	cents	212	159	33.4%

This Appendix 4D information should be read in conjunction with the Consolidated Financial Report for the Half-Year Ended 4 August 2018 which is attached hereto. The Company has a formally constituted Audit Committee of the Board of Directors.

Gazal Corporation Limited
Directors' Report
For the Half-Year Ended 4 August 2018

Your Directors submit their report for the half-year ended 4 August 2018.

DIRECTORS
The names and details of the Company's Directors in office during the financial period and until the date of this report are as follows. The directors were in office for this entire period unless otherwise stated.

Michael Gazal	Executive Chairman
Patrick Robinson	Executive Director and Chief Executive Officer
Bruce Klatsky	Non-Executive Director and Lead Independent Director
Craig Kimberley	Non-Executive Director and Independent Director
Graham Paton	Non-Executive Director and Independent Director

REVIEW AND RESULTS OF OPERATIONS

Operating and Financial Review

Background

The reporting period covered by this report by Gazal Corporation Limited (Gazal) relates to the half year ended 4 August 2018.

All comparatives referred to in this report are against the previous corresponding period's results for the 6 month period ended 31 July 2017 that have been reviewed by the auditors ("previous comparable period" or pcp) unless otherwise stated.

Continuing Operations

Gazal's Net Profit after tax from continuing operations rose to $4.9m, an increase of 99% on the previous comparable period. This was driven by strong result of the share of profit from the PVH Brands Australia ("PVHBA" or "JV") joint venture of $4.1m, an increase of 71% on the pcp.

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

The tax gain recognised in the accounts of $1.0m is largely driven by the crystallisation of losses incurred on the disposal of Oroton shares during the first half.

Gazal Results Summary

	Half-year ended 4 August 2018 (Reviewed) $m	6 months ended 31 July 2017 (Reviewed) $m	Variance %
Profit before tax from continuing operations	3,930	2,259	74.0%
Tax benefit	1,002	208	381.7%
Profit after tax from continuing operations	**4,932**	**2,467**	**99.9%**

REVIEW AND RESULTS OF OPERATIONS (continued)

Gazal Results Summary (continued)

Sales in PVHBA increased by 34% to $128.5m for the half-year ended 4 August 2018. PVHBA after tax profit increased by 71% to $8.3m. Gazal's share of the PVHBA profit after tax was $4.2m compared to $2.4m 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 HILFIGER* and the ongoing development of the retail channels.

EBITDA margins improved during the half-year based on a sales mix improvement from accelerated retail growth and overall costs being well contained.

PVHBA Joint Venture Results Summary

Total PVHBA JV results	Half-year ended 4 August 2018 $m	6 months ended 31 July 2017 $m	Variance %
Revenue	128.5	95.9	34.0%
EBITDA	15.8	10.4	51.8%
EBITDA margin %	**12.3%**	**10.8%**	

Net Debt Position

At 4 August 2018, PVHBA had a net debt position of $11.9m (3 February 2018 – net cash position $9.0m) in line the JV's growth and seasonal inventory investment in readiness for the important upcoming summer and Christmas trading periods.

At 4 August 2018, Gazal had a net debt position of $27.6m (3 February 2018 - $18.5m), mainly as a result of the on-market buy-back of 4,186,384 shares for a total consideration of $10.5m which was an average price of $2.50 per share.

Banksmeadow Property

In September 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 $73.3m (including $1.3m of plant). The directors have adopted the new valuation in the balance sheet as at 4 August 2018.

Outlook

In line with the trends seen in the past 6 months, the sales momentum of PVHBA has been maintained in the first 2 months of the 2nd half year of 2018 and subject to no adverse developments, the directors consider that it is likely to continue for the remainder of the financial year.

Gazal Corporation Limited
Directors' Report
For the Half-Year Ended 4 August 2018

REVIEW AND RESULTS OF OPERATIONS (continued)

Interim Dividend

On 28 September 2018 the directors resolved to pay an interim dividend of 10 cents per share fully franked. The record date for determining the shareholders’ entitlement to the interim dividend is 30 November 2018 and the interim dividend is payable on 14 December 2018.

The payment date of this dividend has been extended to December based on the new fiscal balance dates and the optimum working capital cycles and resulting dividend flows of the joint venture.

Rounding

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

AUDITOR INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the directors.

Michael Gazal
Executive Chairman

Patrick Robinson
Executive Director

28 September 2018

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

As lead auditor for the review of Gazal Corporation Limited for the half-year ended 4 August 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review*;* and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

James Karekinian
Partner
Sydney
28 September 2018

Gazal Corporation Limited
Income Statement
For the Half-Year Ended 4 August 2018

		Consolidated	
		Half-year ended	6 months ended
		4 August 2018	31 July 2017
	Notes	$'000	$'000
Fee revenues	4	10,427	10,203
Other revenues	4	1	7
Total revenues		10,428	10,210
Administration expenses		(10,232)	(9,941)
Finance costs	4	(417)	(433)
Share of profit of joint venture	3	4,151	2,423
Profit before income tax from continuing operations		**3,930**	**2,259**
Income tax benefit	5	1,002	208
Profit after tax from continuing operations		**4,932**	**2,467**
Discontinued operations			
(Loss)/profit after tax from discontinuing operations	6	(610)	1,588
Net profit for the period		**4,322**	**4,055**
Profit for the period is attributable to: Owners of the parent		**4,322**	**4,055**
Earnings per share (cents per share)			
Basic for profit for the period	8	9.0	7.0
Basic for profit from continuing operations	8	10.3	4.2
Diluted for profit for the period	8	8.9	7.0
Diluted for profit from continuing operations	8	10.2	4.2

Gazal Corporation Limited
Statement of Other Comprehensive Income
For the Half-Year Ended 4 August 2018

		Consolidated	
		Half-year ended	6 months ended
		4 August 2018	31 July 2017
	Notes	$'000	$'000
Profit after tax for the period		**4,322**	**4,055**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss (net of tax)			
Net gain on cash flow hedges		-	(217)
Other comprehensive income/(loss) from joint venture	3	1,882	(1,598)
Exchange differences on translation of foreign operations		9	(9)
Items that will not be reclassified subsequently to profit or loss (net of tax)			
Fair value revaluation of land and buildings		9,983	5,833
Other comprehensive income /(loss) for the period, net of tax		**11,874**	**4,009**
Total comprehensive income for the period		**16,196**	**8,064**
Total comprehensive income for the period is attributable to:			
Owners of the parent		**16,196**	**8,064**

Gazal Corporation Limited
Statement of Financial Position
As at 4 August 2018

	Notes	Consolidated As at **4 August 2018** $'000	Consolidated As at 3 February 2018 $'000
Current assets			
Cash and short-term deposits	12	16	1,514
Trade and other receivables		2,547	2,658
Other current assets		1,659	4,436
Total current assets		4,222	8,608
Non-current assets			
Property, plant and equipment	13	75,681	61,859
Intangible assets		1,740	1,812
Investment in joint venture	3	66,963	65,006
Total non-current assets		144,384	128,677
Total assets		**148,606**	**137,285**
Current liabilities			
Trade and other payables		3,095	5,305
Interest-bearing loans and borrowings	11, 12	1,612	-
Income tax payable		689	2,095
Provisions		2,261	2,258
Total current liabilities		**7,657**	**9,658**
Non-current liabilities			
Other Payables		-	135
Interest-bearing loans and borrowings	11	26,000	20,000
Provisions		143	146
Deferred tax liabilities		18,265	13,987
Total non-current liabilities		44,408	34,268
Total liabilities		**52,065**	**43,926**
Net assets		**96,541**	**93,359**
Equity			
Contributed equity	10	43,423	53,138
Reserves		48,660	36,431
Retained earnings		4,458	3,790
Total Equity		**96,541**	**93,359**

Gazal Corporation Limited
Statement of Cash Flows
For the Half-Year Ended 4 August 2018

	Notes	Consolidated Half-year ended **4 August 2018** $'000	6 months ended 31 July 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		11,576	41,303
Payments to suppliers and employees (inclusive of GST)		(12,027)	(43,346)
Interest and bill discounts received		1	7
Interest and other costs of finance paid		(417)	(433)
Income taxes paid on operating activities		(196)	(472)
Net cash flows from/ (used in) operating activities		**(1,063)**	**(2,941)**
Cash flows from investing activities			
Purchases of property, plant and equipment		(596)	(2,286)
Purchase of intangibles		(190)	-
Proceeds from sale of discontinued operations		2,782	5,765
Dividends from joint venture		3,970	2,000
Net cash flows from investing activities		**5,966**	**5,479**
Cash flows from financing activities			
Proceeds from share issue		-	-
Payment for share buy back		(10,465)	-
Proceeds from borrowings		6,000	-
Repayment of borrowings		-	(1,000)
Dividends paid		(3,548)	(3,490)
Net cash flows used in financing activities		**(8,013)**	**(4,490)**
Net decrease in cash and cash equivalents		(3,110)	(1,952)
Cash and cash equivalents at the beginning of the period		1,514	2,020
Net foreign exchange differences		-	-
Cash and cash equivalents at the end of the period	**12**	**(1,596)**	**68**

Gazal Corporation Limited
Statement of Changes in Equity
For the Half-Year Ended 4 August 2018

	Consolidated							
	Attributable to shareholders of Gazal Corporation Limited							
	Issued Capital $'000	Asset Revaluation Reserve $'000	Other Reserves $'000	Employee Equity Benefit Reserve $'000	Cash Flow Hedge Reserve $'000	Reserves from joint venture $'000	Retained Earnings $'000	Total Equity $'000
At 3 February 2018	53,138	37,317	-	(95)	-	(791)	3,790	93,359
Profit for the period	-	-	-	-	-	-	4,322	4,322
Other comprehensive income	-	9,983	9	-	-	1,882	-	11,874
Total comprehensive income for the period	-	9,983	9	-	-	1,882	4,322	16,196
Transactions with owners in their capacity as owners:								
Cost of share-based payments	-	-	-	355	-	-	-	355
Share buy back	(10,465)	-	-	-	-	-	-	(10,465)
Share issue	750	-	-	-	-	-	-	750
AASB15 adjustment	-	-	-	-	-	-	(106)	(106)
Dividends paid	-	-	-	-	-	-	(3,548)	(3,548)
At 4 August 2018	**43,423**	**47,300**	**9**	**260**	**-**	**1,091**	**4,458**	**96,541**
At 1 Feb 2017	63,373	28,173	177	131	(1,508)	432	10,731	101,509
Profit for the period	-	-	-	-	-	-	4,055	4,055
Other comprehensive income	-	5,833	(9)	-	(217)	(1,598)	-	4,009
Total comprehensive income for the period	-	5,833	(9)	-	(217)	(1,598)	4,055	8,064
Transactions with owners in their capacity as owners:								
Cost of share-based payments	-	-	-	112	-	-	-	112
Share issue	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(3,490)	(3,490)
At 31 July 2017	**63,373**	**34,006**	**168**	**243**	**(1,725)**	**(1,166)**	**11,296**	**106,195**

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 4 August 2018

1 CORPORATE INFORMATION

The interim consolidated financial report of Gazal Corporation Limited and its controlled entities ("the Group") for the half-year ended 4 August 2018 was authorised for issue in accordance with a resolution of the directors on 28 September 2018.

Gazal Corporation Limited is a for profit company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The interim consolidated financial report should be read in conjunction with the annual Financial Report of Gazal Corporation Limited as at 3 February 2018.

It is also recommended that the half-year financial report be considered together with any public announcements made by Gazal Corporation Limited and its controlled entities during the half-year ended 4 August 2018 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

a) Basis of preparation

The interim consolidated financial report for the half-year ended 4 August 2018 has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". As a result of the previous change in financial year end to 3 February 2018, the last reported half year was the 6 months to 31 December 2016. Management have determined that due to the seasonality of the business, the most relevant comparative financial information to be the corresponding 6 month period ended 31 July 2017.

The financial report has also been prepared on a historical cost basis, except for land & buildings which have been measured at fair value at balance sheet date and share-based payments which have been measured at fair value at grant date.

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

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

New Accounting Standards and Interpretations

(i) The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 3 February 2018, except for the adoption of new standards.
The following new and amended Australian Accounting Standards and AASB interpretations are applicable as of 4 February 2018:

Reference	**Title**
AASB 15	Revenue from Contracts with Customers
AASB 9	Financial Instruments

There are no other amendments and interpretations that apply for the first time in 2018, that have an impact on the interim consolidated financial statements of the Group.

Based on management's assessment of the adoption of AASB 9 *Financial Instruments*, it has been concluded that the standard has no material impact on the financial position or performance of the Group.

The adoption of AASB 15 *Revenue from Contracts with Customers* establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Based on the Group's assessment of AASB 15, other than the partnership and shared service fee and right of return assets and provision booked in the joint venture, implementation of AASB 15 resulted in no material changes.

Impact of AASB 15 *Revenue from Contracts with Customers* on the Group

(i) Partnership and shared service fees

The Group provides partnership and shared services to the joint venture. Prior to the adoption of AASB 15, the Group recognised the partnership and shared service fees by applying the percentages, agreed under the terms of the contract, to the sales revenue of the joint venture during the period.

New Accounting Standards and Interpretations (continued)

Impact of AASB 15 *Revenue from Contracts with Customers* on the Group (continued)

(ii) Partnership and shared service fees (continued)

Although the sales revenue of the joint venture is highly seasonal, the costs incurred by the Group in providing the services is consistent throughout the contact term (to provide partnership and shared services). The Group has concluded that the revenue should be recognised equally over the contract term.

The consideration is variable and requires significant judgement in assessing the expected value. In estimating the variable consideration, the Group has set expectations based on board approved forecasts, which is reduced to take into account amounts that have a likelihood of significant reversal.

The impact of applying AASB15 resulted in $180,000 of additional revenues being recognised, or $132,000 after tax for the half year ended 4 August 2018.

As a result of the change in the timing of the revenue recognition due to the implementation of AASB 15, fees revenue is not comparable to the six months ended 31 July 2017.

(iii) Rights of return

The joint venture provides retail customers with a right to return the goods within a specified period.

Under AASB 15, the consideration received from the customer is variable as the contract allows the customer to return the products. The joint venture uses the expected value method to estimate the goods that will be returned as this method best predicts the amount of variable consideration to which the joint venture will be entitled. The joint venture applies the requirements in AASB 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price.

The joint venture presents a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position and the net effect was adjusted in retained earnings.

New Accounting Standards and Interpretations (continued)

Impact of AASB 15 *Revenue from Contracts with Customers* on the Group (continued)

(ii) Rights of return (continued)

The Group and the joint venture has elected to apply the modified retrospective method in applying AASB15.

Impact on the joint venture statement of financial position (increase/(decrease)) as at 3 February 2018:

Adjustments	As at **3 February 2018** $'000
Right of return assets	128
Right of return liability	431
Deferred tax liabilities	(91)
Prior year retained earnings	(212)

Impact on the Group's statement of financial position (increase/(decrease)) as at 3 February 2018:

Adjustments	**3 February 2018** $'000
Investment in joint venture	(106)
Retained earnings	(106)

3 INVESTMENT IN JOINT VENTURE

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

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

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

	Half-year ended **4 August 2018** $'000	6 monthsr ended 31 July 2017 $'000
Sales revenue	128,464	95,877
Cost of sales	(48,512)	(36,241)
Gross profit	79,952	59,636
Other revenues	56	72
Selling and marketing expenses	(52,556)	(40,067)
Distribution expenses	(6,395)	(5,205)
Administration expenses	(5,292)	(4,054)
Depreciation and amortisation expenses	(3,525)	(3,192)
Finance costs	(190)	(37)
Profit before income tax	**12,050**	**7,153**
Income tax expense	(3,749)	(2,307)
Profit for the year	**8,301**	**4,846**
Share of profit from joint venture in the income statement	**4,151**	**2,423**
Group's share of other comprehensive income	1,882	(1,166)
Group's share of total comprehensive income	**6,033**	**1,257**

3 INVESTMENT IN JOINT VENTURE (continued)

	As at **4 August 2018** $'000	As at **3 February 2018** $'000
Current assets (1)	99,230	86,683
Non-current assets	92,414	90,832
Current liabilities (2)	48,676	40,120
Non-current liabilities	5,376	3,709
Equity	137,592	133,686
Portion of Group's ownership 50%	68,796	66,843
Carrying amount of investment:		
Opening	65,006	60,365
Share of profit	4,151	6,941
Dividends received	(3,970)	(2,000)
Other comprehensive income (3)	1,882	(300)
AASB15 retained earnings adjustment (4)	(106)	-
Closing	66,963	65,006

(1) Includes $3,128,879 of cash and cash equivalents (3 February 2018: $9,045,000), and includes $127,500 of right of return asset (3 February 2018: $nil).
(2) Includes $15,000,000 of interest-bearing loans and borrowings (3 February 2018: $nil), and includes $430,200 of right of return liability (3 February 2018: $nil).
(3) Relates to the movement in forward currency contract cash flow hedge reserve.
(4) Relates to the Group's share of AASB15 retained earnings adjustment in the joint venture for the period in the joint venture retained earnings (3 February 2018: $nil).

During the half year 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 $7,939,000, out of the retained profits of the joint venture (31 July 2017: $4,000,000) which was paid during the half year. The Group's share of the fully franked dividend was $3,969,500.

The joint venture had no contingent liabilities or capital commitments as at 4 August 2018 or 3 February 2018.

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") of which PVH is a 50% joint venture partner.

The JV has entered into licence and distribution agreements (which are owned by PVH) 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.

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 4 August 2018

4 REVENUE AND EXPENSES

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

	Consolidated	
	Half-year ended	6 months ended
	4 August 2018	31 July 2017
	$'000	$'000
Revenue and Expense		
(i) Revenue		
Fee Revenue		
Fees from joint venture (1)	9,502	7,295
Fees from divested operations (2)	925	2,908
Other revenue		
Interest revenue	1	7
Total other revenue	1	7
Total revenue	**10,428**	**10,210**
(ii) Expenses and losses		
Depreciation, amortisation and impairment		
Depreciation of buildings	417	328
Depreciation of plant and equipment	617	593
Depreciation of leasehold improvements	1	2
Amortisation of software	262	401
	1,297	1,324
Employee benefit expense		
Wages and salaries	5,192	4,615
Defined contribution superannuation expense	423	392
Employee entitlements	470	492
Share-based payments	355	26
	6,440	5,525
Borrowing costs - Interest expenses	417	433
Bad & doubtful debts expense/(recovery)	-	3
Operating lease rentals	34	80
Foreign exchange (gain)/loss	(19)	48

(1) Fees from joint venture represent partnership fees, shared service fees and rent charges.
(2) Fees from divested operations represent shared service fees, transitional service fees and rent charges from Bisley Workwear, DJG Corporation Pty Ltd and The TJX Companies, Inc.

5 INCOME TAX

The major components of income tax expenses for the half-year ended 4 August 2018 and 31 July 2017 are:

	Consolidated	
	Half-year ended	6 months ended
	4 August 2018	31 July 2017
	$'000	$'000
Income Statement		
Current income tax		
Current income tax charge/(benefit) attributable to continuing operations	(913)	(164)
Adjustments in respect of current income tax of previous years	-	(192)
Deferred income tax	-	-
Relating to origination and reversal of temporary differences	(89)	148
Income tax expense/(benefit) reported in the income statement	(1,002)	(208)

6 DISCONTINUED OPERATIONS

Discontinued operations for the half-year ended 4 August 2018 represent residual transaction costs subsequent to the disposal of the Bisley Workwear business on 29 December 2017.

Discontinued operations for the period ended 31 July 2017 relates to the trading operations of Bisley Workwear business until the sale to DG Holdco Pty Ltd on 29 December 2017 and residual transaction costs in relation to the sale of Trade Secret operations.

6 DISCONTINUED OPERATIONS (continued)

The results of the discontinued operations are presented below:

	Half-year ended 4 August 2018		6 months ended 31 July 2017		
	Bisley Workwear $'000	Total $'000	Bisley Workwear $'000	Trade Secret $'000	Total $'000
Trading					
Sales revenue	-	-	38,419	-	**38,419**
Other revenue/ benefit	-	-	16	-	**16**
Cost of sales	-	-	(25,837)	-	**(25,837)**
Depreciation and amortisation	-	-	(31)	-	**(31)**
Employees benefit expenses	-	-	(2,210)	-	**(2,210)**
Other expenses	**(829)**	**(829)**	(7,706)	(386)	**(8,092)**
(Loss)/profit before tax from discontinued operations	**(829)**	**(829)**	2,651	(386)	**2,265**
Tax benefit/(expense)	**219**	**219**	(793)	116	**(677)**
Total (loss)/profit from discontinued operations	**(610)**	**(610)**	1,858	(270)	**1,588**

	Half-year ended 4 August 2018 cents	6 months ended 31 July 2017 cents
Earnings per share - cents per share:		
- Basic from discontinuing operations	(1.3)	2.7
- Diluted from discontinued operations	(1.3)	2.7

7 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.

7 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 and divested operations.

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 accounting polices used by the Group in reporting segments internally are the same as those contained the Financial Report. 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.

7 OPERATING SEGMENTS (continued)

	Joint Venture	Corporate services	Property services	Total
	$'000	$'000	$'000	$'000
Half-year ended 4 August 2018				
Revenue				
Revenue from joint venture	-	7,884	1,618	9,502
Revenue from divested operations	-	100	825	925
Other revenue	-	1	-	1
Segment Revenue	**-**	**7,985**	**2,443**	**10,428**
Share of income from joint venture	**4,151**	**-**	**-**	**4,151**
Segment net operating profit before tax	**4,151**	**(1,156)**	**935**	**3,930**
includes the following:				
- Interest revenue	-	1	-	1
- Interest expense	-	(417)	-	(417)
- Depreciation and amortisation	-	(878)	(419)	(1,297)
Segment assets	**66,963**	**9,661**	**71,982**	**148,606**
Capital expenditure	-	569	27	596
Segment liabilities	-	**32,965**	**31**	**32,996**

	Joint Venture	Corporate services	Property services	Total
	$'000	$'000	$'000	$'000
6 months ended 31 July 2017				
Revenue				
Revenue from joint venture	-	5,911	1,384	7,295
Revenue from divested operations	-	2,099	809	2,908
Other revenue	-	7	-	7
Segment revenue	**-**	**8,017**	**2,193**	**10,210**
Share of income from joint venture	2,424	-	-	2,424
Segment net profit before tax	**2,424**	**(1,342)**	**1,178**	**2,260**
includes the following:	-	7	-	7
- Interest revenue	-	(433)	-	(433)
- Interest expense	-	(993)	(330)	(1,323)
- Depreciation and amortisation	-	(2)	-	(2)
Segment assets	**65,006**	**10,913**	**58,111**	**134,030**
Capital expenditure	-	2,286	-	2,286
Segment liabilities	-	**27,721**	**31**	**27,752**

7 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	As at
	4 August 2018	3 February 2018
	$'000	$'000
Segment operating assets	148,606	134,030
Other receivable	-	3,255
Total assets per statement of financial position	**148,606**	**137,285**

ii) Segment liabilities reconciliation to the statement of financial position

	Consolidated	
	As at	As at
	4 August 2018	3 February 2018
	$'000	$'000
Segment operating liabilities	32,996	27,752
Income tax payable	689	2,095
GST payable	115	92
Deferred tax liabilities	18,265	13,987
Total liabilities per statement of financial position	**52,065**	**43,926**

8 EARNINGS PER SHARE

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

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 half year, adjusted to assume the full issue of shares under employee remuneration schemes, to the extent that they are dilutive.

8 EARNINGS PER SHARE (continued)

	Consolidated	
	Half-year ended **4 August 2018** $'000	6 months ended 31 July 2017 $'000
Net Profit attributable to ordinary equity holders of the parent from continuing operations	4,932	2,467
(Loss)/profit attributable to ordinary equity holders of the parent from discontinued operations	(610)	1,588
Earnings used in calculating basic and diluted earnings per share	**4,322**	**4,055**

	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**48,050,904**	**58,159,205**
Effects of dilution from performance rights	452,597	195,652
Weighted average number of ordinary shares adjusted for the effect of dilution	**48,503,501**	**58,354,857**

9 DIVIDENDS

	Consolidated	
	Half-year ended **4 Aug 18** $'000	6 months ended 31 Jul 17 $'000
Dividends declared and paid during the half year on ordinary shares:		
Transitional fully franked dividend 8 cents (2017: 8 cents) paid 4 May 2018	3,548	-
Interim dividend nil (2017: 6 cents paid 4 April 2017)	-	3,490
Dividends proposed and not yet recognised as a liability;		
Interim fully franked dividend for the half year ended 4 August 2018, 10 cents per share, proposed to be paid 14 December 2018 (2017: 8 cents paid 4 April 2017)	4,601	-

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 4 August 2018

10 CONTRIBUTED EQUITY

	Consolidated	
	As at	As at
	4 August 2018	**3 February 2018**
	$'000	$'000
Ordinary shares		
Issued and fully paid	43,423	53,138

Movements in contributed equity

	Consolidated	
	Number	Value
	'000	$'000
Opening balance 1 July 2017	58,159	63,373
Shares issued	196	450
Share buy-back	(9,803)	(10,685)
Closing balance at 3 February 2018	**48,552**	**53,138**
Opening balance 3 February 2018	48,552	53,138
Shares issued	285	750
Share buy-back	(4,186)	(10,465)
Closing balance at 4 August 2018	**44,651**	**43,423**

11 INTEREST-BEARING LOANS AND BORROWINGS

The Bank loans are $26,000,000 at 4 August 2018 (3 February 2018: $20,000,000). They are secured by a first mortgage over freehold land and buildings and by deeds of charge, and mortgage debentures over all tangible assets of the economic entity with total assets pledged as security totalling $62,371,000 (3 February 2018: $66,031,000). Bank loans have been classified as non-current and current liabilities where appropriate. The loan facilities with the bank were renegotiated in 2017 and do not expire until 31 October 2019. The bank reserves the right to withdraw the facilities if in the opinion of the bank there has been a breach or event of default and certain financial ratios are not maintained to the satisfaction of the bank.

The interest rates on floating rate borrowings at the end of the half year were 3.25% to 3.38% (3 February 2018: 3.15% to 3.25%). Borrowings at 4 August 2018 were in Australian dollars.

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

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

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 4 August 2018

11 INTEREST-BEARING LOANS AND BORROWINGS (continued)

	Consolidated		
	Accessible	Drawndown	Unused
At 4 August 2018	$'000	$'000	$'000
Bank overdraft facility	3,000	(1,612)	1,388
Bank loan facilities	31,000	(26,000)	5,000
Total financing facilities	**34,000**	**(27,612)**	**6,388**
At 3 February 2018	$'000	$'000	$'000
Bank overdraft facility	3,078	-	3,078
Bank loan facilities	26,000	(20,000)	6,000
Total financing facilities	29,078	(20,000)	9,078

Expiry date: 31 October 2019 (3 February 2018: 31 October 2019)

12 CASH AND SHORT-TERM DEPOSITS

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

	Consolidated	
	As at 4 August 2018	**As at 3 February 2018**
	$'000	$'000
Cash at bank and on hand	16	1,514
Total cash and short-term deposits	**16**	**1,514**
Bank overdraft	(1,612)	-
Total cash and cash equivalents	**(1,596)**	**1,514**

13 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Consolidated			
	Land & Building	Leasehold Improvement	Plant & Machinery	Total
Half year ended 4 August 2018	$'000	$'000	$'000	$'000
At 3 February 2018 net of accumulated depreciation	58,111	9	3,739	61,859
Additions	27	-	569	596
Disposals	-	-	-	-
Revaluation	14,261	-	-	14,261
Depreciation charge for the year	(417)	(1)	(617)	(1,035)
At 4 August 2018 net of accumulated depreciation	71,982	8	3,691	75,681
At 4 August 2018				
Cost or fair value	71,982	301	23,339	95,622
Accumulated depreciation	-	(293)	(19,648)	(19,941)
Net carrying amount	**71,982**	**8**	**3,691**	**75,681**

	Consolidated			
	Land & Building	Leasehold Improvement	Plant & Machinery	Total
7 months ended 3 February 2018	$'000	$'000	$'000	$'000
At 1 July 2017 net of accumulated depreciation	53,815	13	4,459	58,287
Additions	32	-	615	647
Disposals	-	(2)	(599)	(601)
Revaluation	4,732	-	-	4,732
Depreciation charge for the year	(468)	(2)	(736)	(1,206)
At 3 February 2018 net of accumulated depreciation	58,111	9	3,739	61,859
At 3 February 2018				
Cost or fair value	58,111	301	22,772	81,184
Accumulated depreciation	-	(292)	(19,033)	(19,325)
Net carrying amount	**58,111**	**9**	**3,739**	**61,859**

The above assets are pledged as security for current and non-current interest bearing liabilities.

(b) Revaluation of land and buildings

The Group engaged CB Richard Ellis, an accredited independent valuer, to determine the fair value of its land and buildings. Fair value is determined directly by reference to market-based evidence, which are the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. The effective date of the revaluation was 4 August 2018.The revaluation is performed half-yearly.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

The fair value is measured using Level 3 inputs.

Significant unobservable valuation input	4 August 2018	3 February 2018
Price per square metre	$3,241	$2,547

Significant increases/(decreases) is estimated price per square metre in isolation would result in a significantly higher/ (lower) fair value.

If land and buildings were measured using the cost model the carrying amounts would be as follows:

	Consolidated	
	As at	As at
	4 August 2018	3 February 2018
	$'000	$'000
Cost	13,980	13,953
Accumulated depreciation	(6,557)	(6,140)
Net carrying amount	**7,423**	**7,813**

(c) Property, plant and equipment pledged as security for liabilities
The carrying amounts of property, plant and equipment are pledged as securities for current and non-current interest bearing liabilities as disclosed in note 11.

14 COMMITMENTS AND CONTINGENCIES

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

15 EVENTS AFTER THE BALANCE SHEET DATE

There are no matters or circumstances that have arisen since 4 August 2018 that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the Company in subsequent financial years.

16 RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions which have been entered into with related parties during the six months ended 4 August 2018 and 31 July 2017 as well as balances with related parties as at 4 August 2018 and 3 February 2018.

		Revenue from related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Joint venture in which the Parent is a venturer:		$'000	$'000	$'000	$'000
PVH Brands Australia Pty Limited					
	2018	9,502	-	2,654	-
	2017	7,295	-	2,554	

Gazal Corporation Limited
Directors' Declaration
For the Half-Year Ended 4 August 2018

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

In the opinion of the directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 4 August 2018 and the performance for the half-year ended on that date

(ii) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

On behalf of the Board

Michael Gazal
Executive Chairman

Patrick Robinson
Executive Director

28 September 2018

Building a better working world

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Independent Auditor's Review Report to the Members of Gazal Corporation Limited and its controlled entities

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Gazal Corporation Limited (the Company) and its controlled entities (collectively the Group), which comprises the condensed statement of financial position as at 4 August 2018, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 4 August 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 4 August 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

James Karekinian
Partner
Sydney
28 September 2018

Gazal Corporation Limited
Corporate Directory
For the Half-Year Ended 4 August 2018

Auditors
Ernst & Young
200 George Street Sydney NSW 2000

Bankers
Westpac Banking Corporation
60 Martin Place Sydney NSW 2000

Company Secretary
Peter James Wood CA, FICS, FGIA

Registered Office and principal place of business
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Telephone: Within Australia 1300 737 760, Outside Australia +61 2 9290 9600

Solicitor
Johnston Winter Slattery
20 Bond Street, Sydney NSW 2000

Ashurst
5 Martin Place, Sydney NSW 2000

State of Incorporation
Victoria, Australia

Stock Exchange Listings
Gazal Corporation Limited shares are quoted on the Australian Stock Exchange

ASX CODE
GZL