

Appendix 4E

Preliminary Final Report

Name of entity

GAZAL CORPORATION LIMITED

ABN

57 004 623 474

12 months ended

2 February 2019**Results for announcement to the market**

		CONSOLIDATED			
		12 months ended 2 Feb 19	7 months ended 3 Feb 18	Comparison 12 months to 7 months (1)	
Revenue from continuing operations	\$'000	22,502	12,741	Up	76.6%
Profit before income tax from continuing operations before impairment of investment	\$'000	15,691	8,829	Up	77.7%
Profit from ordinary activities after tax attributable to members- continuing operations	\$'000	15,625	5,430	Up	187.8%
(Loss)/profit after tax from discontinuing operations	\$'000	(671)	5,938	Down	-111.3%
Net profit for the period attributable to members	\$'000	14,954	11,368	Up	31.5%
Basic earnings per share from continuing operations	cents	33.7	9.6		
Dividend (fully franked) for the financial period end (1)	\$'000	7,590	3,884		
Interim franked dividend	\$'000	4,467	3,549		
Dividend (fully franked) (1)	cents	17.0	8.0		

- (1) On 21 February 2019, Gazal announced that it has entered into a Scheme Implementation Agreement ("SIA") with Sunshine B Pty Ltd ("PVH Bidco"), an indirect wholly owned subsidiary of PVH Corp. ("PVH"), pursuant to which PVH Bidco proposes to acquire by way of a scheme of arrangement all of the Gazal shares PVH does not already own for A\$6.00 cash per share. If the scheme of arrangement becomes effective Gazal expects to pay a dividend of approximately A\$0.17 per share on or before implementation of the scheme of arrangement.

As a result of the change in financial year, the results for the 12 months ended 2 February 2019 are not comparable to the results for the 7 months ended 3 February 2018.

Dividends per security	Amount per security	Franked amount per security
Current period - 12 months 4 February 2018 to 2 February 2019		
Dividend (subject to scheme of arrangement becoming effective) (1)	17.0 ¢	17.0 ¢
Interim dividend	10.0 ¢	10.0 ¢
Total	27.0 ¢	27.0 ¢
Previous period - 7 months 1 July 2017 to 3 February 2018		
Final dividend	8.0 ¢	8.0 ¢
Interim dividend	8.0 ¢	8.0 ¢
Total	16.0 ¢	16.0 ¢

Refer to Page 25 for a brief explanation for any of the figures reported above.

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Financial year ended

2 February 2019

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Income Statement

For the 12 months ended 2 February 2019

	Notes	Consolidated	
		12 months ended 2 February 2019	7 months ended 3 February 2018
		\$'000	\$'000
Fee revenues	6	22,499	12,739
Other revenues	6	3	2
Total revenues		22,502	12,741
Administration expenses	6	(19,499)	(10,333)
Finance costs	6	(914)	(520)
Share of profit of joint venture	3	13,602	6,941
Profit before income tax from continuing operations before impairment of investment		15,691	8,829
Impairment of investment		-	(3,121)
Profit before income tax from continuing operations		15,691	5,708
Income tax benefit / (expense)	7	(66)	(278)
Profit after tax from continuing operations		15,625	5,430
Discontinued operations			
(Loss)/profit after tax from discontinuing operations	4	(671)	5,938
Net profit for the period		14,954	11,368
Profit for the period is attributable to: Owners of the parent		14,954	11,368
Earnings per share (cents per share)			
Basic for profit for the period	8	32.3	20.0
Basic for profit from continuing operations	8	33.7	9.6
Diluted for profit for the period	8	31.8	20.0
Diluted for profit from continuing operations	8	33.2	9.6

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 12 months ended 2 February 2019

	Notes	Consolidated	
		12 months ended 2 February 2019	7 months ended 3 February 2018
		\$'000	\$'000
Profit after tax for the period		14,954	11,368
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Transferred to income statement		-	1,575
Income tax on items of other comprehensive income		-	(473)
Other comprehensive income from joint venture	3	1,390	(300)
Exchange differences on translation of foreign operations		10	(169)
Items that will not be reclassified subsequently to profit or loss			
Fair value revaluation of land and buildings		24,243	4,732
Income tax on items of other comprehensive income		(7,193)	(1,420)
Other comprehensive income for the period, net of tax		18,450	3,945
Total comprehensive income for the period		33,404	15,313
Total comprehensive income for the period is attributable to:			
Owners of the parent		33,404	15,313

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 2 February 2019

	Notes	Consolidated	
		As at 2 February 2019	As at 3 February 2018
		\$'000	\$'000
Current assets			
Cash and cash equivalents	12	3,073	1,514
Trade and other receivables		2,119	2,658
Other current assets		1,052	4,436
Total current assets		6,244	8,608
Non-current assets			
Property, plant and equipment		85,166	61,859
Intangible assets		2,098	1,812
Investment in joint venture	3	71,272	65,006
Total non-current assets		158,536	128,677
Total assets		164,780	137,285
Current liabilities			
Trade and other payables		3,275	5,305
Income tax payable		419	2,095
Provisions		2,311	2,258
Total current liabilities		6,005	9,658
Non-current liabilities			
Other Payables		-	135
Interest-bearing loans and borrowings		28,000	20,000
Provisions		173	146
Deferred tax liabilities		20,750	13,987
Total non-current liabilities		48,923	34,268
Total liabilities		54,928	43,926
Net assets		109,852	93,359
Equity			
Contributed equity		43,423	53,138
Reserves		55,807	36,431
Retained earnings		10,622	3,790
Total Equity		109,852	93,359

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 12 months ended 2 February 2019

	Notes	Consolidated	
		12 months ended 2 February 2019	7 months ended 3 February 2018
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		25,845	44,999
Payments to suppliers and employees (inclusive of GST)		(20,681)	(43,855)
Interest received		3	2
Interest and other costs of finance paid		(914)	(520)
Income taxes paid on operating activities		(1,702)	(1,353)
Net cash flows from/(used in) operating activities		2,551	(727)
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,125)	(647)
Proceeds from sale of buildings, plant and equipment		3	601
Purchase of intangibles		(835)	(28)
Proceeds from sale of discontinued operations		2,826	35,000
Dividends from joint venture		8,620	2,000
Investment in Orotan		-	(3,121)
Net cash flows from investing activities		9,489	33,805
Cash flows from financing activities			
Proceeds from share issue		-	450
Payment for share buy back		(10,465)	(24,509)
Proceeds from borrowings		8,000	3,500
Repayment of borrowings		-	(9,000)
Dividends paid		(8,016)	(4,662)
Net cash flows used in financing activities		(10,481)	(34,221)
Net increase/(decrease) in cash and cash equivalents		1,559	(1,143)
Cash and cash equivalents at the beginning of the period		1,514	2,610
Net foreign exchange differences		-	47
Cash and cash equivalents at the end of the year	12	3,073	1,514

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 12 months ended 2 February 2019

	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 4 February 2018	53,138	37,317	-	(95)	-	(791)	3,790	93,359
AASB 15 adjustment	-	-	-	-	-	-	(106)	(106)
At 4 February 2018 (adjusted)	53,138	37,317	-	(95)	-	(791)	3,684	93,253
Profit for the period	-	-	-	-	-	-	14,954	14,954
Other comprehensive income	-	17,050	10	-	-	1,390	-	18,450
Total comprehensive income for the period	-	17,050	10	-	-	1,390	14,954	33,404
Transactions with owners in their capacity as owners:								
Cost of share-based payments	-	-	-	926	-	-	-	926
Share buy back	(10,465)	-	-	-	-	-	-	(10,465)
Share issue	750	-	-	-	-	-	-	750
Dividends paid	-	-	-	-	-	-	(8,016)	(8,016)
At 2 February 2019	43,423	54,367	10	831	-	599	10,622	109,852
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

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

This preliminary financial report has been prepared using the same accounting policies as used in the financial statements for the 7 months ended 3 February 2018, except for the adoption of new standards mandatory for annual periods beginning on or after 4 February 2018.

It is recommended that the preliminary financial report be considered together with any public announcements made by Gazal Corporation Limited and its controlled entities during the 12 months ended 2 February 2019 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

a) Changes in accounting policies and disclosures

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

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 ended 2 February 2019. There are no other amendments and interpretations that apply for the first time in the current reporting period, that have an impact on the preliminary financial report of the Group.

The changes to the significant accounting policies have been consistently applied in the PVH Joint Venture. As a result of the implementation of AASB 9 and AASB 15, other than those described below, there has been no adjustments in the joint venture.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 *Financial Instruments; Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting.

Classification and measurement: Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss, amortised to cost or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the contractual cash flows represent 'solely payments of principal and interest'. The assessment of the Group's business model was made as at the date of initial application, 4 February 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The effect of adopting AASB 9 did not result in a change in classification and all of the Group's debt instruments continue to be classified at amortised cost using the effective interest method.

Impairment: AASB 9 requires the Group to consider impairment losses for financial assets by replacing the 'incurred loss approach' under a AASB 139 with a forward-looking expected credit loss (ECL) approach. The incorporation of forward-looking factors did not result in a material change.

Notes to the Preliminary Final Report

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Changes in accounting policies and disclosures (continued)

Hedge accounting: The effect of adopting AASB 9 did not result in a material change.

The Group elected to adopt AASB 9 using the modified retrospective method of adoption. The Group and its joint venture has continued to apply hedge accounting principles under AASB 139 as allowed under AASB 9. The effect of adopting capital AASB 9 was not material for the Group.

AASB 15 Revenue from Contracts with Customers

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 right of return assets and provision booked in the joint venture, implementation of AASB 15 resulted in no material impact on the financial statement or performance of the Group.

(i) 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.

The joint venture updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Notes to the Preliminary Final Report

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Changes in accounting policies and disclosures (continued)

AASB 15 Revenue from Contracts with Customers (continued)

i) Rights of return (continued)

Assets and liabilities arising from rights of return

Right of return assets

Right of return asset represents the joint venture's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the joint venture ultimately expects it will have to return to the customer. The joint venture updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

The Group and the joint venture has elected to apply the modified retrospective method in applying AASB 15.

Impact on the joint venture statement of financial position (increase/(decrease)) as at 4 February 2018:

Adjustments	4 February 2018
	\$'000
Right of return assets	128
Refund liabilities	431
Deferred tax liabilities	(91)
Prior year retained earnings	(212)

Impact on the Group's statement of financial position (increase/(decrease)) as at 4 February 2018:

Adjustments	4 February 2018
	\$'000
Investment in joint venture	(106)
Retained earnings	(106)

Notes to the Preliminary Final Report

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Changes in accounting policies and disclosures (continued)

Impact on the Group's statement of financial position (continued)

Statement of Financial Position:

	Notes	Consolidated		Impact AASB 15
		As at 2 February 2019 AASB 15	As at 2 February 2019 AASB 118	
		\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents		3,073	3,073	-
Trade and other receivables		2,119	2,119	-
Income tax receivable		-	-	-
Other current assets		1,052	1,052	-
Total current assets		6,244	6,244	-
Non-current assets				
Property, plant and equipment		85,166	85,166	-
Intangible assets		2,098	2,098	-
Investment in joint venture		71,272	71,378	(106)
Total non-current assets		158,536	158,642	(106)
Total assets		164,780	164,886	(106)
Current liabilities				
Trade and other payables		3,275	3,275	-
Income tax payable		419	419	-
Provisions		2,311	2,311	-
Total current liabilities		6,005	6,005	-
Non-current liabilities				
Other Payables		-	-	-
Interest-bearing loans and borrowings		28,000	28,000	-
Provisions		173	173	-
Deferred tax liabilities		20,750	20,750	-
Total non-current liabilities		48,923	48,923	-
Total liabilities		54,928	54,928	-
Net assets		109,852	109,958	(106)
Equity				
Contributed equity		43,423	43,423	-
Reserves		55,807	55,807	-
Retained earnings		10,622	10,728	(106)
Total Equity		109,852	109,958	(106)

Notes to the Preliminary Final Report

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Changes in accounting policies and disclosures (continued)

Impact on the Group's statement of financial position (continued)

Income Statement:

		Consolidated		
		12 months ended 2 February 2019 AASB 15 \$'000	12 months ended 2 February 2019 AASB 118 \$'000	Impact AASB 15 \$'000
	Notes			
Fee revenues	6	22,499	22,499	-
Other revenues	6	3	3	-
Total revenues		22,502	22,502	-
Administration expenses		(19,499)	(19,499)	-
Finance costs	6	(914)	(914)	-
Share of profit of joint venture	3	13,602	13,602	-
Profit before impairment of investment and income tax		15,691	15,691	-
Profit before income tax from continuing operations		15,691	15,691	-
Income tax benefit / (expense)	7	(66)	(66)	-
Profit after tax from continuing operations		15,625	15,625	-
Discontinued operations				
(Loss)/profit after tax from discontinuing operations	4	(671)	(671)	-
Net profit for the period		14,954	14,954	-
Profit for the period is attributable to: Owners of the parent		14,954	14,954	-
Earnings per share (cents per share)				
Basic for profit for the year	8	32.3	32.3	-
Basic for profit from continuing operations	8	33.7	33.7	-
Diluted for profit for the period	8	31.8	31.8	-
Diluted for profit from continuing operations	8	33.2	33.2	-

Notes to the Preliminary Final Report

2 Events after Balance Date

On 21 February 2019 Gazal announced that it has entered into a Scheme Implementation Agreement ("SIA") with Sunshine B Pty Ltd ("PVH Bidco"), an indirect wholly owned subsidiary of PVH Corp. ("PVH"), pursuant to which PVH Bidco proposes to acquire by way of a scheme of arrangement all of the Gazal shares PVH does not already own for A\$6.00 cash per share ("PVH Proposal"). If the scheme of arrangement becomes effective, Gazal expects to pay a dividend of approximately A\$0.17 per share on or before implementation of the scheme of arrangement.

The PVH Proposal is subject to customary conditions, including: approvals by the requisite majorities of Gazal shareholders and the Court, no material adverse change, no prescribed occurrence or material breach of warranty, as well as approval from Australia's Foreign Investment Review Board.

Should the PVH Proposal receive all necessary approvals and proceed to implementation, Gazal will divest its Banksmeadow property pursuant to a sale and lease-back arrangement with a large Australian industrial real estate fund.

Details of the conditions to the PVH Proposal and other agreed terms are set out in the SIA, a copy of which was attached to the ASX announcement.

Gazal shareholders can expect to receive a scheme booklet in relation to the PVH Proposal in April 2019. This will include a more detailed explanation of the PVH Proposal, including the reasons for the unanimous recommendation by Gazal's directors, along with a copy of the independent expert's report. Meetings of Gazal shareholders are anticipated in May 2019 to consider the PVH Proposal, with implementation to occur in May/June 2019. These dates are indicative and subject to change.

Gazal will keep the market informed in accordance with its continuous disclosure obligations.

Dividend

The dividend is dependent on the scheme of arrangement becoming effective as detailed above. The directors intend to pay a dividend of approximately 17 cents per share fully franked subject to the scheme of arrangement becoming effective. This dividend, if approved, would compare with last year's final dividend paid in May 2018 of 8 cents per share fully franked.

There are no other matters or circumstances that have arisen since 2 February 2019 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)**3 Investment in Joint Venture**

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

The Group's interest has been accounted for using the equity method in the preliminary final report.

Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in preliminary final report are set out below:

	12 months ended 2 February 2019 \$'000	7 months ended 3 February 2018 \$'000
Sales revenue	298,260	144,659
Cost of sales	(111,360)	(52,372)
Gross profit	186,900	92,287
Other revenues	155	80
Selling and marketing expenses	(111,909)	(55,671)
Distribution expenses	(16,178)	(6,859)
Administration expenses	(12,100)	(5,898)
Depreciation and amortisation expenses	(7,606)	(3,931)
Finance costs	(516)	(123)
Profit before income tax	38,746	19,885
Income tax expense	(11,542)	(6,004)
Profit for the year	27,204	13,881

Notes to the Preliminary Final Report (continued)**3 Investment in Joint Venture (continued)**

	As at 2 February 2019 \$'000	As at 3 February 2018 \$'000
Current assets (1)	106,598	86,683
Non-current assets	93,475	90,832
Current liabilities (2)	49,280	40,120
Non-current liabilities	4,582	3,709
Equity	146,211	133,686
Portion of Group's ownership 50%	73,106	66,843
Carrying amount of investment:		
Opening	65,006	60,365
AASB 15 adjustment (4)	(106)	-
Share of profit	13,602	6,941
Dividends received	(8,620)	(2,000)
Other comprehensive income (3)	1,390	(300)
Closing	71,272	65,006

- (1) Includes \$3,268,000 of cash and cash equivalents (3 February 2018: \$9,045,000).
(2) Includes \$nil of interest-bearing loans and borrowings (3 February 2018: \$nil).
(3) Relates to the movement in forward currency contract cash flow hedge reserve.
(4) Relates to the recognition of the rights of return provided to retail customers of the joint venture. The Group and the joint venture elected to apply the modified retrospective method in applying AASB 15.

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 \$17,239,000, out of the retained profits of the joint venture (2018: \$4,000,000). \$7,939,000 was paid in April 2018 and \$9,300,000 was paid in December 2018. The Group's share of the fully franked dividend was \$8,620,000.

The joint venture had no contingent liabilities or capital commitments as at 2 February 2019 or 3 February 2018.

Notes to the Preliminary Final Report (continued)

3 Investment in Joint Venture (continued)

Gazal's successful relationship with PVH has spanned over 30 years and will continue through the ongoing operations of the 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 perpetual licence and distribution agreements covering Calvin Klein, Van Heusen and Tommy Hilfiger. These licences will continue to support the long-term operations of the JV.

4 Discontinued Operations

Discontinued operations for the 12 months ended 2 February 2019 represent residual transaction costs subsequent to the disposal of the Bisley Workwear business on 29 December 2017.

Discontinued operations for the period ended 3 February 2018 relates to the trading operations of Bisley Workwear business until the sale to DG Holdco Pty Ltd on 29 December 2017.

The results of the discontinued operations are presented below:

	12 months ended 2 February 2019		7 months ended 3 February 2018	
	Bisley Workwear \$'000	Total \$'000	Bisley Workwear \$'000	Total \$'000
Trading				
Sales revenue	-	-	34,276	34,276
Other revenue/ benefit	-	-	19	19
Cost of sales	-	-	(22,472)	(22,472)
Depreciation and amortisation	-	-	(34)	(34)
Employees benefit expenses	-	-	(2,611)	(2,611)
Other expenses	(829)	(829)	(7,927)	(7,927)
(Loss)/ profit before tax from discontinued operations	(829)	(829)	1,251	1,251
Tax benefit/ (expense)	158	158	(374)	(374)
(Loss)/ profit for the period from discontinued operations	(671)	(671)	877	877
Gain on sale of discontinued operations after tax	-	-	5,061	5,061
Total (loss)/profit from discontinued operations	(671)	(671)	5,938	5,938

	12 months ended 2 February 2019 cents	7 months ended 3 February 2018 cents
Earnings per share - cents per share:		
- Basic from discontinuing operations	(1.4)	10.5
- Diluted from discontinued operations	(1.4)	10.5

Notes to the Preliminary Final Report (continued)

5 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.

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)

5 Segment Information – Operating Segments (continued)

	Joint Venture	Corporate services	Property services	Total
	\$'000	\$'000	\$'000	\$'000
12 months ended 2 February 2019				
Revenue				
Revenue from joint venture	-	17,800	3,697	21,497
Revenue from divested operations	-	316	686	1,002
Other revenue	-	3	-	3
Segment Revenue	-	18,119	4,383	22,502
Share of income from joint venture	13,602	-	-	13,602
Segment net operating profit before tax	13,602	(286)	2,375	15,691
includes the following:				
- Interest revenue	-	3	-	3
- Interest expense	-	(914)	-	(914)
- Depreciation and amortisation	-	(1,765)	(842)	(2,607)
Segment assets	71,272	11,729	81,779	164,780
Capital expenditure	-	861	264	1,125
Segment liabilities	-	33,553	18	33,571

Notes to the Preliminary Final Report (continued)

5 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	-	8,736	1,615	10,351
Revenue from divested operations	-	1,517	871	2,388
Other revenue	-	2	-	2
Segment Revenue	-	10,255	2,486	12,741
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

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
	2 February 2019	3 February 2018
	\$'000	\$'000
Segment operating assets	164,780	134,030
Income tax receivable	-	-
Other receivable	-	3,255
Total assets per statement of financial position	164,780	137,285

Notes to the Preliminary Final Report (continued)**5 Segment Information – Operating Segments (continued)****ii) Segment liabilities reconciliation to the statement of financial position**

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

	Consolidated	
	As at 2 February 2019 \$'000	As at 3 February 2018 \$'000
Segment operating liabilities	33,571	27,752
Income tax payable	419	2,095
GST payable	188	92
Deferred tax liabilities	20,750	13,987
Total liabilities per statement of financial position	54,928	43,926

Notes to the Preliminary Final Report (continued)**6 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	
	12 months ended	7 months ended
	2 February 2019	3 February 2018
	\$'000	\$'000
Revenue and Expense		
(i) Revenue		
Fee Revenue		
Fees from joint venture (1)	21,497	10,351
Fees from divested operations (2)	1,002	2,388
Other revenue		
Interest revenue	3	2
Total other revenue	3	2
Total revenue	22,502	12,741
(ii) Expenses and losses		
Depreciation, amortisation and impairment		
Depreciation of buildings	839	468
Depreciation of plant and equipment	1,216	736
Depreciation of leasehold improvements	3	2
Amortisation of software	549	339
	2,607	1,545
Employee benefit expense		
Wages and salaries	10,065	5,625
Defined contribution superannuation expense	884	491
Employee entitlements	964	594
Share-based payments	684	130
	12,597	6,840
Bad & doubtful debts expense	-	6
Operating lease rentals	64	79
Foreign exchange (gain)	(26)	(6)
Administration expenses		
Administration expenses	16,751	6,572
Distribution expenses	2,748	3,761
	19,499	10,333
Borrowing costs - Interest expenses	914	520

(1) Fees from joint venture represent partnership 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.

Notes to the Preliminary Final Report (continued)**7 Income Tax**

The major components of income tax expenses for the 12 months ended 2 February 2019 and 3 February 2018 are:

	Consolidated	
	12 months ended 2 February 2019 \$'000	7 months ended 3 February 2018 \$'000
Income Statement		
<i>Current income tax</i>		
Current income tax (benefit)/charge attributable to continuing operations	295	259
Adjustments in respect of current income tax of previous years	(131)	(344)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(98)	363
Income tax expense reported in the income statement	66	278
 (b) Amounts charged or credited directly to equity		
<i>Deferred income tax related to items charged or credited directly to equity</i>		
Net gain on cash flow hedges	-	473
Net gain on revaluation of buildings	7,193	1,420
Net loss on share based payments	242	-
Income tax expense reported in equity	7,435	1,893
 (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	15,691	5,708
(Loss)/profit before tax from discontinued operations and net gain on sale of discontinued operations	(829)	9,195
Accounting profit before income tax	14,862	14,903
At statutory income tax rate of 30% (2018: 30%)	4,459	4,471
Share of profit of joint venture	(4,081)	(2,088)
Impairment of investment	(936)	936
Other items	597	560
Amounts over provided in prior years	(131)	(344)
Total income tax (benefit)/expense attributable to operating profit	(92)	3,535
Income tax (benefit)/expense reported in the consolidated income statement	66	278
Income tax attributable to discontinued operations and gain on sale of discontinued operations	(158)	3,257
	(92)	3,535

Notes to the Preliminary Final Report (continued)

8 Earnings Per Share

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

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

	Consolidated	
	12 months ended 2 February 2019 \$'000	7 months ended 3 February 2018 \$'000
Net Profit attributable to ordinary equity holders of the parent from continuing operations	15,625	5,430
(Loss)/ profit attributable to ordinary equity holders of the parent from discontinued operations	(671)	5,938
Earnings used in calculating basic and diluted earnings per share	14,954	11,368
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	46,345,908	56,701,444
Effects of dilution from performance rights	699,010	-
Weighted average number of ordinary shares adjusted for the effect of dilution	47,044,918	56,701,444

The Group completed a buy back and cancellation of 4,186,384 shares during the reporting period (2018: 9,803,364).

Notes to the Preliminary Final Report (continued)**9 Dividends**

	Amount per share	Total amount \$'000	Franked amount per share	Date of payment
4 February 2018 to 2 February 2019				
2018 transitional year - ordinary	8 cents	3,549	8 cents	4 May 2018
2018 interim- ordinary	10 cents	4,467	10 cents	13 December 2018
Total amount	18 cents	8,016	18 cents	

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	

Subsequent events

The dividend payable subsequent to the end of the financial year is dependent on the scheme of arrangement becoming effective as detailed in Note 2. If the scheme of arrangement becomes effective, the directors expect to resolve to pay a dividend of approximately 17 cents per share (\$7,590,000).

The financial effect of the dividend has not been brought to account in the financial statements for the 12 months ended 2 February 2019 and will be recognised in subsequent financial reports.

Dividend franking account

The balance of the franking account of Gazal Corporation Limited as at 2 February 2019 is \$2,502,876 (2018: \$541,422) after adjusting for franking credits/(debits) that will arise from:

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

10 Net tangible assets

	12 months ended 2 February 2019	7 months ended 3 February 2018
Net tangible asset backing per ordinary share	2.41	1.89

Notes to the Preliminary Final Report (continued)

11 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 2 February 2019 (3 February 2018: nil).

12 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 2 February 2019 \$'000	As at 3 February 2018 \$'000
Cash at bank and on hand	3,073	1,514
	3,073	1,514

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 12 month period ended 2 February 2019.

All comparatives referred to in this review are against the previous corresponding period's unaudited results for the 12 month period ending 3 February 2018 (pcp).

Continuing Operations

Sales in PVH Brands Australia ("PVHBA") increased by 32.8% to \$298.3m for the 12 month period ended 2 February 2019. PVHBA after tax profit increased by 48.4% to \$27.2m. Gazal's share of the PVHBA profit after tax was \$13.6m compared to \$9.2m for the pcp.

PVHBA Joint Venture Results Summary

\$'000	12 months ended 2 February 2019	12 months ended 3 February 2018	Variance %
Revenue	298,260	224,661	32.8%
Net profit after tax	27,204	18,345	48.3%
EBITDA	46,868	33,161	41.3%
EBITDA margin %	16%	15%	

The sales and profit growth in PVHBA was driven by the continuing development of additional product categories across *CALVIN KLEIN* and *TOMMY HILFINGER* brands 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.

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

\$'000	12 months ended 2 February 2019	12 months ended 3 February 2018	Variance %
Profit before impairment of investment and income tax	15,691	11,082	41.6%
Impairment of investment	-	(3,121)	
Profit before income tax from continuing operations	15,691	7,961	97.1%
Income tax benefit / (expense)	(66)	(123)	-46.3%
Profit after tax from continuing operations	15,625	7,838	99.3%
(Loss)/profit after tax from discontinuing operations	(671)	7,198	
Net profit for the period	14,954	15,036	-0.5%

In addition to the share of joint venture results, Gazal's Corporate Services and Property Services delivered a positive combined return of \$1.9m (loss of \$0.2m in the pcg). Overall, profit before tax from continuing operations rose 41.6% to \$15.7m (profit of \$11.1m in the pcg).

Net Debt Position

At 2 February 2019, PVHBA had a net cash position of \$3.3million (3 February 2018 - \$9.0m).

At 2 February 2019, Gazal had a net debt position of \$24.9m (3 February 2018 - \$18.5m).

Banksmeadow Property

Gazal completed a Directors valuation of the Banksmeadow property. This valuation ascribed a value to the property of \$83.0m (including \$1.2m of plant), up \$9.7m from the \$73.3m (including \$1.3m of plant) value at the half year on 4 August 2018. The directors based the valuation on market information available including the conditional sale and lease-back arrangement referred to in Gazal's announcement of the Scheme Implementation Agreement (see below).

The directors have adopted the new valuation in the balance sheet as at 2 February 2019.

Events after Balance Date

On 21 February 2019 Gazal announced that it has entered into a Scheme Implementation Agreement ("SIA") with Sunshine B Pty Ltd ("PVH Bidco"), an indirect wholly owned subsidiary of PVH Corp. Please refer to Note 2 for further information.

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

Date

Time

Approximate date the annual report will be available

P.J. Wood.

Signed:

Date: 19 March 2019

Company Secretary