

Appendix 4E

Preliminary Final Report

Name of entity

GAZAL CORPORATION LIMITED

ABN

57 004 623 474

Financial year ended

30 June 2014

Results for announcement to the market				<u>\$A'000</u>
Sales revenue from continuing operations	Down	-1.15%	to	276,031
Profit from ordinary activities after tax attributable to members	Up	17.22%	to	12,464
Net profit for the period attributable to members	Up	17.22%	to	12,464

Dividends per security	Amount per security	Franked amount per security
Current period - 2014		
Final dividend	11.0 ¢	11.0 ¢
Interim dividend	7.0 ¢	7.0 ¢
Previous corresponding period - 2013		
Final dividend	11.0 ¢	11.0 ¢
Interim dividend	7.0 ¢	7.0 ¢
Record date for determining entitlements to final dividend	17-Sep-14	

Refer to Page 18 for a brief explanation for any of the figures reported above.

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Financial year ended

30 June 2014

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Income Statement

For the Year Ended 30 June 2014

	Notes	Consolidated	
		Year ended 30 June 2014	Year ended 30 June 2013
		\$'000	\$'000
Sales revenue	3	276,031	279,247
Cost of sales		(152,668)	(148,755)
Gross profit		123,363	130,492
Other revenues	3	1,379	797
Selling and marketing expenses		(81,549)	(81,358)
Distribution expenses		(13,461)	(13,321)
Administration expenses		(19,100)	(20,095)
Finance costs		(1,942)	(1,637)
Share of loss of joint venture	5	(300)	-
Profit on sale of business		6,500	-
Profit before income tax		14,890	14,878
Income tax expense	4	(2,426)	(4,245)
Profit after tax		12,464	10,633
Profit for the period is attributable to: Owners of the parent		12,464	10,633
Earnings per share (cents per share)			
Basic for profit for the year	6	21.7	18.5
Basic for profit from continuing operations	6	21.7	18.5
Diluted for profit for the year	6	21.7	18.5
Diluted for profit from continuing operations	6	21.7	18.5

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 Year Ended 30 June 2014

	Notes	Consolidated	
		Year ended 30 June 2014	Year ended 30 June 2013
		\$'000	\$'000
Profit after tax for the period		12,464	10,633
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Gain/(loss) taken to equity		(1,856)	5,762
Transferred to income statement		(5,749)	(155)
Income tax on items of other comprehensive income		2,282	(1,682)
Items that will not be reclassified subsequently to profit or loss			
Fair value revaluation of land and buildings		2,908	568
Income tax on items of other comprehensive income		(873)	(171)
Other comprehensive income for the period, net of tax		(3,288)	4,322
Total comprehensive income for the period		9,176	14,955

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 30 June 2014

	Notes	Consolidated	
		As at	As at
		30 June 2014	30 June 2013
		\$'000	\$'000
Current assets			
Cash and cash equivalents	10	6,163	8,754
Trade and other receivables		12,748	13,318
Inventories		51,152	61,069
Derivative financial instruments		-	5,749
Income tax receivable		661	-
Other current assets		7,871	3,274
		<u>78,595</u>	<u>92,164</u>
Total current assets		<u>78,595</u>	<u>92,164</u>
Non-current assets			
Property, plant and equipment		55,383	53,781
Intangible assets		14,501	15,383
Investment in joint venture	5	6,433	-
Total non-current assets		<u>76,317</u>	<u>69,164</u>
Total assets		<u>154,912</u>	<u>161,328</u>
Current liabilities			
Trade and other payables		37,835	41,891
Derivative financial instruments		1,898	42
Interest-bearing loans and borrowings		929	793
Income tax payable		-	156
Provisions		4,814	5,122
		<u>45,476</u>	<u>48,004</u>
Total current liabilities		<u>45,476</u>	<u>48,004</u>
Non-current liabilities			
Interest-bearing loans and borrowings		30,000	30,000
Provisions		754	551
Deferred tax liabilities		4,367	6,093
Total non-current liabilities		<u>35,121</u>	<u>36,644</u>
Total liabilities		<u>80,597</u>	<u>84,648</u>
Net assets		<u>74,315</u>	<u>76,680</u>
Equity			
Contributed equity		62,183	63,310
Reserves		22,107	25,357
Accumulated losses		(9,975)	(11,987)
Total Equity		<u>74,315</u>	<u>76,680</u>

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 Year Ended 30 June 2014

	Notes	Consolidated	
		Year ended 30 June 2014	Year ended 30 June 2013
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		300,583	309,471
Payments to suppliers and employees (inclusive of GST)		(284,862)	(290,155)
Interest and bill discounts received		98	81
Interest and other costs of finance paid		(1,942)	(1,636)
Income taxes paid		(4,742)	(6,159)
Net cash flows from operating activities		9,135	11,602
Cash flows from investing activities			
Purchases of property, plant and equipment		(5,783)	(3,160)
Proceeds from sale of buildings, plant and equipment		1,833	203
Purchase of intangibles		(1,007)	(2,390)
Proceeds from sale of investment		9,391	-
Acquisition of joint venture		(4,577)	-
Net cash flows from/(used) in investing activities		(143)	(5,347)
Cash flows from financing activities			
Proceeds from share issue		376	1,774
Payment for share buy back		(1,503)	-
Proceeds from borrowings		22,000	15,000
Repayment of borrowings		(22,000)	(15,000)
Dividends paid		(10,452)	(10,291)
Net cash flows used in financing activities		(11,579)	(8,517)
Net decrease in cash and cash equivalents		(2,587)	(2,262)
Cash and cash equivalents at the beginning of the period		8,754	11,006
Net foreign exchange differences		(4)	10
Cash and cash equivalents at the end of the year	10	6,163	8,754

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 Year Ended 30 June 2014

	Consolidated						
	Attributable to shareholders of Gazal Corp Ltd						
	Employee						Total Equity
	Issued Capital \$'000	Asset Revaluation Reserve \$'000	Asset Realisation Reserve \$'000	Equity Benefit Reserve \$'000	Cash Flow Hedge Reserve \$'000	Accumulated Losses \$'000	
At 1 July 2013	63,310	19,626	562	1,174	3,995	(11,987)	76,680
Profit for the period	-	-	-	-	-	12,464	12,464
Other comprehensive income	-	2,035	-	-	(5,324)	-	(3,289)
Total comprehensive income for the period	-	2,035	-	-	(5,324)	12,464	9,175
Transactions with owners in their capacity as owners:							
Cost of share-based payments	-	-	-	39	-	-	39
Share buy back	(1,503)	-	-	-	-	-	(1,503)
Exercise of options	376	-	-	-	-	-	376
Dividends paid	-	-	-	-	-	(10,452)	(10,452)
At 30 June 2014	62,183	21,661	562	1,213	(1,329)	(9,975)	74,315
At 1 July 2012	61,536	19,229	562	487	70	(12,329)	69,555
Profit for the period	-	-	-	-	-	10,633	10,633
Other comprehensive income	-	397	-	-	3,925	-	4,322
Total comprehensive income for the period	-	397	-	-	3,925	10,633	14,955
Transactions with owners in their capacity as owners:							
Cost of share-based payments	-	-	-	687	-	-	687
Exercise of options	1,774	-	-	-	-	-	1,774
Dividends paid	-	-	-	-	-	(10,291)	(10,291)
At 30 June 2013	63,310	19,626	562	1,174	3,995	(11,987)	76,680

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 2013, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2013. The adoption of the amendments have resulted in changes to accounting policies but did not have any impact of 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 30 June 2014, however these are not expected to have a material impact on the Group results.

2. Segment Information – Operating Segments

Identification of reportable segments

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

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

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

Types of markets and customer groups

Wholesale

The wholesale business services our traditional retail customers. The products sold are primarily mens' and ladies' underwear, workwear, school uniforms, mens' business suits and shirts.

Direct to consumer

This segment includes the contract uniform business, our on-campus school uniform shops and our other retail stores sales.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the Annual Report at 30 June 2013. The key elements of the policy are described below.

Inter-entity sales

Inter-entity sales are recognised based on the internally set transfer price. The price is set to reflect what the business operation could achieve if they sold their output and services to external parties at arm's length.

Notes to the Preliminary Final Report (continued)

2. Segment Information – Operating Segments (continued)

Corporate charges

Corporate charges comprise non-segmental expenses such as head office expenses and interest. Corporate charges are allocated to each business segment on a proportionate basis linked to segment revenue and capital employed so as to determine a segment result.

Income tax expense

Income tax expense is calculated based on the segment operating net profit using a notional charge of 30% (2013: 30%). No effect is given for taxable or deductible temporary differences.

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.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Fair value gains/losses on derivatives
- Net gains/losses on disposal of available-for-sale investments
- Finance costs – including adjustments on provisions due to discounting
- Impairment charges
- Depreciation and amortisation on corporate property, plant and equipment
- Income tax balances

Notes to the Preliminary Final Report (continued)

2. Segment Information – Operating Segments (continued)

	Wholesale	Direct to Consumer	Unallocated Items	Total
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2014				
Revenue				
Sales to external customers	104,444	171,587	-	276,031
Other revenues from external customers	867	2,343	-	3,210
Inter-segment sales	11,000	-	-	11,000
Segment Revenue	116,311	173,930	-	290,241
Segment net operating profit before tax	10,428	(1)	-	10,427
includes the following:				
- Interest revenue	4	-	94	98
- Interest expense	-	-	(1,942)	(1,942)
- Depreciation and amortisation	(776)	(3,705)	(2,522)	(7,003)
- Other non-cash expenses	15,444	(15,490)	(83)	(129)
Segment assets	46,773	49,090	-	95,863
Capital expenditure	703	2,806	(3,366)	143
Segment liabilities	15,216	26,177	-	41,393
Year ended 30 June 2013				
Revenue				
Sales to external customers	112,944	166,303	-	279,247
Other revenue	333	161	-	494
Inter-segment sales	11,861	-	-	11,861
Segment revenue	125,138	166,464	-	291,602
Segment net profit before tax	16,306	1,615	-	17,921
includes the following:				
- Interest revenue	7	-	74	81
- Interest expense	-	-	(1,637)	(1,637)
- Depreciation and amortisation	(1,076)	(3,952)	(2,577)	(7,605)
- Other non-cash expenses	(19)	(5)	(121)	(145)
Segment assets	50,818	52,079	-	102,897
Capital expenditure	703	2,806	1,838	5,347
Segment liabilities	18,618	26,838	-	45,456

Notes to the Preliminary Final Report (continued)

2. Segment Information - Operating Segments (continued)

Major customers

The Group has a number of customers to which it provides products. The Group's major customer which is included in the Wholesale segment accounted for 8.5% of external revenue (2013: 9.6%). The next most significant customer accounts for 3.5% (2013: 4.8%) of external revenue.

i) Segment revenue reconciliation to the income statement

	Consolidated	
	Year ended	Year ended
	30 June 2014	30 June 2013
	\$'000	\$'000
Reconciliation of segment revenue to the income statement		
Total segment revenue	290,241	291,602
Inter-segment sales elimination	(11,000)	(11,861)
Other revenues	(1,831)	303
Total revenue and other revenues per the income statement	277,410	280,044

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

The Board of Directors meet on a monthly basis to assess the performance of each segment by analysing the segment's net operating profit after tax. A segment's net operating profit after tax excludes non operating income and expense such as dividends received, fair value gains and losses, gains and losses on disposal of assets and impairment charges. Income tax expenses are calculated as 30% (2013: 30%) of the segment's net operating profit.

	Consolidated	
	Year ended	Year ended
	30 June 2014	30 June 2013
	\$'000	\$'000
Reconciliation of segment net operating profit before tax to net profit before tax		
Segment net operating profit before tax	10,427	17,921
Interest revenue	94	74
Interest expense	(1,942)	(1,637)
Depreciation and amortisation	(2,522)	(2,577)
Other non-cash expenses	(83)	(121)
Share of loss of joint venture	(300)	-
Profit on sale of business	6,500	-
Over-allocation of corporate overhead to segments	2,716	1,218
Total net profit before tax per the income statement	14,890	14,878

Notes to the Preliminary Final Report (continued)

2. Segment Information - Operating Segments (continued)

iii) Segment assets reconciliation to the statement of financial position

In assessing the segment performance on a monthly basis, 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. These assets include plant and equipment, receivables, inventory and intangibles and exclude available-for-sale assets, cash at bank, derivative assets, and deferred tax assets.

	Consolidated	
	As at	As at
	30 June 2014	30 June 2013
	\$'000	\$'000
Reconciliation of segment operating assets to total assets		
Segment operating assets	95,863	102,897
Cash at bank	6,163	8,754
Corporate property, plant and equipment	40,529	38,051
Corporate IT software	5,263	5,877
Derivative assets	-	5,749
Investment in joint venture	6,433	-
Income tax receivable	661	-
Total assets per statement of financial position	154,912	161,328

iv) Segment liabilities reconciliation to the statement of financial position

Segment liabilities include trade and other payables. The Group has a centralised finance function that is responsible for raising debt and capital for the entire operations. Each entity or business uses this central function to invest excess cash or obtain funding for its operations.

	Consolidated	
	As at	As at
	30 June 2014	30 June 2013
	\$'000	\$'000
Reconciliation of segment operating liabilities to total liabilities		
Segment operating liabilities	41,393	45,456
Borrowings	30,929	30,793
Income tax payable	-	156
Provisions	2,010	2,108
Derivative financial instruments	1,898	42
Deferred tax liabilities	4,367	6,093
Total liabilities per statement of financial position	80,597	84,648

Notes to the Preliminary Final Report (continued)**3. Revenue and Expenses from Operations**

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

	Consolidated	
	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
<i>Revenue and Expense</i>		
(i) Revenue		
Sales revenue	276,031	279,247
Other revenue		
Interest revenue	98	81
Royalty revenue	74	67
Other	1,207	649
Total other revenue	1,379	797
Total revenue	277,410	280,044
(ii) Expenses and losses		
Depreciation, amortisation and impairment		
Depreciation of buildings	430	388
Depreciation of plant and equipment	3,464	3,723
Depreciation of leasehold improvements	1,345	1,424
Amortisation of intangible	162	389
Amortisation of software	1,602	1,681
	7,003	7,605
Employee benefit expense		
Wages and salaries	42,783	40,717
Defined contribution superannuation expense	3,688	3,521
Employee entitlements	3,500	3,307
Share-based payments	147	228
	50,118	47,773
Borrowing costs - Interest expenses	1,942	1,637
Bad & doubtful debts	58	22
Operating lease rentals	16,897	15,135
Provision for inventories obsolescence	752	(996)
Foreign exchange loss/ (gain)	(382)	94
Net loss on disposal of non-current assets	3	32

Notes to the Preliminary Final Report (continued)

4. Income Tax

The major components of income tax expenses for the year ended 30 June 2014 and 30 June 2013 are:

	Consolidated	
	Year ended 30 June 2014	Year ended 30 June 2013
Note	\$'000	\$'000
Income Statement		
<i>Current income tax</i>		
Current income tax charge	4,634	4,627
Adjustments in respect of current income tax of previous years	(213)	(225)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(1,995)	(157)
Income tax expense reported in the income statement	2,426	4,245
 (b) Amounts charged or credited directly to equity		
<i>Deferred income tax related to items charged or credited directly to equity</i>		
Net (loss)/gain on cash flow hedges	(2,281)	1,683
Net gain on revaluation of buildings	873	171
Net loss on share based payments	-	(459)
Income tax expense/(benefit) reported in equity	(1,408)	1,395
 (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 income tax	14,890	14,878
Accounting profit before income tax	14,890	14,878
At statutory income tax rate of 30% (2013: 30%)	4,467	4,463
Amortisation of intangibles	49	117
Entertainment expenses	36	45
Effect of higher rates of tax on overseas income	(23)	-
Share of loss of joint venture	90	-
Utilisation of previously unrecognised capital losses	(1,950)	-
Unrecovered tax losses	-	-
Other items	(30)	(155)
Amounts over provided in prior years	(213)	(225)
Total income tax attributable to operating profit	2,426	4,245
 Income tax reported in the consolidated income statement	2,426	4,245

Notes to the Preliminary Final Report (continued)

5. Investment in Joint Venture

The Group has a 50% interest in PVH Brands Australia Pty Ltd, a jointly controlled entity. The Group's interest is 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:

	As at 30 June 2014	As at 30 June 2013
	\$'000	\$'000
Current assets	12,661	-
Non-current assets	9,921	-
Current liabilities	5,980	-
Non-current liabilities	48	-
Equity	16,554	-
Portion of Group's ownership 50%	8,277	-
Carrying amount of investment	6,433	-

Summarised statement of profit or loss of PVH Brands Australia Pty Limited:

	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000
Sales revenue	14,281	-
Cost of sales	(5,594)	-
Gross profit	8,687	-
Other revenues	188	-
Selling and marketing expenses	(6,562)	-
Distribution expenses	(708)	-
Administration expenses	(2,354)	-
Loss before income tax	(749)	-
Income tax expense	150	-
Loss for the year	(599)	-
Group's share of loss for the year	(300)	

The Group has an agreement with PVH Brands Australia Pty Limited that the profits of the joint venture will not be distributed until it obtains the consent from the two venture partners. The joint venture had no contingent liabilities or capital commitments as at 30 June 2014 or 30 June 2013.

Notes to the Preliminary Final Report (continued)**6. 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	
	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
Net Profit attributable to ordinary equity holders of the parent	12,464	10,633
Earnings used in calculating basic and diluted earnings per share	12,464	10,633
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	57,497,229	57,436,853
Effect of dilutive securities		
Share options	-	164,888
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	57,497,229	57,601,741

On 21 March 2014, the Company bought back 577,865 shares for a total consideration of \$1,503,000 (2013: nil).

Notes to the Preliminary Final Report (continued)**7. Dividends**

	Amount per share	Total amount \$'000	Franked amount per share	Date of payment
2014				
2013 final - ordinary	11 cents	6,375	11 cents	2 October 2013
2014 interim - ordinary	7 cents	4,077	7 cents	2 April 2014
Total amount	18 cents	10,452	18 cents	
2013				
2012 final - ordinary	11 cents	6,246	11 cents	2 October 2012
2013 interim - ordinary	7 cents	4,045	7 cents	2 April 2013
Total amount	18 cents	10,291	18 cents	

Subsequent events

Since the end of the financial year, the Directors declared the following dividend:

2014 final - ordinary	11 cents	6,344	11 cents	2 October 2014
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The financial effect of the final dividend for June 2014 has not been brought to account in the financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports.

Dividend Reinvestment Plan

The company's dividend reinvestment plan will not apply to the final dividend.

Dividend franking account

The balance of the franking account of Gazal Corporation Limited as at 30 June 2014 is \$14,773,000 (2013: \$15,819,000) 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 final dividend declared subsequent to year end.

8. Net tangible assets

	Consolidated	
	Year ended 30 June 2014	Year ended 30 June 2013
Net tangible asset backing per ordinary share	1.04	1.06

Notes to the Preliminary Final Report (continued)

9. Contingent Liabilities

The parent entity has given guarantees in relation to a number of controlled entities' retail shop leases.

The parent entity has entered into a Deed of Cross Guarantee in accordance with a class order 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.

10. Notes to the Statements of Cash Flows

(a) Reconciliation of cash

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 30 June 2014	As at 30 June 2013
	\$'000	\$'000
Cash at bank and on hand	6,163	8,754
	6,163	8,754

(b) There were no non-cash items included in the statement of cash flows.

11. Events Occurring After Reporting Date

There are no subsequent events as at the date of this report.

12. Controlled Entities

On 26 August 2013 the joint venture entity PVH Brands Australia Pty Limited was incorporated. The Group has a 50% share in the joint venture.

On 3 February 2014 the Group sold its 100% interest in CK Underwear Australia Pty Limited (formerly Body Art Australia Pty Limited) to PVH Brands Australia Pty Limited.

COMMENTARY ON RESULTS

Gazal Corporation Limited today announced an after-tax profit of \$12.5m for the 12 months ended 30th June 2014, an increase of 17.2% compared to the previous corresponding period. The after-tax profit includes the \$6.5 million additional consideration arising from the transfer of the Calvin Klein Underwear business to the 50% owned PVH joint venture company. Sales revenue decreased slightly by 1.2% on the prior period to \$276 million.

Direct to Consumer Segment

Revenue in the direct-to-consumer segment grew at 4.5% driven predominantly by new outlets, including 6 Trade Secret stores opened in the period.

Like-for-like sales, however, have been slightly down across all direct-to-consumer divisions and below expectations particularly in the last 2 months leading into June due to the warmer than expected winter and following the drop in consumer sentiment as a result of the tougher federal budget.

Profit margins in the direct to consumer segment were lower than last year impacted by the decrease in expected revenue as outlined above and costs incurred in the expansion of new outlets.

Wholesale Group

Revenue and earnings in the Workwear and Corporate Uniform business was impacted by the NSW Health Uniform contract which ended in the previous reporting period and earnings in that period were boosted by the one-time sale of remaining inventory at healthy margins. It was decided not to retender for this contract as some of the new conditions introduced by NSW Health would have rendered the contract unprofitable going forward.

Revenue and earnings in this segment were also impacted by the transfer of the Calvin Klein Underwear licensed business to the PVH joint venture in February as the results to 30th June 2014 include only 7 months of trading compared to 12 months in the prior year.

PVH Brands Australia Joint Venture ("JV")

The previously announced JV gives the Company a unique partnership with one of the world's leading apparel powerhouses in PVH Corp. and also achieves longevity on a global megabrand such as Calvin Klein through the 20 year rights the JV has secured.

The JV, which commenced operations on 3 February 2014, initially brings together the Calvin Klein Underwear and Calvin Klein Jeans businesses in Australia and New Zealand. Since commencement, the JV's management team has focussed on restructuring the current operations, building sales through opening new outlets and preparing for the launch of new categories such as the Calvin Klein Performance line of women's athletic wear.

As part of the JV set-up on 3 February, the JV acquired the Gazal operated Calvin Klein Underwear distribution and retail business for \$9.4 million made up of net tangible assets of \$2.9 million and an additional consideration of \$6.5 million. Gazal's investment in the JV as at 30th June is \$6.4 million for its 50% share.

COMMENTARY ON RESULTS (continued)

PVH Brands Australia Joint Venture ("JV") (continued)

Whilst the early integration was successful, costs associated with the integration and restructuring were greater than expected and impacted the results in the 5 months period to June. With the integration work now done, it is expected that the restructuring, the new outlets and the additional product categories are likely to bear positive results for FY2015.

Working capital

Inventory balances have decreased across the operations despite the increase in new outlets during the year. Key drivers of inventory reductions were in better stock management in the retail outlets and the planned transfer of the Calvin Klein operations to the PVH JV.

Net debt levels have been largely maintained in line with last year despite the planned investments in new outlets during the year.

Capital Management

During the year in review, the Company bought back 577,865 shares for a total consideration of \$1.5 million.

Dividends

The directors declared a final dividend of 11 cents per share fully franked compared to the final dividend for the 2013 financial year of 11 cents per share fully franked.

The record date for determining the shareholders' entitlement for the full year is 17 September and the full year dividend is payable on 2 October, 2014.

Outlook

Operating results for the month of July were slightly ahead of plan. Trading conditions remain patchy, which is in line with current economic indicators. Given this, results of the current operations for the first half of FY2015 are likely to be broadly in line with the first half results for the prior corresponding period.

With the changes occurring to the Australian retail landscape, the Board and Management are viewing FY2015 as an important time to focus on the Group's forward strategy. This includes leveraging global relationships, reviewing the strategic fit of existing businesses and considering other strategic opportunities to grow shareholder value for the long term.

In line with this, in May we advised shareholders that the Company is in negotiations with The Tommy Hilfiger Group, which is wholly owned by PVH, regarding the potential transition of the Tommy Hilfiger Australian business to the PVH JV with a targeted effective date of the beginning of February 2015. The Tommy Hilfiger Australian business comprises wholesale and retail operations, with national distribution through Myer and David Jones department stores, as well as 12 stand-alone Tommy Hilfiger retail stores. Binding agreements have not been signed and, as a consequence, the Company is not able to give guidance to the market on the outcome or terms of any transaction at this time.

COMMENTARY ON RESULTS (continued)

Outlook (continued)

As with the potential Tommy Hilfiger transaction, the Company continues to explore other opportunities to strengthen our position in the market place and will keep the ASX and shareholders apprised as required.

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

3-7 McPherson Street, Banksmeadow
NSW

Date

21 November 2014

Time

11:30am

Approximate date the annual report will be
available

21 October 2014



Signed:

Date: 21 August 2014

Company Secretary