



ASX and Media Release – Friday 26 February, 2016

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## Total profit increased to \$38.7m

**Sales from continuing operations increased to \$30.4m**

**Profit from continuing operations increased to \$4.7m**

**The Gazal share of the PVH JV profit increased to \$2.2m from \$0.2m last year**

**Total PAT increased to \$38.7m. This included the profit from the sale of Trade Secret of \$34.5m**

**A special dividend of 35 cents per share was paid in December from the surplus sale proceeds**

**An interim dividend of 5 cents per share fully franked announced**

### REVIEW AND RESULTS OF OPERATIONS

#### Continuing Operations

As a consequence of the sale of Trade Secret (October 2015) and the sale of the Midford School-wear business (completed in June 2015), the continuing operations of the Gazal group for the first six months of FY2016 are made up of the Bisley workwear and corporate uniforms business (wholesale segment) and the PVH Brands Australia joint venture (PVHBA JV).

Gazal sales for continuing operations improved by 31.7% to \$30.4m. Profit after tax from continuing operations increased by \$4.7m from \$0.5m last year driven by improved workwear profitability and improvements in the profitability of the PVHBA JV.

Sales revenue in the PVHBA JV has increased by 339% to \$92.5m in 2015. Profit after tax has also increased to \$4.4m from \$0.4m last year. Gazal's share of the PVHBA JV profit increased to \$2.2m from \$0.2m last year.

In February 2015, the PVHBA JV was significantly expanded through the acquisition of the existing Tommy Hilfiger business in Australia from PVH Corp and the sale by Gazal to the JV of Van Heusen, Nancy Ganz and other shirting, tailored and shapewear brands. As a consequence of the JV's expansion, the financial results for Gazal to 31 December 2015 include 6 months of the recently acquired operations in the PVHBA JV results. The sales and profit growth is also attributed to the continuing development of new product categories across Calvin Klein and Tommy Hilfiger with our key trading partners Myer and David Jones, and the ongoing development of our retail channel.

In the first half of FY16, the revenue from our wholesale segment improved by 31.7% as a result of the successful introduction of innovative work-wear products, an improved in-stock position and winning new tenders. The increased revenue has also driven an improved profit result before tax.

## **Discontinued operations**

In July 2015, Gazal announced that it had signed an agreement to sell its Trade Secret off-price retail business to The TJX Companies, Inc. Based in Framingham, Massachusetts, USA, TJX is the leading off-price retailer of apparel and home fashions in the U.S. and worldwide. This transaction was successfully completed in October 2015 and the results of the Trade Secret operations are therefore disclosed as discontinued operations.

Discontinued operations for the half year ended 31 December 2015 are made up of the trading operations of Trade Secret until the sale to TJX (in October 2015), the recognition of profit on the sale of Trade Secret and a small amount of residual transaction costs in relation to the sale of Midford School-wear operations.

Sales for the Trade Secret operations were slightly improved from the prior year up to the time of sale. Profitability to the same time was significantly improved due to a better stock management and the introduction of new categories. Last year's results include a full six months of operations including the Christmas trading period.

Total proceeds from the sale of Trade Secret were \$83,077,000. After deducting the carrying amount of assets, deal costs and tax, the net profit after tax was \$34,512,000.

## **Outlook**

In the second six months of FY16, Gazal will recognise profits on the wholesale segment, the share of profits and other services revenue from the PVHBA JV.

### *Wholesale segment*

We expect the challenging market conditions in the Australian industrial sector to continue in the second half of the year. With the underlying improvements already seen in the first half, we expect earnings for continuing operations for FY2016 will be improved compared to last year.

### *Share of profits from JV and other services revenue*

In line with the continued expansion of categories and the introduction of the Tommy Hilfiger brand, we expect second half sales to be significantly higher than the prior year. Note that Tommy Hilfiger will be like-for-like in the second half from February 2016.

Second half sales performance in Van Heusen, Nancy Ganz and Calvin Klein will be supported by new stores openings and new product categories introduced over the last 12 months.

The integration into the Gazal shared services platform has been achieved. Overall, we expect that the combined share of profits and other services revenue from the PVHBA JV to be higher than the contribution in the second 6 months of FY15.

## **Dividends**

In December, a special dividend of 35 cents per share was paid as a result of surplus proceeds from the sale of Trade Secret to The TJX Companies, Inc.

The Directors resolved to pay an interim dividend in the first half of 5cents per share fully franked. The record date for determining shareholders' entitlement for the interim dividend is 14th March, 2016 and the interim dividend is payable on 4th April, 2016. The Dividend Reinvestment Plan will not apply to the interim dividend.

As stated in November and subject to there being no adverse developments, the Directors currently intend to pay a second special dividend of 30 to 35 cents per share fully franked early in the new financial year. In the event that another method of distribution is considered by the directors to be more appropriate the shareholders will be informed.

*This release includes "forward-looking statements" within the meaning of securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words, and include statements regarding certain plans, strategies and objectives of management and expected financial performance. These forward-looking statements involve known and unknown risks uncertainties and other factors, many of which are outside the control of Gazal, and its officers, employees, agents or associates. Actual results, performance or achievements may vary materially from any projections and forward looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and Gazal assumes no obligation to update such information.*