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Financial Calendar 2016

Preliminary report and dividend announcement	31 August
Record date for final dividend	16 September
Final dividend payable	4 October
Annual Report and Notice of Annual General Meeting Mailed to Shareholders	19 October
Annual General Meeting	17 November
Half year end	31 December

The Annual General Meeting of Shareholders of Gazal Corporation Limited will be held at The J.S. Gazal Building, 3-7 McPherson Street Banksmeadow on 17 November 2016 at 11:30am. A formal notice of meeting is enclosed with this Annual Report, setting out the business of the Annual General Meeting.

Gazal Corporation Limited
& its Controlled Entities

Directors' Report

For the year ended 30 June 2016

Your Directors have pleasure in submitting their report for the year ended 30 June 2016.

Directors

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

Names, Qualifications, Experience and Special Responsibilities

Michael J. Gazal B.COM. (Age 54)

Executive Chairman - Joined the Gazal Group in 1986 after gaining experience in merchant banking and stock broking. In November 1989 after the passing of Mr. J.S. Gazal A.M, his father and founding Chairman of the Gazal Group, he was appointed Chief Executive Officer and was responsible for the day-to-day management of the Group.

Patrick Robinson B.SCL., MBA (Age 54)

Executive Director - Mr. Robinson was appointed a director of the Company at the November 2012 AGM. He has had an extensive and successful career in the retail and consumer goods industry over the past 15 years including senior roles within David Jones and buying and marketing roles with Blockbuster and Myer.

Bruce Klatsky (Age 68)

Non-Executive Director and Lead Independent Director - Mr Klatsky was CEO of Phillips-Van Heusen (PVH) from 1993 to 2005 and Chairman from 1995 to 2007. PVH is one of the largest apparel and footwear companies in the world and listed on the New York Stock Exchange. He is currently a director of Perry Ellis International, Inc a company listed on NASDAQ stock exchange. He is a member of the Audit and Risk Committee and Chairman of the Remuneration and Nomination Committee.

David J. Gazal (Age 48)

Executive Director - Joined the Gazal Group in 1987, appointed Director on 24 April 1999 and has performed a number of key roles within the Group since joining including Group Divisional Manager of Surf and Casual wear and Managing Director of Mambo. He is currently the General Manager of Bisley Workwear.

Craig Kimberley (Age 75)

Non-Executive Director - Formerly the founder of the Just Jeans retail chain he has had 30 years experience in the retail and apparel industries. He is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.

Graham Paton AM B.Ec FCPA (Age 71)

Non-Executive Director - Previously a partner for twenty three years in Arthur Andersen, Chartered Accountants, retiring from that firm and public practice in July 2001. He is presently a Director of Harvey Norman Holdings Limited, a position he has held since 26 June 2005. He is the Chairman of the Audit and Risk Committee.

Richard V. Gazal (Age 42)

Non-Executive Director - Joined the Gazal Group in 2000 and was appointed a Director at the November 2012 AGM. He has performed a number of functions in the retail businesses and has played an integral role in the expansion of those businesses. After the sale of Trade Secret Mr Gazal retired as an executive director but has continued in a non-executive capacity.

Company Secretary

Peter J. Wood CA FICS

Has been the Company Secretary of Gazal Corporation Limited for 29 years. Prior to holding this position he held the role of Financial Controller of related Gazal companies for 7 years. Mr. Wood has been a Chartered Accountant for over 30 years.

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Interests in the shares and options of the Company and related body corporate

At the date of this report, the interests of the Directors in the shares and other equity securities of the Company and related body corporate are:

Director	Ordinary Shares	Relevant Interest In Ordinary Shares Held	Options	Performance Rights
M.J. Gazal	1,202,211	8,996,600 ⁽¹⁾ 1,007,554 ⁽²⁾ 9,546,633 ⁽³⁾	-	-
P. Robinson	353,552	-	-	-
B. Klatsky	2,000,000	-	-	-
D.J. Gazal	416,665	8,996,600 ⁽¹⁾ 1,007,554 ⁽²⁾ 10,253,423 ⁽⁴⁾	-	-
C. Kimberley	-	1,015,000	-	-
G. Paton	-	700,000	-	-
R.V. Gazal	16,656	8,996,600 ⁽¹⁾ 1,007,554 ⁽²⁾ 9,464,920 ⁽⁵⁾	-	-

- 1-2 M.J. Gazal, D.J. Gazal and R.V. Gazal have a relevant interest in Gazal Corporation Limited shares held by a wholly owned subsidiary of Gazal Nominees Pty Limited (1) and directly by Gazal Nominees Pty Limited (2) as each of M.J. Gazal, D.J. Gazal and R.V. Gazal have a 25% shareholding in Gazal Nominees Pty Limited.
- 3 M.J. Gazal has a relevant interest in Gazal Corporation Limited shares held by MJ and HH Gazal Pty Limited as trustee for the Michael Gazal Family Trust as M.J. Gazal has a 50% shareholding in MJ and HH Gazal Pty Limited.
- 4 D.J. Gazal has a relevant interest in Gazal Corporation Limited shares held by The David Gazal Family Company Pty Limited as trustee for the David Gazal Family Trust as D.J. Gazal has a 50% shareholding in The David Gazal Family Company Pty Limited.
- 5 R.V. Gazal has a relevant interest in Gazal Corporation Limited shares held by 3C Consolidated Capital Pty Limited as trustee for the Unic Trust as R.V. Gazal has a 50% shareholding in 3C Consolidated Capital Pty Limited.

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Directors' Meetings

The names of Directors and members of Committees of the Board are outlined below. The attendances of the Directors at meetings of the Board and of its Committees held during the financial year were:

	Board of Directors		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	Maximum Possible Attended	Attended	Maximum Possible Attended	Attended	Maximum Possible Attended
M.J. Gazal	7	7	-	-	-	-
P. Robinson	7	7	-	-	-	-
B. Klatsky	6	7	1	2	1	1
D.J. Gazal	5	7	-	-	-	-
C. Kimberley	6	7	2	2	1	1
G. Paton	7	7	2	2	-	-
R.V. Gazal	5	7	-	-	-	-

Principal Activities

The principal activities of Gazal Corporation Limited and its subsidiaries ("the economic entity", "the group" or "the Company") in the course of the financial year were the design, manufacture, importation, wholesale and retail of well known branded apparel and accessories.

Dividends

The following dividends of the economic entity have been paid, declared or recommended since the end of the preceding financial year:

	On ordinary shares \$'000
Final fully franked dividend for 2015 (8c per share) as declared in the 2015 Directors' report paid 2 October 2015	4,631
Interim fully franked dividend for 2016 (5c per share) paid 4 April 2016	2,894
Special franked dividend (35 cents per share) paid 18 December 2015	20,260
Final fully franked dividend for 2016 7c per share as recommended and declared by the Directors, payable 4 October 2016	4,071
Special franked dividend for 2016 as recommended and declared by the Directors, payable 4 October 2016	20,356

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Operating and Financial Review

Review of Operations

Gazal Corporation Limited is a publicly listed, for profit, branded apparel company. The company specialises in developing and building national and international brands in the apparel and fashion accessories industry.

The Gazal Group operates a mix of business activities in the apparel industry. The Wholesale Group is a leading apparel supplier of corporate uniforms and workwear sold under the Bisley brand. The Direct to Consumer Group sells apparel brands and related accessories which it owns or acquires from third parties to consumers through the retail outlets trading as Trade Secret. This is shown as part of discontinued operations.

The PVH Brands Australia joint venture ("JV") has a mix of wholesale and retail activities across brands such as Calvin Klein, Tommy Hilfiger, Van Heusen and Nancy Ganz. Gazal has a 50% share of JV together with PVH Corp ("PVH") which is listed on the NY Stock Exchange.

Review of Financial Performance

Gazal Corporation Limited posted a 38.4% rise in Profit After Tax from \$31.1 million last year to \$43.1 million for the 12 months ended 30th June 2016. The after-tax profit includes profit from continuing operations, as well as the profit resulting from the sale of businesses during the period. Profit After Tax for continuing operations have increased from \$2.4 million last year to \$9.0 million for the 12 months ended 30 June 2016.

In line with the group's forward strategy, the existing joint venture ("JV") with PVH was significantly expanded in February 2015 through the acquisition of the Tommy Hilfiger business in Australia from PVH Corp. and the acquisition of the Van Heusen, Nancy Ganz and other shirting, tailored and shapewear brands (collectively known as "Heritage Brands") from Gazal. In FY16, these businesses have operated for a full 12 months.

Continuing operations

By way of background, as previously announced:

- the PVH joint venture (the "JV") was formed and commenced trading with the Calvin Klein brand in February 2014. The JV was expanded in February 2015 through the acquisition of the Tommy Hilfiger Australian operations and the sale by Gazal to the JV of Van Heusen, Nancy Ganz and other shirting, tailored and shapewear brands (collectively "Heritage Brands").
- the sale of the Midford Schoolwear business was completed in June 2015.
- the sale of the Trade Secret off-price retail business was completed in October 2015.

Accordingly, the continuing operations of the group and the number of months contribution to the FY16 and FY15 results are described in the following table :

Continuing Operations	FY16	FY15
PVH joint venture		
Calvin Klein	12 months	12 months
Tommy Hilfiger	12 months	5 months
Heritage Brands	12 months	5 months
Bisley Workwear		
	12 months	12 months

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Wholesale Group - Bisley Workwear

In FY16, workwear net revenue improved by 16.9% to \$59.6 million as a result of the successful introduction of new products, a superior 'in-stock' position of replenishable lines compared to its competitors and winning new tenders. The higher revenue and good control of overheads led to a much improved profit position.

PVH Brands Australia Joint Venture ("JV")

In FY16, the JV completed the integration of the Heritage Brands and Tommy Hilfiger operations into the overall Gazal shared services and logistics platform. The continued strength of the Calvin Klein underwear business as well as the development of new product categories across both Calvin Klein and Tommy Hilfiger with our key trading partners Myer and David Jones, and the ongoing development and improved trading results from our retail channel all contributed to the JV generating an increase in Profit After Tax from \$1.8m last year to \$10.2 million. Gazal's share of profits from the JV is recorded using the equity method of accounting.

Sale of Trade Secret

In October 2015, Gazal completed the sale of 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.

Gross proceeds from the sale of shares of the Trade Secret entity were \$83.1 million on a cash and debt free basis, resulting in a profit on sale of \$34.7 million. At 30 June, the Trade Secret division has been disclosed as a discontinuing operation.

Banksmeadow Property

In June 2016, CBRE were commissioned to undertake an independent valuation of the Banksmeadow warehouse and office property. The valuation increased to \$45.7 million, up from \$40.2 million book value last year. The directors have adopted the new valuation in the balance sheet as at 30 June 2016.

Review of Financial Position

The Gazal Group finished the year with \$12.5m of cash and \$950k borrowings. Cash flows from operating activities were improved from last year despite a shorter trading period for Trade Secret (only 4 months in FY16) as a result of the sale to TJX. Stock levels in the workwear division were in line with the previous year.

Cash flows were also impacted as a result of transaction proceeds and transition costs associated with the sale of Trade Secret noted above. The \$83.1m proceeds from the sale of Trade Secret were largely used to repay borrowings and pay dividends during the year.

Outlook

In FY17, the results of the Gazal Group will reflect the continuing wholesale operations comprising of workwear and corporate uniforms, the share of the JV profit and revenue from providing corporate services and logistics support.

The JV and wholesale operations have started well in FY17. For the wholesale operations, results for the month of July were in line with plan. For the JV, results for July were ahead of plan driven by the sales from retail stores.

At this stage, the Directors believe it is too early to give shareholders any guidance on the half or full year earnings. However, it is expected that a trading update will be provided at the AGM in November 2016.

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Likely Developments and Expected Results

The Gazal Corporation Group intends to continue its principal activity of designing, manufacturing, importing, wholesaling and retailing well known branded apparel and accessories through the JV.

With the changes occurring to the Australian retail landscape, the Board and Management are viewing FY15 to FY17 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.

As with all the recent transactions noted above, the Company continues to explore other opportunities to strengthen its position in the market place and will keep the ASX and shareholders apprised as required.

Any further information on the likely developments in the operations of the economic entity and the expected results of those operations in future financial years have not been disclosed.

Material Business Risks

Both the wholesale segment and the JV import the majority of their products in USD denominated purchase orders from Asia and in particular China. A decline in the USD exchange rate could place upward pressure on import prices to the extent that overseas purchases are not sufficiently hedged.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the economic entity that occurred during the financial year not otherwise disclosed in this report or the consolidated financial statements.

Significant Events after the Balance Date.

On 31 August 2016 the directors resolved to pay a final dividend of 7 cents per shares fully franked based on the FY16 trading results. The record date for determining the shareholders' entitlement to the final dividend is 16 September 2016 and the final dividend is payable on 4 October 2016.

In addition, the Directors resolved to pay a second special dividend of 35 cents per share fully franked (in addition to the first special dividend of 35 cents which was paid in December 2015) following from the sale of Trade Secret to The TJX Companies, Inc. As previously announced, the Company had requested from its bankers Westpac a temporary increase in the Company's loan facility to enable it to better manage cash flows anticipated in the second and third quarters of FY17. This temporary increase was approved in September 2016.

There are no other matters or circumstances that have arisen since 30 June 2016 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.

Environmental Regulation and Performance

The economic entity's environmental obligations are regulated under both State and Federal Law. The Audit Committee monitors environmental obligations. The economic entity has a policy of at least complying with its environment performance obligations. No environmental breaches have been notified by any Government agency during the year ended 30 June 2016.

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Share Options

Details of options granted to Directors or relevant executives as part of their remuneration are set out in the section of this report headed Remuneration Report. Details of shares and interests under option, or issued during or since the end of the financial year to the date of this report due to the exercise of an option, are set out in Note 19 of the financial statements and form part of this report.

Indemnification and Insurance of Directors, Auditors and Officers

Insurance arrangements established in the previous year concerning officers of the economic entity were renewed during 2016.

Indemnity agreements have been entered into between Gazal Corporation Limited and each of the Directors of the Company named earlier in this report. Under the agreement, the Company has agreed to provide reasonable protection for the Directors against liabilities, which may arise as a result of work performed in their respective capacities.

As part of the above agreement Gazal Corporation Limited paid an insurance premium in respect of a contract insuring each of the Directors of the Company named earlier in this report and each full-time executive officer, Director and Secretary of Gazal Corporation Limited and its controlled entities, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. The terms of the above insurance policy prohibit disclosure of the nature of the risks insured or the premium paid.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 2016/191. The Company is an entity to which the Class Order applies.

Remuneration Report (audited)

This report outlines the remuneration arrangements in place for directors and executives of Gazal Corporation Limited and its subsidiaries (the Company and/or the Group), in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report Key Management Personnel (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company. This information has been audited as required by section 308 (3C) of the Corporations Act 2001.

Details of Key Management Personnel

(i) Directors

M.J. Gazal	Executive Chairman
P. Robinson	Executive Director and Chief Executive Officer
B. Klatsky	Non- Executive Director
D.J. Gazal	Executive Director and General Manager - Bisley Workwear
C. Kimberley	Non- Executive Director
G. Paton	Non- Executive Director
R.V. Gazal	Non- Executive Director

(ii) Executives

G. Griffiths	Chief Financial Officer
P. Wood	Company Secretary

There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue

Directors' Report (continued)

For the year ended 30 June 2016

Remuneration Report (audited) continued

Remuneration and Nomination Committee

The Remuneration and Nomination Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the chief executive officer and the senior management team. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

To assist in achieving these objectives, the Remuneration and Nomination Committee links the nature and amount of executive Directors' and officers' emoluments to the Company's financial and operational performance. All Directors and executives have the opportunity to qualify for participation in the Gazal Employee Share Option Plan. In addition, all executives are entitled to annual bonuses payable upon the achievement of annual divisional and corporate profitability measures.

Remuneration report approval at FY15 AGM

The FY15 remuneration report received positive shareholder approval at the FY15 AGM with a vote of 91% in favor.

Remuneration principles and strategy

The performance of the Company depends upon the quality of its directors and executives and to grow and prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high caliber executives.
- Link variable executive remuneration to financial and operational performance.
- Link executive rewards to shareholder value.

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 21 October 2010 when shareholders approved an aggregate remuneration of \$750,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants when necessary as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. The Company did not use Remuneration consultants during the year.

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Remuneration Report (audited) continued

Non-executive director remuneration (continued)

Structure (continued)

Each non-executive director receives a fee for being a director of the Company. Non-executive directors have long been encouraged by the Board to hold shares in the Company (purchased by the director on market). The non-executive directors of the Company can participate in the Gazal Employee Share Option Plan. This plan is currently under review.

Relationship of rewards to performance

The Directors consider the alignment of shareholder value and executive performance is achieved by tying optimal executive variable remuneration on Short Term Incentives ("STI") to company performance and on Long Term Incentives ("LTI") to increases in the company share price.

Company performance

In order for non-executives directors to fully benefit materially from the grant of options previously granted, there needs to be a sustained increase in the trading price of the Company's shares over a period of one to five years. There are no LTI option vesting conditions linked to company performance.

The remuneration of non-executive directors for the year ending 30 June 2016 is detailed in the Table on page 16 of this report.

Senior manager and executive director remuneration ("executives")

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- reward executives for Company, business unit and individual performance against financial and operating performance;
- link reward with the strategic goals and performance of the Company; and ensure total remuneration is competitive by market standards; and
- align the interests of executives with those of shareholders.

Structure

In determining the level and make-up of executive remuneration, the Remuneration and Nomination Committee obtains independent advice when necessary on market levels of remuneration of comparable executives before the Committee makes its recommendations to the Board.

The Remuneration and Nomination Committee considers it appropriate that employment contracts are entered into with the executive directors and senior management. Details of the contracts with the executive directors Messrs M J Gazal, D J Gazal and R V Gazal and Mr. P Robinson the CEO are provided on page 14.

Approach to setting remuneration

The executive remuneration framework in FY14 consisted of fixed remuneration and short and long-term variable remuneration incentives as outlined below. The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice. Variable reward opportunities are intended to provide the opportunity to earn up to approximately 60% of total remuneration for outstanding performance against the stretch targets set.

Remuneration levels are considered annually through a remuneration review by the Remuneration Committee. The process consists of a review of Company wide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Remuneration Report (audited) continued

Senior manager and executive director remuneration ("executives") (continued)

External advice

The Committee has the resources and authority appropriate to discharge its duties and responsibilities, including the authority to engage external professionals, on terms it determines appropriate without seeking approval of the Board. External professionals are engaged from time to time when required. All information relevant to matters being considered by the Committee has been made available to its members. Members of the Committee did not separately and independently retain any advisors during the year. All advisors are independent and were engaged solely on the basis of their competency in the relevant field.

The following summarises the CEO's and executives' target remuneration mix between fixed and variable remuneration:

	Target Fixed remuneration	Target Variable remuneration
CEO	50- 60%	40-50%
Other executives	50-80%	20-50%

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component of executives is detailed in the Table on page 16.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Company and or divisional performance with the remuneration received by the executives charged with meeting the Company and or divisional performance. The total potential STI provides sufficient incentive to the executives to achieve the Company and or divisional performance such that the cost to the Company is reasonable in the circumstances.

Structure

Actual STI payments usually granted in September each year to each executive depends mainly on the performance of the executive as the key driver of either the Company in the case of the CEO or other executives in relation to their division(s). Operational measures cover mainly financial and some non-financial measures of performance. The usual process for evaluating performance and KPI measures include contribution to net profit before tax, risk management, product management, inventory management and leadership/team contribution.

The financial performance measure driving STI payment outcomes is a requirement that the executive must meet a percentage of budgeted profitability as determined by the Remuneration and Nomination Committee which is set before the commencement of the financial year. In addition to this measure STI can be enhanced if certain ratios such as inventory turnover reach preset limits. The executive can exceed their base salary package as a STI bonus.

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Remuneration Report (audited) continued

Variable Remuneration – Short Term Incentive (STI) (continued)

Structure (continued)

On an annual basis, after consideration of divisional performance each executive is reviewed in accordance with the above process and STI's assessed and allocated to each executive who is deemed to have met their performance target. Some executives did not receive a bonus as their performance measure was not achieved.

The aggregate of annual STI payments available for executives across the Company is subject to the approval of the Remuneration and Nomination Committee. Payments made are usually delivered as a cash bonus.

STI Bonus for 2015 and 2016 financial years

The entire STI cash bonus of \$757,722 for the 2015 financial year as accrued in the previous period vested to executives was paid in the 2016 financial year. The Remuneration and Nomination Committee has approved the STI payments for the 2016 financial year of \$1,016,725 which were accrued at June 2016. This amount has been accrued on the basis that it is probable that the executives have met their respective financial targets for the year. Any adjustments between the actual amounts to be paid as determined by the Remuneration and Nomination Committee and the amounts accrued will be adjusted in the 2017 financial year. The STI bonus plan was amended in 2009 to align financial targets to the Company's budget in that year.

There was no alteration to the STI bonus plan for the year.

The variable remuneration component of executives is detailed in the Table on page 16.

There were no bonuses forfeited in the year ended 30 June 2016 or 30 June 2015.

Variable Remuneration – Long Term Incentive Options (LTI-O)

Structure

LTI grants to executives are delivered in the form of share options administered under a Share Option Plan ("SOP"). This plan is currently under review.

Variable Remuneration – Long Term Incentive Performance Rights (LTI-PR)

The LTI-PR plan was approved by shareholders at the 2012 AGM. The plan has been initially set up to provide a long term incentive to Mr. P Robinson who was appointed CEO and Executive Director on 15 November 2012. As part of his LTI-PR plan, he has been offered a maximum of 1,280,000 performance rights.

The performance rights are divided into 4 equal tranches of 320,000 performance rights, with each tranche to be tested sequentially over a 4-year performance period commencing 13 August 2012. Each tranche is subject to a performance condition based on growth in the Group's consolidated profit after tax from continuing operations ("PAT") relative to specified PAT growth targets in each financial year during the performance period.

- In relation to FY13, 50% of the performance rights in the first tranche will vest if the Group maintains the minimum PAT target and full vesting of performance rights in the first tranche will occur if PAT growth over the previous year is at least 5% (stretch PAT target).
- The remaining three tranches will be tested in FY14, FY15 and FY16, respectively. The minimum PAT target for each of these years is an amount which is 5% higher than the minimum PAT target for the immediately preceding financial year. The stretch PAT target for each of these years is an amount which is 10% higher than the stretch PAT target for the immediately preceding financial year.

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Remuneration Report (audited) continued

Variable Remuneration – Long Term Incentive Performance Rights (LTI-PR) (continued)

- 50% of the performance rights in a tranche will vest if PAT in relation to the relevant financial year is equal to the minimum PAT target for that year and full vesting of the performance rights in a tranche will be achieved if PAT is at least equal to the stretch PAT target for that year. Vesting will occur on a pro rata basis between threshold vesting and full vesting

The table below summarises the minimum and stretch PAT targets for each year of the performance period.

Tranche	Testing Period	No. of Rights in tranche	PAT Growth Targets (showing, in relation to FY14, % increase on previous PAT from FY13 and, in relation to subsequent FYs, % increase on previous FY's corresponding growth target)		No. of Rights that may Vest	
			Target	Stretch	Target	Stretch
1	FY13	320,000	0% (PAT of \$12,413,000)	5% (PAT of \$13,034,000)	160,000	320,000
2	FY14	320,000	5% (PAT of \$13,034,000)	10% (PAT of \$14,337,000)	160,000	320,000
3	FY15	320,000	5%	10%	160,000	320,000
4	FY16	320,000	5%	10%	160,000	320,000

- If the performance condition is not satisfied in relation to a tranche of performance rights, 50% of the performance rights in that tranche will be re-tested in the next financial year and vest if the minimum PAT target for that year is achieved. Further, there is opportunity for any unvested rights to vest at the end of the 4 year performance period if the aggregate PAT of the Group over the performance period exceeds the aggregate of the stretch targets for each of the relevant financial years. All other unvested performance rights will lapse.
- For the purpose of the performance condition, the Board, acting reasonably, may adjust any PAT target or the PAT in respect of a financial year, in order to allow for any non-recurrent or one-off items or the effect of any material transaction undertaken by the Gazal Group. Further the Board may also modify the number of rights that vest in any one year at its discretion.
- In addition to the performance condition, Mr. Robinson must also be employed by the Group continuously until the date that shares are allocated on vesting of a performance right and not have given, or received, a notice of termination of employment on or before that date.
- If Mr. Robinson ceases employment in 'good leaver' circumstances, the performance condition will be tested after the end of the financial year in which his employment ceases and, if the performance condition is satisfied, a pro rata number of performance rights will vest having regard to the period Mr. Robinson was employed during that financial year.

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Remuneration Report (audited) continued

Variable Remuneration – Long Term Incentive Performance Rights (LTI-PR) (continued)

- Shares allocated on vesting of the performance rights will be subject to a dealing restriction for one year from their date of allocation. In general, these shares will be forfeited if Mr. Robinson ceases employment during the restriction period other than in 'good leaver' circumstances.
- For the purposes of Mr. Robinson's performance rights, 'good leaver' circumstances are defined as death, disability or other circumstances approved by the Board.

LTI-PR vesting outcomes for FY13,FY14,FY15 and FY16

The target PAT was not achieved in FY13 and accordingly no performance rights were granted.

The target PAT was not achieved in FY14. The Board exercised its discretion to modify the number of equity instruments subject to an award to 100,000 performance rights for a PAT growth rate of 0 – 5% for FY14. The incremental fair value granted as a result of those modifications was \$252,615. The modified awards will vest in accordance with the original awards. A total of \$290,000 shares were allocated in September 2014 on the vesting of the 100,000 performance rights awarded to Mr Robinson.

The target PAT was not achieved in FY15. The Board exercised its discretion to modify the number of equity instruments subject to an award to 132,000 performance rights for a PAT growth rate of 0 – 5% for FY15. The incremental fair value granted as a result of the modifications is \$300,000. The modified awards will vest in accordance with the original awards. A total of \$300,000 shares were allocated in September 2014 on the vesting of the 117,188 performance rights awarded to Mr Robinson.

The Board exercised its discretion to modify the LTI plan in FY16 from the previous PAT growth targets to outcomes to be completed following the structural changes in FY16 which included the sale of Trade Secret, key developments in the PVH JV and various other corporate plans. Based on the number and complexity of work plans the LTI Plan in FY16 included both the CEO and CFO who were integral to the successful completion of the plans. The incremental fair value granted as a result of the modifications is \$300,000 for the CEO and \$300,000 for the CFO a total of \$600,000. The modified awards vested on 1 July 2016 without restrictions due to the modifications outlined and a total of \$600,000 shares were allocated and issued on that date.

Employment contracts

Executive Chairman

The Executive Chairman, Mr. Michael J Gazal, is employed under a contract. Mr. Gazal's current contract is on the basis of 12 months notice by the company. Under the terms of the contract, Mr. Gazal may resign from his position and thus terminate the contract by giving 3 months written notice. On resignation any options granted would be forfeited.

In the event of extended absence by Mr. M J Gazal by reason of illness or permanent incapacity to the extent that he is unable to perform his responsibilities and duties, the Company may terminate the contract by providing 3 months written notice. In these circumstances the Company may elect to provide payment in lieu of the notice period (based on the fixed component of Mr. M J Gazal's remuneration).

CEO

The CEO, Mr. Patrick Robinson, is employed under a contract. Mr. Robinson's contract is on the basis of 6 months notice by the company. Under the terms of the contract, Mr. Robinson may resign from his position and thus terminate the contract by giving 6 months written notice. After employment ends Mr. Robinson will be obliged for a further period of 6 months to provide debriefing and assistance services.

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Remuneration Report (audited) continued

Employment contracts (continued)

CEO (continued)

On resignation any unvested performance rights will lapse unless cessation of employment is due to death, disability or otherwise in circumstances approved by the Board.

In the event of extended absence by Mr. Robinson for a period of three consecutive months or a total of three months in any 12 month period or termination for cause, the Company may terminate the contract without notice or pay in lieu of notice. In these circumstances the Company may elect to provide payment up to the date of termination only (based on the fixed component of Mr. Robinson's remuneration).

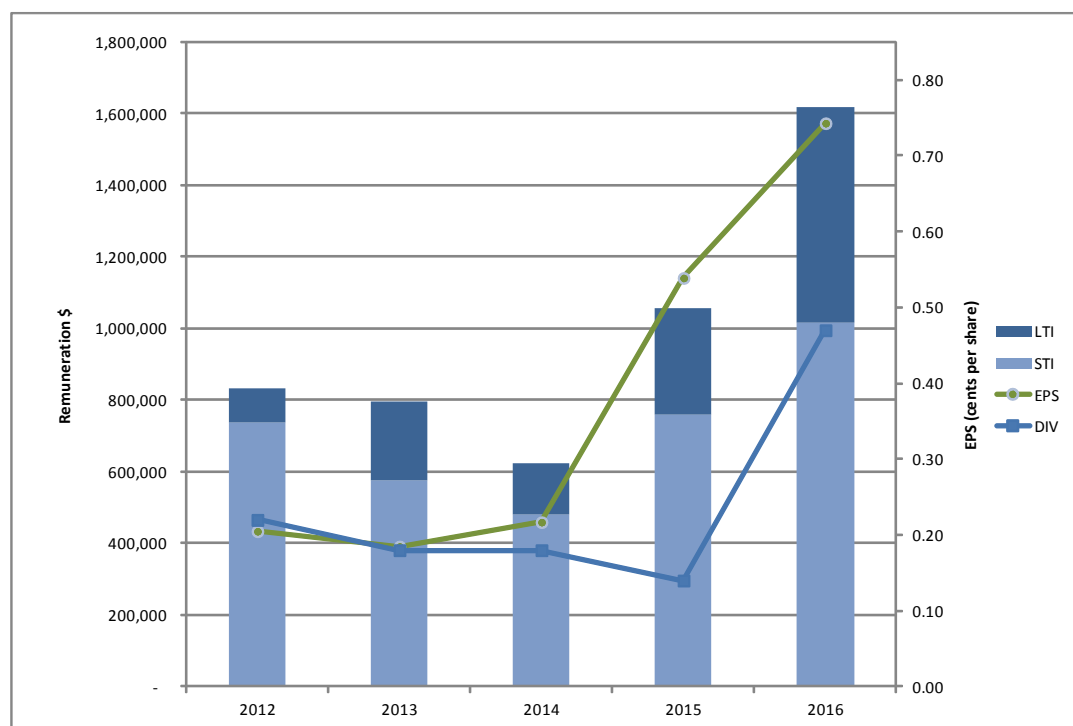
Other Executives

Mr. David J Gazal is also employed under a contract. The current contract continues on the basis of 12 months notice by either party. The contract also contains termination provisions which are similar to those under Mr. Michael Gazal's contract described above.

All other executives have similar contracts which may be terminated by providing between 6 months and one month written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). On notice of termination by the company, any LTI options that have vested or that will vest during the notice period will be forfeited. LTI options that have not vested will also be forfeited. The Company may terminate written contracts at any time without notice if serious misconduct has occurred.

Relationship between executive LTI and STI remuneration and the performance of the company and dividend returns over the last 5 financial years.

The graph below illustrates the company's performance for the past 5 financial years.



Note: Where LTI includes share based payments and STI includes short term performance cash incentives.

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Remuneration Report (audited) continued

Relationship between executive LTI and STI remuneration and the performance of the company and dividend returns over the last 5 financial years (continued)

As indicated in the graph above the STI and LTI incentives were comparable with EPS which increased substantially in 2016 as a result of the sale of the Trade Secret business to TJX and dividend returns to shareholders.

Directors and Executives Remuneration for the year ended 30 June 2016

Details of the nature and amount of each element of the remuneration of each Director of the Company and each key management personnel of the Company and the consolidated entity receiving remuneration during the financial year are as follows.

Directors	Year	Short term benefits				Post Employment		Long-term benefits	Share based payment	Total	Performance related %
		Salary & Fees	Cash Bonus (a)	Non Monetary benefits	Other	Superannuation	Retirement benefits	Long Service Leave	LTI Options/ Performance Rights		
M.J. Gazal	2016	586,500	-	-	35,658	25,000	-	9,775	-	656,933	-
Executive Chairman	2015	586,500	-	-	32,105	25,000	-	9,774	-	653,379	-
P. Robinson	2016	565,000	500,000	-	3,803	35,000	-	9,416	300,000	1,413,219	56.61
Chief Executive Officer	2015	575,500	500,000	-	6,585	24,500	-	9,592	300,000	1,416,177	56.49
B. Klatsky (b)	2016	186,006	-	-	-	-	-	-	-	186,006	-
Non- executive	2015	126,468	-	-	-	-	-	-	-	126,468	-
D.J. Gazal	2016	322,639	316,725	-	28,252	25,480	-	5,279	-	698,375	45.35
Executive	2015	307,500	-	-	30,588	25,000	-	5,125	-	368,213	-
C. Kimberley	2016	75,000	-	-	-	7,500	-	-	-	82,500	-
Non- executive	2015	75,000	-	-	-	7,500	-	-	-	82,500	-
G. Paton	2016	85,000	-	-	-	8,500	-	-	-	93,500	-
Non- executive	2015	85,000	-	-	-	8,500	-	-	-	93,500	-
R.V. Gazal (c)	2016	171,727	-	-	10,417	14,613	289,427	432	-	486,616	-
Executive	2015	304,250	-	-	35,864	25,000	-	5,071	-	370,185	-
Total Directors	2016	1,991,872	816,725	-	78,130	116,093	289,427	24,902	300,000	3,617,149	
	2015	2,060,218	500,000	-	105,142	115,500	-	29,562	300,000	3,110,422	

Key Management Personnel	Year	Short term benefits				Post Employment		Long-term benefits	Share based payment	Total	Performance related %
		Salary & Fees	Cash Bonus (a)	Non Monetary benefits	Other	Superannuation	Retirement benefits	Long Service Leave	LTI Options/ Performance Rights		
C. Barnett (d)	2016	-	-	-	-	-	-	-	-	-	-
Chief Operating Officer	2015	202,708	50,842	-	19,040	19,028	-	3,378	-	294,996	17.23
G. Griffiths	2016	355,185	100,000	-	6,335	19,308	-	5,915	300,000	786,743	50.84
Chief Financial Officer	2015	331,216	106,880	-	3,567	18,784	-	5,520	-	465,967	22.94
P. Wood	2016	260,815	100,000	19,918	6,495	19,308	-	4,342	-	410,878	24.34
Company Secretary	2015	248,000	100,000	19,114	834	18,848	-	4,125	-	390,921	25.58
Total Executive	2016	616,000	200,000	19,918	12,830	38,616	-	10,257	300,000	1,197,621	
KMP	2015	781,924	257,722	19,114	23,441	56,660	-	13,023	-	1,151,884	

Notes

(a) Cash bonuses are payable subsequent to 30 June 2016

(b) This includes expense reimbursement

(c) Mr R. Gazal ceased as an employee on 30 November 2015 and commenced as a non-executive director on 1 December 2015.

(d) Mr C. Barnett ceased as an employee on 3 February 2015 and was re-employed as Chief Operating Officer of the PVH Brands Australia Joint Venture.

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Remuneration Report (audited) continued

Remuneration Options: Granted and Vested (audited)

There were no options granted to KMPs in either FY15 or FY16.

Value of Options exercised and lapsed during the year (audited)

There were no options granted to KMPs in either FY15 or FY16.

Remuneration Performance Rights: Granted and Vested (audited)

There were 272,728 performance rights awarded with respect to the year ended 30 June 2016 (30 June 2015: 132,000 modified to 117,188).

A total of \$300,000 shares were allocated in September 2015 on the vesting of the 117,188 performance rights awarded to Mr Robinson in FY15.

A total of \$300,000 shares were allocated in July 2016 on the vesting of the 136,364 performance rights awarded to Mr Robinson on 1 July 2016. A total of \$300,000 shares were allocated in July 2016 on the vesting of the 136,364 performance rights awarded to Mr Griffiths on 1 July 2016.

Key Management Personnel

(a) Remuneration by Category: Key Management Personnel

	Consolidated	
	Year ended 30 June 2016	Year ended 30 June 2015
Short-Term	3,735,475	3,747,561
Post Employment	444,136	172,160
Long-Term Benefits	35,159	42,585
Share-based Payments	600,000	300,000
	4,814,770	4,262,306

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Remuneration Report (audited) continued

Key Management Personnel (continued)

(b) Shareholdings of Key Management Personnel and Related Parties

30 June 2016	Balance 1 July 2015	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2016
Shares held in Gazal Corporation Limited (Number)	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
Directors					
B. Klatsky	2,000,000	-	-	-	2,000,000
P. Robinson (2)	-	100,000	-	-	100,000
M.J. Gazal (1)	11,213,463	-	-	-	11,213,463
D.J. Gazal (1)	11,920,253	-	-	-	11,920,253
C. Kimberley	1,015,000	-	-	-	1,015,000
G. Paton	700,000	-	-	-	700,000
R.V. Gazal (1)	11,131,750	-	-	-	11,131,750
Executives					
G Griffiths	99,659	-	-	-	99,659
P. Wood	324,000	-	-	-	324,000
30 June 2015	Balance 1 July 2014	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2015
Shares held in Gazal Corporation Limited (Number)	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
Directors					
B. Klatsky	2,000,000	-	-	-	2,000,000
P. Robinson	-	-	-	-	-
M.J. Gazal (1)	11,217,163	-	-	(3,700)	11,213,463
D.J. Gazal (1)	11,923,953	-	-	(3,700)	11,920,253
C. Kimberley	1,015,000	-	-	-	1,015,000
G. Paton	700,000	-	-	-	700,000
R.V. Gazal (1)	11,135,450	-	-	(3,700)	11,131,750
Executives					
C. Barnett	150,000	-	-	(150,000)	-
G Griffiths	99,659	-	-	-	99,659
P. Wood	324,000	-	-	-	324,000

(1) Excludes Gazal Corporation Limited shares totalling 10,004,154 in which M.J. Gazal, D.J. Gazal and R. Gazal each have a relevant interest in the shares held by a wholly owned subsidiary of Gazal Nominees Pty Limited (8,996,600) and directly by Gazal Nominees Pty Limited (1,007,554) as each of M.J. Gazal, D.J. Gazal and R. Gazal have a 25% shareholding in Gazal Nominees Pty Limited.

(2) A total of \$290,000 shares were allocated in September 2014 on the vesting of the 100,000 performance rights awarded to Mr Robinson in FY14.

(c) Loans to Key Management Personnel and their Related Parties

There are no loans to Directors or executives and their related parties.

(d) Other Transactions and Balances with Key Management Personnel

Messrs M.J. Gazal, D.J. Gazal and R.V. Gazal are Directors of Gazal Industries Pty Limited, a director related entity. During the year Gazal Corporation Limited provided for the payment of expenses on behalf of Gazal Industries Pty Limited. These expenses have been recharged in full to Gazal Industries Pty Limited.

Mr G. Paton is a Director of Harvey Norman Holdings Limited. During the year subsidiaries of Harvey Norman Holdings Limited leased two premises to Fashion Factory Outlets (Trade Secret) Pty Limited on normal commercial terms until October 2015 amounting to \$314,218 (2015: \$1,101,932).

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2016

Related Party Disclosures

The following table provides the total amount of transactions and outstanding balances that have been entered into with related parties for the relevant financial year.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		\$'000	\$'000	\$'000	\$'000
Joint venture in which the Parent is a venturer:					
PVH Brands Australia Pty Limited	2016	18,072	1,258	1,699	-
	2015	2,557	2,619	486	272

Shares price

The company's share price movement on the ASX for the last three financial year ends is as follow:-

30 June 2014	\$2.75
30 June 2015	\$2.35
30 June 2016	\$2.20

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received an independence declaration from the auditor of Gazal Corporation Limited, refer to page 20.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received or are due to receive the following amounts for the provision of non-audit services:

	Year ended 30 June 2016	Year ended 30 June 2015
Tax compliance services and corporate tax planning	\$77,300	\$94,971

This report has been made in accordance with a resolution of the Directors.

Signed for and on behalf of the Directors



M.J. Gazal
Executive Chairman



P. Robinson
Executive Director

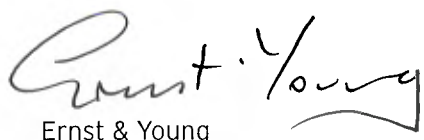
Dated at Sydney the 29th day of September 2016.

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


As lead auditor for the audit of Gazal Corporation Limited for the financial year ended 30 June 2016, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Ernst & Young



Gregory J Logue
Partner
29 September 2016

Gazal Corporation Limited

Statement of Corporate Governance Practices

For the year ended 30 June 2016

This statement provides an outline of the main corporate governance practices that the company had in place during the past financial year.

The Board is committed to conducting the company's business ethically and in accordance with high standards of corporate governance. The Board (together with the company's management) regularly reviews the company's policies, practices and other arrangements governing and guiding the conduct of the company.

The Board believes the company's corporate governance practices are compliant with the Corporate Governance Council's principles and recommendations, unless indicated otherwise in this statement. The company maintains a corporate website at www.gazal.com.au which provides further information on corporate governance policies and practices adopted by Gazal Corporation Limited, including:

- A Board Charter;
- A Remuneration and Nomination Charter;
- A Code of Conduct;
- A Whistleblowers Policy;
- A Securities Trading Policy Summary;
- An Audit and Risk Charter;
- A Risk Management Policy;
- A Continuous Disclosure Policy;
- A Shareholder Communication Policy;
- A Diversity Policy and
- A Human Rights Policy.

The Board of Directors

The Board of Directors of Gazal Corporation Limited is responsible for the corporate governance of the consolidated entity. The Board operates in accordance with a broad statement of principles included in its Charter which mainly sets out the Boards composition and responsibilities and functions and is available from the company's web site.

The Role of the Board

The role of the Board of Directors is to protect and optimise the performance of the Group and accordingly the Board takes accountability for setting strategic direction, establishing policy, overseeing the financial position and monitoring the business and affairs of the Group on behalf of shareholders to whom they are accountable. Responsibility for the day-to-day management of the Company is delegated to the Managing Director and senior management and their relationship with the board and responsibilities are also included in the Board Charter on the company's web site.

Structure of the Board

The Board comprises Directors with a broad range of experience reflecting the character of the Group's business. The Board is structured in such a way that it has proper understanding and competency in the current and emerging issues facing the Company, and can effectively review and challenge management's decisions. Details of the Directors as at the date of this report, including their qualifications, experience, expertise, terms of office, other past and present Directorships and special responsibilities are set out on page 2 of the Directors' report.

Directors of Gazal Corporation Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment. The Board's framework for determining director independence is included in the Board Charter.

Gazal Corporation Limited
Statement of Corporate Governance Practices (continued)
For the year ended 30 June 2016

The following is a list of all directors in the company. In accordance with the definition of independence included in the Board's charter, and the materiality thresholds set, the following Directors of Gazal Corporation Limited with an asterisk below are considered to be independent :

Name	Position	Name	Position
B. Klatsky	Non-Executive Director*	M. J. Gazal	Executive Chairman
G. Paton	Non-Executive Director*	P. Robinson	Chief Executive Officer
C. Kimberley	Non-Executive Director*	D. J. Gazal	Executive Director
		R. V. Gazal	Non-Executive Director

Messrs MJ Gazal, DJ Gazal and RV Gazal are not considered to be independent as their family interests have a majority ownership of the Gazal Corporation Limited as indicated on page 96 of the shareholder information in this financial report.

The directors appointed Michael Gazal as Executive Chairman. Mr Gazal has previously served as Managing Director for 25 years and is considered to have the experience and skills to act as Executive Chairman despite his appointment being a departure from the Corporate Governance Council's recommendations.

Although the Board will not have a majority of independent directors, the Board considers that the composition set out above is appropriate having regard to the Company's size, the skills and experience of each of the Directors and the extent of the aggregate shareholding of Gazal family interests in the Company. In addition, it is noted that:

- Mr Bruce Klatsky is the Lead Independent Director, in which capacity he will, amongst other things, serve as a liaison between the independent directors and the Company and work with the Executive Chairman in the running of the Board.
- Each of the Company's Board Committees¹ consists exclusively of independent directors.
- Each of the Directors is legally obliged to act in the best interests of shareholders as a whole.

There are procedures in place, agreed by the Board, to enable Directors in furtherance of their duties to seek independent professional advice at the company's expense. Directors also have access to senior executives, including the Company Secretary, when required and to any further information required to make informed decisions.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a Director, employee or other person subject to ultimate responsibility of the Directors under the *Corporations Act 2001*.

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office	Name	Term in office
B. Klatsky	7 years	M.J. Gazal	30 years
C. Kimberley	12 years	P. Robinson	4 years
G. Paton	10 years	D.J. Gazal	17 years
		R.V. Gazal	4 years

For additional details regarding Board appointments, please refer to our website.

The Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee, which meets at least annually, to assist and advise the Board on matters relating to the appointment and remuneration of the Non-Executive Directors, Chairman and other senior executives of the company.

¹ The Audit & Risk Committee and the Remuneration & Nomination Committee.
Gazal Corporation Limited Annual Report 2016

Gazal Corporation Limited
Statement of Corporate Governance Practices (continued)
For the year ended 30 June 2016

The Remuneration and Nomination Committee is responsible for monitoring the length of service of current Board members (although a strict tenure policy has not been adopted), monitoring the skills and expertise of Board members, considering succession planning issues and identifying the likely order of retirement by rotation of Non Executive Directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Chief Executive Officer and the Executive team. Remuneration levels are competitively set to attract and retain appropriately qualified and experienced personnel. Performance, duties and responsibilities, market comparison and independent advice are all considered as part of the remuneration process. The structure and details of the remuneration paid to the Directors and senior executives during the period are set out in the Remuneration Report and Key Management Personnel on pages 8 to 18 of the Directors' Report.

The Remuneration and Nomination Committee comprises two Non-Executive Directors. Members of the Remuneration Committee throughout the year were Mr B. Klatsky (Chairman) and Mr C. Kimberley.

For details of Directors' attendance at meetings of the Remuneration and Nomination Committee, refer to page 4 of the Directors' Report. For additional details regarding the Remuneration and Nomination Committee and its policies, please refer to our website.

Performance Reviews

The performance of the Board and senior Executives is reviewed regularly. The performance criteria against which Directors and senior Executives are assessed is aligned with the financial and non-financial objectives of Gazal Corporation Limited. Directors and executives whose performance is consistently unsatisfactory may be asked to leave.

The Chairman carried out a review in the current year of the directors and the committees they were members of. The process of evaluation consists of assessing the relative strengths and weaknesses of the directors and the committees they are members of and identifying areas that can be improved. The process for evaluating the performance of senior executives during the year is included in the Remuneration Report.

Audit and Risk Committee

The Board has established an Audit and Risk Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit and Risk Committee.

The committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industry in which the company operates. The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are Non-Executive Directors and are independent. Members of the Audit Committee during the year were Mr G. Paton (Chairman) and Messrs B. Klatsky and C. Kimberley.

A copy of the Audit and Risk Charter is available on the company's web site which includes details of the procedures for selection, appointment and rotation of the external auditors and its engagement partners.

Qualifications of Audit and Risk Committee Members

Mr G. Paton has had extensive experience in the accounting industry and was previously a partner of twenty three years in Arthur Andersen, Chartered Accountants, retiring from that firm and public practice in July 2001. He is the Chairman of the Audit and Risk Committee.

Gazal Corporation Limited
Statement of Corporate Governance Practices (continued)
For the year ended 30 June 2016

Qualifications of Audit Committee Members (continued)

Mr B. Klatsky has significant experience in the management of clothing companies, having served as a CEO and Chairman of Phillips-Van Heusen (PVH) one of the largest apparel and footwear companies in the world and listed on the New York Stock Exchange.

Mr C. Kimberley founded the Just Jeans retail chain and has had 30 years experience in the retail and apparel industries.

Members of management may attend meetings of the committee at the invitation of the Committee Chairman. It is the practice of the Committee that the Chairman, the Chief Executive Officer, the Chief Financial Officer and the Company Secretary attend all Audit Committee meetings. Further, in fulfilling its responsibilities, the Committee has rights of access to management and to auditors without management present and may seek explanations and additional information. The Committee may, with the approval of the Board, engage any independent advisers in relation to any matter pertaining to the powers, duties and responsibilities of the Committee.

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to page 4 of the Directors' Report.

Risk Reporting

The Chief Executive Officer and Chief Financial Officer have made the following certifications to the Board:

- That the company's financial reports present a true and fair view, in all material respects, of the financial condition and operational results of the company and are in accordance with relevant accounting standards;
- That the company has adopted an appropriate system of risk management and internal compliance and control which implements the policies adopted by the Board and forms the basis for the statement given above; and
- That the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Risk Management and Internal Controls

The Board, through the Audit and Risk Committee, is responsible for ensuring there are adequate policies in relation to the management and oversight of material risks and internal compliance and control systems. It is part of the Board's oversight role to regularly review the effectiveness of the company's implementation of that system. Management is responsible for identifying and managing both financial and non-financial risks to the company's businesses and reports any material exposures. The Board, through the committee, monitors the management of these risks. Any material risks are disclosed in the financial statements and notes to the accounts.

The company has an internal audit function which reports directly to the Audit and Risk committee chair and it reports on various matters including financial, operational, personnel and WHS matters.

The company has further developed its risk management policy into a Gazal Corporation Risk Management Framework which encompasses policies on code of conduct, whistle blowing, fraud control, risk reviews and securities trading.

This framework which was reviewed in accordance with changes in the Australian Securities Exchange Corporate Governance Council's recommendations is designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the company's business objectives. The annual report specifically considers a number of categories of risk including interest rate, credit and foreign currency risks which are disclosed in note 26 to these accounts.

Gazal Corporation Limited

Statement of Corporate Governance Practices (continued)

For the year ended 30 June 2016

Risk Framework

A vigorous control environment is fundamental to the effectiveness of the company's risk management framework. The company has a clear organisational structure with clearly drawn lines of accountability and delegation of authority. Matters reserved for the Board are set out in the Board Charter which is available on the company's web site.

All Directors, executives and employees are required to adhere to the Code of Conduct (mentioned below) and the Board actively promotes a culture of quality and integrity. Procedures have been established at the Board and executive management level to evaluate risk and the associated internal controls necessary to safeguard the assets and interests of Gazal Corporation Limited and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. For more details on the company's risk assessment and management policy refer to the company's website.

Code of Conduct

A Code of Conduct has been adopted which requires that all Directors, senior management and employees act with the utmost integrity and honesty. It aims to further strengthen the company's ethical climate by promoting practices that promote the company's key values. The Code of Conduct is publicly available on the company's website.

The company has also adopted various other policies covering a number of matters such as occupational health and safety, environment, community support and human rights which are encompassed in corporate social responsibility.

In conjunction with the Code of Conduct the company has a Whistleblowers' policy which encourages all officers, employees, contractors, agents or people associated with the company to report any potential breaches to the Company Secretary. This may be done anonymously.

The company has a formal policy governing the trading of the company's securities by Directors, officers and employees which is set out below.

Securities Trading Policy

The Board has a policy that Directors and employees may not buy or sell Gazal Corporation Ltd shares except within specified trading windows which are:

- The next business day after the day on which the half-year results are released until 30 June; and
- The next business day after the day on which the full-year results are released until 31 December.

The policy supplements the *Corporations Act 2001* provisions that preclude Directors and employees from trading in securities when they are in possession of "insider information". A summary of the Share Trading Policy including prohibitions on equity-based incentives is available on the company's website. As required by the ASX listing rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.

Continuous Disclosure and Shareholder Communication

The company is committed to providing relevant and timely information to its shareholders and the market, in accordance with its obligations under the ASX continuous disclosure regime. All shareholders are encouraged to participate at meetings of security holders. Security holders are able to send communications to the company or the company registry listed in the company directory. Details of the company policy on continuous disclosure together with its established procedures for compliance and other investor related information together with a separate policy on shareholders' communications is publicly available on the company's web site.

Gazal Corporation Limited
Statement of Corporate Governance Practices (continued)
For the year ended 30 June 2016

Diversity at Gazal

The Group supports and complies with the recommendations contained in the ASX Corporate Governance Principles and Recommendations to promote ethical and responsible decision-making.

The Group's policy on diversity is to recognise the important contribution to the organisation by employing people with varying experience, skills, ethnicity and cultural background. The Group believes its diverse workforce is the key to its continued growth, performance and improved productivity.

The Group greatly values and embraces the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, where discrimination, harassment and inequity are not tolerated. While the Group is committed to fostering diversity at all levels, gender diversity has been and continues to be a priority for the Group. The diversity policy is available in the corporate governance section on the Group's website.

The table below provides a summary of the diversity objectives established by the board, the steps taken during the year to achieve these objectives, and the outcomes. The sale of the Trade Secret and Midford businesses removed a considerable portion of the women represented at all levels from the Gazal workforce.

Objectives

To maintain the percentage of women in senior management positions.

Steps taken/Outcomes

At 30 June 2015, women represented 55% of the Group's workforce (2015: 79%).

During the year, women were appointed to two Manager positions and to 13 Non-Manager positions (2015: 24).

For the 2016 year, the Group's target is to again maintain overall female representation at present levels within the Group's workforce. Women presently represent 32% of manager and senior manager positions (2015: 74%).

To provide more flexibility in work arrangements.

During the year, Gazal employed and or allowed an existing two workers to move to flexible work arrangements (2015: 11).

These flexible work arrangements included working less hours or working more days at home.

To provide study training incentives for employees completing tertiary qualifications in their chosen career.

During the year, the company continued to assist one employee with study incentives and are discussing the program with a further employee.

To promote a culture that treats the workforce with fairness and respect.

Gazal continues to communicate one of our company's cornerstone core values is we respect each other and there is zero tolerance for discrimination against any employees.

To enhance training for existing and newly appointed management.

During the year, the company continued its in-house "Management Essentials" program for middle level managers.

Independent auditor's report to the members of Gazal Corporation Limited

Report on the financial report

We have audited the accompanying financial report of Gazal Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of Gazal Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

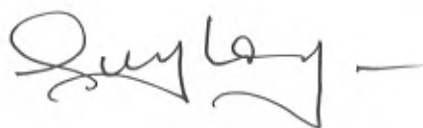
We have audited the Remuneration Report included in pages 8 to 18 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Gazal Corporation Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Gregory J Logue
Partner
Sydney
29 September 2016

Gazal Corporation Limited
Directors' Declaration
For the year ended 30 June 2016

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

1. 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 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;
- b) the financial statement and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
- c) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable; and
- d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 30 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

2. This declaration has been made after receiving the declarations required to be made to the directors from the chief executive officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2016.

On behalf of the Board



M.J. Gazal
Executive Chairman



P. Robinson
Executive Director

Dated at Sydney the 29th day of September 2016.

Gazal Corporation Limited
Income Statement
For the year ended 30 June 2016

	Notes	Consolidated	
		Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Sales revenue	4	59,608	50,993
Cost of sales		(36,619)	(29,960)
Gross profit		22,989	21,033
Other revenues	4	7,557	3,256
Selling and marketing expenses		(6,874)	(7,528)
Distribution expenses		(9,600)	(8,510)
Administration expenses		(8,019)	(3,691)
Finance costs		(697)	(1,997)
Share of profit of joint venture	29	5,231	785
Profit before income tax from continuing operations		10,587	3,348
Income tax expense	5	(1,550)	(914)
Profit after tax from continuing operations		9,037	2,434
Discontinued operations			
Profit after tax from discontinuing operations	6	34,074	28,711
Net profit for the period		43,111	31,145
Profit for the period is attributable to: Owners of the parent		43,111	31,145
Earnings per share (cents per share)			
Basic for profit for the year	7	74.6	53.9
Basic for profit from continuing operations	7	15.6	4.2
Diluted for profit for the period	7	74.2	53.9
Diluted for profit from continuing operations	7	15.6	4.2

The accompanying notes form an integral part of the income statement.

Gazal Corporation Limited
Statement of Comprehensive Income
For the year ended 30 June 2016

	Notes	Consolidated	
		Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Profit after tax for the period		43,111	31,145
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
(Loss) / gain taken to equity		(1,332)	1,762
Transferred to income statement		(1,762)	1,898
Income tax on items of other comprehensive income		928	(1,098)
Other comprehensive income from joint venture	29	(655)	101
Exchange differences on translation of foreign operations		177	-
Items that will not be reclassified subsequently to profit or loss			
Fair value revaluation of land and buildings		6,017	2,973
Income tax on items of other comprehensive income		(1,805)	(892)
Other comprehensive income for the period, net of tax		1,568	4,744
Total comprehensive income for the period		44,679	35,889
Total comprehensive income for the period is attributable to: Owners of the parent		44,679	35,889

The accompanying notes form an integral part of the statement of comprehensive income.

Gazal Corporation Limited
Statement of Financial Position
As at 30 June 2016

		Consolidated	
		As at	As at
	Notes	30 June 2016	30 June 2015
		\$'000	\$'000
Current assets			
Cash and cash equivalents	24(a)	12,540	19,348
Trade and other receivables	9	8,957	9,319
Inventories	10	15,228	15,750
Derivative financial instruments	26	-	2,422
Other current assets	11	8,665	6,439
		45,390	53,278
Assets of disposal group classified as held for sale	6	-	51,440
Total current assets		45,390	104,718
Non-current assets			
Property, plant and equipment	12	49,654	43,430
Intangible assets	13	4,719	5,559
Investment in joint venture	29	57,353	52,777
Total non-current assets		111,726	101,766
Total assets		157,116	206,484
Current liabilities			
Trade and other payables	14	10,890	10,561
Derivative financial instruments	26	1,326	-
Interest-bearing loans and borrowings	15	950	25,894
Income tax payable		13,880	1,871
Provisions	16	2,790	2,654
		29,836	40,980
Liabilities directly associated with the assets classified as held for sale	6	-	28,130
Total current liabilities		29,836	69,110
Non-current liabilities			
Interest-bearing loans and borrowings	17	-	30,000
Provisions	18	229	608
Deferred tax liabilities	5	8,525	5,970
Total non-current liabilities		8,754	36,578
Total liabilities		38,590	105,688
Net assets		118,526	100,796
Equity			
Contributed equity	19	62,773	62,473
Reserves	20	27,463	26,975
Retained earnings	21	28,290	11,348
Total Equity		118,526	100,796

The accompanying notes form an integral part of the statement of financial position.

Gazal Corporation Limited
Statement of Cash Flows
For the year ended 30 June 2016

		Consolidated	
		Year ended 30 June 2016	Year ended 30 June 2015
	Notes	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		126,998	295,639
Payments to suppliers and employees (inclusive of GST)		(119,494)	(288,849)
Interest received		224	(198)
Interest and other costs of finance paid		(697)	(1,997)
Income taxes paid on operating activities		(1,500)	(1,307)
Net cash flows from operating activities	24(b)	5,531	3,288
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,836)	(4,082)
Proceeds from sale of buildings, plant and equipment		138	86
Proceeds/(purchase) of intangibles		(271)	(175)
Proceeds from sale of investment	6	74,000	10,484
Income taxes paid on disposal of discontinued operations		(941)	-
Investment in joint venture		-	(11,885)
Net cash flows from/(used) in investing activities		70,090	(5,572)
Cash flows from financing activities			
Proceeds from share issue		300	290
Proceeds from borrowings		-	35,000
Repayment of borrowings		(55,000)	(10,000)
Dividends paid		(27,785)	(9,822)
Net cash flows (used)/from in financing activities		(82,485)	15,468
Net (decrease)/ increase in cash and cash equivalents		(6,864)	13,184
Cash and cash equivalents at the beginning of the period		19,348	6,163
Net foreign exchange differences		56	1
Cash and cash equivalents at the end of the period	24(a)	12,540	19,348

The accompanying notes form an integral part of the statement of cash flows.

Gazal Corporation Limited
Statement of Changes in Equity
For the year ended 30 June 2016

	Consolidated							
	Attributable to shareholders of Gazal Corp Ltd							
	Issued Capital	Asset Revaluation Reserve	Other Reserves	Employee Equity Benefit Reserve	Cash Flow Hedge Reserve	Reserves from joint venture	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2015	62,473	23,742	562	1,337	1,233	101	11,348	100,796
Profit for the period	-	-	-	-	-	-	43,111	43,111
Other comprehensive income	-	4,212	177	-	(2,166)	(655)	-	1,568
Total comprehensive income for the period	-	4,212	177	-	(2,166)	(655)	43,111	44,679
Transactions with owners in their capacity as owners:								
Cost of share-based payments	-	-	-	836	-	-	-	836
Share issue	300	-	-	(300)	-	-	-	-
Transfer	-	(343)	-	(1,273)	-	-	1,616	-
Dividends paid	-	-	-	-	-	-	(27,785)	(27,785)
At 30 June 2016	62,773	27,611	739	600	(933)	(554)	28,290	118,526
At 1 July 2014	62,183	21,661	562	1,213	(1,329)	-	(9,975)	74,315
Profit for the period	-	-	-	-	-	-	31,145	31,145
Other comprehensive income	-	2,081	-	-	2,562	101	-	4,744
Total comprehensive income for the period	-	2,081	-	-	2,562	101	31,145	35,889
Transactions with owners in their capacity as owners:								
Cost of share-based payments	-	-	-	414	-	-	-	414
Share issue	290	-	-	(290)	-	-	-	-
Dividends paid	-	-	-	-	-	-	(9,822)	(9,822)
At 30 June 2015	62,473	23,742	562	1,337	1,233	101	11,348	100,796

The accompanying notes form an integral part of the statement of changes in equity.

Gazal Corporation Limited
Notes to the Annual Financial Report
For the year ended 30 June 2016

1 CORPORATE INFORMATION

The annual financial report of Gazal Corporation Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 29 September 2016.

Gazal Corporation Limited is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the Group are described in the Director's Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

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

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 Class Order 2016/191. The Company is an entity to which the class order applies.

Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by International Accounting Standard Board.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Statement of compliance (continued)

New Accounting Standards and Interpretations

- (i) The accounting policies adopted are consistent with those of the previous financial reporting. The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2015:

Reference	Title
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 <i>Materiality</i> . The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

The adoption of these new and amended standards and interpretations had no material impact on the financial position or performance of the Group.

The Group has early adopted the following new and amended Australian Accounting Standards and AASB interpretation:

Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (AASB 2014-10)

AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:

- (a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and
- (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date for entities to apply the amendments of AASB 2014-10 issued in September 2014 has been deferred by the IASB however early application of the September 2014 amendment is permitted. The Group has early adopted the amendments of AASB 2014-10 in the previous period. Accordingly, these amendments have been considered when accounting for the sale of the Heritage and Shapewear businesses to PVH Brands Australia Pty Limited, a jointly controlled entity, in the previous period.

- (ii) Accounting standards issued but not yet effective:

The directors have not early adopted any of these new or amended standards and interpretations. These are outlined in the table below:

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Statement of compliance (continued)

New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p> <p>Financial assets</p> <ol style="list-style-type: none"> Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases <p>Financial liabilities</p> <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss 	1 January 2018	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2018

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
		<p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p>Impairment</p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>Hedge accounting</p> <p>Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>			
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	<p>AASB 2014-3 amends AASB 11 <i>Joint Arrangements</i> to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:</p> <p>(a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11</p> <p>(b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations</p> <p>This Standard also makes an editorial correction to AASB 11.</p>	1 January 2016	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2016

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	<p>AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>	1 January 2016	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2016
AASB 15	Revenue from Contracts with Customers	<p>AASB 15 <i>Revenue from Contracts with Customers</i> replaces the existing revenue recognition standards AASB 111 <i>Construction Contracts</i>, AASB 118 Revenue and related Interpretations (Interpretation 13 <i>Customer Loyalty Programmes</i>, Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, Interpretation 18 <i>Transfers of Assets from Customers</i>, Interpretation 131 <i>Revenue – Barter Transactions Involving Advertising Services</i> and Interpretation 1042 <i>Subscriber Acquisition Costs in the Telecommunications Industry</i>). AASB 15 incorporates the requirements of IFRS 15 <i>Revenue from Contracts with Customers</i> issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).</p> <p>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ol style="list-style-type: none"> Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation 	1 January 2018	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2018

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 15	Revenue from Contracts with Customers (continued)	<p>AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p> <p>AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i> amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.</p>			
AASB 1057	Application of Australian Accounting Standards	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 January 2016	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2016
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	<p>AASB 2014-9 amends AASB 127 <i>Separate Financial Statements</i>, and consequentially amends AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i>, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.</p> <p>AASB 2014-9 also makes editorial corrections to AASB 127.</p> <p>AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.</p>	1 January 2016	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>:</p> <p>Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change.</p> <p>AASB 119 <i>Employee Benefits</i>:</p>	1 January 2016	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2016

Gazal Corporation Limited
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For the year ended 30 June 2016

Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle (continued)	Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.			
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2016
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 <i>Disclosure of Interests in Other Entities</i> and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1 January 2016	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2016
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.	1 January 2016	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2016

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
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Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 16	Leases	<p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees. <p>Lessor accounting</p> <ul style="list-style-type: none"> AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. <p>AASB 16 supersedes:</p> <p>(a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases – Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease</p>	<p>1 January 2019</p> <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p>	<p>The Group is in the process of determining the extent of the impact of the amendments, if any.</p>	1 July 2019

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016
Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 <i>Income Taxes</i> (July 2004) and AASB 112 <i>Income Taxes</i> (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 <i>Statement of Cash Flows</i> (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2017
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]	This standard amends to IFRS 2 <i>Share-based Payment</i> , clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: <ul style="list-style-type: none"> ▶ The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ▶ Share-based payment transactions with a net settlement feature for withholding tax obligations ▶ A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled 	1 January 2018	The Group is in the process of determining the extent of the impact of the amendments, if any.	1 July 2018

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Basis of consolidation

The consolidated financial statements comprise the financial statements of Gazal Corporation Limited and its subsidiaries ("the Group"). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investment in joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of loss of a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Operating segments

An operating segment is a component of an entity that engaged in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors.

The group aggregates operating segments when they have similar economic characteristics and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services, and
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately.

Foreign currency translation

i) Functional and Presentation Currency

Both the functional and presentation currency of Gazal Corporation Limited and its Australian subsidiaries is Australian dollars (A\$).

ii) Transactions and Balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the income statement. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

iii) Transactions of overseas subsidiaries

The functional currency of the various overseas subsidiaries includes New Zealand dollars, Hong Kong dollars, and Chinese yuan.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the year.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within current interest-bearing loans and borrowings on the statement of financial position.

Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

The policy relating to tax consolidation is in Note 5(f).

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary differences are associated with investments in subsidiaries, associates and interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences are associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Income tax (continued)

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Other taxes

The net amount of Goods & Services Tax ("GST") or other value added taxes ("VAT") recoverable from, or payable to, the taxation authority or the relevant revenue authority is included as part of trade receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flow on a gross basis and the GST or VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority or the relevant revenue authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST or VAT recoverable from, or payable to, the taxation authority or the relevant revenue authority.

Inventories

Inventories include stock in transit, work in progress and finished goods.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs of imported goods are assigned on moving average cost basis and includes freight, duty and other inward charges.

The basis of valuation of inventories is the lower of cost and net realisable value. Net realisable value is the estimated selling prices in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Land and buildings are measured at fair value less accumulated depreciation on buildings and any impairment losses.

Plant and equipment are valued at historical cost less accumulated depreciation and any impairment losses. Depreciation is provided on a straight-line basis, their economic lives as follows:

	Life
Buildings	40 years
Leasehold improvements	Term of lease
Plant and machinery	2.5 - 17 years

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Property, plant and equipment (continued)

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of the fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations of Land and Buildings

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount 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.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section (net of tax) of the statement of financial position unless it reverses a revaluation decrement of the same asset previously recognised in the income statement, in which case the increment is recognised in the income statement.

Any revaluation decrement is recognised in the statement of comprehensive income unless it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed annually to ensure that the asset's fair value is recognised at the balance sheet date.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or its disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognised.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets other than goodwill that suffer an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangible assets

Intangible assets acquired separately are capitalised at cost. Intangible assets acquired from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

Internally generated intangible assets are not capitalised. Such expenditure is charged against profits in the period in which the expenditure is incurred. Intangible assets are tested for impairment where an indicator of impairment exists or, in the case of indefinite life intangibles, annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when asset derecognised.

All software is capitalised and written off over the estimated useful life which presently ranges from 2.5 to 7 years.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Post-employment benefits

In respect of the Group's accumulated contribution superannuation funds, any contributions made to the superannuation funds by entities within the group consolidated entity are recognised against profits when due.

Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Trade and other payables

Trade creditors and other payables are carried at amortised cost and due to their short term nature they are not discounted. They present liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

The fair value of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or
- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction; or
- A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged items' fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

i) Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the statement of comprehensive income when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Derivative financial instruments and hedging (continued)

i) Cash flow hedges(continued)

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale or distribution, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

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For the year ended 30 June 2016

Assets held for sale and discontinued operations (continued)

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 6. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

Share-based payment transactions

The Group provides benefits to certain employees (including directors) of the Group in the form of share options and performance rights, whereby employees render services in exchange for future options or rights over shares ("equity-settled transactions"). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using a binomial pricing model.

The Gazal Group Employee Share Option Plan was established in 2005 to provide benefits to eligible participants as determined by the Board. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The Group's policy is to transfer the vested or lapsed shares from Share Based Payments Reserve to retained Earnings.

Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from sale of goods is recognised after deducting returns, settlement and trade discounts and rebates and is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed.

(ii) Interest revenue

Interest income is recognised as it accrues using the effective interest method.

(iii) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

(iv) Fees from joint venture

Revenue for services performed on behalf of the joint venture is recognised by reference to the completion of the services.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Contributed equity

Issued and paid up capital is recognised at the fair value of consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity (net of tax) as a reduction of the share proceeds received. The fair value of equity instruments granted and other estimates of other expected share issues are recognised as a separate component of equity.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration if reissued is recognised in share capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. Share options exercised during the reporting period are satisfied with treasury shares.

Earnings per share

Basic earnings per share is calculated as profit after tax attributable to members of the parent entity, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members, adjusted for:

(i) costs of servicing equity (other than dividends);

(ii) the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

(iii) other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Operating leases

The Group has entered into operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense and are amortised over the lease term on a straight line basis.

Investments and other financial assets

The parent Company carries investments in subsidiary companies initially at cost. The carrying value of subsidiaries is assessed at regular intervals having regard to net assets and future cash flows of these entities. A provision for diminution is established should the carrying value of a subsidiary be considered impaired.

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available -for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Investments and other financial assets (continued)

(i) Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process

Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as land and buildings, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Independent external valuers are involved for valuation of significant assets, such as land and buildings. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

Fair value measurement (continued)

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES & ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. There were no impairment adjustments in the year. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 13.

Bonus provision

Bonus payments granted to each executive depends mainly on the performance of the Company and or their division. Operational measures cover mainly financial and some non-financial measures of performance. The usual measures include contribution to net profit before tax, stock turnover ratios, risk management, product and inventory management, and leadership/team contribution.

On an annual basis, after consideration of divisional performance each executive is reviewed in accordance with the above process and STIs assessed and allocated to each executive who is deemed to have met their performance target.

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 19.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES & ASSUMPTIONS (continued)

Stock obsolescence provision

At each balance date, inventories are assessed on receipt date/selling season and any inventory holdings that were received into the warehouse greater than one year prior to balance date are subject to a write-down ranging from 40% to 100%.

This charge against profit will take the form of a provision which is returned to profit when the inventory to which the provisions apply are sold or otherwise disposed of.

Property valuations

At each balance date the property is valued by an 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 30 June 2016.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

4 REVENUES AND EXPENSES

	Consolidated	
	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
<i>Revenue and Expense</i>		
(i) Revenue		
Sales revenue	59,608	50,993
Other revenue		
Interest revenue	224	92
Royalty revenue	-	55
Fees from joint venture	5,963	2,781
Other	1,370	328
Total other revenue	7,557	3,256
Total revenue	67,165	54,249
(ii) Expenses and losses		
Depreciation, amortisation and impairment		
Depreciation of buildings	516	473
Depreciation of plant and equipment	1,023	943
Depreciation of leasehold improvements	7	5
Amortisation of software	1,102	865
	2,648	2,286
Employee benefit expense		
Wages and salaries	11,744	12,047
Defined contribution superannuation expense	1,157	1,088
Employee entitlements	1,278	1,342
Share-based payments	600	404
	14,779	14,881
Borrowing costs - Interest expenses	697	1,997
Bad & doubtful debts	72	2
Operating lease rentals	314	598
Write-back/(release) of inventories obsolescence	587	(106)
Foreign exchange (gain)	(176)	(325)
Net loss on disposal of non-current assets	-	39

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

5 INCOME TAX

	Consolidated	
	Year ended 30 June 2016	Year ended 30 June 2015
	\$'000	\$'000
Income Statement		
<i>Current income tax</i>		
Current income tax (benefit)/charge attributable to continuing operations	2,322	788
Adjustments in respect of current income tax of previous years	(143)	108
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(629)	18
Income tax expense/(benefit) reported in the income statement	1,550	914
 (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	(928)	1,098
Net gain on revaluation of buildings	(1,805)	(892)
Net loss on share based payments	236	-
Income tax expense/(benefit) reported in equity	(2,497)	206
 (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	10,587	3,348
Profit before tax from discontinued operations and net gain on sale of discontinued operations	6 48,202	31,244
Accounting profit before income tax	58,789	34,592
At statutory income tax rate of 30% (2015: 30%)	17,637	10,378
Entertainment expenses	23	39
Effect of higher rates of tax on overseas income	14	(23)
Share of profit /(loss) of joint venture	(1,569)	(236)
Utilisation of previously unrecognised capital losses	-	(6,748)
Other items	(284)	(71)
Amounts under/ (over) provided in prior years	(143)	108
Total income tax attributable to operating profit	15,678	3,447
Income tax reported in the consolidated income statement	1,550	914
Income tax attributable to discontinued operations and gain on sale of discontinued operations	6 14,128	2,533
	15,678	3,447

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

5 INCOME TAX (continued)

(d) Recognised deferred tax assets and liabilities

Deferred income tax at 30 June relates to the following:

	Statement of Financial		Income Statement	
	Position			
	As at	As at	Year ended	Year ended
	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
Note	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED				
<i>Deferred tax liabilities</i>				
Revaluation of land and buildings to fair value	(11,260)	(9,544)	66	66
Accelerated amortisation/depreciation for tax purposes	(4)	(484)	(480)	(164)
Accelerated depreciation for book purposes	33	33	-	-
Software development expenses for book purposes	-	240	240	55
Provisions for employee benefits	1,472	1,865	393	153
Other provisions not deductible	229	60	(561)	(452)
Provisions relating to inventory	370	543	173	218
Doubtful debts	32	35	3	-
Accrual for rent free period	-	1,433	1,433	(364)
Prepayments/other	27	(57)	(84)	57
Uplift to retail stock value	-	36	36	79
Share based payments	179	-	98	98
Derivative liability/(asset)	397	(130)	-	-
<i>Net deferred tax liabilities</i>	(8,525)	(5,970)	1,317	(254)
CONSOLIDATED				
<i>Net deferred tax liabilities</i>	(8,525)	(5,970)	1,317	(254)

(e) Tax losses

The Group has utilised all its Australian capital gains tax losses during the financial period.

(f) Tax consolidation

(i) Members of the tax consolidated group and the Tax Sharing Agreement

Gazal Corporation Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2003. Gazal Corporation Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax liabilities to the wholly owned subsidiaries, based on the formula as set out in the agreement. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

(ii) Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. Allocations under the tax funding agreement are made annually.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated parent company, Gazal Corporation Limited.

(g) Taxation of financial arrangements (TOFA)

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. The Group has assessed the impact of these changes on the Group's tax position. No impact has been recognised in the accounts at this point of time.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

6 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 year ended 30 June 2016 relates to 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 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 improved stock management and the introduction of new categories. 2015 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 gain on sale after tax was \$34,712,000.

The results of the discontinued operations are presented below:

	Year ended 30 June 2016			Year ended 30 June 2015			
	Midford	Trade Secret	Total	Heritage and Shapewear	Midford	Trade Secret	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trading							
Sales revenue	-	51,853	51,853	30,571	18,080	164,825	213,476
Other revenue	-	157	157	30	60	-	90
Cost of sales	-	(31,393)	(31,393)	(14,894)	(9,113)	(101,194)	(125,201)
Depreciation and amortisation	-	(953)	(953)	(268)	(125)	(3,521)	(3,914)
Employees benefit expenses	-	(8,191)	(8,191)	(4,076)	(4,024)	(23,928)	(32,028)
Other expenses	(219)	(12,082)	(12,301)	(8,196)	(4,639)	(34,551)	(47,386)
Profit/(loss) before tax from discontinued operations	(219)	(609)	(828)	3,167	239	1,631	5,037
Tax (expense)/benefit	69	121	190	(950)	(72)	(569)	(1,591)
(Loss)/ profit for the period from discontinued operations	(150)	(488)	(638)	2,217	167	1,062	3,446
Gain on sale of discontinued operations after tax	-	34,712	34,712	21,179	4,086	-	25,265
Total profit from discontinued operations	(150)	34,224	34,074	23,396	4,253	1,062	28,711

*Note: Midford represents expenses in the year ended 30 June 2016 subsequent to the disposal of the business in June 2015.

	30 June 2016	30 June 2015
	cents	cents
Earnings per share - cents per share:		
- Basic from discontinuing operations	59.0	49.7
- Diluted from discontinued operations	58.7	49.7

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

6 DISCONTINUED OPERATIONS (continued)

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

	Year ended 30 June 2016		Year ended 30 June 2015		
	Trade Secrets \$'000	Total \$'000	Heritage and Shapewear \$'000	Midford \$'000	Total \$'000
Gross sale proceeds	80,000	80,000	33,574	10,710	44,284
Working capital adjustment	3,077	3,077	477	(226)	251
Total gross sale proceeds	83,077	83,077	34,051	10,484	44,535
Amounts reinvested in the joint venture	-	-	(34,051)	-	(34,051)
Proceeds recognised in cash flow statement	74,000	74,000	-	10,484	10,484
Amount held in escrow	5,847	5,847	-	-	-
Carrying amount of net assets sold	(30,340)	(30,340)	(12,272)	(5,349)	(17,621)
Gain on sale before transaction costs	52,737	52,737	21,779	5,135	26,914
Transaction costs	(3,707)	(3,707)	(600)	(107)	(707)
Net gain on sale of discontinued operations before income tax	49,030	49,030	21,179	5,028	26,207
Tax expense	(14,318)	(14,318)	-	(942)	(942)
Net gain on sale of discontinued operations after income tax	34,712	34,712	21,179	4,086	25,265

The group has early adopted AASB 2014-10 in the current period which amends AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures. These amendments have been considered when accounting for the sale of the Heritage and Shapewear businesses to PVH Brands Australia Pty Limited, the jointly controlled entity in the previous period.

The effect of the disposal of the Trade Secret, Heritage and Shapewear and Midford businesses on the financial position of the Group is presented below:

	Year ended 30 June 2016		Year ended 30 June 2015		
	Trade Secrets \$'000	Total \$'000	Heritage and Shapewear \$'000	Midford \$'000	Total \$'000
Plant and equipment	12,478	12,478	1,321	360	1,681
Intangible	1,930	1,930	5,515	115	5,630
Inventories	32,698	32,698	6,094	5,248	11,342
Other assets	170	170	3	9	12
Payables	(19,224)	(19,224)	-	-	-
Employee benefits	(789)	(789)	(661)	(157)	(818)
Working capital adjustment	3,077	3,077	-	(226)	(226)
Net Assets	30,340	30,340	12,272	5,349	17,621

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

6 DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities classified as held for sale as part of the discontinued operations as at 30 June 2016 are disclosed in the Statement of Financial Position:

	Year ended 30 June 2016	Year ended 30 June 2015
	Total \$'000	Trade Secret \$'000
Assets		
Inventory	-	33,066
Fixed assets	-	12,513
Intangibles	-	1,930
Other receivables	-	3,931
Assets classified as held for sale	-	51,440
Liabilities		
Trade and other payables	-	26,519
Provisions	-	1,611
Liabilities classified as held for sale	-	28,130
Net assets attributable to discontinued operations	-	23,310

Net cash flows of the discontinued operations are as follows:

	Year ended 30 June 2016	Year ended 30 June 2015
	Trade Secret \$'000	Trade Secret \$'000
	Total \$'000	Total \$'000
Operating activities	344	5,152
Investing activities	(1,143)	(2,519)
Net cash inflow/(outflow)	(799)	2,633

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

7 EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	Consolidated	
	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Net Profit attributable to ordinary equity holders of the parent from continuing operations	9,037	2,434
Profit attributable to ordinary equity holders of the parent from discontinued operations	34,074	28,711
Earnings used in calculating basic and diluted earnings per share	43,111	31,145
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic earnings per share	57,793,690	57,769,289
Effects of dilution from performance rights	272,727	-
Weighted average number of ordinary shares adjusted for the effect of dilution	58,066,417	57,769,289

There are no share options outstanding at 30 June 2016 or 30 June 2015. The Group did not buy back shares during the reporting period (2015: nil).

8 SEGMENT INFORMATION - OPERATING SEGMENTS

Identification of reportable segments

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.

Types of markets and customer groups

Wholesale

The wholesale business services our traditional retail customers. The products sold are primarily workwear and corporate uniforms.

Direct to consumer

This segment is our off-price retail channel Trade Secret and Midford shops. This is shown as part of discontinued operations.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

8 SEGMENT INFORMATION - OPERATING SEGMENTS (continued)

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. 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.

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.

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 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

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

8 SEGMENT INFORMATION - OPERATING SEGMENTS (continued)

	Wholesale	Direct to Consumer	Unallocated Items	Total
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2016				
Revenue				
Sales to external customers	59,608	-	-	59,608
Other revenues from external customers	47	-	-	47
Segment Revenue	59,655	-	-	59,655
Segment net operating profit before tax	4,153	-	-	4,153
includes the following:				
- Interest revenue	-	-	224	224
- Interest expense	-	-	(697)	(697)
- Depreciation and amortisation	(80)	-	(2,568)	(2,648)
- Discontinued operations before income tax	(219)	(609)	-	(828)
Segment assets	28,766	-	-	28,766
Capital expenditure	21	-	2,815	2,836
Segment liabilities	12,020	-	-	12,020
	Wholesale	Direct to Consumer	Unallocated	Total
	\$'000	\$'000	Items	\$'000
Year ended 30 June 2015				
Revenue				
Sales to external customers	50,993	-	-	50,993
Other revenue	144	-	-	144
Segment revenue	51,137	-	-	51,137
Segment net profit before tax	3,362	-	-	3,362
includes the following:				
- Interest revenue	-	-	92	92
- Interest expense	-	-	(1,997)	(1,997)
- Depreciation and amortisation	(86)	-	(2,200)	(2,286)
- Other non-cash expenses	-	-	(493)	(493)
- Discontinued operations before income tax	2,879	2,158	-	5,037
Segment assets	31,924	674	-	32,598
Capital expenditure	449	2,869	764	4,082
Segment liabilities	10,798	1,415	-	12,213

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

8 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 8.85% of external revenue (2015: 4.4%). The next most significant customer accounted for 6.13% (2015: 3.2%) of external revenue.

i) Segment revenue reconciliation to the income statement

	Consolidated	
	Year ended 30 June 2016	Year ended 30 June 2015
	\$'000	\$'000
Total segment revenue	59,655	51,137
Other revenues	7,510	3,112
Total revenue and other revenues per the income statement	67,165	54,249

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

	Consolidated	
	Year ended 30 June 2016	Year ended 30 June 2015
	\$'000	\$'000
Segment net operating profit before tax	4,153	3,362
Interest revenue	224	92
Interest expense	(697)	(1,997)
Depreciation and amortisation	(2,568)	(2,200)
Other non-cash expenses	35	(493)
Share of profit/(loss) of joint venture	5,231	785
Over-allocation of corporate overhead to segments	4,209	3,799
Total net profit/(loss) before tax for continuing operations per the income statement	10,587	3,348

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

8 SEGMENT INFORMATION - OPERATING SEGMENTS (continued)

iii) 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. These assets include plant and equipment, receivables, inventory and intangibles and exclude available-for-sale assets, cash at bank, derivative assets, deferred tax assets.

	Consolidated	
	As at 30 June 2016	As at 30 June 2015
	\$'000	\$'000
Segment operating assets	28,766	32,598
Cash at bank	12,540	19,348
Corporate property, plant and equipment	49,302	41,550
Corporate IT software	1,428	4,149
Derivative assets	-	2,422
Investment in joint venture	57,353	52,777
Other related party receivable	1,699	1,872
Other receivable	6,028	328
Assets of disposal group classified as held for sale	-	51,440
Total assets per statement of financial position	157,116	206,484

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 30 June 2016	As at 30 June 2015
	\$'000	\$'000
Segment operating liabilities	12,020	12,213
Borrowings	950	55,894
Income tax payable	13,880	1,871
Provisions	1,889	1,610
Derivative financial instruments	1,326	-
Deferred tax liabilities	8,525	5,970
Liabilities directly associated with assets classified as held for sale	-	28,130
Total liabilities per statement of financial position	38,590	105,688

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

9 TRADE AND OTHER RECEIVABLES (CURRENT)

	Consolidated	
	As at 30 June 2016 \$'000	As at 30 June 2015 \$'000
Trade receivables	7,363	8,951
Related party receivables	1,699	486
Allowance for impairment loss (a)	(105)	(118)
Carrying amount	8,957	9,319

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment gain of \$13,000 (2015: \$68,000 loss) has been recognised by the Group in the current year. These amounts have been included in the selling and administrative expense items.

	Consolidated	
	As at 30 June 2016 \$'000	As at 30 June 2015 \$'000
Movements in the provision for impairment loss were as follows		
At 1 July	118	50
(Reversal)/Charge for the year	(85)	66
Written off	72	2
At 30 June	105	118

	Total	0-30 Days	31-60 Days	61-90 Days PDNI*	61-90 Days CI**	+91 Days PDNI*	+91 Days CI**
2016 Consolidated	7,363	7,048	158	52	19	-	86
2015 Consolidated	9,437	9,055	121	116	-	27	118

* Past due not impaired ('PDNI')

** Considered Impaired ('CI')

Receivables past due but not considered impaired are: \$52,000 (2015: \$143,000). Payment terms on these amounts have not been re-negotiated however credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Related party receivables

For the terms and conditions of related party receivables refer to Note 30. Loans to wholly owned group entities are repayable on demand.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

9 TRADE AND OTHER RECEIVABLES (CURRENT) (continued)

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Refer to note 26 for more information on the financial risk management policy of the Group.

(d) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 26.

10 INVENTORIES (CURRENT)

	Consolidated	
	As at 30 June 2016 \$'000	As at 30 June 2015 \$'000
Finished goods, at cost	15,219	14,743
Provision for inventory obsolescence	(1,234)	(647)
	13,985	14,096
Stock in transit	1,243	1,654
Total inventories	15,228	15,750

(a) Inventory expenses

Inventories recognised as an expense for the year ended 30 June 2016 totalled \$67,993,000 (2015: \$155,837,000) for the Group. This expense has been included in cost of sales. The obsolescence net realisable value gain of \$58,691 (2015: \$677,162 gain) has been included as an expense in the cost of sales.

11 OTHER ASSETS (CURRENT)

	Consolidated	
	As at 30 June 2016 \$'000	As at 30 June 2015 \$'000
Prepayments	1,351	3,169
Receivable relating to the sale of Trade Secret	5,847	-
Other	1,467	3,270
Total other current assets	8,665	6,439

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

12 PROPERTY, PLANT AND EQUIPMENT

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

	Consolidated			
	Land & Building \$'000	Leasehold Improvement \$'000	Plant & Machinery \$'000	Total \$'000
Year ended 30 June 2016				
At 1 July 2015 net of accumulated depreciation	40,248	22	3,160	43,430
Additions	-	346	2,490	2,836
Disposals	-	(8)	(130)	(138)
Revaluation	6,017	-	-	6,017
Depreciation charge for the year	(516)	(328)	(1,647)	(2,491)
At 30 June 2016 net of accumulated depreciation	45,749	32	3,873	49,654
At 30 June 2016				
Cost or fair value	45,749	6,064	28,584	80,397
Accumulated depreciation	-	(6,032)	(24,711)	(30,743)
Net carrying amount	45,749	32	3,873	49,654
	Consolidated			
	Land & Building \$'000	Leasehold Improvement \$'000	Plant & Machinery \$'000	Total \$'000
Year ended 30 June 2015				
At 1 July 2014 net of accumulated depreciation	37,748	5,587	12,048	55,383
Additions	-	78	4,004	4,082
Disposals	-	(89)	(1,762)	(1,851)
Revaluation	2,973	-	-	2,973
Depreciation charge for the year	(473)	(1,160)	(3,011)	(4,644)
Assets included in discontinued operations (note 6)	-	(4,394)	(8,119)	(12,513)
At Year ended 30 June 2015 net of accumulated depreciation	40,248	22	3,160	43,430
At 30 June 2015				
Cost or fair value	40,248	307	19,669	60,224
Accumulated depreciation	-	(285)	(16,509)	(16,794)
Net carrying amount	40,248	22	3,160	43,430

All assets are secured by first mortgages, deeds of charge and mortgage debentures.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(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 30 June 2016. The revaluation is performed annually.

The fair value is measured using Level 3 inputs.

Significant unobservable valuation input	2016	2015
Price per square metre	\$1,999	\$1,800

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 30 June 2016 \$'000	As at 30 June 2015 \$'000
Cost	13,599	13,599
Accumulated depreciation	(5,791)	(5,451)
Net carrying amount	7,808	8,148

(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 25(c).

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

13 INTANGIBLE ASSETS

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

	Consolidated			
	Trademarks	Goodwill	Software	Total
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2016				
At 1 July 2015 net of accumulated amortisation	-	3,307	2,252	5,559
Additions	-	-	398	398
Disposal	-	-	(127)	(127)
Amortisation	-	-	(1,111)	(1,111)
At 30 June 2016 net of accumulated amortisation	-	3,307	1,412	4,719
At 30 June 2016				
Cost	-	3,307	10,484	13,791
Accumulated amortisation	-	-	(9,072)	(9,072)
Net carrying amount	-	3,307	1,412	4,719

	Consolidated			
	Trademarks	Goodwill	Software	Total
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2015				
At 1 July 2014 net of accumulated amortisation	2,015	6,920	5,566	14,501
Additions	-	-	464	464
Disposal	(2,015)	(3,613)	(291)	(5,919)
Amortisation	-	-	(1,557)	(1,557)
Intangibles included in discontinued operations (note 6)	-	-	(1,930)	(1,930)
At 30 June 2015 net of accumulated amortisation	-	3,307	2,252	5,559
At 30 June 2015				
Cost	-	3,307	12,226	15,533
Accumulated amortisation	-	-	(9,974)	(9,974)
Net carrying amount	-	3,307	2,252	5,559

(b) Description of the Group's intangible assets

(i) Goodwill

The recoverable amount of goodwill acquired through business combinations has been allocated to the workwear and corporate uniforms cash generating units ("CGU") is \$32,301,000 at 30 June 2016. The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. A discount rate of 10.5% (2015: 11.0%) used in the impairment test takes into account the Company's actual pre tax weighted average cost of capital for the year in review. Budget sales growth in the ensuing year and growth for the subsequent three years plus terminal value is based on a range of 2.2% to 2.5% (2015: 2%). A reasonably possible change in growth rates and discount rates would not result in impairment.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

14 TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	As at	As at
	30 June 2016	30 June 2015
	\$'000	\$'000
Trade payables (a)	2,077	7,586
Other payables	8,377	2,318
Goods and services tax	436	657
Total trade and other payables	10,890	10,561

(a) Foreign exchange risk

The carrying amounts of the Group's trade and other payables denominated in foreign currencies are:

US Dollar	36	3,020
Carrying amount of foreign currency trade and other payables	36	3,020

(i) Trade payables are non-interest bearing and are normally settled between 30-60 days terms.

(ii) Other payables are non-interest bearing and are normally settled between 0-90 days terms.

(b) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(c) Foreign exchange, interest rate and liquidity risk

Detail regarding foreign exchange, interest rate, liquidity risk exposure and associated sensitivity analysis is disclosed in note 26.

(d) Financial guarantees

The Group has provided the financial guarantees to its associates which commits the Group to make payments on behalf of these entities upon their failure to perform under the terms of the relevant contract. Refer to note 23 and note 31 for further information relating to the Parent's financial guarantee.

15 INTEREST-BEARING LOANS AND BORROWING (CURRENT)

	Consolidated	
	As at	As at
	30 June 2016	30 June 2015
	\$'000	\$'000
Bank loans - secured (Refer Note 17(a))	950	25,894
Total current borrowings	950	25,894

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

16 PROVISIONS (CURRENT)

	Consolidated		
	Provision for annual leave \$'000	Provision for long service leave \$'000	Total \$'000
At 30 June 2015	1,491	1,163	2,654
Arising during the year	1,559	355	1,914
Utilised	(1,778)	-	(1,778)
At 30 June 2016	1,272	1,518	2,790

17 INTEREST-BEARING LOANS AND BORROWING (NON-CURRENT)

	Consolidated	
	As at 30 June 2016 \$'000	As at 30 June 2015 \$'000
Bank loans - secured (a)	-	30,000
Total non-current borrowings	-	30,000

- (a) The Bank loans are \$950,000 at 30 June 2016 (2015: \$55,894,000). 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 totaling \$86,379,000 (2015: \$87,847,000), refer to Note 25(c). Bank loans have been classified as non-current and current liabilities. The loan facilities with our bank were renegotiated in 2016 and do not expire until 17 June 2018. The available facilities are listed in note 25. 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 year-end were 2.68% to 2.73% (2015: 2.61% to 2.86%). There were no non-current borrowings at 30 June 2016. Borrowings at 30 June 2015 were in Australian dollars and New Zealand 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 Annual Financial Report (continued)
For the year ended 30 June 2016

18 PROVISIONS (NON-CURRENT)

	Consolidated
	Provision for long service leave \$'000
At 1 July 2015	608
Utilised during the year	(379)
At 30 June 2016	229

19 CONTRIBUTED EQUITY

	Consolidated	
	As at 30 June 2016 \$'000	As at 30 June 2015 \$'000
Ordinary shares Issued and fully paid	62,773	62,473

Movements in contributed equity for the year

	Consolidated	
	Number '000	Value \$'000
Opening balance 1 July 2014	57,669	62,183
Shares issued	100	290
Closing balance at 30 June 2015	57,769	62,473
Opening balance 1 July 2015	57,769	62,473
Shares issued	117	300
Closing balance at 30 June 2016	57,886	62,773

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Share Based Payment Plans

In November 2005 the Company established the Gazal Group Employee Share Option Plan which is currently inactive. There are no share options outstanding at 30 June 2016 or 30 June 2015.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

19 CONTRIBUTED EQUITY (continued)

Share Based Payment Plans (continued)

In October 2012, the Company established a new Long Term Incentive Performance Rights Plan which was subsequently ratified by the shareholders at the November 2012 AGM. The plan has been initially set up to provide long term incentives to Mr. P Robinson who was appointed CEO and Executive Director in 2012.

The Long Term Incentive awards (LTI) are delivered in the form of performance rights which vest over a period of four years subject to meeting performance measures. The Group initially used PAT targets as the performance measure for the LTI however, because of the changes in the business recently the directors modified the performance criteria to a range of outcomes.

The fair value of performance rights granted is estimated at the date of grant using a Black-Scholes simulation model, taking into account the terms and conditions upon which the performance rights were granted. The exercise price of the performance rights is equal to the market price of the underlying shares on the date of grant. The contractual term of the performance rights is four years and there are no cash settlement alternatives for the employees. The Group does not have a past practice of cash settlement for these awards.

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management is constantly adjusting the capital structure to take advantage of favourable costs of capital or higher returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2016, management paid dividends of \$27,785,000 (2015: \$9,822,000).

Management monitors capital through the gearing ratio (net debt/total capital). The gearing ratios based on continuing operations at 30 June 2016 and 2015 were as follows:

	Consolidated	
	As at 30 June 2016 \$'000	As at 30 June 2015 \$'000
Total borrowings *	11,840	66,455
Less cash and cash equivalents	(12,540)	(19,348)
Net debt	(700)	47,107
Total equity	118,526	100,796
Total Capital	117,826	147,903
Gearing ratio	-1%	32%

* Includes interest bearing loans and borrowings and trade and other payables

The Group considers a gearing ratio of 30% to 60% to be the optimal level. The Group is required under its bank covenants to maintain shareholder funds at no less than \$60million or 85% of the prior year level.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

20 RESERVES

	Consolidated	
	As at 30 June 2016	As at 30 June 2015
	\$'000	\$'000
Asset revaluation	27,611	23,742
Other reserves	739	562
Employee equity benefit	600	1,337
Cash flow hedge	(933)	1,233
Reserves from joint venture	(554)	101
Total reserves	27,463	26,975
Transfer to/(from) reserves:		
(a) Asset revaluation reserve		
Opening balance	23,742	21,661
Revaluation of land and building	6,017	2,973
Income tax related to movement in Asset revaluation reserve	(1,805)	(892)
Transfer	(343)	
Closing balance	27,611	23,742
(b) Other reserves		
Opening balance	562	562
Foreign currency translation	177	-
Closing balance	739	562
(c) Employee equity benefits reserve		
Opening balance	1,337	1,213
Recognition of share-based payment cost	600	414
Payment for shares	(300)	(290)
Transfer of share options reserve	(1,273)	-
Income tax related to movement in Employee equity benefits reserve	236	-
Closing balance	600	1,337
(d) Cash flow hedge reserve		
Opening balance	1,233	(1,329)
Transferred to statement of financial position	(3,094)	3,660
Income tax related to movement in cash flow hedge reserve	928	(1,098)
Closing balance	(933)	1,233
(e) Reserves from joint venture		
Opening balance	101	-
Gain/(loss) taken to equity	(655)	101
Closing balance	(554)	101

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another. The reserve can only be used to pay dividends in limited circumstances.

Other reserves

This reserve is used to record realised increases in the fair value of non-current assets which have been sold and foreign currency translation reserve.

Employee equity benefits reserve

This reserve is used to record the value of share based payments provided to directors and employees, including key management personnel, as part of their remuneration. Refer to the Directors Report for further details of these plans.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

20 RESERVES (continued)

Cash flow hedge reserve

This reserve records the portion of the gain or loss on hedging instruments in a cash flow hedge that are determined to be effective hedges.

Reserves from joint venture

This reserve records the 50% of the portion of the gain or loss on hedging instruments in a cash flow hedge that are determined to be effective hedges in the joint venture.

21 RETAINED PROFITS AND DIVIDENDS

	Consolidated	
	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Retained Earnings/ (Accumulated losses)		
(a) Movement in retained earnings/ (accumulated losses)		
Balance at the beginning of the financial year	11,348	(9,975)
Net profit attributable to members	43,111	31,145
Transfers	1,616	
Dividends provided for or paid	(27,785)	(9,822)
Balance at the end of the financial year	28,290	11,348
(b) Dividends paid during the financial year		
Interim franked dividend 5 cents (2015: 6 cents) paid 4 April 2016	2,894	3,466
Special franked dividend 35 cents (2014: nil) paid 18 December 2015	20,260	-
Final fully franked dividend for the financial year 30 June 2015, 8 cents per share (2014: 11 cents per share)	4,631	6,356
(c) Dividends declared but not recognised as a liability		
Final fully franked dividend 7 cents (2015: 4 cents) payable 4 October 2016	4,071	4,622
Special franked dividend TBA cents (2015: 35 cents) payable 4 October 2017	20,356	20,260
Franking credit balance		
Franking credits available for the subsequent financial year are:		
Balance at the end of the financial year at 30% (2015: 30%)	1,880	11,347
Franking credits that will arise from the payment/ (receipt) of income tax payable/ (receivable) as at the end of the financial year	-	-
	1,880	11,347
The amount of franking credits available for future reporting periods:		
Impact on the franking account of dividends proposed or declared before the financial report was authorised for issued but not recognised as a distribution to equity holders during the periods	(10,469)	(1,981)
	(8,589)	9,366

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

22 COMMITMENTS

	Consolidated	
	Year ended	Year ended
	30 June 2016	30 June 2015
	\$'000	\$'000

(a) Commitments

Capital expenditure contracted for is nil.

Continuing operating lease expenditure contracted for is payable as follows:

Not later than one year	561	491
Later than one year but not later than five years	657	420
Later than five years	-	-
	1,218	911

Discontinuing operating lease expenditure contracted for is payable as follows:

Not later than one year	-	18,855
Later than one year but not later than five years	-	59,514
Later than five years	-	16,649
	-	95,018

Operating leases have remaining terms between 1 and 10 years with an average lease term of 5 years (2015: 5 years) and an average implicit interest rate of 6.4% (2015: 6.4%). Leases include a clause to enable upward revision of the rental charge on an annual basis. Assets that are the subject of operating leases are rental properties and office machines.

23 CONTINGENT LIABILITIES

The parent entity has given guarantees in relation to a controlled entity's commercial premises and residual Trade Secret stores.

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.

There are no other contingent liabilities at 30 June 2016 (30 June 2015: nil).

24 CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash

For the purpose of the Cash Flow Statement, cash includes cash on hand and in banks and short-term deposits at call, net of outstanding bank overdrafts. Cash at the end of financial year as shown in the Statement of Financial Position is as follows:

	Consolidated	
	As at	As at
	30 June 2016	30 June 2015
	\$'000	\$'000
Cash at bank and on hand	12,540	19,348
	12,540	19,348

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

24 CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of net cash provided by operating activities to operating profit after income tax

	Consolidated	
	As at	As at
	30 June 2016	30 June 2015
	\$'000	\$'000
Operating profit after income tax	43,111	31,145
Adjustments for non-cash income & expenses items:		
Depreciation and amortisation expense	3,602	6,201
Loss on sale of property, plant and equipment	-	84
Foreign exchange gains	192	(35)
Share based payment expense	600	114
Profit on sale of business	(34,712)	(25,265)
Share of profit of joint venture	(5,231)	(785)
Changes in assets and liabilities		
(Increase)/decrease in trade debtors	(5,485)	3,429
(Increase)/decrease in inventory	(32,544)	(9,113)
(Increase)/decrease in prepaid expenses	(6,157)	(2,285)
Increase/(decrease) in trade creditors	22,170	1,537
Increase/(decrease) in other creditors	5,423	(2,952)
Increase/(decrease) in income tax payable	12,009	1,598
Increase/(decrease) in deferred income tax	1,185	(386)
Increase/(decrease) in employee entitlements provisions	1,368	1
Net cash flows from operating activities	5,531	3,288

25 FINANCING FACILITIES AVAILABLE

(a) Terms and conditions

Bank overdrafts

The bank overdrafts are secured by a fixed and floating charge over all of the Group's assets. The bank overdraft facilities may be withdrawn at any time and may be terminated by the bank 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.

Secured bank loan

The facility is secured by a first charge over certain of the Group's land and buildings and a fixed and floating charge over the Group's plant and machinery.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

25 FINANCING FACILITIES AVAILABLE (continued)

(b) Financing facilities available

At reporting date, the following financing facilities have been negotiated and were available:

	Consolidated		
	Accessible	Drawndown	Unused
At 30 June 2016	\$'000	\$'000	\$'000
Bank overdraft facility	3,000	-	3,000
Bank loan facilities	20,950	(950)	20,000
Total financing facilities	23,950	(950)	23,000
<hr/>			
At 30 June 2015	\$'000	\$'000	
Bank overdraft facility	3,078	(111)	2,967
Bank loan facilities	55,783	(55,783)	-
Total financing facilities	58,861	(55,894)	2,967

Expiry date: 17 June 2018 (2015: 30 September 2016)

In addition to the facilities noted above, a temporary increase of \$10,000,000 was approved for the period 15 November 2016 to 15 May 2017.

All of the economic entity's facilities are subject to annual review and subject to the conditions referred to Note 17(a).

At reporting date, the Group has approximately \$23million of unused credit facilities available for its immediate use.

(c) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	Note	Consolidated	
		As at	As at
		30 June 2016	30 June 2015
		\$'000	\$'000
Current			
<i>Floating charge</i>			
Cash at bank	24(a)	12,540	19,348
Receivables	9	8,957	9,319
Inventory	10	15,228	15,750
Total current assets pledged as security		36,725	44,417
Non-current			
<i>First mortgage</i>			
Freehold land and buildings	12	45,749	40,248
<i>Floating charge</i>			
Leasehold improvement	12	32	22
Plant and machinery	12	3,873	3,160
Total non-current assets pledged as security		49,654	43,430
Total assets pledged as security		86,379	87,847

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

26 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group operates in several countries and is reliant on external debt finance. These operations give rise to significant exposure to market risks due to changes in interest rates and foreign exchange rates. Derivative financial instruments are used by the economic entity to reduce these risks, as explained in this note. The Group does not hold or issue financial instruments for speculative or trading purposes.

Primary responsibility for identification and control of financial risks rests with management and the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, cash and short-term deposits and derivatives. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations

Notional Amounts and Credit Exposures of Derivatives

The notional amounts of derivatives, as summarised below, represent the contract or face values of these derivatives and do not represent amounts exchanged by the parties. The amounts to be exchanged are calculated on the basis of the notional amounts and other terms of the derivatives, which relate to interest rates or exchange rates.

a) Interest Rate Risk Management

The economic entity has short and long term debt at both fixed and floating rates. In order to minimise risk, interest rate swaps are used to convert floating rate debt to fixed rates. Under the swaps, the economic entity agrees with other parties to exchange, at specified intervals, the difference between the fixed-rate and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

At reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	Consolidated	
	As at 30 June 2016	As at 30 June 2015
	\$'000	\$'000
<i>Financial assets</i>		
Cash and cash equivalents	12,540	19,348
	<u>12,540</u>	<u>19,348</u>
<i>Financial liabilities</i>		
Bank loans at floating rate	950	25,894
	<u>950</u>	<u>25,894</u>
Net exposure	11,590	(6,546)

Interest bearing assets and liabilities are denominated in Australian dollars and New Zealand dollars.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

26 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a) Interest Rate Risk Management (continued)

The economic entity is exposed to interest rate risk through primary financial assets and liabilities,

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonable possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	Year ended	Year ended	As at	As at
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$'000	\$'000	\$'000	\$'000
Consolidated				
+1% (100 basis points)	81	(46)	-	-
-0.5% (50 basis points)	(41)	23	-	-

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on the Australian interest rates, relationships with finance institutions, the level of debt that is expected to be renewed as well as a review of the last two year's historical movements and economic forecaster's expectations.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from the reporting date.
- The effect on other comprehensive income is the effect on the cash flow hedge reserve.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

26 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Foreign Currency Risk

As a result of large purchases of inventory denominated in United States Dollars, the Group's statement of financial position can be affected significantly by movements in the AUD/USD exchange rates. The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

The Group uses forward currency contracts to eliminate the currency exposures on individual transactions.

At 30 June 2016, the Group had the following exposure to USD foreign currency that is not designated in cash flow hedges:

	Consolidated	
	As at 30 June 2016 \$'000	As at 30 June 2015 \$'000
<i>Financial assets</i>		
Cash and cash equivalents	370	77
Trade and other receivables	3	42
Net exposure	373	119

The Group has forward currency contracts designated as cash flow hedges that are subject to fair value movements through equity for the effective portion and the income statement for the ineffective portion as foreign exchange rates move.

Valuation techniques

The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. All contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own credit risk.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

26 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Foreign Currency Risk (continued)

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date:

At 30 June 2016, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonable possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	Year ended 30 June 2016	Year ended 30 June 2015	As at 30 June 2016	As at 30 June 2015
	\$'000	\$'000	\$'000	\$'000
Consolidated				
AUD/USD +10%	19	6	(4,252)	(2,946)
AUD/USD - 5%	(10)	(3)	1,822	2,128

The movements in profit in 2016 are higher than the previous year due to the lower level of US Dollar receivables not designated as cash flow hedges at balance date. The movements in equity are higher at 30 June 2016 than at 30 June 2015 owing to the higher level of USD hedging of inventory purchases as at 30 June 2016.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign currency were determined based on a review of the last two year's historical movements and economic forecaster's expectations.
- The reasonably possible movement was calculated by taking the USD spot rate as at reporting date, moving this spot rate by the reasonably possible movements and then re-converting the USD into AUD with the "new spot rate". This methodology reflects the translation methodology undertaken by the Group.
- The net exposure at reporting date is representative of what the Group was and is expecting to be exposed to in the next twelve months from reporting date.
- The effect on other comprehensive income is the effect on the cash flow hedge reserve.

Management believes that the reporting date risk exposures are representative of the risk exposure inherent in the financial instruments.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

26 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c) Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and committed available credit lines.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2016. For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2016.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	As at 30 June 2016 \$'000	As at 30 June 2015 \$'000
<i>Financial liabilities</i>		
0-12 months	13,166	36,455
1-5 years	-	31,349
Over 5 years	-	-
	13,166	67,804

d) Hedging Instruments

With respect to the use of derivative financial instruments, it is Company policy that financial derivatives are only used as a defensive mechanism to cover real financial and trading risks associated with the Company's business. Key procedures to provide effective control for financial derivatives include separation of duties between deal making/accounting functions, and setting authority limits and approving confirmation of dealings.

Hedging activities

	Consolidated	
	As at 30 June 2016 \$'000	As at 30 June 2015 \$'000
<i>Current assets</i>		
Forward currency contracts - cash flow hedges	-	2,422
	-	2,422
<i>Current liabilities</i>		
Forward currency contracts - cash flow hedges	1,326	-
	1,326	-

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

26 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

e) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest rate and foreign exchange rates.

(i) Forward currency contracts

Gazal has entered into foreign exchange contracts to buy foreign currency to offset inventory purchase obligations and to protect against exchange rate movements. These contracts are hedging highly probable forecasted purchases which are timed to mature when payments are scheduled to be made and are therefore considered 100% effective.

The cash flow in respect of the forward exchange contracts are expected to occur between 0-12 months from 1 July 2016 and the profit and loss within cost of sales will be affected over the next few years as the inventory is either used in production or sold. At reporting date, the details of outstanding contracts are:

Year ended 30 June 2016	Amount	Expiry Date	Rate
<i>Consolidated</i>			
Forward Exchange Contracts - Buy (US\$'000)	USD 40,761	29.07.16 - 31.10.17	0.6973 - 0.7620
Year ended 30 June 2015	Amount	Expiry Date	Rate
<i>Consolidated</i>			
Forward Exchange Contracts - Buy (US\$'000)	USD 29,112	31.07.15 - 31.05.16	0.7689 - 0.9239

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

26 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

e) Instruments used by the Group (continued)

The forward exchange contracts are considered to be highly effective hedges as they are matched against forecast inventory purchases and any gain or loss on the contracts attributable to the hedged risk is taken directly to equity. When the inventory is delivered the amount recognised in equity is adjusted to the inventory account in the statement of financial position.

	Consolidated	
	As at 30 June 2016 \$'000	As at 30 June 2015 \$'000
Opening balance	2,422	(1,898)
Transferred to inventory	(2,422)	1,898
Charge to equity	(1,326)	2,422
Closing balance	(1,326)	2,422

f) Fair Value

All derivative financial instruments have been categorised as level 2 in the fair value hierarchy at all times during the year.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

27 EVENTS AFTER BALANCE DATE

On 31st August 2016 the directors resolved to pay a final dividend of 7 cents per share fully franked based on the FY16 trading results. The record date for determining the shareholders' entitlement to the final dividend is 16 September 2016 and the final dividend is payable on 4 October 2016.

In addition, the Directors resolved to pay a second special dividend of 35 cents per share fully franked (in addition to the first special dividend of 35 cents which was paid in December 2015) following from the sale of Trade Secret to The TJX Companies, Inc. As previously announced, the Company had requested from its bankers Westpac a temporary increase in the Company's loan facility to enable it to better manage cash flows anticipated in the second and third quarters of FY17. This temporary increase was approved in September 2016.

There are no other matters or circumstances that have arisen since 30 June 2016 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.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

28 REMUNERATION OF AUDITOR

	Year ended 30 June 2016	Year ended 30 June 2015
	\$	\$
Audit and review services		
Ernst & Young		
- Audit	189,126	197,765
- Taxation	77,300	94,971
	266,426	292,736

29 INVESTMENT IN JOINT VENTURE

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

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

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

	As at 30 June 2016	As at 30 June 2015
	\$'000	\$'000
Current assets	63,399	56,000
Non-current assets	84,529	82,625
Current liabilities	26,307	23,104
Non-current liabilities	3,231	6,006
Equity	118,390	109,515
Portion of Group's ownership 50%	59,195	54,758
Carrying amount of investment:		
Opening	52,777	6,433
Investment	-	45,458
Share of profit	5,081	904
Release of unrealised profit	150	(119)
Other comprehensive income	(655)	101
Closing	57,353	52,777

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Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

29 INVESTMENT IN JOINT VENTURE (continued)

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

	Year ended 30 June 2016	Year ended 30 June 2015
	\$'000	\$'000
Sales revenue	180,657	83,669
Cost of sales	(75,401)	(31,885)
Gross profit	105,256	51,784
Other revenues	282	319
Selling and marketing expenses	(69,504)	(37,325)
Distribution expenses	(9,300)	(4,694)
Administration expenses	(8,253)	(5,658)
Depreciation and amortisation expenses	(4,170)	(1,221)
Finance costs	(276)	(15)
Profit before income tax	14,035	3,190
Income tax expense	(3,873)	(1,381)
Profit for the year	10,162	1,809
Group's share of profit for the year	5,081	904
Release of unrealised profit	150	(119)
Share of profit from joint venture in the income statement	5,231	785
Group's share of other comprehensive income	(655)	101
Group's share of total comprehensive income	4,576	886

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 2016 or 30 June 2015.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

30 RELATED PARTY DISCLOSURES

The consolidated financial statements as at 30 June 2016 include the financial statements of Gazal Corporation Limited and the controlled entities listed in the table below.

Name of controlled entity	Equity interest			
	Notes	Country of incorporation	2016	2015
Gazal Apparel Pty Limited	(a)	Australia	100	100
Gazal Clothing Company Pty Limited	(a)	Australia	100	100
Manline Clothing Company Pty Limited	(a)	Australia	100	100
M. Graphics Pty Limited	(a)	Australia	100	100
064 814 240 Pty Limited	(a)	Australia	100	100
M. Street Pty Limited	(b)	Australia	100	100
Bracks Apparel Pty Limited	(b)	Australia	100	100
Coronet Corporate Pty Limited	(b)	Australia	100	100
Gazal Employee Share Plan Pty Ltd	(b)	Australia	100	100
E-Commerce Apparel Pty Limited	(b)	Australia	100	100
PVH Brands Australia Pty Limited		Australia	50	50
Gazal (NZ) Limited		New Zealand	100	100
Gazal Apparel Trading Company Limited (Shanghai)		China	100	100
Gazal Hong Kong Limited		Hong Kong	100	100

(a) These companies have entered into a deed of cross guarantee dated 26 March 1993 with Gazal Corporation Limited which provides that all parties to the deed will guarantee to each creditor payment of any debt of each Company participating in the deed on winding-up of that Company. In addition, as a result of the Class Order 98/1418 issued by the Australian Securities and Investments Commission these companies are relieved from the requirement to prepare financial statements.

The consolidated statement of comprehensive income and statement of financial position of all entities included in the class order "closed group" are set out at footnote (c).

(b) These companies meet the definition of small proprietary companies. As a result these companies are relieved from the requirement to prepare financial statements.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

30 RELATED PARTY DISCLOSURES (continued)

(c) Financial information for class order “closed group”

Gazal Corporation Limited Closed Group
Income Statement for the year ended 30 June 2016

	Consolidated	
	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Sales revenue	56,067	45,099
Cost of sales	(34,178)	(23,914)
Gross profit	21,889	21,185
Other revenues	7,403	3,152
Selling and marketing expenses	(8,073)	(6,489)
Distribution expenses	(10,308)	(7,852)
Administration expenses	(7,688)	(3,146)
Finance costs	(656)	(1,951)
Share of (loss)/profit of joint venture	5,231	785
Profit/(loss) before income tax expense	7,798	5,684
Income tax expense	(1,577)	(659)
Net profit/(loss) after tax from continuing operations	6,221	5,025
Profit after tax from discontinuing operations	34,074	28,711
Net profit for the year	40,295	33,736
Accumulated losses at the beginning	12,563	(11,351)
Dividends paid	(27,785)	(9,822)
Transfers	1,230	-
Retained profits/ (accumulated losses) at the ending	26,303	12,563

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

30 RELATED PARTY DISCLOSURES (continued)

(c) Financial information for class order “closed group” (continued)

Gazal Corporation Limited Closed Group
Statement of Financial Position at 30 June 2016

	Consolidated	
	As at 30 June 2016 \$'000	As at 30 June 2015 \$'000
Current assets		
Cash and cash equivalents	9,758	19,258
Trade and other receivables	7,142	8,474
Inventories	14,565	15,750
Derivative financial instruments	-	2,422
Income tax receivable	-	-
Other current assets	8,424	6,411
	39,889	52,315
Assets of disposal group classified as held for sale	-	51,440
Total current assets	39,889	103,755
Non-current assets		
Property, plant and equipment	49,642	43,430
Investment	61,859	57,283
Intangibles	2,125	2,965
Other	-	-
Total non-current assets	113,626	103,678
Total assets	153,515	207,433
Current liabilities		
Trade and other payables	10,644	10,561
Derivative financial instruments	1,326	-
Interest-bearing loans and borrowings	-	25,894
Income tax payable	13,916	1,919
Provisions	2,786	2,654
	28,672	41,028
Liabilities directly associated with the assets classified as held for sale	-	28,130
Total current liabilities	28,672	69,158
Non-current liabilities		
Interest bearing liabilities	-	30,000
Provisions	225	608
Deferred tax liabilities	8,557	6,000
Total non-current liabilities	8,782	36,608
Total liabilities	37,454	105,766
Net assets	116,061	101,667
Equity		
Contributed equity	62,429	62,129
Reserves	27,286	26,975
Retained earnings	26,346	12,563
Total Equity	116,061	101,667

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the year ended 30 June 2016

31 PARENT ENTITY

Gazal Corporation Limited is the ultimate parent. The parent entity in conjunction with other related corporations has given intercompany guarantees in respect of certain bank facilities of related corporations. The parent has given guarantees in relation to a number of controlled entities' retail shops.

Financial information relating to Gazal Corporation Limited below:

Statement of Financial Position at 30 June

	As at 30 June 2016 \$'000	As at 30 June 2015 \$'000
Current assets		
Trade and other receivables	59,372	42,998
Tax receivable	976	7,883
Total current assets	60,348	50,881
Non-current assets		
Investment	37,722	37,722
Deferred tax assets	466	466
Total non-current assets	38,188	38,188
Total assets	98,536	89,069
Current liabilities		
Total liabilities	2	-
Net assets	98,534	89,069
Equity		
Contributed equity	62,773	62,473
Employee equity benefit reserve	147	1,121
Retained earnings	35,614	25,475
Total Equity	98,534	89,069

Income Statement for the year ended 30 June

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Other revenues	6,992	20,000
Administration expenses	(1,456)	(944)
Profit before income tax benefit	5,536	19,056
Income tax benefit	148	251
Net profit and total comprehensive income after related income tax expense	5,684	19,307
Profit after tax from discontinuing operations	31,010	-
Retained profits at the beginning	25,475	15,990
Dividends paid	(27,785)	(9,822)
Transfers	1,230	-
Retained profits at the ending	35,614	25,475

Gazal Corporation Limited Shareholder Information

Supplementary Information as Required by Australian Stock Exchange Listing Requirements.

Ordinary Shareholders as at 13 September 2016

These statistics relate to 795 shareholders of 58,159,205 Ordinary Shares. The proportion of shares held by the twenty largest shareholders is 89.13%. There are 81 shareholders who hold less than a marketable parcel.

Voting Rights

On a show of hands or on a poll, every member present in person or by proxy shall have one vote for every ordinary share held.

Distribution of Shareholders and Shareholdings as at 13 September, 2016.

Size of Holding	Number of Shareholders	Number of Ordinary Shares	% of Total
1 - 1,000	268	118,721	0.21
1,001 - 5,000	276	786,223	1.35
5,001 - 10,000	110	868,060	1.49
10,001 - 100,000	109	2,876,903	4.95
100,001 and over	32	53,509,298	92.00
Total	795	58,159,205	100.00

Substantial Shareholders

The following information is extracted from the Company's Register of substantial shareholders as at 13 September 2016.

Name	Relevant Interest in fully paid shares	Percentage
Michael Joseph Gazal	20,752,998	35.8
David Joseph Gazal	20,674,242	35.7
Richard Victor Gazal	19,489,430	33.6
Judith Ann Gazal	10,025,452	17.7
Gazal Nominees Pty Limited as trustees of the Mathilda Malouf Settlement Trust, a trust established for the benefit of the family of the late J.S. Gazal	10,004,154	17.7
Investors Mutual Limited	3,703,813	6.1

Gazal Corporation Limited

Top 20 Shareholders

Top 20 Shareholders as at 13 September 2016

	Registered Holder.	Number of Ordinary Shares	% of Total Shares
1	DAVID GAZAL FAMILY COMPANY PTY LIMITED	10,253,423	17.63
2	M J & H H GAZAL PTY LIMITED	9,546,633	16.42
3	3C CONSOLIDATED CAPITAL PTY LIMITED	9,464,920	16.27
4	WOODCRAY PTY LIMITED	8,996,600	15.47
5	INVESTORS MUTUAL LIMITED	3,570,698	6.14
6	MR BRUCE KLATSKY	2,000,000	3.44
7	MR MICHAEL JOSEPH GAZAL	1,202,211	2.07
8	DOUBLE JAY GROUP HOLDINGS PTY LTD <KIMBERLEY	1,015,000	1.75
9	GAZAL NOMINEES PTY LIMITED <MATHILDA MALOUI	1,007,554	1.73
10	YOOGALU PTY LIMITED	1,000,000	1.72
11	ANDREW RICH ENTERPRISES PTY LIMITED	738,480	1.27
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	557,445	0.96
13	MR G & MRS V PATON (ANCHORAGE SUPER FUND)	525,666	0.91
14	MR DAVID JOSEPH GAZAL	416,665	0.72
15	BUDUVA PTY LTD	337,460	0.56
16	RALPH LAUREN 57 PTY LTD	250,000	0.43
17	MR DAVID JOHN COGHLAN	249,027	0.43
18	MR PATRICK FRANCIS ROBINSON	236,364	0.41
19	P & M WOOD NOMINEES PTY LIMITED	235,500	0.40
20	KONDA SUPERANNUATION PTY LTD	233,058	0.40
		51,836,704	89.13

Corporate Information

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

Registered Office & Principal Place of Business

3-7 McPherson Street,
Banksmeadow NSW 2019
Telephone: (02) 9316 2800
Fax (02) 9316 7207
Web: www.gazal.com.au

Share Registry

Boardroom Limited
Level 12, 225 George Street, Sydney, NSW 2000
Telephone: Within Australia 1300 737 760, Outside Australia +61 2 9290 9600

Solicitor

Johnston Winter Slattery
20 Bond Street, Sydney NSW 2000

Ashurst Australia
5 Martin Place, Sydney NSW 2000

State of Incorporation

Victoria, Australia

Stock Exchange Listings

Gazal Corporation Limited shares are quoted on the Australian Securities Exchange

ASX Code

GZL