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Financial Calendar 2019

Preliminary report and dividend announcement	19 March
Record date for final dividend	(TBA)
Final dividend payable	(TBA)
Annual Report and Notice of Annual General Meeting Mailed to Shareholders	(TBA)
Annual General Meeting	(TBA)
Half year end	3 August

The Annual General Meeting of Shareholders of Gazal Corporation Limited will be held at the offices of Gazal Corporation Limited, 3 -7 McPherson Street, Banksmeadow 2019. The date and time TBA.

Gazal Corporation Limited
& its Controlled Entities

Directors' Report

For the 12 months ended 2 February 2019

Your Directors have pleasure in submitting their report for the 12 months ended 2 February 2019.

Directors

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

Names, Qualifications, Experience and Special Responsibilities

Michael J. Gazal B.COM.

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. Mr. Gazal was appointed Executive Chairman on 15 November 2012.

Patrick Robinson B.SCI., MBA

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 for over 30 years including senior roles within David Jones and Myer.

Bruce Klatsky

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 a member of the Audit and Risk Committee and Chairman of the Remuneration and Nomination Committee.

Craig Kimberley

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

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 and a member of the Remuneration and Nomination Committee.

Company Secretary

Peter J. Wood CA FICS

Has been the Company Secretary of Gazal Corporation Limited for over 30 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 12 months ended 2 February 2019

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	Performance Rights
M.J. Gazal	1,202,211	16,566,069 ⁽¹⁾	249,574
P. Robinson	-	769,158	244,681
B. Klatsky	2,000,000	-	-
C. Kimberley	-	765,000	-
G. Paton	-	700,000	-

- 1 MJ Gazal is a 50% shareholder of MJ & HH Gazal P/L, which is trustee of the Michael Gazal Family Trust. The Trust is the registered holder of 15,882,736 shares in Gazal Corporation Limited. Mr MJ Gazal has a relevant interest in those shares. MJ & HH Gazal P/L is the owner of Michael and Helen Pty Limited which is the registered holder of 683,333 shares in Gazal Corporation Limited. Mr MJ Gazal also has a relevant interest in those shares.

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

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 period were:

Board of Directors			Audit and Risk Committee		Remuneration and Nomination Committee	
		Maximum Possible		Maximum Possible	Attended	Maximum Possible
		Attended		Attended		Attended
	Attended		Attended			
M.J. Gazal	5	5	-	-	-	-
P. Robinson	5	5	-	-	-	-
B. Klatsky	4	5	1	2	1	1
C. Kimberley	5	5	2	2	1	1
G. Paton	5	5	2	2	1	1

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 period was the provision of services to the joint venture PVH Brands Australia Pty Limited ("PVHBA" or "the joint venture"), The TJX Companies, Inc. and DJG Corporation Pty Ltd.

Dividends

The following dividends of the economic entity have been paid since the end of the preceding financial year or are subject to the scheme of arrangement, as detailed in Note 4, becoming effective:

	On ordinary shares \$'000
Transitional fully franked dividend for the 7 months ended 3 February 2018 , 8 cents per share (2017: 8 cents per share) paid 4 May 2018	3,549
Interim franked dividend 10 cents (2018: 8 cents) paid 13 Dec 2018	4,467
Dividend 17 cents (approximate value and subject to scheme of arrangement detailed in Note 4, becoming effective) (2018: 8 cents)	7,590

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

Operating and Financial Review

Background

The reporting period covered by this report by Gazal Corporation Limited (Gazal) relates to the 12 month period ended 2 February 2019.

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

Continuing Operations

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

PVHBA Joint Venture Results Summary

\$'000	12 months ended 2 February 2019 (Audited)	12 months ended 3 February 2018 (Unaudited)	Variance %
Revenue	298,260	224,661	32.8%
Net profit after tax	27,204	18,345	48.3%
EBITDA	46,795	33,161	41.1%
EBITDA margin %	16%	15%	

The sales and profit growth in PVHBA was driven by the continuing development of additional product categories across *CALVIN KLEIN* and *TOMMY HILFINGER* brands and the ongoing development of the retail channels. EBITDA margins improved during this period based on a sales mix improvement from accelerated retail growth and overall costs being well contained.

Gazal Results Summary

\$'000	12 months ended 2 February 2019 (Audited)	12 months ended 3 February 2018 (Unaudited)	Variance %
Profit before impairment of investment and income tax (1)	15,691	11,082	41.6%
Impairment of investment	-	(3,121)	
Profit before income tax from continuing operations	15,691	7,961	97.1%
Income tax expense	(66)	(123)	-46.3%
Profit after tax from continuing operations	15,625	7,838	99.3%
(Loss)/profit after tax from discontinuing operations	(671)	7,198	
Net profit for the period	14,954	15,036	-0.5%

(1) Includes the share of joint venture net profit after tax of \$13.6m

In addition to the share of joint venture results, Gazal's Corporate Services and Property Services delivered a positive combined return of \$2.1m (loss of \$0.2m in the pcp). Overall, profit before tax from continuing operations before impairment, rose 41.6% to \$15.7m (profit of \$11.1m in the pcp).

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

Operating and Financial Review (continued)

Net Debt Position

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

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

Banksmeadow Property

Gazal completed a Directors valuation of the Banksmeadow property. This valuation ascribed a value to the property of \$83.0m (including \$1.2m of plant), up \$9.7m from the \$73.3m (including \$1.3m of plant) value at the half year on 4 August 2018. The directors based the valuation on the available market information.

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

Events after Balance Date

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

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

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

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

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

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

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

Operating and Financial Review (continued)

Events after Balance Date (continued)

Dividend

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

There are no other matters or circumstances that have arisen since 2 February 2019 that have significantly affected or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years.

Material Business Risks

The Group has a 50% interest in PVH Brands Australia Pty Limited, a jointly controlled entity ("JV"). The JV imports 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 period not otherwise disclosed in this report or the consolidated financial statements.

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 12 month period ended 2 February 2019.

Share Options

Details of options and or performance rights 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 period to the date of this report due to the exercise of an option, are set out in Note 20 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 the financial period.

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.

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

Indemnification and Insurance of Directors, Auditors and Officers (continued)

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 period.

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 Corporations Instrument 2016/191. The Company is an entity to which the Corporations Instrument 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
C. Kimberley	Non- Executive Director
G. Paton	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.

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.

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

Remuneration Report (audited) (continued)

Remuneration report approval at FY18 AGM

The FY18 remuneration report received positive shareholder approval at the FY18 AGM with a vote of 98% 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 calibre 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 period.

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.

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.

The remuneration of non-executive directors for the 12 month period ended 2 February 2019 is detailed in the Table on page 15 of this report.

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

Remuneration Report (audited) continued

Non-executive director remuneration (continued)

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 and Mr. P Robinson the CEO are provided on page 13.

Approach to setting remuneration

The executive remuneration framework carried over from 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 50% 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 Companywide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

Variable Remuneration – Short Term Incentive (STI)

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 period. 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	30- 40%	55-65%
Other executives	50-60%	30-50%

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

Remuneration Report (audited) continued

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 15.

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 April 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 period.

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.

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

The entire STI cash bonus of \$2,028,333 for the previous financial period, as accrued in the previous period, vested to executives and was paid in the 12 month period ended 2 February 2019. The Remuneration and Nomination Committee has approved the STI payments for the 12 month period ended 2 February 2019 of \$1,546,872 which were accrued as at 2 February 2019. This amount has been accrued on the basis that it is probable that the executives have met their respective financial targets for the period. 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 following financial year. The STI bonus plan was amended during the current period to align with the PVH growth plan which sets individual and group performance profitability and performance hurdles.

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

Remuneration Report (audited) continued

Fixed Remuneration (continued)

STI Bonus (continued)

The variable remuneration component of executives is detailed in the Table on page 15.

There were no bonuses forfeited in the 12 month period ended 2 February 2019 or the 7 month period ended 3 February 2018.

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

Structure

LTI grants to executives are capable of being delivered either in the form of share options administered under a Share Option Plan ("SOP") or under the Long-Term Incentive awards (LTI) Plan which are delivered in the form of performance rights which vest within varying periods of time as approved by the board. The Gazal Group Employee Share Option Plan is currently inactive. 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 including a service condition.

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 and various other corporate plans. The LTI Plan in FY16 and FY17 included both the CEO and CFO who were integral to the successful completion of the plans. The incremental fair value granted in FY17 as a result of the modifications is \$300,000 (130,435 performance rights) for the CEO and \$150,000 (65,217 performance rights) for the CFO a total of \$450,000. The modified awards were granted in February 2017, allocated on 1 August 2017 and vested on 30 June 2018. A further grant of performance rights was provided to the CFO in recognition of his work during the 7 months' period to 3 February 2018. The incremental fair value granted in the current period as a result of the modifications was \$87,500.

As part of the PVH growth program the Gazal Board agreed to an updated reward scheme for LTI incentives to key individuals to deliver the high growth program over the coming three years. The program is based on a number of criteria and is summarised as follows: -

- the primary performance condition is a Profit after Tax hurdle for the current period of \$10,251,000 for 50% of the rights and individual performance measures for the balance of 50%
- 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 that is outside managements control
- the rights are subject to rolling three-year continuous service conditions in order for the rights to vest
- participants leaving the company in 'good leaver' circumstances, during the performance will have unvested performance rights either pro-rata remaining on foot till performance criteria are tested and vest on the original vesting date or if the performance criteria is not met the rights will lapse immediately
- the rights do not carry a right to vote or to receive dividends however, upon the exercise of vested rights, participants are entitled to dividend equivalent payments between the grant and exercise of rights
- the rights are subject to certain other forfeiture circumstances and implications on ceasing employment and on change of control. The LTI arrangement includes a change of control clause which would result in the Board of Directors determining whether the performance rights vest, lapse or are modified.

In the current period a total of 796,570 performance rights were granted on 4 May 2018 at a fair value price of \$2.35 totalling \$1,871,939. The above performance rights included grants to Michael Gazal for 249,574 rights and to Patrick Robinson for 244,681 rights which were approved by shareholders at the Annual General Meeting on 28 June 2018.

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

Remuneration Report (audited) continued

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.

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

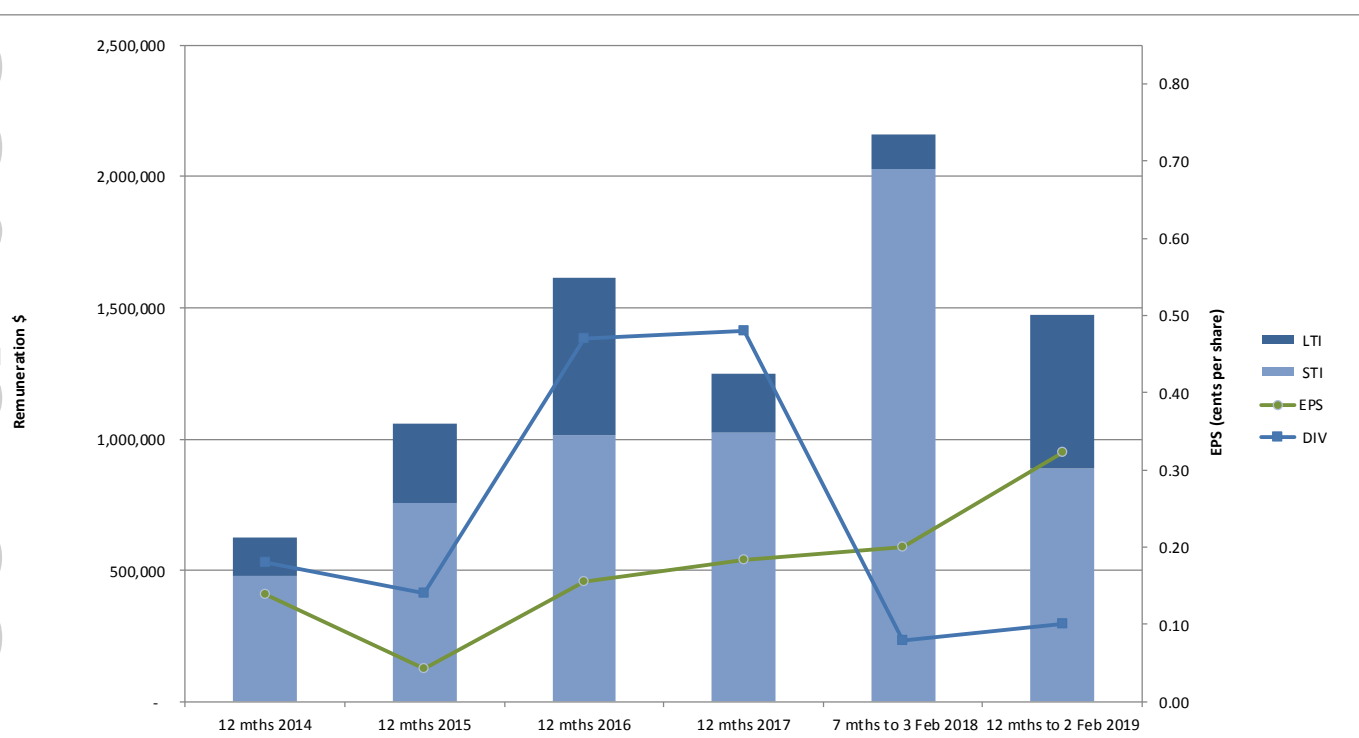
All other executives have similar contracts which may be terminated by providing between 6 months and one month written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). On notice of termination by the company, any LTI options that 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.

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

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.

The graph below illustrates the company's performance for the past 3 financial years and for the 7 month period ending 3 February 2018 and 12 month period ending 2 February 2019. The dividend for the 12 month period ended 2 February 2019 does not include the proposed dividend subject to the scheme of arrangement becoming effective.



Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

Remuneration Report (audited) continued

Directors and Executives Remuneration for the 12 months ended 2 February 2019

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 period are as follows.

Directors	Period (a)	Short term benefits				Post Employment		Long-term benefits	Share based payment	Total Performance related %	
		Salary & Fees	Cash Bonus (b)	Non Monetary benefits	Other	Superannuation	Retirement benefits	Long Service Leave	LTI Options/ Performance Rights		
M.J. Gazal	2-Feb-19	566,198	-	-	31,710	25,000	-	9,776	159,955	792,639	20.18
Executive Chairman	3-Feb-18	310,545	750,000	-	20,110	14,583	-	5,702	-	1,100,940	68.12
P. Robinson (c)	2-Feb-19	575,000	575,000	-	8,514	25,000	-	9,583	219,318	1,412,415	56.24
Chief Executive Officer	3-Feb-18	335,417	1,041,667	-	6,966	14,583	-	5,590	87,500	1,491,723	75.70
B. Klatsky (e)	2-Feb-19	216,041	-	-	-	-	-	-	-	216,041	-
Non-executive	3-Feb-18	121,145	-	-	-	-	-	-	-	121,145	-
D.J. Gazal (f)	2-Feb-19	-	-	-	-	-	-	-	-	-	-
Executive	3-Feb-18	141,308	-	-	15,245	12,500	-	2,639	-	171,692	-
C. Kimberley	2-Feb-19	75,000	-	-	-	7,500	-	-	-	82,500	-
Non-executive	3-Feb-18	37,500	-	-	-	3,750	-	-	-	41,250	-
G. Paton	2-Feb-19	85,000	-	-	-	8,500	-	-	-	93,500	-
Non-executive	3-Feb-18	42,500	-	-	-	4,250	-	-	-	46,750	-
Total Directors	2-Feb-19	1,517,239	575,000	-	40,224	66,000	-	19,359	379,273	2,597,095	
	3-Feb-18	988,415	1,791,667	-	42,321	49,666	-	13,931	87,500	2,973,500	
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		
G. Griffiths (d)	2-Feb-19	361,300	180,770	-	4,619	20,312	-	6,018	168,051	741,070	47.07
Chief Financial Officer	3-Feb-18	210,899	118,333	-	2,433	11,695	-	3,515	43,750	390,625	41.49
P. Wood	2-Feb-19	265,477	132,859	19,910	2,856	20,312	-	4,421	36,234	482,069	35.08
Company Secretary	3-Feb-18	155,002	118,333	12,086	0	11,479	-	2,583	-	299,483	39.51
Total Executive KMP	2-Feb-19	626,777	313,629	19,910	7,475	40,624	-	10,439	204,285	1,223,139	
	3-Feb-18	365,901	236,666	12,086	2,433	23,174	-	6,098	43,750	690,108	

Notes

- (a) At 2 February 2019 the remuneration report is for the 12-month period from 4 February 2018 to 2 February 2019. At 3 February 2018 the remuneration report is for the 7-month period from 1 July 2017 to 3 February 2018.
- (b) Cash bonuses are payable subsequent to 2 February 2019.
- (c) At 2 February 2019 the current LTI commenced in May 2018 and vests over three years to 30 January 2021 therefore only 27% of \$575,000 has been shown in the current period. The prior LTI vested over two years to 30 June 2018 and therefore only 21% of the remuneration of \$300,000 has been shown in the current period.
- (d) At 2 February 2019 the current LTI commenced in May 2018 and vests over three years to 30 January 2021 therefore only 27% of \$180,771 has been shown in the current period. The LTI of \$87,500 vests on 4 February 2019 and has been shown in the current period. The prior LTI vested over two years to 30 June 2018 and therefore only 21% of the remuneration of \$150,000.
- (e) This includes expense reimbursement.
- (f) Mr. D Gazal resigned as an executive director on 29 December 2017.

Remuneration Options: Granted and Vested (audited)

There were no options granted to KMPs in the transitional period ended 3 February 2018 and during the 12 month period ended 2 February 2019 there were performance rights issued to Mr. G Griffiths.

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

Remuneration Report (audited) continued

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

On 28 June 2018 a grant of 37,234 performance rights was provided to Guy Griffiths at a fair value price of \$2.35 totalling \$87,500.

A further 796,570 performance rights were granted on 4 May 2018 at a fair value price of \$2.35 totalling \$1,871,939. These performance rights included grants to Michael Gazal for 249,574 rights and Patrick Robinson for 244,681 rights, which were approved by shareholders at the Annual General Meeting on 28 June 2018. There were no performance rights granted in the 7 months period ended 3 February 2018.

Key Management Personnel

(a) Remuneration by Category: Key Management Personnel

	Consolidated	
	12 months ended 2 February 2019	7 months ended 3 February 2018
Short-Term	3,100,254	3,439,489
Post Employment	106,624	72,840
Long-Term Benefits	29,798	20,029
Share-based Payments	583,558	131,250
	3,820,234	3,663,608

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

Key Management Personnel (continued)

(b) Shareholdings of Key Management Personnel and Related Parties

2 February 2019	Balance 3 February 2018	Granted as Remuneration	On Exercise of performance rights	Net Change Other	Balance 2 February 2019
Shares held in Gazal Corporation Limited (Number)	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
Directors					
B. Klatsky	2,000,000	-	-	-	2,000,000
P. Robinson (1)	353,552	285,171	130,435	-	769,158
M.J. Gazal	17,800,078	-	-	-	17,800,078
C. Kimberley	1,515,000	-	-	(750,000)	765,000
G. Paton	700,000	-	-	-	700,000
Executives					
G Griffiths (2)	236,023	-	65,217	-	301,240
P. Wood	324,000	-	-	-	324,000

3 February 2018	Balance 1 July 2017	Granted as Remuneration	On Exercise of performance rights	Net Change Other	Balance 3 February 2018
Shares held in Gazal Corporation Limited (Number)	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
Directors					
B. Klatsky	2,000,000	-	-	-	2,000,000
P. Robinson	353,552	-	-	-	353,552
M.J. Gazal	17,866,743	-	-	(66,665)	17,800,078
D.J. Gazal (3)	15,238,815	-	-	(15,238,815)	-
C. Kimberley	1,515,000	-	-	-	1,515,000
G. Paton	700,000	-	-	-	700,000
Executives					
G Griffiths	236,023	-	-	-	236,023
P. Wood	324,000	-	-	-	324,000

(1) A total of 285,171 ordinary shares, in lieu of a bonus of \$750,000 was granted to Mr Robinson in July 2018 in accordance with a resolution passed at the 2018 AGM. A total of \$300,000 shares were pre-allocated in August 2017 on the granting of the 130,435 performance rights awarded to Mr Robinson on 1 August 2017 but do not vest until 30 June 2018.

(2) On June 2018 a grant of 37,234 performance rights was provided to Mr Griffiths, totalling \$87,500 but do not vest until 3 February 2019. A total of \$150,000 shares were pre-allocated in August 2017 on the granting of the 65,217 performance rights awarded to Mr Griffiths on 1 August 2017 but do not vest until 30 June 2018.

(3) On 29 December 2017 the sale of the Bisley Workwear business was completed. Mr D.J. Gazal sold all his shares in the company and resigned as an Executive Director. The company bought back 9, 803,364 fully paid ordinary shares held by companies associated with Mr D.J. Gazal.

(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

During the period Gazal Corporation Limited there were no transactions with key management personnel.

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

Key Management Personnel (continued)

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 period. Receivables from related parties have 30 day terms.

	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

12 months ended 2 February 2019

7 months ended 3 February 2018

29,595	-	2,119	-
13,475	-	2,725	-

Shares price

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

30 June 2017	\$2.24
3 February 2018	\$2.06
2 February 2019	\$4.35

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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

Gazal Corporation Limited
Directors' Report (continued)
For the 12 months ended 2 February 2019

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:

	12 months ended	7 months ended
	2 February 2019	3 February 2018
Tax compliance services and corporate tax planning	\$81,253	\$52,060

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 March 2019.

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

As lead auditor for the audit of the financial report of Gazal Corporation Limited for the financial year ended 2 February 2019, 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

Ernst & Young



James Karekinian
Partner
29 March 2019

Gazal Corporation Limited

Statement of Corporate Governance Practices

For the 12 months ended 2 February 2019

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

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 Board's 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 CEO 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.

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:

Gazal Corporation Limited
Statement of Corporate Governance Practices (continued)
For the 12 months ended 2 February 2019

Structure of the Board (continued)

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*		

Mr. MJ Gazal is not considered to be independent as his family interests have a majority ownership of the Gazal Corporation Limited as indicated on page 91 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 over 24 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.

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	9 years	M.J. Gazal	32 years
C. Kimberley	14 years	P. Robinson	6 years
G. Paton	12 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, Executive Chairman and other senior executives of the company.

¹ The Audit & Risk Committee and the Remuneration & Nomination Committee.
Gazal Corporation Limited Annual Report for the 12 months ended 2 February 2019

Gazal Corporation Limited
Statement of Corporate Governance Practices (continued)
For the 12 months ended 2 February 2019

The Remuneration and Nomination Committee (continued)

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 three Non-Executive Directors. Members of the Remuneration Committee throughout the period were Mr. B. Klatsky (Chairman), Mr. G. Paton 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 period 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 period 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 period 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.

Gazal Corporation Limited
Statement of Corporate Governance Practices (continued)
For the 12 months ended 2 February 2019

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.

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 Executive 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 period 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 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 27 to these accounts.

Gazal Corporation Limited
Statement of Corporate Governance Practices (continued)
For the 12 months ended 2 February 2019

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 circa 31 January; and
- The next business day after the day on which the full-year results are released circa 31 July.

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 website.

Gazal Corporation Limited
Statement of Corporate Governance Practices (continued)
For the 12 months ended 2 February 2019

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 period to achieve these objectives, and the outcomes. The sale of the Bisley Workwear business has removed a portion of the women represented at all levels from the Gazal workforce.

Objectives

To maintain the overall percentage of women in the workplace.

Steps taken/Outcomes

At 2 February 2019, women represented 49% of the Group's workforce (2018: 51%).

For the 12 month period to 2 February 2019, the Group's target is to facilitate overall female representation within the Group's workforce. Women presently represent 15% of manager and senior manager positions (2018: 19%).

To provide more flexibility in work arrangements.

During the period, Gazal employed and or allowed 15 existing workers to move to flexible work arrangements (2018: 4). These flexible work arrangements included working less hours or working more days at home.

During the period, the company implemented summertime hours over the December and January period. This allowed workers to finish at 3pm on Fridays.

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

Gazal continues to communicate its cornerstone core values of respect whilst maintaining a zero tolerance for negative behaviour, through the utilisation of policies including the Code of Conduct, Anti-Discrimination and Equal Employment Opportunity Policy, Workplace Bullying and Whistleblower Policies.

To enhance training for existing and newly appointed management.

During the period, the company continued its in-house "Management Essentials" program for middle level managers, in the company and joint venture. across both Retail and Wholesale environments. There was a total of 44 participants with the program available in Sydney, Melbourne and the Gold Coast (2018:46).

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Gazal Corporation Limited (the Company) and its controlled entities (collectively the Group) which comprises the consolidated statement of financial position as at 2 February 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 2 February 2019 and of its consolidated financial performance for the period ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Equity Accounting of Investment in Joint Venture

Why significant

The Group jointly controls PVH Brands Australia Pty Limited (PVHBA). The investment is accounted for using the equity method of accounting as disclosed in Note 5 of the financial report.

The value of the investment at 2 February 2019 was \$71.3 million which represented 43% of total assets of the Group. The Group's share of the profit of the joint venture for the period ended 2 February 2019 was \$13.6 million.

Given the significance of the joint venture to the financial position and results of the Group we considered the equity accounting of PVHBA to be a Key Audit Matter.

How our audit addressed the Key Audit Matter

Our audit procedures included the following:

- Considered whether the use of the equity method of accounting was appropriate;
- Recalculated the Group's share of the results of PVHBA using the equity method of accounting;
- Agreed the equity accounted results of PVHBA to the audited financial report of PVHBA;
- Considered the Group's assessment of the accounting policies used by PVHBA to ensure they are consistent with those of the Group;
- Considered whether any indicators of impairment were present that may have suggested that the carrying value of the investment was not recoverable; and
- Assessed the disclosures in the financial report related to the investment.

2. Valuation of land and buildings

Why significant

Land and buildings represent 50% of total assets of the Group as at 2 February 2019. The land and buildings are measured at fair value as disclosed in Note 13 of the financial report.

These valuations are based on a Director's Valuation which was determined using available market based evidence.

Given the significance of land and buildings to the financial position of the Group and the judgements involved in determining fair value, this was considered to be a Key Audit Matter.

How our audit addressed the Key Audit Matter

Our audit procedures included the following:

- Reviewed the assumptions used in the Director's Valuation to determine the fair value of land and buildings;
- Involved our real estate valuation specialists to evaluate the Director's Valuation, including the underlying assumptions and the applied methodology; and
- Assessed the disclosures in the financial report related to the valuation of land and buildings.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the Key Audit Matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 16 of the directors' report for the period ended 2 February 2019.

In our opinion, the Remuneration Report of Gazal Corporation Limited for the period ended 2 February 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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 opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



James Karekinian
Partner
Sydney
29 March 2019

Gazal Corporation Limited
Directors' Declaration
For the 12 months ended 2 February 2019

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 2 February 2019 and of its performance for the 12 month period 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 29 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 12 month period ended 2 February 2019.

On behalf of the Board



M.J. Gazal
Executive Chairman



P. Robinson
Executive Director

Dated at Sydney the 29th day of March 2019.

Gazal Corporation Limited
Income Statement
For the 12 months ended 2 February 2019

	Notes	Consolidated	
		12 months ended 2 February 2019 \$'000	7 months ended 3 February 2018 \$'000
Fee revenues	6	22,499	12,739
Other revenues	6	3	2
Total revenues		22,502	12,741
Administration expenses	6	(19,499)	(10,333)
Finance costs	6	(914)	(520)
Share of profit of joint venture	5	13,602	6,941
Profit before impairment of investment and income tax		15,691	8,829
Impairment of investment		-	(3,121)
Profit before income tax from continuing operations		15,691	5,708
Income tax expense	7	(66)	(278)
Profit after tax from continuing operations		15,625	5,430
Discontinued operations			
(Loss)/profit after tax from discontinuing operations	8	(671)	5,938
Net profit for the period		14,954	11,368
Profit for the period is attributable to: Owners of the parent		14,954	11,368
Earnings per share (cents per share)			
Basic for profit for the year	9	32.3	20.0
Basic for profit from continuing operations	9	33.7	9.6
Diluted for profit for the period	9	31.8	20.0
Diluted for profit from continuing operations	9	33.2	9.6

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

Gazal Corporation Limited
Statement of Comprehensive Income
For the 12 months ended 2 February 2019

	Notes	Consolidated	
		12 months ended 2 February 2019	7 months ended 3 February 2018
		\$'000	\$'000
Profit after tax for the period		14,954	11,368
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Transferred to income statement		-	1,575
Income tax on items of other comprehensive income		-	(473)
Other comprehensive income from joint venture	5	1,390	(300)
Exchange differences on translation of foreign operations		10	(169)
Items that will not be reclassified subsequently to profit or loss			
Fair value revaluation of land and buildings		24,243	4,732
Income tax on items of other comprehensive income		(7,193)	(1,420)
Other comprehensive income for the period, net of tax		18,450	3,945
Total comprehensive income for the period		33,404	15,313
Total comprehensive income for the period is attributable to:			
Owners of the parent		33,404	15,313

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

Gazal Corporation Limited
Statement of Financial Position
As at 2 February 2019

	Notes	Consolidated	
		As at	As at
		2 February 2019	3 February 2018
		\$'000	\$'000
Current assets			
Cash and cash equivalents	25(a)	3,073	1,514
Trade and other receivables	11	2,119	2,658
Other current assets	12	1,052	4,436
Total current assets		6,244	8,608
Non-current assets			
Property, plant and equipment	13	85,166	61,859
Intangible assets	14	2,098	1,812
Investment in joint venture	5	71,272	65,006
Total non-current assets		158,536	128,677
Total assets		164,780	137,285
Current liabilities			
Trade and other payables	15	3,275	5,305
Income tax payable		419	2,095
Provisions	16	2,311	2,258
Total current liabilities		6,005	9,658
Non-current liabilities			
Other Payables	17	-	135
Interest-bearing loans and borrowings	18	28,000	20,000
Provisions	19	173	146
Deferred tax liabilities	7	20,750	13,987
Total non-current liabilities		48,923	34,268
Total liabilities		54,928	43,926
Net assets		109,852	93,359
Equity			
Contributed equity	20	43,423	53,138
Reserves	21	55,807	36,431
Retained earnings	22	10,622	3,790
Total Equity		109,852	93,359

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

Gazal Corporation Limited
Statement of Cash Flows
For the 12 months ended 2 February 2019

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

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

Gazal Corporation Limited
Statement of Changes in Equity
For the 12 months ended 2 February 2019

	Consolidated							
	Attributable to shareholders of Gazal Corp Ltd							
	Issued Capital \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	Employee Equity Benefit Reserve \$'000	Cash Flow Hedge Reserve \$'000	Reserves from joint venture \$'000	Retained Earnings \$'000	Total Equity \$'000
At 4 February 2018	53,138	37,317	-	(95)	-	(791)	3,790	93,359
AASB 15 adjustment	-	-	-	-	-	-	(106)	(106)
At 4 February 2018 (adjusted)	53,138	37,317	-	(95)	-	(791)	3,684	93,253
Profit for the period	-	-	-	-	-	-	14,954	14,954
Other comprehensive income	-	17,050	10	-	-	1,390	-	18,450
Total comprehensive income for the period	-	17,050	10	-	-	1,390	14,954	33,404
Transactions with owners in their capacity as owners:								
Cost of share-based payments	-	-	-	926	-	-	-	926
Share buy back	(10,465)	-	-	-	-	-	-	(10,465)
Share issue	750	-	-	-	-	-	-	750
Dividends paid	-	-	-	-	-	-	(8,016)	(8,016)
At 2 February 2019	43,423	54,367	10	831	-	599	10,622	109,852
At 1 July 2017	63,373	34,006	168	225	(1,102)	(491)	10,908	107,087
Profit for the period	-	-	-	-	-	-	11,368	11,368
Other comprehensive income	-	3,312	(169)	-	1,102	(300)	-	3,945
Total comprehensive income for the period	-	3,312	(169)	-	1,102	(300)	11,368	15,313
Transactions with owners in their capacity as owners:								
Cost of share-based payments	-	-	-	130	-	-	-	130
Share buy back	(10,685)	-	-	-	-	-	(13,824)	(24,509)
Share issue	450	-	-	(450)	-	-	-	-
Transfer	-	(1)	1	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(4,662)	(4,662)
At 3 February 2018	53,138	37,317	-	(95)	-	(791)	3,790	93,359

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

Gazal Corporation Limited
Notes to the Annual Financial Report
For the 12 months ended 2 February 2019

1 CORPORATE INFORMATION

The annual financial report of Gazal Corporation Limited for the 12 months ended 2 February 2019 was authorised for issue in accordance with a resolution of the directors on 29 March 2019. The Company has the power to amend and reissue this financial report.

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial report for the 12 month period ended 2 February 2019 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 also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

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

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

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

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

Statement of compliance

New Accounting Standards and Interpretations

Changes in accounting policies and disclosures

The following new and amended Australian Accounting Standards and AASB interpretations are applicable from 4 February 2018-

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

No other Australian Accounting Standards and Interpretations that have recently been issued or amended (but are not yet effective) have been adopted for the annual reporting period ended 2 February 2019. There are no other amendments and interpretations that apply for the first time in the current period, that have an impact on the consolidated financial statements of the Group.

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

AASB 9 Financial Instruments

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

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

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

Hedge accounting: The effect of adopting AASB 9 did not result in a material change. The Group and its joint venture has continued to apply hedge accounting principles under AASB 139 as allowed under AASB 9.

The Group elected to adopt AASB 9 using the modified retrospective method of adoption. The effect of adopting capital AASB 9 was not material for the Group.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

Statement of compliance (continued)

New Accounting Standards and Interpretations (continued)

Changes in accounting policies and disclosures (continued)

AASB 15 Revenue from Contracts with Customers

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

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

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

(i) Rights of return

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

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

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

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

Assets and liabilities arising from rights of return

Right of return assets

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

Refund liabilities

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

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

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

Statement of compliance (continued)

New Accounting Standards and Interpretations (continued)

Changes in accounting policies and disclosures (continued)

AASB 15 Revenue from Contracts with Customers (continued)

(ii) Rights of return

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

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

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

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

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

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

Statement of compliance (continued)

New Accounting Standards and Interpretations (continued)

Changes in accounting policies and disclosures (continued)

AASB 15 Revenue from Contracts with Customers (continued)

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

Statement of Financial Position:

	Notes	Consolidated		
		As at	As at	Impact
		2 February 2019 AASB 15 \$'000	2 February 2019 AASB 118 \$'000	AASB 15 \$'000
Current assets				
Cash and cash equivalents	25(a)	3,073	3,073	-
Trade and other receivables	11	2,119	2,119	-
Income tax receivable		-	-	-
Other current assets	12	1,052	1,052	-
Total current assets		6,244	6,244	-
Non-current assets				
Property, plant and equipment	13	85,166	85,166	-
Intangible assets	14	2,098	2,098	-
Investment in joint venture	5	71,272	71,378	(106)
Total non-current assets		158,536	158,642	(106)
Total assets		164,780	164,886	(106)
Current liabilities				
Trade and other payables	15	3,275	3,275	-
Income tax payable		419	419	-
Provisions	16	2,311	2,311	-
Total current liabilities		6,005	6,005	-
Non-current liabilities				
Other Payables	17	-	-	-
Interest-bearing loans and borrowings	18	28,000	28,000	-
Provisions	19	173	173	-
Deferred tax liabilities	7	20,750	20,750	-
Total non-current liabilities		48,923	48,923	-
Total liabilities		54,928	54,928	-
Net assets		109,852	109,958	(106)
Equity				
Contributed equity	20	43,423	43,423	-
Reserves	21	55,807	55,807	-
Retained earnings	22	10,622	10,728	(106)
Total Equity		109,852	109,958	(106)

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

Statement of compliance (continued)

New Accounting Standards and Interpretations (continued)

Changes in accounting policies and disclosures (continued)

AASB 15 Revenue from Contracts with Customers (continued)

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

Income Statement:

		Consolidated		
		12 months ended 2 February 2019 AASB 15 \$'000	12 months ended 2 February 2019 AASB 118 \$'000	Impact AASB 15 \$'000
	Notes			
Fee revenues	6	22,499	22,499	-
Other revenues	6	3	3	-
Total revenues		22,502	22,502	-
Administration expenses	6	(19,499)	(19,499)	-
Finance costs	6	(914)	(914)	-
Share of profit of joint venture	5	13,602	13,602	-
Profit before impairment of investment and income tax		15,691	15,691	-
Profit before income tax from continuing operations		15,691	15,691	-
Income tax benefit / (expense)	7	(66)	(66)	-
Profit after tax from continuing operations		15,625	15,625	-
Discontinued operations				
(Loss)/ profit after tax from discontinuing operations	8	(671)	(671)	-
Net profit for the period		14,954	14,954	-
Profit for the period is attributable to: Owners of the parent		14,954	14,954	-
Earnings per share (cents per share)				
Basic for profit for the year	9	32.3	32.3	-
Basic for profit from continuing operations	9	33.7	33.7	-
Diluted for profit for the period	9	31.8	31.8	-
Diluted for profit from continuing operations	9	33.2	33.2	-

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

Statement of compliance (continued)

New Accounting Standards and Interpretations (continued)

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:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 16	Leases	<p>AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i>. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</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 finalising the extent of the impact of AASB 16.</p> <p>It is not anticipated that there will be an significant impact resulting from the operations of Gazal, on the basis that Gazal's leases as a lessee is restricted to various printers which are not material.</p> <p>The Group expects AASB 16 implementation to result in a significant impact for the PVH joint venture, as it holds lease contracts as a lessee in retail stores throughout Australia and New Zealand. The impact assessment is still ongoing by the PVH joint venture, in particular, assessing the incremental borrowing rate.</p> <p>The Group expects to finalise the AASB 16 assessment in due course.</p>	3 February 2019

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

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 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 12 months ended 2 February 2019

Operating segments

The operating segments are identified by management based on differences in product and services provided. Discrete financial information about each of these operating segments is reported to the management team at least every month and the Board of Directors at least every two months.

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 services,
- Type or class of customer for the 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.

During the comparative period ended 3 February 2018, the overseas subsidiaries were sold. There were no assets and liabilities of these overseas subsidiaries as at the reporting date.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

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 7(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 12 months ended 2 February 2019

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.

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 - 10 years

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.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

Property, plant and equipment (continued)

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.

A Directors valuation was performed 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.

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 12 months ended 2 February 2019

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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. 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 are 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.

Trade and other receivables

Trade receivables generally have 30-60 day terms. An assessment was carried out as a result of the adoption of AASB 9 Financial Instruments. The effect of adopting AASB 9 did not result in a change in classification and Trade Receivables continue to be recognised initially at transaction value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. The trade and other receivables are measured at amortised costs as the Group's business model is to hold and collect the cash flows, and these cash flows are solely payments of principal and interest.

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. The Group applies a simplified approach in calculating the expected forward-looking credit losses (ECL). Therefore, the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECL's at each reporting date.

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 represent liabilities for goods and services provided to the Group prior to the end of the financial period 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.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derivative financial instruments and hedging

Derivative financial instruments were previously used by the Bisley Workwear business in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates. On 29 December 2017 the Bisley Workwear business was sold and the remaining foreign currency contracts held for future inventory purchases no longer required, were closed.

There were no derivative financial instruments at the reporting date. The joint venture uses derivative financial instruments. The Group elected to adopt AASB 9 using the modified retrospective method of adoption. The Group and its joint venture has continued to apply hedge accounting principles under AASB 139 as allowed under AASB 9. The effect of adopting capital AASB 9 was not material for the Group.

Interest-bearing loans and borrowings

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Discontinued operations

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 coordinated 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

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

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 8. 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 performance rights, whereby employees render services in exchange for future 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 Long-Term Incentive awards (LTI) Plan was established 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 cost of vested or lapsed performance rights from Share Based Payments Reserve to Retained Earnings.

Revenue recognition

The Group is in the business of providing management services for PVH Joint Venture. Revenue from contracts with customers is recognised when the performance obligation to provide services is satisfied. The amount recognised reflects the consideration to which the Group expects to be entitled in exchange for the services. The Group has generally concluded that it is the principal in its revenue arrangements with its Joint Venture, because it typically controls the quality of services and is primarily responsible.

The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest revenue

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

(ii) Dividends

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

(iii) Fees from joint venture

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

(iv) Rental Revenue

Rental revenue arising from operating leases is recognised on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature.

(v) Fees from divested operations

Other revenue arising from shared service fees and transitional service fees from divested operations and are recognised over time.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

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 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.

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.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

Investments and other financial assets (continued)

Fair value measurement

The Group measures financial instruments, such as land and buildings at fair value at each balance sheet date and share based payments at fair value at grant 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. During the current period the Group completed a Directors valuation of the land and building.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

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:

Bonus provision

Bonus payments granted to each executive depends mainly on the performance of the Company 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 require 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 20.

Property valuations

At the balance date Gazal completed a Directors' valuation of the Banksmeadow property to determine the fair value of its land and buildings.

The directors determined fair value 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 2 February 2019.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

4 EVENTS AFTER BALANCE DATE

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

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

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

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

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

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

There are no other matters or circumstances that have arisen since 2 February 2019 that have significantly affected or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

5 INVESTMENT IN JOINT VENTURE

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

The Group's interest has been accounted for using the equity method in the 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:

	12 months ended 2 February 2019 \$'000	7 months ended 3 February 2018 \$'000
Sales revenue	298,260	144,659
Cost of sales	(111,360)	(52,372)
Gross profit	186,900	92,287
Other revenues	155	80
Selling and marketing expenses	(111,909)	(55,671)
Distribution expenses	(16,178)	(6,859)
Administration expenses	(12,100)	(5,898)
Depreciation and amortisation expenses	(7,606)	(3,931)
Finance costs	(516)	(123)
Profit before income tax	38,746	19,885
Income tax expense	(11,542)	(6,004)
Profit for the year	27,204	13,881
Share of profit from joint venture in the income statement	13,602	6,941
Group's share of other comprehensive income	1,390	(300)
Group's share of total comprehensive income	14,992	6,641

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

5 INVESTMENT IN JOINT VENTURE (continued)

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

(1) Includes \$3,268,000 of cash and cash equivalents (3 February 2018: \$9,045,000).

(2) Includes \$nil of interest-bearing loans and borrowings (3 February 2018: \$nil).

(3) Relates to the movement in forward currency contract cash flow hedge reserve.

(4) Relates to the Group's share of AASB15 retained earnings adjustment in the joint venture for the period in the joint venture retained earnings (3 February 2018: \$nil).

During the 12 month period the board of PVH Brands Australia Pty Limited resolved by circular resolution to pay fully franked dividends to the ordinary shareholders in the capital of the company totalling \$17,239,000, out of the retained profits of the joint venture (2018: \$4,000,000). \$7,939,000 was paid April 2018 and \$9,300,000 was paid December 2018. The Group's share of the fully franked dividend was \$8,619,500.

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

Gazal's successful relationship with PVH has spanned over 30 years and continues through the ongoing operations of the JV. The JV commenced in February 2014 with Calvin Klein underwear and Calvin Klein Jeans operations and later expanded through the acquisition of the Tommy Hilfiger Australian operations and the Van Heusen, Nancy Ganz and other shirting, tailored and shapewear businesses (collectively "Heritage Brands").

The JV has perpetual licence and distribution agreements covering Calvin Klein, Van Heusen and Tommy Hilfiger. These licences will continue to support the long-term operations of the JV.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

5 INVESTMENT IN JOINT VENTURE (continued)

To protect both parties, however, specific buy-out arrangements have been put in place in the Shareholders Deed of the JV. These arrangements cover the following:

- **Board Deadlock** - The JV Board of Directors has 4 directors (2 from Gazal and 2 from PVH). In the unlikely event of a deadlock at the JV Board level and shareholder level, there are agreed dispute resolution procedures in place. If these procedures are exhausted and the deadlock remains unresolved, then:
 - Gazal has the right to require PVH to acquire its Shares at 7 x the preceding 12 months EBITDA (less any debt), and,
 - PVH has the right to require Gazal to sell its Shares to PVH at 7 x the preceding 12 months EBITDA (less any debt).
- **Change of Control in relation to Gazal** - If a Change of Control of Gazal occurs, then PVH may require Gazal to sell its Shares to PVH at 7 x the preceding 12 months EBITDA (less any debt).
- **Termination of licences** - If any of the licences noted above are terminated Gazal has the right to require PVH to acquire its Shares at 7 x the preceding 12 months EBITDA (less any debt). If a licence is terminated due to a Culpable Termination Event, PVH has the right to require Gazal to sell its Shares to PVH at a value to be determined by an independent valuer, but not more than 7 x the preceding 12 months EBITDA (less any debt).
- **Periodic buy-out elections**: Gazal may require PVH to buy or PVH may elect to buy Gazal's shares in 2022 and in every second year following, at market value as determined by an independent valuer but not less than 7.5 times and not more than 11 times the preceding 12 months EBITDA, less any debt.

Gazal believes that the likelihood of the need to utilise such buy-out arrangements to be remote and as such, neither a financial asset or liability has been recognised.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

6 REVENUES AND EXPENSES

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

(1) Fees from joint venture represent partnership fees, shared service fees and rent charges.

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

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

7 INCOME TAX

	Consolidated	
	12 months ended 2 February 2019	7 months ended 3 February 2018
	\$'000	\$'000
(a) Income Statement		
<i>Current income tax</i>		
Current income tax (benefit)/charge attributable to continuing operations	295	259
Adjustments in respect of current income tax of previous years	(131)	(344)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(98)	363
Income tax expense reported in the income statement	66	278
(b) Amounts charged or credited directly to equity		
<i>Deferred income tax related to items charged or credited directly to equity</i>		
Net gain on cash flow hedges	-	473
Net gain on revaluation of buildings	7,193	1,420
Net loss on share based payments	242	-
Income tax expense reported in equity	7,435	1,893
(c) Numerical reconciliation between aggregate Tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	15,691	5,708
(Loss)/profit before tax from discontinued operations and net gain on sale of discontinued operations	8 (829)	9,195
Accounting profit before income tax	14,862	14,903
At statutory income tax rate of 30% (2018: 30%)	4,459	4,471
Share of profit of joint venture	(4,081)	(2,088)
Impairment of investment	(936)	936
Other items	597	560
Amounts over provided in prior years	(131)	(344)
Total income tax (benefit)/expense attributable to operating profit	(92)	3,535
Income tax (benefit)/expense reported in the consolidated income statement	66	278
Income tax attributable to discontinued operations and gain on sale of discontinued operations	8 (158)	3,257
	(92)	3,535

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

7 INCOME TAX (continued)

(d) Recognised deferred tax assets and liabilities

Deferred income tax at 2 February relates to the following:

	Statement of Financial Position		Income Statement	
	As at	As at	12 months ended	7 months ended
	2-Feb-19	3-Feb-18	2-Feb-19	3-Feb-18
	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED				
<i>Deferred tax liabilities</i>				
Revaluation of land and buildings to fair value	(21,858)	(14,971)	26	67
Accelerated amortisation/ depreciation for tax purposes	(523)	(466)	57	520
Provisions for employee benefits	1,297	1,000	(297)	401
Other provisions not deductible	334	409	75	(231)
Provisions relating to inventory	-	-	-	276
Doubtful debts	-	-	-	11
Prepayments/other payables	-	-	-	242
Share based payments	-	41	41	98
Derivative liability/(asset)	-	-	-	-
<i>Net deferred tax liabilities</i>	(20,750)	(13,987)	(98)	1,384
CONSOLIDATED				
<i>Net deferred tax liabilities</i>	(20,750)	(13,987)	(98)	1,384

(e) Tax losses

The Group has utilised all its Australian capital gains tax losses during the prior 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)
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8 DISCONTINUED OPERATIONS

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

Discontinued operations for the 7 month period ended 3 February 2018 relates to the trading operations of Bisley Workwear business until the sale to DG Holdco Pty Ltd on 29 December 2017.

The results of the discontinued operations are presented below:

	12 months ended 2 February 2019		7 months ended 3 February 2018	
	Bisley Workwear \$'000	Total \$'000	Bisley Workwear \$'000	Total \$'000
Trading				
Sales revenue	-	-	34,276	34,276
Other revenue/ benefit	-	-	19	19
Cost of sales	-	-	(22,472)	(22,472)
Depreciation and amortisation	-	-	(34)	(34)
Employees benefit expenses	-	-	(2,611)	(2,611)
Other expenses	(829)	(829)	(7,927)	(7,927)
(Loss)/profit before tax from discontinued operations	(829)	(829)	1,251	1,251
Tax benefit/(expense)	158	158	(374)	(374)
(Loss)/profit for the period from discontinued operations	(671)	(671)	877	877
Gain on sale of discontinued operations after tax	-	-	5,061	5,061
Total (loss)/profit from discontinued operations	(671)	(671)	5,938	5,938
	12 months ended 2 February 2019 cents		7 months ended 3 February 2018 cents	
Earnings per share - cents per share:				
- Basic from discontinuing operations		(1.4)		10.5
- Diluted from discontinued operations		(1.4)		10.5

Net cash flows of the discontinued operations are as follows:

	12 months ended 2 February 2019	7 months ended 3 February 2018	
	Total \$'000	Bisley Workwear \$'000	Total \$'000
Operating activities	(671)	1,285	1,285
Investing activities	-	-	-
Net cash inflow	(671)	1,285	1,285

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

9 EARNINGS PER SHARE

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

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

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

10 SEGMENT INFORMATION - OPERATING SEGMENTS

Identification of reportable segments

The operating segments are identified by management based on differences in product and services provided. Discrete financial information about each of these operating segments is reported to the management team at least every month and the Board of Directors at least every two months. The operating segments have been reviewed based on the continuing operations post the sale of Bisley workwear. Based on this review, we have defined the operating segments as follows:

- Joint Venture
- Corporate services
- Property services

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

10 SEGMENT INFORMATION - OPERATING SEGMENTS (continued)

Types of segment groups

Joint Venture

The joint venture income represents the Group's profit share from the joint venture.

Corporate services

The corporate services segment represents the services supplied for the PVHBA joint venture and divested operations.

Property services

The property services segment represents the Group's rent revenue and expenses from the Banksmeadow property.

Accounting policies and inter-segment transactions

The accounting 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.

Unallocated charges

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

Income tax balances and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

10 SEGMENT INFORMATION - OPERATING SEGMENTS (continued)

	Joint Venture	Corporate services	Property services	Total
	\$'000	\$'000	\$'000	\$'000
12 months ended 2 February 2019				
Revenue				
Revenue from joint venture	-	17,800	3,697	21,497
Revenue from divested operations	-	316	686	1,002
Other revenue	-	3	-	3
Segment Revenue	-	18,119	4,383	22,502
Share of income from joint venture	13,602	-	-	13,602
Segment net operating profit before tax	13,602	(286)	2,375	15,691
includes the following:				
- Interest revenue	-	3	-	3
- Interest expense	-	(914)	-	(914)
- Depreciation and amortisation	-	(1,765)	(842)	(2,607)
Segment assets	71,272	11,729	81,779	164,780
Capital expenditure	-	861	264	1,125
Segment liabilities	-	33,553	18	33,571
	Joint Venture	Corporate services	Property services	Total
	\$'000	\$'000	\$'000	\$'000
7 months ended 3 February 2018				
Revenue				
Revenue from joint venture	-	8,736	1,615	10,351
Revenue from divested operations	-	1,517	871	2,388
Other revenue	-	2	-	2
Segment Revenue	-	10,255	2,486	12,741
Share of income from joint venture	6,941	-	-	6,941
Segment net operating profit before tax	6,941	(2,102)	869	5,708
includes the following:				
- Interest revenue	-	2	-	2
- Interest expense	-	(520)	-	(520)
- Depreciation and amortisation	-	(1,075)	(470)	(1,545)
- Other non-cash expenses	-	(6)	-	(6)
Segment assets	65,006	10,913	58,111	134,030
Capital expenditure	-	615	32	647
Segment liabilities	-	27,721	31	27,752

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Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

10 SEGMENT INFORMATION - OPERATING SEGMENTS (continued)

i) Segment assets reconciliation to the statement of financial position

In assessing the segment performance, the Board of Directors analyse the segment result as described above and its relation to segment assets. Segment assets are those operating assets of the entity that the management committee views as directly attributing to the performance of the segment.

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

ii) Segment liabilities reconciliation to the statement of financial position

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

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

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11 TRADE AND OTHER RECEIVABLES (CURRENT)

	Consolidated	
	As at	As at
	2 February 2019	3 February 2018
	\$'000	\$'000
Trade receivables	-	63
Related party receivables	2,119	2,595
Carrying amount	2,119	2,658

	Consolidated	
	As at	As at
	2 February 2019	3 February 2018
	\$'000	\$'000
Movements in the provision for impairment loss were as follows		
At 3 February	-	70
(Reversal)/Charge for the year	-	(85)
Written off	-	15
At 2 February	-	-

	Total	0-30 Days	31-60 Days	61-90 Days PDNI*	61-90 Days CI**	+91 Days PDNI*	+91 Days CI**
12 months ended 2 February 2019 Consolidated	-	-	-	-	-	-	-
7 months ended 3 February 2018 Consolidated	63	63	-	-	-	-	-

* Receivables past due but not considered impaired are: \$nil (2018: \$nil).

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 page 18. Related party receivables relate to receivables from the joint venture for partnership fees.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

11 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 27 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 27.

12 OTHER ASSETS (CURRENT)

	Consolidated	
	As at 2 February 2019 \$'000	As at 3 February 2018 \$'000
Prepayments	1,052	969
Other	-	3,467
Total other current assets	1,052	4,436

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

13 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
12 months ended 2 February 2019				
At 4 February 2018 net of accumulated depreciation	58,111	9	3,739	61,859
Additions	264	3	858	1,125
Disposals	-	(2)	(1)	(3)
Revaluation	24,243	-	-	24,243
Depreciation charge for the year	(839)	(3)	(1,216)	(2,058)
At 2 February 2019 net of accumulated depreciation	81,779	7	3,380	85,166
At 2 February 2019				
Cost or fair value	81,779	301	23,627	105,707
Accumulated depreciation	-	(294)	(20,247)	(20,541)
Net carrying amount	81,779	7	3,380	85,166
	Consolidated			
	Land & Building \$'000	Leasehold Improvement \$'000	Plant & Machinery \$'000	Total \$'000
7 months ended 3 February 2018				
At 1 July 2017 net of accumulated depreciation	53,815	13	4,459	58,287
Additions	32	-	615	647
Disposals	-	(2)	(599)	(601)
Revaluation	4,732	-	-	4,732
Depreciation charge for the year	(468)	(2)	(736)	(1,206)
At 3 February 2018 net of accumulated depreciation	58,111	9	3,739	61,859
At 3 February 2018				
Cost or fair value	58,111	301	22,772	81,184
Accumulated depreciation	-	(292)	(19,033)	(19,325)
Net carrying amount	58,111	9	3,739	61,859

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

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Revaluation of land and buildings

The Group completed a Directors valuation 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 2 February 2019. The revaluation is performed at least annually.

The fair value is measured using Level 3 inputs.

Significant unobservable valuation input	2-Feb-19	3-Feb-18
Price per square metre	\$3,494	\$2,547

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

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

	Consolidated	
	As at	As at
	2-Feb-19	3-Feb-18
	\$'000	\$'000
Cost	14,249	13,985
Accumulated depreciation	(6,845)	(6,489)
Net carrying amount	7,404	7,496

(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 26(c).

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Notes to the Annual Financial Report (continued)
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14 INTANGIBLE ASSETS

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

	Goodwill \$'000	Software \$'000	Total \$'000
12 months ended 2 February 2019			
At 4 February 2018 net of accumulated amortisation	-	1,812	1,812
Additions	-	835	835
Disposal	-	-	-
Amortisation	-	(549)	(549)
At 2 February 2019 net of accumulated depreciation	-	2,098	2,098
At 2 February 2019			
Cost	-	12,613	12,613
Accumulated amortisation	-	(10,515)	(10,515)
Net carrying amount	-	2,098	2,098

	Goodwill \$'000	Software \$'000	Total \$'000
7 months ended 3 February 2018			
At 1 July 2017 net of accumulated amortisation	3,307	2,123	5,430
Additions	-	28	28
Disposal	(3,307)	-	(3,307)
Amortisation	-	(339)	(339)
At 3 February 2018 net of accumulated amortisation	-	1,812	1,812
At 3 February 2018			
Cost	-	11,778	11,778
Accumulated amortisation	-	(9,966)	(9,966)
Net carrying amount	-	1,812	1,812

(b) Description of the Group's intangible assets

(i) Goodwill

The Bisley Workwear business was sold on 29 December 2017 including the goodwill. There is no goodwill included in the Gazal Group's financial position.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

15 TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	As at 2 February 2019	As at 3 February 2018
	\$'000	\$'000
Trade payables (a)	364	570
Other payables	2,720	4,644
Goods and services tax	191	91
Total trade and other payables	3,275	5,305

(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 27.

(d) Financial guarantees

The Group has provided the financial guarantees to its related party 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 26 and Note 29 for further information relating to the Parent's financial guarantee.

16 PROVISIONS (CURRENT)

	Consolidated		
	Provision for annual leave \$'000	Provision for long service leave \$'000	Total \$'000
At 3 February 2018	888	1,370	2,258
Arising during the year	800	164	964
Utilised	(737)	(174)	(911)
At 2 February 2019	951	1,360	2,311

17 OTHER PAYABLES (NON-CURRENT)

	Consolidated	
	As at 2 February 2019	As at 3 February 2018
	\$'000	\$'000
Other payables	-	135
Total trade and other payables	-	135

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

	Consolidated	
	As at 2 February 2019	As at 3 February 2018
	\$'000	\$'000
Bank loans - secured	28,000	20,000
Total non-current borrowings	28,000	20,000

The Bank loans are \$28,000,000 at 2 February 2019 (2018: \$20,000,000). They are secured by a first mortgage over freehold land and buildings and by deeds of charge, and mortgage debentures over all tangible assets of the economic entity with total assets pledged as security totalling \$90,358,000 (2018: \$66,031,000), refer to Note 26(c). Bank loans have been classified as non-current and current liabilities where appropriate. The loan facilities with the bank were renegotiated during the period and do not expire until 31 March 2020. The available facilities are listed in note 26. The bank reserves the right to withdraw the facilities if in the opinion of the bank there has been a breach or event of default and certain financial ratios are not maintained to the satisfaction of the bank.

The interest rates on floating rate borrowings at the end of the period were 3.15% to 3.57% (2018: 3.15% to 3.25%). Borrowings at 2 February 2019 were in Australian dollars.

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

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

19 PROVISIONS (NON-CURRENT)

	Consolidated
	Provision for long service leave \$'000
At 3 February 2018	146
Utilised during the year	27
At 2 February 2019	173

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
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20 CONTRIBUTED EQUITY

	Consolidated	
	As at	As at
	2 February 2019	3 February 2018
	\$'000	\$'000
Ordinary shares		
Issued and fully paid	43,423	53,138

Movements in contributed equity for the year

	Consolidated	
	Number	Value
	'000	\$'000
Opening balance 1 July 2017	58,159	63,373
Shares issued	196	450
Share buy-back	(9,803)	(10,685)
Closing balance at 3 February 2018	48,552	53,138
Opening balance 3 February 2018	48,552	53,138
Shares issued	285	750
Share buy-back	(4,187)	(10,465)
Closing balance at 2 February 2019	44,650	43,423

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.

The Group completed a buy back and cancellation of 4,186,384 shares during the reporting period.

On 29 December 2017 the Bisley Workwear business was sold to DJG Corporation Pty Ltd ('DJG'). DJG funded the purchase by a combination of a share buy-back and the sale of shares in which Mr David Gazal had a relevant interest. The Company acquired 9,803,364 shares, resulting in their immediate cancellation and a reduction in the number of shares on issue.

Share Based Payment Plans

In November 2005 the Company established the Gazal Group Employee Share Option Plan which is currently inactive. There were no options granted in the transitional period ended 3 February 2018 and during the 12 month period ended 2 February 2019 there were performance rights issued to Mr. G Griffiths.

In October 2012, the Company established a new Long Term Incentive Performance Rights Plan. The plan was initially set up to provide long term incentives to Mr. P Robinson who was appointed CEO and Executive Director in 2012.

Gazal Corporation Limited
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20 CONTRIBUTED EQUITY (continued)

Share Based Payment Plans (continued)

The Board exercised its discretion to modify the LTI plan in FY16 from the previous PAT growth targets to a range of outcomes including a service condition, to be completed following the structural changes in FY16 and various other corporate plans. The LTI Plan in FY16 and FY17 included both the CEO and CFO who were integral to the successful completion of the of plans including a service condition.

As part of the PVH growth program the Gazal Board agreed to an updated reward scheme for LTI incentives to key individuals to deliver the high growth program over the coming three years. The Long Term Incentive awards (LTI) are delivered in the form of performance rights which vest within varying periods of time as approved by the board.

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.

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 the 12 months to 2 February 2019, management paid dividends of \$8,016,500 (7 months to 3 February 2018: \$4,662,000).

Management monitors capital through the gearing ratio (net debt/total capital). The gearing ratios based on continuing operations at 2 February 2019 and at 3 February 2018 were as follows:

	Consolidated	
	As at 2 February 2019 \$'000	As at 3 February 2018 \$'000
Total borrowings *	31,275	25,440
Less cash and cash equivalents	(3,073)	(1,514)
Net debt	28,202	23,926
Total equity	109,852	93,359
Total equity and net debt	138,054	117,285
Gearing ratio	20%	20%

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

The Group considers a gearing ratio of 20% to 60% to be the optimal level.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

21 RESERVES

	Consolidated	
	As at 2 February 2019	As at 3 February 2018
	\$'000	\$'000
Asset revaluation	54,367	37,317
Other reserves	10	-
Employee equity benefit	831	(95)
Cash flow hedge	-	-
Reserves from joint venture	599	(791)
Total reserves	55,807	36,431
Transfer to/(from) reserves:		
(a) Asset revaluation reserve		
Opening balance	37,317	34,006
Revaluation of land and building	24,243	4,732
Income tax related to movement in Asset revaluation reserve	(7,193)	(1,420)
Transfer	-	(1)
Closing balance	54,367	37,317
(b) Other reserves		
Opening balance	-	168
Transfer	-	1
Foreign currency translation	10	(169)
Closing balance	10	-
(c) Employee equity benefits reserve		
Opening balance	(95)	225
Recognition of share-based payment cost	684	130
Payment for shares	-	(450)
Income tax related to movement in Employee equity benefits reserve	242	-
Closing balance	831	(95)
(d) Cash flow hedge reserve		
Opening balance	-	(1,102)
Transferred to statement of financial position	-	1,575
Income tax related to movement in cash flow hedge reserve	-	(473)
Closing balance	-	-
(e) Reserves from joint venture		
Opening balance	(791)	(491)
Gain/(loss) taken to equity	1,390	(300)
Closing balance	599	(791)

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

21 RESERVES (continued)

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 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.

Cash flow hedge reserve

Derivative financial instruments were previously used by the Bisley Workwear business in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates. On 29 December 2017 the Bisley Workwear business was sold and the remaining foreign currency contracts held for future inventory purchases no longer required were closed. At the reporting date the cash flow hedge reserve was nil.

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.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

22 RETAINED PROFITS AND DIVIDENDS

	Consolidated	
	12 months ended 2 February 2019 \$'000	7 months ended 3 February 2018 \$'000
Retained Earnings/ (Accumulated losses)		
(a) Movement in retained earnings/(accumulated losses)		
Balance at the beginning of the financial year	3,790	10,908
Net profit attributable to members	14,954	11,368
Dividends provided for share buy-back	-	(13,824)
AASB15 adjustment	(106)	-
Dividends provided for or paid	(8,016)	(4,662)
Balance at the end of the financial year	10,622	3,790
(b) Dividends paid during the financial year		
Interim franked dividend 10 cents (2018: 8 cents) paid 13 Dec 2018	4,467	-
Transitional fully franked dividend for the 7 months ended 3 February 2018 , 8 cents per share (2017: 8 cents per share) paid 4 May 2018	3,549	4,662
(c) Dividends declared post year end and not recognised as a liability		
Dividend 17 cents (approximate value and subject to scheme of arrangement detailed in Note 4, becoming effective) (2018: 8 cents)	7,590	3,884
Franking credit balance		
Franking credits available for the subsequent financial year are:		
Balance at the end of the financial year at 30% (2018: 30%)	2,503	541
Franking credits that will arise from the payment/(receipt) of income tax payable/(receivable) as at the end of the financial year	419	2,095
	2,922	2,636
The amount of franking credits available for future reporting periods: Impact on the franking account of dividends proposed, or subject to the scheme of arrangement becoming effective, before the financial report was authorised for issued but not recognised as a distribution to equity holders during the periods	(3,253)	(1,665)
	(331)	971

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

23 COMMITMENTS

	Consolidated	
	12 months ended 2 February 2019 \$'000	7 months ended 3 February 2018 \$'000
(a) Commitments		
Capital expenditure contracted for is \$nil (3 February 2018: \$nil)		
Continuing operating lease expenditure contracted for is payable as follows:		
Not later than one year	70	350
Later than one year but not later than five years	197	70
Later than five years	-	-
	267	420
Continuing operating lease revenue contracted for is receivable as follows:		
Not later than one year	5,244	4,987
Later than one year but not later than five years	-	-
Later than five years	-	-
	5,244	4,987

Operating leases have remaining terms between 1 and 4 years with an average lease term of 3 years (2018: 3 years) and an average implicit interest rate of 6.4% (2018: 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 office machines.

24 CONTINGENT LIABILITIES

The parent entity has entered into a Deed of Cross Guarantee in accordance with a Corporations Instrument issued by the Australian Securities and Investments Commission. The parent entity, and all the controlled entities which are a party to the Deed, have guaranteed the payment of all current and future creditors in the event any of these companies are wound up.

There are no other contingent liabilities at 2 February 2019 (3 February 2018: nil).

25 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 2 February 2019 \$'000	As at 3 February 2018 \$'000
Cash at bank and on hand	3,073	1,514
	3,073	1,514

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

25 CASH AND CASH EQUIVALENTS (continued)

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

	Consolidated	
	As at 2 February 2019 \$'000	As at 3 February 2018 \$'000
Operating profit after income tax	14,954	11,368
Adjustments for non-cash income & expenses items:		
Depreciation and amortisation expense	2,605	1,578
Foreign exchange gains	(26)	731
Share based payment expense	684	130
Gain on sale of discontinued operations	-	(5,061)
Share of profit of joint venture	(13,602)	(6,941)
Changes in assets and liabilities		
Decrease/(increase) in trade debtors	539	3,573
(Increase)/ decrease in inventory	-	(5,103)
Decrease/(increase) in prepaid expenses	3,384	(2,462)
(Decrease)/ increase in trade creditors	(3,711)	(582)
(Decrease)/ increase in other creditors	(135)	(135)
(Decrease)/ increase in income tax payable	(1,676)	1,260
(Decrease)/ increase in deferred income tax	(544)	846
Increase/ decrease in employee entitlements provisions	80	71
Net cash flows from operating activities	2,551	(727)

26 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 other assets.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

26 FINANCING FACILITIES AVAILABLE (continued)

(b) Financing facilities available

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

	Consolidated		
	Accessible	Drawdown	Unused
At 2 February 2019	\$'000	\$'000	\$'000
Bank overdraft facility	3,000	-	3,000
Bank loan facilities	31,000	(28,000)	3,000
Total financing facilities	34,000	(28,000)	6,000
At 3 February 2018	\$'000	\$'000	\$'000
Bank overdraft facility	3,078	-	3,078
Bank loan facilities	26,000	(20,000)	6,000
Total financing facilities	29,078	(20,000)	9,078

Expiry date: 31 March 2020 (2018: 31 October 2019)

All of the economic entity's facilities are subject to annual review and subject to the conditions referred to Note 18.

At 2 February 2019, the Group had approximately \$6.0 million 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
		2 February 2019	3 February 2018
		\$'000	\$'000
Current			
<i>Floating charge</i>			
Cash at bank	25(a)	3,073	1,514
Receivables	11	2,119	2,658
Total current assets pledged as security		5,192	4,172
Non-current			
<i>First mortgage</i>			
Freehold land and buildings	13	81,779	58,111
<i>Floating charge</i>			
Leasehold improvement	13	7	9
Plant and machinery	13	3,380	3,739
Total non-current assets pledged as security		85,166	61,859
Total assets pledged as security		90,358	66,031

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

27 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Derivative financial instruments were previously used by the Bisley Workwear business in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates. On 29 December 2017 the Bisley Workwear business was sold and the remaining foreign currency contracts held for future inventory purchases no longer required were closed. There were no derivative financial instruments at the reporting date.

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 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. 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.

a) Interest Rate Risk Management

The economic entity has short and long-term debt at both fixed and floating rates.

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 2 February 2019 \$'000	As at 3 February 2018 \$'000
<i>Financial assets</i>		
Cash and cash equivalents	3,073	1,514
	<u>3,073</u>	<u>1,514</u>
<i>Financial liabilities</i>		
Bank loans at floating rate	28,000	20,000
	<u>28,000</u>	<u>20,000</u>
Net exposure	<u>(24,927)</u>	<u>(18,486)</u>

Interest-bearing assets and liabilities are denominated in Australian dollars.

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

27 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 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 2 February 2019, 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)	
	12 months ended	7 months ended	As at	As at
	2 February 2019	3 February 2018	2 February 2019	3 February 2018
	\$'000	\$'000	\$'000	\$'000
Consolidated				
+1% (100 basis points)	(174)	(129)	-	-
-0.5% (50 basis points)	87	65	-	-

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.

b) Foreign Currency Risk

On 29 December 2017 the Bisley Workwear business was sold and the remaining foreign currency contracts held for purchases of inventory denominated in United States Dollars were closed.

The Group has no transactional currency exposures arising from sales or purchases by an operating entity in currencies other than the functional currency.

At 2 February 2019, the Group had the following exposure to USD foreign currency arising from the USD currency bank account:

	Consolidated	
	As at	As at
	2 February 2019	3 February 2018
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	1	144
Net exposure	1	144

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

27 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 2 February 2019, 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)	
	12 months ended	7 months ended	As at	As at
	2 February 2019	3 February 2018	2 February 2019	3 February 2018
	\$'000	\$'000	\$'000	\$'000
Consolidated				
AUD/USD +10%	-	4	-	-
AUD/USD -5%	-	(7)	-	-

The movements in profit for the 12 month period ended 2 February 2019 are lower than the previous year due to the lower level of the US Dollar bank account at balance date. The movements in equity are nil at 2 February 2019 as there are no requirements for cash flow hedges owing to the sale of the Bisley Workwear business.

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

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, repayments and interest resulting from recognised financial assets and liabilities as of 2 February 2019. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 2 February 2019.

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

	Consolidated	
	As at 2 February 2019	As at 3 February 2018
	\$'000	\$'000
Financial liabilities		
0-12 months	3,275	5,305
1-5 years	28,750	21,266
Over 5 years	-	-
	32,025	26,571

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

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

There are no inventory balances as at the reporting date. As at 3 February 2018 the loss on closed foreign currency contracts closed on the sale Bisley workwear is recognised in the profit and loss of discontinued operations.

	Consolidated	
	As at 2 February 2019 \$'000	As at 3 February 2018 \$'000
Opening balance	-	(1,575)
Transferred to inventory	-	902
Loss taken to profit and loss of discontinued operations	-	673
Charge to equity	-	-
Closing balance	-	-

28 REMUNERATION OF AUDITOR

	As at 2 February 2019 \$	As at 3 February 2018 \$
Audit and review services		
Ernst & Young		
- Audit	248,700	227,000
- Taxation	81,253	52,060
	329,953	279,060

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

29 RELATED PARTY DISCLOSURES

The consolidated financial statements as at 2 February 2019 include the financial statements of Gazal Corporation Limited and the controlled entities listed in the table below

Name of controlled entity	Notes	Country of incorporation	Equity interest	
			02-Feb-19	03-Feb-18
Gazal Corporation Limited		Australia	-	-
Gazal Apparel Pty Limited	(a)	Australia	100	100
Gazal Clothing Company Pty Limited	(a)	Australia	100	100
Gazal Employee Share Plan Pty Ltd	(b)	Australia	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 Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission these companies are relieved from the requirement to prepare financial statements.

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

The closed group listed under a) represent all the controlled entities of Gazal and the consolidated statement of comprehensive income and statement of financial position of all these entities included in the class order "closed group" are the same as the financial information provided in the Income statement and Statement of Financial Position in this Annual Financial Report.

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).

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

29 RELATED PARTY DISCLOSURES (continued)

Gazal Corporation Limited Closed Group

Income Statement For the 12 months ended 2 February 2019

	Consolidated	
	12 months ended 2 February 2019 \$'000	7 months ended 3 February 2018 \$'000
Fee revenues	22,499	12,739
Other revenues	3	593
Total revenues	22,502	13,332
Debt forgiveness	-	2,823
Administration expenses	(19,499)	(11,834)
Finance costs	(914)	(520)
Share of profit of joint venture	13,602	6,941
Profit before income tax expense and impairment of investment	15,691	10,742
Impairment of investment	-	(3,121)
Profit before income tax from continuing operations	15,691	7,621
Income tax expense	(66)	(278)
Net profit after tax from continuing operations	15,625	7,343
Profit after tax from discontinuing operations	(671)	5,938
Net profit for the year	14,954	13,281
Retained profits at the beginning	3,790	8,995
AASB 15 adjustment	(106)	-
Dividends for share buy-back	-	(13,824)
Dividends paid	(8,016)	(4,662)
Retained profits at the ending	10,622	3,790

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

29 RELATED PARTY DISCLOSURES (continued)

(c) Financial information for Corporations Instrument “closed group” (continued)

Gazal Corporation Limited Closed Group

Statement of Financial Position at 2 February 2019

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

Gazal Corporation Limited
Notes to the Annual Financial Report (continued)
For the 12 months ended 2 February 2019

30 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.

Financial information relating to Gazal Corporation Limited below:

Statement of Financial Position at 2 February 2019

	As at 2 February 2019 \$'000	As at 3 February 2018 \$'000
Current assets		
Trade and other receivables	12,642	32,492
Tax receivable	144	-
Total current assets	12,786	32,492
Non-current assets		
Investment	37,533	37,533
Deferred tax assets	1,196	1,196
Total non-current assets	38,729	38,729
Total assets	51,515	71,221
Current liabilities		
Tax Payable	-	345
Other Liabilities	25	1,626
Total liabilities	25	1,971
Net assets	51,490	69,250
Equity		
Contributed equity	43,423	53,137
Reserves	14,059	13,134
Retained earnings	(5,992)	2,979
Total Equity	51,490	69,250

Income Statement For the 12 months ended 2 February 2019

	12 months ended 2 February 2019 \$'000	7 months ended 3 February 2018 \$'000
Other revenues	-	14,648
Administration expenses	(1,402)	(433)
Profit before income tax benefit	(1,402)	14,215
Income tax benefit	447	172
Net profit and total comprehensive income after related income tax expense	(955)	14,387
Retained profits at the beginning	2,979	7,078
Dividends paid	(8,016)	(4,662)
Transfers	-	-
Dividends paid for share buy-back	-	(13,824)
Retained profits at the ending	(5,992)	2,979

Gazal Corporation Limited Shareholder Information

Supplementary Information as Required by Australian Stock Exchange Listing Requirements.

Ordinary Shareholders as at 21 March 2019

These statistics relate to 735 shareholders of 44,687,514 Ordinary Shares. The proportion of shares held by the twenty largest shareholders is 88.11%. There are 45 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 21 March 2019

Size of Holding	Number of Shareholders	Number of Ordinary Shares	% of Total
1 - 1,000	283	122,741	0.28
1,001 - 5,000	233	671,056	1.50
5,001 - 10,000	91	707,721	1.58
10,001 - 100,000	100	2,876,609	6.44
100,001 and over	28	40,309,387	90.20
Total	735	44,687,514	100.00

Substantial Shareholders

The following information is extracted from the Company's Register of substantial shareholders as at 21 March 2019.

Name	Relevant Interest in fully paid shares	Percentage
Michael Joseph Gazal	17,768,280	40.05
PVH Services (UK) Limited	9,667,362	21.79
Investors Mutual Limited	4,455,595	10.04

Gazal Corporation Limited Top 20 Shareholders

Top 20 Shareholders as at 21 March 2019

	Registered Holder.	Number of Ordinary Shares	% of Total Shares
1	M J & H H GAZAL PTY LIMITED	15,882,736	35.54
2	PVH SERVICES (UK) LIMITED	9,667,362	21.63
3	INVESTORS MUTUAL LIMITED	4,455,595	9.97
4	MR BRUCE KLATSKY	2,000,000	4.48
5	MR MICHAEL JOSEPH GAZAL	1,202,211	2.69
6	DOUBLE JAY GROUP HOLDINGS PTY LTD <KIMBERLEY S	765,000	1.71
7	ANDREW RICH ENTERPRISES PTY LIMITED	738,480	1.65
8	MICHAEL AND HELEN PTY LIMITED	683,333	1.53
9	TITAN SYDNEY PTY LTD (ROBINSON SUPER FUND)	609,682	1.36
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	591,352	1.32
11	MR G & MRS V PATON (ANCHORAGE SUPER FUND)	525,666	1.18
12	BUDUVA PTY LTD	350,000	0.78
13	ARCHAPL PTY LIMITED (GRIFFITHS SUPER FUND)	338,474	0.76
14	ERJD PTY LIMITED (ROSCOMMON SUPER FUND)	305,500	0.68
15	RALPH LAUREN 57 PTY LTD	250,000	0.56
16	KONDA SUPERANNUATION PTY LTD <KONDA SUPER FU	233,058	0.52
17	NATIONAL NOMINEES LIMITED	227,518	0.51
18	MR DAVID JOHN COGHLAN	219,027	0.49
19	MR G & MRS V PATON (ST GEORGES SUPER FUND)	174,334	0.39
20	J P MORGAN NOMIEES AUSTRALIA PTY LIMITED	160,677	0.36
		39,380,005	88.11

Gazal Corporation Limited
& its Controlled Entities

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, FCIS, FGIA

Registered Office & Principal Place of Business

3-7 McPherson Street,
Banksmeadow NSW 2019
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Solicitor

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Ashurst Australia
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State of Incorporation

Victoria, Australia

Stock Exchange Listings

Gazal Corporation Limited shares are quoted on the Australian Securities Exchange

ASX Code

GZL