Gazal Corporation Limited
& its Controlled Entities

Contents

Financial Calendar 2011

Preliminary final report and dividend announcement	17 August
Record date for final dividend	7 September
Final dividend payable	4 October
Annual Report and Notice of Annual General Meeting Mailed to Shareholders	17 October
Annual General Meeting	17 November
Half year end	31 December

The Annual General Meeting of Shareholders of Gazal Corporation Limited will be held at The J.S. Gazal Building, 3-7 McPherson Street Banksmeadow on 17 November 2011 at 11:30am. A formal notice of meeting is enclosed with this Annual Report setting out the business of the Annual General Meeting.

Gazal Corporation Limited
& its Controlled Entities

The Year In Review

The Gazal Corporation Limited Group achieved an after-tax profit for the financial year ended 30th June, 2011 of $8.064 million, a decrease of 17% compared to the previous corresponding year.

Trading results

The Gazal Corporation Limited Group recorded increased sales revenue from continuing operations for the financial year ended 30th June, 2011 of 16.4% on the previous year to $267.2 million. During the period, after-tax profit from continuing operations was $10.3 million, an increase of 31.5% compared to the previous year.

The wholesale segment recorded solid sales growth. This was largely driven by strong growth from our Bisley Workwear business through its new protective fabrics programs and an improved in-stock position. Good sales growth was also achieved in our Van Heusen dress shirts and men's suits business. Profit margins in the wholesale business improved as a result of better gross margin management and ongoing overhead savings, particularly in warehousing and distribution costs.

Sales increased in the direct-to-consumer segment mainly as a result of additional investment in new outlets. The downturn in profit margins experienced in this segment in the first half were unfortunately sustained through the balance of the financial year as consumer sentiment remained cautious and the heavy discounting environment continued.

The focus on improving working capital management is a continuing priority for the Group. With the increased sales momentum in the business inventory levels rose slightly to $45.6 million at 30th June 2011 compared to $42.7 million at the same time last year. With improved management of trade receivables and payables, cash flows from operating activities were a healthy $19.5 million for the year. This compares to $31.3 million for the previous year when inventories were reduced in a period of relatively flat revenue in the 2010 financial year compared to the 2009 financial year.

In line with the Group's capital management initiatives, during the financial year the Company bought back and cancelled 3.5 million ordinary shares (5.8% of the opening shares on issue) for a total consideration of $7.1 million. After this outlay, closing net debt as at 30th June 2011 was $29.9 million compared to $26.3 million as at the same time last year.

Dividends

The directors declared a final dividend of 7 cents per share fully franked (final dividend 2010: 7 cents per share fully franked). The record date for determining shareholder's entitlement for the final dividend is 7 September 2011 and the final dividend is payable on 4 October 2011.

The Directors would like to convey their appreciation to management and staff for their contribution during the year. We also wish to thank you, our shareholders, for your continuing support.

B. KLATSKY
CHAIRMAN

M.J. GAZAL
MANAGING DIRECTOR

Gazal Corporation Limited

Directors' Report
For the year ended 30 June 2011

Your Directors have pleasure in submitting their report for the year ended 30 June 2011.

Directors

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

Names, Qualifications, Experience and Special Responsibilities

Bruce Klatsky (Age 63)

Non-Executive Chairman - 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 founding member of LNK Partners, a private equity firm based in New York that specializes in investing in outstanding consumer and retail businesses. In addition, Mr Klatsky is Director Emeritus of the global organisation, Human Rights Watch and a director of Charming Shoppes, Inc. He is a member of the Audit and Risk Committee and Chairman of the Remuneration and Nomination Committee.

Michael J. Gazal B.COM. (Age 49)

Managing Director and CEO - Joined the Gazal Group in 1986 after gaining experience in merchant banking and stockbroking. 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 is responsible for the day-to-day management of the Group.

David J. Gazal (Age 43)

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

Craig Kimberley (Age 70)

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

Graham Paton AM B.Ec FCPA (Age 66)

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.

Company Secretary

Peter J. Wood CA FICS

Has been the Company Secretary of Gazal Corporation Limited for 24 years. Prior to holding this position he held the role of Financial Controller of related Gazal companies for 6 years. Mr. Wood has been a Chartered Accountant for over 30 years.

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

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

Director	Ordinary Shares	Relevant Interest In Ordinary Shares Held	Options
B. Klatsky	1,000,000	-	1,000,000
M.J. Gazal	1,202,211	8,996,600 (1) 1,007,554 (2) 9,546,633 (3)	-
D.J. Gazal	1,139,622	8,996,600 (1) 1,007,554 (2) 9,530,466 (4)	-
C. Kimberley	166,666	515,000	333,334
G. Paton	-	366,666	333,334

1-2 M.J. Gazal and D.J. Gazal have a relevant interest in Gazal Corporation Limited shares held by a wholly owned subsidiary of Gazal Nominees Pty Limited (1) and directly by Gazal Nominees Pty Limited (2) as each of M.J. Gazal and D.J. Gazal have a 25% shareholding in Gazal Nominees Pty Limited.

3 M.J. Gazal has a relevant interest in Gazal Corporation Limited shares held by MJ and HH Gazal Pty Limited as trustee for the Michael Gazal Family Trust as M.J. Gazal has a 50% shareholding in MJ and HH Gazal Pty Limited.

4 D.J. Gazal has a relevant interest in Gazal Corporation Limited shares held by The David Gazal Family Company Pty Limited as trustee for the David Gazal Family Trust as D.J. Gazal has a 50% shareholding in The David Gazal Family Company Pty Limited.

Directors' Meetings

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

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

Gazal Corporation Limited
Directors' Report (continued)
For the year ended 30 June 2011

Principal Activities

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

Operating and Financial Review

The consolidated profit of the economic entity for the financial year ended 30 June 2011 after income tax was $8,064,000. This represents a 17.4% decrease on the 2010 result of $9,762,000. Refer to "The Year In Review".

Dividends

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

	On ordinary shares $'000
Final fully franked dividend for 2010 (7c per share) as declared in the 2010 Directors' report paid 1 October 2010	4,227
Interim fully franked dividend for 2011 (6c per share) paid 1 April 2011	3,570
Final fully franked dividend for 2011 (7c per share) as recommended and declared by the Directors, payable 4 October 2011	4,006

Review of Operations

A review of operations of the economic entity and the results of those operations is contained in "The Year In Review".

Significant Changes in the State of Affairs

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

Significant Events after the Balance Date

On 16th August 2011 the Company entered into an agreement to sell a discontinued business, being the Brands United outlet stores. The sale completed on 31st August 2011 and the proceeds from the sale were in line with the carrying value of assets held for sale. Brands United results were included in discontinued operations at year end. Other than the sale of the Brands United outlet stores, there are no matters or circumstances that have arisen since 30 June 2011 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.

Likely Developments and Expected Results

The Directors have excluded from this report any further information on the likely developments in the operations of the economic entity and the expected results of those operations in future financial years, as the Directors have reasonable grounds to believe that it would be likely to result in unreasonable prejudice to the economic entity.

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, but in most cases exceeding its environment performance obligations. No environmental breaches have been notified by any Government agency during the year ended 30 June 2011.

Share Options

Details of options granted to Directors or relevant executives as part of their remuneration are set out in the section of this report headed Remuneration Report. Details of shares and interests under option, or issued during or since the end of the financial year to the date of this report due to the exercise of an option, are set out in Note 20 of the financial statements and form part of this report.

Indemnification and Insurance of Directors and Officers

Insurance arrangements established in the previous year concerning officers of the economic entity were renewed during 2011.

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.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC CO 98/0100. The Company is an entity to which the Class Order applies.

Remuneration Report (audited)

This report outlines the remuneration arrangements in place for directors and executives of Gazal Corporation Limited (the Company), 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, and includes the five highest paid executives in the parent and the group receiving the highest remuneration.

Details of key management personnel

(i) Directors	
B. Klatsky	Chairman (Non-Executive)
M.J. Gazal	Director and Chief Executive Officer
D.J. Gazal	Executive Director and General Manager - Sourcing & Certain operating divisions
C. Kimberley	Director (Non-Executive)
G. Paton	Director (Non-Executive)
(ii) Executives	
C. Barnett	Chief Operating Officer
R. Gazal	General Manager – Retail
D. Coghlan	Chief Financial Officer
P. Wood	Company Secretary

There were no changes of the CEO or 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.

Remuneration Report (audited) continued

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives and to grow and prosper, the Company must attract, motivate and retain highly skilled directors and executives.
To this end, the Company embodies the following principles in its remuneration framework:

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

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

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest caliber, 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.

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 Group Share Option Plan.

Relationship of rewards to performance

The Directors consider the alignment of shareholder value through the share price is a reasonable performance measure.

Company performance

In order for non-executives directors to fully benefit materially from the grant of options during the 2010 year, there needs to be a sustained increase in the trading price of the Company's shares over a period of one to five years.

The remuneration of non-executive directors for the year ending 30 June 2011 is detailed in the Table on page 11 of this report.

Remuneration Report (audited) 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 Mr. M J Gazal and Mr. D J Gazal are provided on page 11.

Remuneration consists of the following key elements:

- Fixed Remuneration (base salary, superannuation and non-monetary benefits)
- Variable Remuneration
  - Short Term Incentive ('STI'); and
  - Long Term Incentive ('LTI').

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior manager by the Remuneration Committee. The table on pages 11 and 12 details the variable component (%) of the key management personnel remuneration.

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.

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

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 pages 11 and 12.

Remuneration Report (audited) continued

Variable Remuneration — Short Term Incentive (STI)

Objective

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

Structure

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

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

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

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

STI Bonus for 2010 and 2011 financial years

The entire STI cash bonus of $875,846 for the 2010 financial year as accrued in the previous period vested to executives was paid in the 2011 financial year. The Remuneration and Nomination Committee has approved the STI payments for the 2011 financial year which were accrued at June 2011 of $1,129,844. This amount has been accrued on the basis that it is probable that the executives have met their respective financial targets for the year. Any adjustments between the actual amounts to be paid as determined by the Remuneration and Nomination Committee and the amounts accrued will be adjusted in the 2012 financial year. The STI bonus plan was amended in 2009 to align financial targets to the Company's budget in that year.

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

Variable Pay – Long Term Incentive (LTI)

Structure

LTI grants to executives are delivered in the form of share options administered under a Share Option Plan ("SOP"). LTI grants are made to executives at the discretion of the Board. The most recent SOP was approved by shareholders at the Annual General Meeting held in November 2005.

Remuneration Report (audited) continued

Employment contracts

Chief Executive Officer and Managing Director

The CEO and MD, 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 will be forfeited.

In the event of extended absence by Mr. 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. Gazal's remuneration).

Other Executives

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

All 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.

Directors and Executives Remuneration for the year ended 30 June 2011

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

		Short term benefits				Post Employment		Long-term benefits	Share based payment	Total	Performance related %
Directors	Year	Salary & Fees	Cash Bonus	Non Monetary benefits	Other	Superannuation	Retirement benefits	Long Service Leave	LTI Options		
B. Klatsky	**2011**	**151,317**	**-**	**-**	**-**	**-**	**-**	**-**	**103,021**	**254,338**	**40.51**
Chairman	2010	103,821	-	-	-	-	-	-	79,670	183,491	43.42
M.J. Gazal	**2011**	**486,500**	**204,844**	**-**	**34,169**	**25,000**	**-**	**8,107**	**-**	**758,620**	**27.00**
Chief Executive	2010	486,045	204,081	-	31,380	25,000	-	8,100		754,606	27.04
D.J. Gazal	**2011**	**285,000**	**406,500**	**-**	**35,278**	**25,000**	**-**	**4,750**	**-**	**756,528**	**53.73**
Executive	2010	274,500	157,213	-	27,760	25,000	-	4,575	-	489,048	32.15
C. Kimberley	**2011**	**75,000**	**-**	**-**	**-**	**7,500**	**-**	**-**	**51,510**	**134,010**	**38.44**
Non- executive	2010	75,000	-	-	-	7,500	-	-	39,835	122,335	32.56
G. Paton	**2011**	**85,000**	**-**	**-**	**-**	**8,500**	**-**	**-**	**51,510**	**145,010**	**35.52**
Non- executive	2010	85,000	-	-	-	8,500	-	-	39,835	133,335	29.88
J.W. Blood *	**2011**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Non- executive	2010	60,834	-	-	-	-	226,666	-	-	287,500	-
Total Directors	**2011**	**1,082,817**	**611,344**	**-**	**69,447**	**66,000**	**-**	**12,857**	**206,041**	**2,048,506**	
	2010	1,085,200	361,294	-	59,140	66,000	226,666	12,675	159,340	1,970,315	

*Retired 26 November 2009

Remuneration Report (audited) continued

Directors and Executives Remuneration for the year ended 30 June 2011 (continued)

Key Management Personnel and Five Highest Paid Executives	Year	Salary & Fees	Cash Bonus	Non Monetary benefits	Other	Superannuation	Retirement benefits	Long Service Leave	LTI Options		
C. Barnett	**2011**	**307,500**	**348,500**	**-**	**27,380**	**25,000**	**-**	**5,125**	**-**	**713,505**	**48.84**
Chief Operating Officer	2010	307,500	364,552	-	31,655	25,000	-	-	-	728,707	50.03
R. Gazal	**2011**	**260,000**	**-**	**-**	**29,327**	**25,000**	**-**	**4,344**	**-**	**318,671**	**-**
General Manager - Retail	2010	250,000	-	-	27,862	24,043	-	4,166	-	306,071	-
D. Coghlan	**2011**	**260,000**	**110,000**	**7,193**	**2,278**	**26,000**	**-**	**4,333**	**-**	**409,804**	**26.84**
Chief Financial Officer	2010	250,000	100,000	10,789	2,695	25,000	-	4,166	-	392,650	25.47
P. Wood	**2011**	**210,000**	**60,000**	**9,277**	**2,968**	**31,161**	**-**	**3,500**	**-**	**316,906**	**18.93**
Company Secretary	2010	200,000	50,000	16,868	4,577	29,609	-	3,333	-	304,387	16.43
R. Maisenbacher (1)	**2011**	**160,000**	**179,180**	**-**	**22,586**	**15,700**	**-**	**2,666**	**-**	**380,132**	**47.14**
Divisional Manager	2010	-	-	-	-	-		-	-	-	-
D. Holmes (1) (2)	**2011**	**86,770**	**102,255**	**12,959**	**605**	**8,427**	**186,933**	**-**	**-**	**397,949**	**25.70**
Divisional Manager	2010	180,000	141,914	17,784	1,576	15,976	-	3,000	-	360,250	39.39
M. Graham (1)	**2011**	**175,000**	**226,670**	**16,513**	**2,827**	**15,199**	**-**	**2,916**	**-**	**439,125**	**51.62**
Divisional Manager	2010	140,000	141,529	13,529	1,790	12,600		-	-	309,448	45.74
P. Sweet (3)	**2011**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Divisional Manager	2010	160,000	199,410	-	20,000	16,200		-	-	395,610	50.41
Total Executives and KMPs	**2011**	**1,459,270**	**1,026,605**	**45,942**	**87,971**	**146,487**	**186,933**	**22,884**	**-**	**2,976,092**	
	2010	1,487,500	997,405	58,970	90,155	148,428	-	14,665	-	2,797,123	

(1) Included in top 5 highest paid executives, but are not KMPs (2) Retired 23 December 2010 (3) P. Sweet was not included in the top 5 highest paid executives in 2011

Notes:

Options granted as part of Director and executive emoluments have been valued using a Binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. For further details refer to Note 20 of the financial statements.

Remuneration Report (audited) continued

Options granted as part of remuneration (audited)

30 June 2010	Grant Date	Granted No	Fair value per Option at Grant Date (cents)	Value of options granted during the year ($)	Value of options exercised during the year ($)	Value of options lapsed during the year	Total Value of options granted, exercised and lapsed during the year ($)	% of remuneration consisting of options for the year
Directors								
B.Klatsky	10/12/2009	333,334	21.7	72,333	-	-	72,333	43.42
C. Kimberley	10/12/2009	166,667	21.7	36,167	-	-	36,167	32.56
G. Paton	10/12/2009	166,667	21.7	36,167	-	-	36,167	29.88
B.Klatsky	10/12/2009	333,334	24.8	82,667	-	-	82,667	43.42
C. Kimberley	10/12/2009	166,667	24.8	41,333	-	-	41,333	32.56
G. Paton	10/12/2009	166,667	24.8	41,333	-	-	41,333	29.88
B.Klatsky	10/12/2009	333,334	26.7	89,000	-	-	89,000	43.42
C. Kimberley	10/12/2009	166,667	26.7	44,500	-	-	44,500	32.56
G. Paton	10/12/2009	166,667	26.7	44,500	-	-	44,500	29.88

For details on the valuation of the options, including models and assumptions used, please refer to Note 20. The above options were granted over ordinary shares in Gazal Corporation Limited on a one for one basis. There were no alterations to the terms and conditions of options granted as remuneration since their grant date. Exercise prices, expiry dates and first and last exercise dates are included in Note 20.

Remuneration Options: Granted and Vested during the financial year (audited)

During the previous financial year options were granted as equity compensation benefits under the long-term incentive plan to certain non-executive directors as disclosed above. The options were issued free of charge. Each option entitles the holder to subscribe for one full paid ordinary share in the entity at an exercise price equal to the weighted average market price of the shares on the five business days preceding the date of grant. The options vest as to one third after one year from grant date, one third two years from grant date and the remaining third three years from grant date. The options have been apportioned by vesting date to accommodate different fair value valuations on each tranche. The contractual life of each option is five years. There are no cash settlement alternatives. For further details relating to the options, refer to note 20. (Key management personnel who have not been granted options during the year are excluded from the table below).

Terms and Conditions for each Grant

30 June 2010	Vested No	Granted No	Grant Date	Fair Value per Option at Grant Date (cents)	Exercise price per option ($)	Expiry Date	First Exercise Date	Last Exercise Date
Directors								
B.Klatsky	-	333,334	10/12/2009	21.7	1.33	9/12/2014	10/12/2010	9/12/2014
C. Kimberley	-	166,667	10/12/2009	21.7	1.33	9/12/2014	10/12/2010	9/12/2014
G. Paton	-	166,667	10/12/2009	21.7	1.33	9/12/2014	10/12/2010	9/12/2014
B.Klatsky	-	333,334	10/12/2009	24.8	1.33	9/12/2014	10/12/2011	9/12/2014
C. Kimberley	-	166,667	10/12/2009	24.8	1.33	9/12/2014	10/12/2011	9/12/2014
G. Paton	-	166,667	10/12/2009	24.8	1.33	9/12/2014	10/12/2011	9/12/2014
B.Klatsky	-	333,334	10/12/2009	26.7	1.33	9/12/2014	10/12/2012	9/12/2014
C. Kimberley	-	166,667	10/12/2009	26.7	1.33	9/12/2014	10/12/2012	9/12/2014
G. Paton	-	166,667	10/12/2009	26.7	1.33	9/12/2014	10/12/2012	9/12/2014

Remuneration Report (audited) continued

Shares issued on exercise of remuneration options (audited)

30 June 2011	Shares issued Number	Paid $ per share	Unpaid $ per share
Directors			
C. Kimberley	166,666	1.33	-
G. Paton	166,666	1.33	-

There were no options exercised in the year ended 30 June 2010.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received a declaration from the auditor of Gazal Corporation Limited, refer to page 15.

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. 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:

Tax compliance services and corporate tax planning	76,776

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

Signed for and on behalf of the Directors

B. Klatsky
Chairman

M.J. Gazal
Managing Director

Dated at Sydney this 23rd day of September 2011.

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

In relation to our audit of the financial report of Gazal Corporation Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

J K Haydon
Partner
Sydney
23 September 2011

Gazal Corporation Limited

Statement of Corporate Governance Practices

For the year ended 30 June 2011

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

The Board is committed to conducting the company's business ethically and in accordance with high standards of corporate governance. The Board (together with the company's management) regularly reviews the company's policies, practices and other arrangements governing and guiding the conduct of the company. In keeping with these regular reviews the Board and management have reviewed the company's risk framework in accordance with changes in the Australian Securities Exchange Corporate Governance Council's recommendations which will be mentioned further in this statement.

The Board believes the company's corporate governance practices are compliant with the Council's best practice 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 Human Rights Policy.

The Board of Directors

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

The Role of the Board

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

Structure of the Board

The Board comprises Directors with a broad range of experience reflecting the character of the Group's business. The Board is structured in such a way that it has proper understanding and competency in the current and emerging issues facing the Company, and can effectively review and challenge management's decisions. Details of the Directors as at the date of this report, including their qualifications, experience, expertise, terms of office, other past and present Directorships and special responsibilities are set out on page 3 of the Directors' report.

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

Gazal Corporation Limited
Statement of Corporate Governance Practices (continued)
For the year ended 30 June 2011

Structure of the Board (continued)
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 asterix below, representing a majority of directors, are considered to be independent:

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

Messrs MJ Gazal and DJ Gazal are not considered to be independent as their family interests have a majority ownership of the Gazal Corporation Limited as indicated on page 91 of the shareholder information in this annual report.

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	2 years	M.J. Gazal	25 years
C. Kimberley	7 years	D.J. Gazal	12 years
G.Paton	5 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, Managing Director and other senior executives of the company.

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 on pages 7 to 14 and Note 32 to the Financial Statements.

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

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

Performance Reviews

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

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

Audit and Risk Committee

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

The committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industry in which the company operates.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are Non-Executive Directors and are independent. Members of the Audit Committee during the year were Mr G. Paton (Chairman) and Messrs B. Klatsky and C. Kimberley.

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

Qualifications of Audit Committee Members

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

Qualifications of Audit Committee Members (continued)

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

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

Risk Reporting

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

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

Risk Management and Internal Controls

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

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 28 to these accounts.

Risk Framework

A vigorous control environment is fundamental to the effectiveness of the company's risk management framework. The company has a clear organizational 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.

Risk Framework (continued)

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

Code of Conduct

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

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

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

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

Securities Trading Policy

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

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

The policy supplements the *Corporations Act 2001* provisions that preclude Directors and employees from trading in securities when they are in possession of "insider information". A summary of the Share Trading Policy including prohibitions on equity-based incentives is available on the company's website.

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. Details of the company policy on continuous disclosure together with its established procedures for compliance and other investor related information together with a separate policy on shareholders' communications is publicly available on the company's web site.

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

Report on the financial report

We have audited the accompanying financial report of Gazal Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

Ernst & Young

Opinion

In our opinion:

a. the financial report of Gazal Corporation Limited is in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 7 to 14 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Gazal Corporation Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

J K Haydon

J K Haydon
Partner
Sydney
23 September 2011

Gazal Corporation Limited

Directors' Declaration

For the year ended 30 June 2011

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

1. In the opinion of the Directors:

   a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

      ii. complying with Accounting Standards (including the Australian Accounting Interpretations) 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.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.

3. 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.

On behalf of the Board

B. Klatsky
Chairman

M.J. Gazal
Managing Director

Dated at Sydney this 23rd day of September 2011.

Gazal Corporation Limited
Income Statement
For the year ended 30 June 2011

	Notes	Consolidated Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Continuing operations			
Sales revenue	4	267,150	229,514
Cost of sales		(146,481)	(125,487)
Gross profit		120,669	104,027
Other revenues	4	2,452	2,404
Selling and marketing expenses		(73,050)	(58,997)
Distribution expenses		(13,429)	(15,688)
Administration expenses		(19,146)	(18,428)
Finance costs		(2,522)	(1,842)
Profit before income tax from continuing operations		**14,974**	**11,476**
Income tax expense	5	(4,703)	(3,666)
Profit after tax from continuing operations		**10,271**	**7,810**
Discontinued operations			
Profit/(loss) after tax from discontinuing operations	6	(2,207)	1,952
Net profit for the year		**8,064**	**9,762**
Profit for the year is attributable to: Owners of the parent		**8,064**	**9,762**
Earnings per share (cents per share)			
Basic for profit for the year	7	13.6	16.1
Basic for profit from continuing operations	7	17.3	12.9
Diluted for profit for the year	7	13.4	16.0
Diluted for profit from continuing operations	7	17.1	12.8

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

Gazal Corporation Limited
Statement of Comprehensive Income
For the year ended 30 June 2011

	Notes	Consolidated	
		Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Profit after tax for the year		**8,064**	**9,762**
Other comprehensive income			
Cash flow hedges:			
Gain/(loss) taken to equity		(3,121)	2,342
Transferred to statement of financial position		(2,453)	2,690
Fair value revaluation of land and buildings		1,065	1,157
Income tax on items of other comprehensive income		1,353	(1,857)
Other comprehensive income for the year, net of tax		**(3,156)**	**4,332**
Total comprehensive income for the year		**4,908**	**14,094**
Total comprehensive income for the year is attributable to:			
Owners of the parent		4,908	14,094

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

Gazal Corporation Limited
Statement of Financial Position
As at 30 June 2011

	Notes	Consolidated As at **30 June 2011** $'000	Consolidated As at 30 June 2010 $'000
Current assets			
Cash and cash equivalents	25(a)	16,045	6,161
Trade and other receivables	9	16,483	14,572
Inventories	10	45,575	42,709
Derivative financial instruments	28	143	2,638
Other current assets	11	4,249	4,231
		82,495	70,311
Assets of disposal group classified as held for sale	6	6,989	147
Total current assets		89,484	70,458
Non-current assets			
Property, plant and equipment	12	58,457	54,855
Intangibles	13	18,875	28,770
Deferred tax assets	5	5,331	3,796
Other non-current assets	14	533	918
Total non-current assets		83,196	88,339
Total assets		**172,680**	**158,797**
Current liabilities			
Trade and other payables	15	38,301	33,834
Derivative financial instruments	28	3,080	-
Interest-bearing loans and borrowings	16	16,000	2,423
Income tax payable		3,025	1,788
Provisions	17	4,853	4,745
		65,259	42,790
Liabilities directly associated with the assets classified as held for sale	6	850	-
Total current liabilities		66,109	42,790
Non-current liabilities			
Interest-bearing loans and borrowings	18	30,000	30,000
Provisions	19	547	540
Deferred tax liabilities	5	8,988	9,091
Total non-current liabilities		39,535	39,631
Total liabilities		**105,644**	**82,421**
Net assets		**67,036**	**76,376**
Equity			
Contributed equity	20	62,705	69,410
Reserves	21	18,068	20,970
Accumulated losses	22	(13,737)	(14,004)
Total Equity		**67,036**	**76,376**

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

Gazal Corporation Limited
Statement of Cash Flows
For the year ended 30 June 2011

	Notes	Consolidated Year ended **30 June 2011** $'000	Consolidated Year ended 30 June 2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		312,693	276,335
Payments to suppliers and employees (inclusive of GST)		(286,367)	(240,683)
Interest and bill discounts received		51	85
Interest and other costs of finance paid		(2,721)	(2,041)
Income taxes paid		(4,202)	(2,386)
Net cash flows from operating activities	25(b)	**19,454**	**31,310**
Cash flows from investing activities			
Purchases of property, plant and equipment		(10,203)	(10,069)
Proceeds from sale of buildings, plant and equipment		231	241
Purchase of intangibles		(2,495)	(707)
Proceeds from sale of intangibles		3,672	-
Net cash flows used in investing activities		**(8,795)**	**(10,535)**
Cash flows from financing activities			
Proceeds from share issue		443	-
Payment for share buy back		(7,148)	(406)
Proceeds from borrowings		24,000	7,000
Repayment of borrowings		(10,424)	(23,484)
Dividends paid		(7,797)	(4,854)
Net cash flows from/(used in) financing activities		**(926)**	**(21,744)**
Net increase/(decrease) in cash and cash equivalents		9,733	(969)
Cash and cash equivalents at the beginning of the period		6,308	7,278
Net foreign exchange differences		4	(1)
Cash and cash equivalents at the end of the year	25(a)	**16,045**	**6,308**

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

Gazal Corporation Limited
Statement of Changes in Equity
For the year ended 30 June 2011

	Consolidated						
	Attributable to shareholders of Gazal Corp Ltd						
	Issued Capital $'000	Asset Revaluation Reserve $'000	Asset Realisation Reserve $'000	Employee Equity Benefit Reserve $'000	Cash Flow Hedge Reserve $'000	Accumulated Losses $'000	Total Equity $'000
At 1 July 2010	69,410	18,398	562	164	1,846	(14,004)	76,376
Profit for the year	-	-	-	-	-	8,064	8,064
Other comprehensive income	-	745	-	-	(3,901)	-	(3,156)
Total comprehensive income for the year	-	745	-	-	(3,901)	8,064	4,908
Transactions with owners in their capacity as owners:							
Cost of share-based payments	-	-	-	254	-	-	254
Share buy back	(7,148)	-	-	-	-	-	(7,148)
Shares issued	443	-	-	-	-	-	443
Equity dividends	-	-	-	-	-	(7,797)	(7,797)
At 30 June 2011	**62,705**	**19,143**	**562**	**418**	**(2,055)**	**(13,737)**	**67,036**
At 1 July 2009	69,816	17,588	562	-	(1,676)	(18,912)	67,378
Profit for the year	-	-	-	-	-	9,762	9,762
Other comprehensive income	-	810	-	-	3,522	-	4,332
Total comprehensive income for the year	-	810	-	-	3,522	9,762	14,094
Transactions with owners in their capacity as owners:							
Cost of share-based payments	-	-	-	164	-	-	164
Share buy back	(406)	-	-	-	-	-	(406)
Equity dividends	-	-	-	-	-	(4,854)	(4,854)
At 30 June 2010	**69,410**	**18,398**	**562**	**164**	**1,846**	**(14,004)**	**76,376**

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

1 CORPORATE INFORMATION

The annual financial report of Gazal Corporation Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 23 September 2011.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

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

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

All values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

Statement of compliance

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

Statement of compliance (continued)

New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the impacts of the new accounting standards and interpretations presented below.

Reference	Title	Application date of standard	Application date for Group
AASB 2009-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project – The subject of amendments to the standards are set out below: • AASB 5 – Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations • AASB 8 – Disclosure of information about segment assets • AASB 101 – Current/non-current classification of convertible instruments • AASB 107 – Classification of expenditures that does not give rise to an asset • AASB 117 – Classification of leases of land • AASB 118 – Determining whether an entity is acting as a principle or an agent • AASB 136 – Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation • AASB 139 – Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contracts to enter into a business combination contract	1 January 2010	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	1 January 2010	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	1 February 2010	1 July 2010
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.	1 July 2010	1 July 2010
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued as payment of a debt should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	1 July 2010

Statement of compliance (continued)

(ii) 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 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 *Operating Segments* to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011

Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2010-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. *Disclosures* require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2011-5	Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131]	This Standard makes amendments to: ► AASB 127 Consolidated and Separate Financial Statements; ► AASB 128 Investments in Associates; and ► AASB 131 Interests in Joint Ventures; to extend the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation, and relates primarily to those applying the reduced disclosure regime or not-for-profit entities.	1 July 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 January 2012	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2012
AASB 2011-3	Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	This Standard makes amendments including clarifying the definition of the ABS GFS Manual, facilitating the orderly adoption of changes to the ABS GFS Manual and related disclosures to AASB 1049.	1 July 2012	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2012

Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments).	1 July 2012	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2012
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124.	1 July 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013

Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 127.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities – Non-monetary Contributions by Ventures.* AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB128.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013

Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013

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.

Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Directly attributable costs are expensed as incurred. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs net of tax arising, from equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Operating segments

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

Operating segments (continued)

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

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

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

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

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

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) Transaction of overseas subsidiaries

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

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

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

Income tax

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

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

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

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

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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 balance sheet.

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

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

Inventories

Inventories include raw materials, work in progress and finished goods.

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

Raw Materials – purchase cost on moving average cost basis. The cost of purchase comprises the purchase price including the transfer from equity of gains and losses on qualifying cash flow hedges of purchases of raw materials, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities) transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

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

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

Property, plant and equipment

Land and buildings are measured at fair value less accumulated depreciation and any impairment in value. Revaluations are made in accordance with a regular policy whereby independent valuations are obtained and carrying amounts adjusted accordingly.

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	Method
Buildings	40 years	Straight Line
Leasehold improvements	Term of lease	Straight Line
Plant and machinery	2.5 - 17 years	Straight Line

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

Property, plant and equipment (continued)

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

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

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

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

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

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

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

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value 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.

Procurement Fee

This represents amounts prepaid in respect to procurement of future services and goods. This will be expensed over the term of the agreement.

Goodwill

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

Intangible assets

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

The useful lives of intangible assets are assessed to be either finite in the case of industrial designs or infinite in the case of trademarks. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the "depreciation and amortisation" line item.

Intangible assets created within the business 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.

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.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions (continued)

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

Employee leave benefits

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

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

Post-employment benefits

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

Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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

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

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

Trade and other receivables

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

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

Trade and other payables

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

Derivative financial instruments and hedging

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

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

The fair value of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of interest rate swap contracts are determined by reference to market values for similar instruments.

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

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

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

Derivative financial instruments and hedging (continued)

i) Cash flow hedges

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

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

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

ii) Interest rate hedges

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

Interest-bearing loans and borrowings

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

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

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

Borrowing costs
Borrowing costs are recognised as an expense when incurred.

Share-based payment transactions

The Group provides benefits to certain employees (including directors) of the Group in the form of share options, whereby employees render services in exchange for options 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.

Share-based payment transactions (continued)

The Gazal Group Share Option Plan was established in 2005 to provide benefits to eligible participants as determined by the board. In valuing equity-settled transactions, account is taken of performance conditions as indicated in note 20, in this case a profitability hurdle. 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 dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Revenue recognition

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

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

(ii) Interest revenue
Interest income is recognised as it accrues using the effective interest method.

(iii) Royalty revenue
Royalty income from licensees and sub-licensees is recognised based on the percentage of sales as stipulated in the relevant contract.

(iv) Dividends
Revenue is recognised when the Group's right to receive the payment is established.

Contributed equity

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

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.

Earnings per share (continued)

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

Operating leases

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

Investments and other financial assets

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

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

(i) Loans and receivables

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

Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the assets (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets and disposal groups held for sale and discontinued operations (continued)

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

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:

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

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

Long service leave provision
As discussed in note 2, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 12.

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

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

Stock Obsolescence Provision

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

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

Classification of assets and liabilities as held for sale

The Group classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

4 REVENUES AND EXPENSES

		Consolidated	
		Year ended	Year ended
		30 June 2011	30 June 2010
	Note	$'000	$'000
Revenue and Expense from Continuing Operations			
(i) Revenue			
Sales revenue		267,150	229,514
Other revenue			
Interest received		46	65
Royalty revenue		154	174
Foreign exchange gain		-	472
Other		2,252	1,693
Total other revenue		2,452	2,404
Total revenue		**269,602**	**231,918**
(ii) Expenses and losses			
Depreciation, amortisation and impairment			
Depreciation of buildings		316	393
Depreciation of plant and equipment		4,284	3,764
Depreciation of leasehold improvements		1,491	946
Amortisation of industrial designs		118	118
Amortisation of intangible		389	389
Amortisation of software		1,226	2,124
		7,824	7,734
Employee benefit expense			
Wages and salaries		35,560	31,447
Defined contribution superannuation expense		3,091	2,766
Provision for employee entitlements		2,971	2,310
Share-based payments		254	164
		41,876	36,687
Borrowing costs - Interest expenses to other persons		2,522	1,843
Bad & doubtful debts		53	50
Operating lease rentals		10,938	8,799
Provision for inventories obsolescence		1,833	2,002
Foreign exchange loss		628	-
Net loss on disposal of non-current assets		43	237

5 INCOME TAX

(a) Income tax expense

The major components of income tax expense are:

		Consolidated	
		Year ended	Year ended
		30 June 2011	30 June 2010
	Note	$'000	$'000
Income Statement			
Current income tax			
Current income tax charge		5,546	4,263
Adjustments in respect of current income tax of previous years		(116)	33
Deferred income tax			
Relating to origination and reversal of temporary differences		(276)	205
Income tax expense reported in the income statement		5,154	4,501

(b) Amounts charged or credited directly to equity

Deferred income tax related to items charged or credited directly to equity			
Net gain/(loss) on cash flow hedges		(1,672)	1,510
Net gain/(loss) on revaluation of buildings		319	347
Income tax expense reported in equity		(1,353)	1,857

(c) Numerical reconciliation between aggregate Tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit before tax from continuing operations		14,974	11,476
Profit/(loss) before tax from discontinued operations		(1,756)	2,787
Accounting profit before income tax		13,218	14,263
At statutory income tax rate of 30% (2010: 30%)		3,965	4,279
Amortisation of Intangibles		117	117
Entertainment expenses		53	36
Effect of higher rates of tax on overseas income		-	(1)
Impairment of intangibles		951	-
Profit on sale of intangibles		(56)	-
Investment allowance		-	(3)
Unrecovered tax losses		(19)	24
Other items		259	15
Amounts under/(over) provided in prior years		(116)	34
Total income tax attributable to operating profit		**5,154**	**4,501**
Income tax reported in the consolidated income statement		4,703	3,666
Income tax attributable to discontinued operations		451	835
		5,154	**4,501**

5 INCOME TAX (continued)

(d) Recognised deferred tax assets and liabilities

Deferred income tax at 30th June relates to the following:

		Statement of Financial Position		Income Statement	
		Year ended	Year ended	Year ended	Year ended
		30 June 2011	30 June 2010	**30 June 2011**	30 June 2010
	Note	$'000	$'000	$'000	$'000
CONSOLIDATED					
Deferred tax liabilities					
Revaluation of land and buildings to fair value		(7,945)	(7,654)	28	52
Accelerated amortisation of industrial designs for tax purposes		(19)	(19)	-	-
Accelerated amortisation/depreciation for tax purposes		(898)	(501)	(397)	(392)
Derivative asset/other		(126)	(917)	12	277
		(8,988)	(9,091)	(357)	(63)
CONSOLIDATED					
Deferred tax assets					
Accelerated depreciation for book purposes		-	-	-	(2)
Software development expenses for book purposes		316	320	(28)	(44)
Unrealised foreign exchange gains		117	40	77	(25)
Provisions for employee benefits		1,683	1,586	97	89
Other provisions not deductible		368	230	138	(129)
Fair value adjustments relating to inventory		1,021	911	110	186
Doubtful debts		54	64	(10)	(4)
Accrual for rent free period		746	468	278	127
Prepayments/other		1	3	(2)	(305)
Uplift to retail stock value		144	174	(27)	(35)
Derivative liability		881	-	-	-
		5,331	**3,796**	**633**	**(142)**

(e) Tax losses

The Group has Australian capital gains tax losses for which no deferred tax asset is recognised. The deferred tax asset, if recognised, would be $7,409,000. There is uncertainty regarding the company's ability to generate future taxable capital gains to take advantage of the capital gains tax losses and the company has therefore not raised a deferred tax asset for this amount. These Australian capital gains tax losses are available indefinitely for offset against future capital gains under current taxation laws subject to continuing to meet relevant statutory tests.

5 INCOME TAX (continued)

(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 group head 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.

6 DISCONTINUED OPERATIONS

__Disposal of Licensing Operations__

The company entered into a sale agreement to dispose of its Trent Nathan Licensing operation in June 2011. The sale was completed on 28th June, 2011. Proceeds of the sale exceeded the carrying amount of the related assets by $186,000 and this is recognised in discontinued operations.

__Plan to dispose of components of wholesale underwear and retail underwear operations__

The Group has been seeking buyers for components of its wholesale and retail underwear operations. Management is committed to a plan to sell these businesses following a strategic decision to place more emphasis on core activities. Expectations are that the sale will be complete by October, 2011. The Group recognised an impairment charge of $3,190,000 compared to book value during 2011 with respect to these businesses which has been included profit/(loss) after tax from discontinued operation in the Income Statement (refer below).

__Analysis of Profit/(loss) for the year from Discontinued Operations__

The combined result of the discontinued operations (Licensing and Underwear businesses as described above) have been included in the statement of comprehensive income as set out below. Comparative profit/loss and cash flows for discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

The results of the discontinued operations are presented below:

	2011				2010			
	Underwear Operations $'000	Licensing Operations $'000	Mambo European Operations $'000	Total $'000	Underwear Operations $'000	Licensing Operations $'000	Mambo European Operations $'000	Total $'000
Trading								
Sales revenue	16,315	-	-	16,315	18,673	-	-	18,673
Other revenue	129	961	-	1,090	94	710	122	926
Cost of sales	(7,917)	-	-	(7,917)	(8,601)	-	-	(8,601)
Depreciation and amortisation	(490)	(2)	-	(492)	(487)	(6)	-	(493)
Impairment	(3,190)	-	-	(3,190)	-	-	-	-
Employees benefit expenses	(2,907)	(11)	-	(2,918)	(2,865)	(16)	-	(2,881)
Finance costs	(195)	-	-	(195)	(184)	-	-	(184)
Other expenses	(4,427)	(22)	-	(4,449)	(4,550)	8	(111)	(4,653)
Profit/(loss) before tax from discontinuing operations	(2,682)	926	-	(1,756)	2,080	696	11	2,787
Tax (expense)/benefit	(229)	(222)	-	(451)	(624)	(209)	(2)	(835)
Profit/(loss) for the year from discontinuing operations	**(2,911)**	**704**	**-**	**(2,207)**	**1,456**	**487**	**9**	**1,952**

6 DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities at 30th June are as follows:

	2011				2010			
	Underwear Operations	Licensing Operations	Mambo European Operations	Total	Underwear Operations	Licensing Operations	Mambo European Operations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets								
Cash and short term deposits	-	-	-	-	-	-	147	147
Inventory	2,209	-	-	2,209	-	-	-	-
Fixed assets	782	-	-	782	-	-	-	-
Intangibles	3,972	-	-	3,972	-	-	-	-
Other receivables	26	-	-	26	-	-	-	-
Assets classified as held for sale	**6,989**	**-**	**-**	**6,989**	**-**	**-**	**147**	**147**
Liabilities								
Trade and other payables	638	-	-	638	-	-	-	-
Provisions	212	-	-	212	-	-	-	-
Classified as held for sale	**850**	**-**	**-**	**850**	**-**	**-**	**-**	**-**
Net assets attributable to discontinued operations	**6,139**	**-**	**-**	**6,139**	**-**	**-**	**147**	**147**

Net cash flows of the discontinuing operations are as follows:

	2011				2010			
	Underwear Operations	Licensing Operations	Mambo European Operations	Total	Underwear Operations	Licensing Operations	Mambo European Operations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating activities	1,308	531	-	1,839	3,059	470	31	3,560
Investing activities	(56)	3,676	(147)	3,473	(211)	-	-	(211)
Financing activities	-	-	-	-	-	-	-	-
Net cash inflow/(outflow)	**1,252**	**4,207**	**(147)**	**5,312**	**2,848**	**470**	**31**	**3,349**

	2011	2010
	cents	cents
Earnings per share - cents per share:		
- Basic from discontinued operations	(3.7)	3.2
- Diluted from discontinued operations	(3.7)	3.2

7 EARNINGS PER SHARE

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

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Net Profit attributable to ordinary equity holders of the parent from continuing operations	10,271	7,810
Profit/(loss) attributable to ordinary equity holders of the parent from discontinuing operations	(2,207)	1,952
Earnings used in calculating basic and diluted earnings per share	**8,064**	**9,762**

	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	59,427,218	60,637,698
Effect of dilutive securities		
Share options	611,384	206,656
Adjusted weighted average number of ordinary shares used in calculating basic earnings per share	**60,038,602**	**60,844,354**

To calculate earnings per share amounts for the discontinued operations, the weighted average number of ordinary shares for both basic and diluted amounts is as per the table above. The following table provides the profit figures used as the numerator:

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Profit/(loss) attributable to ordinary equity holders of the parent from discontinuing operations		
- for basic earnings per share	(2,207)	1,952
- for diluted earnings per share	(2,207)	1,952

Options granted to employees (including KMP) are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share

8 SEGMENT INFORMATION – OPERATING SEGMENTS

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

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

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

Types of markets and customer groups
Wholesale
The wholesale business services our traditional retail customers. The products sold are primarily mens and ladies underwear, workwear, school uniforms, mens business suits and shirts.

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

Accounting policies and inter-segment transactions
The accounting polices used by the Group in reporting segments internally are the same as those contained in note 2. The key elements of the policy are described below.

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

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

Income tax expense
Income tax expense is calculated based on the segment operating net profit using a notional charge of 30% (2010: 30%). No effect is given for taxable or deductible temporary differences.

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

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

- Fair value gains/losses on held-for-trading derivatives
- Fair value gains on hedge loan
- Net gains on disposal of available-for-sale investments
- Finance costs – including adjustments on provisions due to discounting

8 SEGMENT INFORMATION – OPERATING SEGMENTS (continued)

	Wholesale $'000	Direct to Consumer $'000	Unallocated Items $'000	Total $'000
Year ended 30 June 2011				
Revenue				
Sales to external customers	128,121	139,029	-	267,150
Other revenue from external customers	188	2,093	-	2,281
Inter-segment sales	8,722	-	-	8,722
Total Segment Revenue	**137,031**	**141,122**	-	**278,153**
Segment net operating profit after tax	**11,926**	**1,111**	-	**13,037**
Interest revenue	7	-	39	46
Interest expense	-	-	(2,522)	(2,522)
Depreciation and amortisation	(1,610)	(3,427)	(2,787)	(7,824)
Other non-cash expenses	(48)	-	(259)	(307)
Income tax expense	(5,111)	(476)		(5,587)
Discontinued operations after income tax	(1,276)	(931)	-	(2,207)
Segment assets	**56,946**	**45,104**	-	**102,050**
Capital expenditure	694	8,803	1,288	10,785
Segment liabilities	**20,011**	**22,142**	-	**42,153**

	Wholesale $'000	Direct to Consumer $'000	Unallocated Items $'000	Total $'000
Year ended 30 June 2010				
Revenue				
Sales to external customers	114,228	115,286	-	229,514
Other revenue from external customers	213	1,614	-	1,827
Inter-segment sales	7,792	-	-	7,792
Total segment revenue	**122,233**	**116,900**	-	**239,133**
Segment net operating profit after tax	7,841	3,744	-	11,585
Interest revenue	8	-	57	65
Interest expense	-	-	(1,842)	(1,842)
Depreciation and amortisation	(1,749)	(2,252)	(3,733)	(7,734)
Other non-cash expenses	(90)	-	(164)	(254)
Income tax expense	(3,360)	(1,605)		(4,965)
Discontinued operations after income tax	1,066	877	9	1,952
Segment assets	**60,755**	**43,019**	-	**103,774**
Capital expenditure	520	8,722	1,534	10,776
Segment liabilities	**15,118**	**20,242**	-	**35,360**

8 SEGMENT INFORMATION – OPERATING SEGMENTS (continued)

Major customers

The Group has a number of customers to which it provides products. The Group's major customer which is included in the Wholesale segment accounted for 12.0% of external revenue (2010: 14.1%). The next most significant customer accounts for 4.4% (2010: 5.7%) of external revenue.

i) Segment revenue reconciliation to the income statement

	Consolidated	
	30 June 2011	30 June 2010
	$'000	$'000
Reconciliation of segment revenue to the income statement		
Total segment revenue	278,153	239,133
Inter-segment sales elimination	(8,722)	(7,792)
Other revenues from continuing activities	171	577
Total revenue per the income statement note	**269,602**	**231,918**

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

The Board of Directors meet on a periodical basis to assess the performance of each segment by analysing the segment's net operating profit after tax. A segment's net operating profit after tax excludes non operating income and expense such as dividends received, fair value gains and losses, gains and losses on disposal of assets and impairment charges. Income tax expenses are calculated as 30% (2010: 30%) of the segment's net operating profit.

	Consolidated	
	30 June 2011	30 June 2010
	$'000	$'000
Reconciliation of segment net operating profit after tax to net profit/loss before tax		
Segment net operating profit after tax	13,037	11,585
Income tax expenses at 30% (2010: 30%)	5,587	4,965
Interest revenue	39	57
Interest expense	(2,522)	(1,842)
Depreciation and amortisation	(2,787)	(3,733)
Other non-cash expenses	(259)	(164)
Over-allocation of corporate overhead to segments	1,879	608
Total net profit before tax per the income statement	**14,974**	**11,476**

8 SEGMENT INFORMATION – OPERATING SEGMENTS (continued)

iii) Segment assets reconciliation to the statement of financial position

In assessing the segment performance, the Board of Directors analyse the segment result as described above and its relation to segment assets. Segment assets are those operating assets of the entity that the management committee views as directly attributing to the performance of the segment. These assets include plant and equipment, receivables, inventory and intangibles and exclude available-for-sale assets, cash at bank, derivative assets, deferred tax assets.

	Consolidated	
	30 June 2011	30 June 2010
	$'000	$'000
Reconciliation of segment operating assets to total assets		
Segment operating assets	102,050	103,774
Intersegment eliminations	(1,446)	(1,526)
Cash at bank	16,045	6,161
Corporate PP&E	39,140	38,676
Corporate IT software	4,428	5,131
Derivative assets	143	2,638
Deferred tax assets	5,331	3,796
Assets of disposal group classified as held for sale	6,989	147
Total assets per the statement of financial position	**172,680**	**158,797**

iv) Segment liabilities reconciliation to the statement of financial position

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

	Consolidated	
	30 June 2011	30 June 2010
	$'000	$'000
Reconciliation of segment operating liabilities to total liabilities		
Segment operating liabilities	42,153	35,360
Intersegment eliminations	(1,446)	(1,526)
Borrowings	46,000	32,423
Income tax payable	3,025	1,788
Provisions	2,994	5,285
Derivative financial instruments	3,080	-
Deferred tax liabilities	8,988	9,091
Liabilities directly associated with assets classified as held for sale	850	-
Total liabilities per the statement of financial position	**105,644**	**82,421**

9 TRADE AND OTHER RECEIVABLES (CURRENT)

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Trade receivables	16,664	14,786
Allowance for impairment loss (a)	(181)	(214)
Carrying amount	**16,483**	**14,572**

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment gain of $33,000 (2010: $10,000 gain) has been recognised by the Group in the current year. These amounts have been included in the selling and administrative expense items.

Movements in the provision for impairment loss were as follows

At 1 July	214	224
Reversal of provision during the year	(33)	(10)
At 30 June	181	214

At 30 June, the ageing analysis of trade receivable is as follows:

	Total	0-30 Days	31-60 Days	61-90 Days PDNI*	61-90 Days CI*	+91 Days PDNI*	+91 Days CI*
2011 Consolidated	16,664	16,172	118	170	-	23	181
2010 Consolidated	14,786	14,115	99	209	-	149	214

* Past due not impaired ('PDNI')
Considered impaired ('CI')

Receivables past due but not considered impaired are: Consolidated $193,000 (2010: $358,000). Payment terms on these amounts have not been re-negotiated however credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

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

(b) Related party receivables

For the terms and conditions of related party receivables refer to note 29. Loans to wholly owned group entities are repayable on demand.

(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 28.

10 INVENTORIES (CURRENT)

	Consolidated	
	Year ended	Year ended
	30 June 2011	30 June 2010
	$'000	$'000
Raw materials and stores, at cost	23	120
Provision for inventory obsolescence	(1)	(35)
Raw materials and stores, net	22	85
Finished goods, at cost	46,473	40,569
Provision for inventory obsolescence	(3,100)	(2,717)
	43,373	37,852
Stock in transit	2,180	4,772
Total inventories	**45,575**	**42,709**

(a) Inventory expenses

Inventories recognised as an expense for the year ended 30 June 2011 totalled $154,398,000 (2010: $134,088,000) for the Group. This expense has been included in cost of sales. The obsolescence expense/net realisable value expense of $348,770 (2010: $379,265) has been included as an expense in the cost of sales.

11 OTHER ASSETS (CURRENT)

	Consolidated	
	Year ended	Year ended
	30 June 2011	30 June 2010
	$'000	$'000
Prepayments	1,837	1,635
Other	2,412	2,596
Total other current assets	**4,249**	**4,231**

12 PROPERTY, PLANT AND EQUIPMENT

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

	Consolidated			
Year ended 30 June 2011	Land & Building $'000	Leasehold Improvement $'000	Plant & Machinery $'000	Total $'000
At 1 July 2010 net of accumulated depreciation	34,558	5,431	14,866	54,855
Additions	69	5,013	5,121	10,203
Disposals	-	-	(281)	(281)
Revaluation	1,065	-	-	1,065
Depreciation charge for the year	(316)	(1,598)	(4,662)	(6,576)
Others - Currency translation difference	-	(28)	1	(27)
Assets included in discontinued operations (note 6)		(271)	(511)	(782)
At 30 June 2011 net of accumulated depreciation	35,376	8,547	14,534	58,457
At 30 June 2011				
Cost or fair value	35,376	14,570	39,444	89,390
Accumulated depreciation	-	(6,023)	(24,910)	(30,933)
Net carrying amount	**35,376**	**8,547**	**14,534**	**58,457**

	Consolidated			
Year ended 30 June 2010	Land & Building $'000	Leasehold Improvement $'000	Plant & Machinery $'000	Total $'000
At 1 July 2009 net of accumulated depreciation	33,795	3,539	12,337	49,671
Additions	-	2,933	7,136	10,069
Disposals	-	(21)	(459)	(480)
Revaluation	1,156	-	-	1,156
Depreciation charge for the year	(393)	(1,033)	(4,163)	(5,589)
Others - Currency translation difference	-	13	15	28
At 30 June 2010 net of accumulated depreciation	34,558	5,431	14,866	54,855
At 1 July 2009				
Cost or fair value	33,795	7,408	32,476	73,679
Accumulated depreciation	-	(3,869)	(20,139)	(24,008)
Net carrying amount	**33,795**	**3,539**	**12,337**	**49,671**
At 30 June 2010				
Cost or fair value	34,558	10,158	38,012	82,728
Accumulated depreciation	-	(4,727)	(23,146)	(27,873)
Net carrying amount	**34,558**	**5,431**	**14,866**	**54,855**

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

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Revaluation of land and buildings
The Group engaged CB Richard Ellis, an accredited independent valuer, to determine the fair value of its land and buildings. Fair value is determined directly by reference to market-based evidence, which is the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. The effective date of the revaluation was 30 June 2011.

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

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Cost	13,614	13,545
Accumulated depreciation	(4,745)	(4,429)
Net carrying amount	**8,869**	**9,116**

(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).

13 INTANGIBLE ASSETS

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

	Consolidated					
	Trademarks	Industrial Designs	Goodwill	Finite life Intangible	Software	Total
Year ended 30 June 2011	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2010 net of accumulated amortisation	7,673	226	14,237	1,328	5,306	28,770
Additions	1,874	-	-	-	621	2,495
Disposal	(3,488)	-	-	-	-	(3,488)
Amortisation	-	(123)	-	(389)	(1,228)	(1,740)
Impairment	-	-	(3,190)	-	-	(3,190)
Assets included in discontinued operations (note 6)	-	(16)	(3,955)	-	(1)	(3,972)
At 30 June 2011 net of accumulated amortisation	**6,059**	**87**	**7,092**	**939**	**4,698**	**18,875**
At 30 June 2011						
Cost (gross carrying amount)	6,059	1,925	7,092	3,996	9,110	28,182
Accumulated amortisation	-	(1,838)	-	(3,057)	(4,412)	(9,307)
Net carrying amount	**6,059**	**87**	**7,092**	**939**	**4,698**	**18,875**

Year ended 30 June 2010	Consolidated					
At 1 July 2009 net of accumulated amortisation	7,673	349	14,237	1,717	6,726	30,702
Additions	-	-	-	-	707	707
Disposal	-	-	-	-	(1)	(1)
Amortisation	-	(123)	-	(389)	(2,126)	(2,638)
At 30 June 2010 net of accumulated amortisation	**7,673**	**226**	**14,237**	**1,328**	**5,306**	**28,770**
At 1 July 2009						
Cost (gross carrying amount)	7,673	1,971	14,237	3,996	8,509	36,386
Accumulated amortisation	-	(1,622)	-	(2,279)	(1,783)	(5,684)
Net carrying amount	**7,673**	**349**	**14,237**	**1,717**	**6,726**	**30,702**
At 30 June 2010						
Cost (gross carrying amount)	7,673	1,971	14,237	3,996	8,520	36,397
Accumulated amortisation	-	(1,745)	-	(2,668)	(3,214)	(7,627)
Net carrying amount	**7,673**	**226**	**14,237**	**1,328**	**5,306**	**28,770**

Carrying amounts attributed to trademarks and goodwill are as follows:

	2011 Consolidated		2010 Consolidated	
	Trademarks	Goodwill	Trademarks	Goodwill
	$'000	$'000	$'000	$'000
Wholesale	6,059	3,799	7,673	8,622
Direct to consumer	-	3,293	-	5,615
Total trademarks & goodwill	**6,059**	**7,092**	**7,673**	**14,237**

13 INTANGIBLE ASSETS (continued)

(b) Description of the Group's intangible assets

(i) Trademarks
Trademark values are assessed at brand level within each cash generating unit (CGU). The useful lives of trademarks are estimated as indefinite and the relief from royalty method is utilised for the measurement of fair value when recognised on acquisition. The trademarks are determined to have indefinite life when it is the Company's intention to support, maintain and enhance the market perception of the trademarks. The methodology is based on an estimate of arms' length royalty of between 6% and 7% (2010: 6% to 7%) which would be payable to a third party licensor on sales of trademark branded product. Estimated royalty values (less brand maintenance expenses) are discounted to arrive at a Net Present Value ('NPV') of the royalty income attributable to the trademark. The trademark is deemed not to be impaired if the resulting fair value calculation described above is greater than the carrying value of the trademark. Sales projections reflect budget for the ensuing year and further growth of 2% p.a. (2010: 2%) for subsequent three years plus terminal value. A discount rate range of 18.3% to 21.1% (2010: 17.9%to 21.0%) was used in the NPV calculations. A reasonably possible change in growth rates and discount rates would not result in impairment.

(ii) Industrial designs
The useful life of industrial designs is estimated as being 16 years from the date of recognition at fair value on acquisition.

(iii) Goodwill
(a) Continuing operations
Goodwill is measured for each CGU by calculating its enterprise value being the NPV of future free cash flows and deducting from this value the net tangible assets and identifiable intangible assets such as trademarks and industrial designs used by the CGU. A CGU for Gazal consists of like style product groupings and risk is deemed to be constant across all groupings. Goodwill which has been purchased as a part of a business combination is regarded as having an indefinite life. Value in use of goodwill is tested at least annually for impairment, and always at the end of financial year to ensure that assets are carried at a recoverable value. A discount rate range of 18.3% to 21.1% (2010: 17.9% to 21.0%) used in goodwill calculations approximates the Company's actual pre tax weighted average cost of capital for the year in review. Valuations have assumed budget sales growth in the ensuing year and further growth of 2% (2010: 2%) for the subsequent three years plus terminal value. A reasonably possible change in growth rates and discount rates would not result in impairment.

(b) Discontinued operations
An impairment loss was charged for discontinued operations in the 2011 financial year. Intangible assets under contract at the balance date have been valued at the greater of value in use or estimated fair value less cost to sell. Immediately before the classification of the wholesale underwear and retail underwear business as a discontinued operation, recoverable amount was estimated for the intangible assets. An impairment loss of $3,190,000 was recognised to write down the intangible assets to fair value less costs to sell. The impairment loss has been recognised in the statement of comprehensive income in the profit/(loss) after tax from the discontinued operations.

(iv) Finite life intangible
A distribution agreement which was acquired as part of a business combination which has been classified as an intangible asset with a finite life has been tested for impairment on the same basis as goodwill. No impairment loss was charged for the 2011 financial year (2010: nil).

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

14 OTHER ASSETS (NON-CURRENT)

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Procurement fee	533	918
Total other non-current assets	**533**	**918**

15 TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Trade payables (a)	22,036	23,894
Other payables	14,976	9,253
Goods and services tax	1,289	687
Total trade and other payables	**38,301**	**33,834**
(a) Foreign exchange risk		
The carrying amounts of the Group's trade and other payables denominated in foreign currencies are:		
New Zealand Dollar	-	8
Hong Kong Dollar	-	2
US Dollar	3,563	7,061
Carrying amount of foreign currency trade and other payables	**3,563**	**7,071**

(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 and liquidity risk exposure is disclosed in note 27. Refer to note 28 for further information relating to the sensitivity of trade and other payables to foreign currency risk.

(d) Financial guarantees
The Group has provided the financial guarantees to its associates which commits the Group to make payments on behalf of these entities upon their failure to perform under the terms of the relevant contract. Refer to note 24 and note 29 for further information relating to the Parent's financial guarantee.

16 INTEREST-BEARING LOANS AND BORROWING (CURRENT)

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Bank loans - secured (Refer Note 18(a))	16,000	2,423
Total current borrowings	**16,000**	**2,423**

17 PROVISIONS (CURRENT)

	Consolidated		
	Provision for annual leave	Provision for long service leave	Total
	$'000	$'000	$'000
At 1 July 2010	3,492	1,253	4,745
Arising during the year	2,328	564	2,892
Utilised	(2,604)	(180)	(2,784)
At 30 June 2011	**3,216**	**1,637**	**4,853**

(a) *Long service leave*
Refer to note 2 and note 3 respectively for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

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

	Consolidated	
	Year ended **30 June 2011**	Year ended 30 June 2010
	$'000	$'000
Bank loans - secured (a)	30,000	30,000
Total non-current borrowings	**30,000**	**30,000**

(a) The Bank loans of $46,000,000 (2010: $32,423,000) are secured by a first mortgage over freehold land and buildings and by deeds of charge, and mortgage debentures over all tangible assets of the economic entity with total assets pledged as security totaling $139,551,000 (2010: $118,444,000), refer to note 26(c). Bank loans have been classified as non-current and current liabilities. The loan facilities with our bankers do not expire until 30 September, 2012. The current portion is the portion which will be repaid over the next 12 months as indicated in Note 16. The non-current portion ($30million) of the bank facility may be extended for a further two years from the date of each annual review. 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 Company's bank covenants were compliant at 30 June 2011.

The interest rates on floating rate borrowings at year-end ranged from 6.29% to 6.51% (2010: 3.5% to 9.6%). Borrowings at 30 June 2011 were in Australian dollars.

19 PROVISIONS (NON-CURRENT)

	Consolidated
	Provision for long service leave $'000
At 1 July 2010	540
Arising during the year	7
At 30 June 2011	**547**

(a) *Long service leave*
Refer to note 2 and note 3 respectively for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

20 CONTRIBUTED EQUITY

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Ordinary shares		
Issued and fully paid	62,705	69,410

Movements in contributed equity for the year

	Consolidated	
	Number '000	Value $'000
Opening balance at 1 July 2009	60,676	69,816
Share buy-back	(273)	(406)
Closing balance at 30 June 2010	**60,403**	**69,410**
Opening balance 1 July 2010	60,403	69,410
Share buy-back	(3,508)	(7,148)
Shares issued	333	443
Closing balance at 30 June 2011	**57,228**	**62,705**

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.

20 CONTRIBUTED EQUITY (continued)

Share Based Payment Plans

In November 2005 the Company established the Gazal Group Share Option Plan. The exercise price of options under this option plan is equal to a formula based on the market price of the shares sold on the ASX on the five preceding days to the grant date.

The following table illustrates the number and exercise prices of and movements in share options during the year:

Date Granted	Exercise Price	On issue 30 June 2010	Issued during the year (c)(d)	Converted to fully paid shares (e)	Lapsed/ cancelled	On issue 30 June 2011 (b)	Exercise period
1 July 2009 (a)	0.93	80,000	-	-	-	80,000	1 July 2012 to 30 June 2014*
10 Dec 2009	1.33	2,000,000	-	333,332	-	1,666,668	10 Dec 2010 to 9 Dec 2014*
1 July 2010	1.59	-	50,000	-	-	50,000	1 July 2013 to 30 June 2015*
TOTAL		2,080,000	50,000	333,332	-	1,796,668	

* Expiry date

(a) These options were granted to brand ambassadors on similar terms as the Employee Options

(b) The remaining contractual life for the share options outstanding at 30 June 2011 is between 3 Years and 4.5 years (2010: 4 Years and 4.5 years).

(c) The weighted average fair value of options granted during the year was $1.59 (2010: $1.31).

(d) The fair value of the equity-settled share options granted under the option plans is estimated as at the date of grant using a binomial model taking into account the terms and conditions upon which the options were granted.

(e) This relates to the exercise of options by KMPs. The market share price on date of issue was $2.00.

The following table lists the inputs to the model used for the years ended 30 June 2011 and 30 June 2010:

	1 July 2009	10 Dec 2009(1)	10 Dec 2009(2)	10 Dec 2009(3)	1 July 2010
Dividend yield(%)	7.00	7.00	7.00	7.00	6.5
Expected volatility (%)	30-40	30-40	30-40	30-40	30-40
Risk-free interest rate (%)	4.9	4.5	4.8	5.0	4.67
Expected life of options after vesting(years)	1	1	1	1	1
Option exercise price ($)	0.93	1.33	1.33	1.33	1.59
Weighted average share price at grant date ($)	0.93	1.33	1.33	1.33	1.59

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome.

The fair value of the cash-settled options is measured at the grant date using a binomial option pricing model taking into account the terms and conditions upon which the instruments were granted.

Options granted on 10 December 2009, vest in 3 tranches, one third after one year (1), one third after two years (2), and one third after three years (3).

20 CONTRIBUTED EQUITY (continued)

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 are 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 2011, management paid dividends of $7,797,000 (2010: $4,854,000).

Management has no current plans to issue further shares on the market but intends to further reduce the capital structure by buying back shares in accordance with ASX listing rule up until February 2012 when the current buy-back expires or such longer period as considered appropriate by the Board in order to reduce the share capital.

Management monitor capital through the gearing ratio (net debt/total capital). The gearing ratios based on continuing operations at 30 June 2011 and 2010 were as follows:

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Total borrowings *	84,939	66,257
Less cash and cash equivalents	(16,045)	(6,308)
Net debt	68,894	59,949
Total equity	67,036	76,376
Total Capital	135,930	136,325
Gearing ratio	51%	44%

** Includes interest bearing loans and borrowings and trade and other payables of continuing and discontinued operations*

The Group considers a gearing ratio of 50% to be the optimal level. The on market buy back of $7,148,000 of share capital during the year had the desired effect of lifting the Group's gearing ratio closer to this level. The Group is required under its bank covenants to maintain shareholder funds at no less than $60million or 85% of the prior year level.

21 RESERVES

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Asset revaluation	19,143	18,398
Asset realisation	562	562
Employee equity benefit	418	164
Cash flow hedge	(2,055)	1,846
Total reserves	**18,068**	**20,970**
Transfer to/(from) reserves:		
(a) Asset revaluation reserve		
Opening balance	18,398	17,588
Revaluation of land and building	745	810
Closing balance	**19,143**	**18,398**
(b) Employee equity benefits reserve		
Opening balance	164	-
Recognition of share-based payment cost	254	164
Closing balance	**418**	**164**
(c) Cash flow hedge reserve		
Opening balance	1,846	(1,676)
Gain/(loss) taken to equity	(3,121)	2,342
Transferred to statement of financial position	(2,453)	2,690
Income tax on items of other comprehensive income	1,673	(1,510)
Closing balance	**(2,055)**	**1,846**

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.

Asset realisation reserve
This reserve is used to record realised increases in the fair value of non-current assets which have been sold.

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 Note 20 for further details of these plans.

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

22 RETAINED PROFITS AND DIVIDENDS

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Accumulated losses		
(a) Movement in accumulated losses		
Balance at the beginning of the financial year	(14,004)	(18,912)
Net profit attributable to members - continuing	10,271	7,810
Net profit/(loss) attributable to members - discontinued	(2,207)	1,952
Dividends provided for or paid	(7,797)	(4,854)
Balance at the end of the financial year	**(13,737)**	**(14,004)**
(b) Dividends paid during the financial year		
Interim franked dividend 6 cents (2010: 4cents) paid 1 April 2011	3,570	2,427
Prior year final franked dividend 7 cents (2010: 4 cents) paid 1 October 2010	4,227	2,427
(c) Dividends declared but not recognised as a liability		
Final fully franked dividend 7 cents (2010: 7 cents) payable 4 October 2011	4,006	4,227
Franking credit balance		
Franking credits available for the subsequent financial year are:		
Balance at the end of the financial year at 30% (2010: 30%)	12,472	11,887
Franking credits that will arise from the payment/(receipt) of income tax payable/(receivable) as at the end of the financial year	2,999	1,715
	15,471	13,602
The amount of franking credits available for future reporting periods:		
Impact on the franking account of dividends proposed or declared before the financial report was authorised for issued but not recognised as a distribution to equity holders during the periods	(1,717)	(1,812)
	13,754	**11,790**

23 COMMITMENTS

	Consolidated	
	Year ended	Year ended
	30 June 2011	30 June 2010
	$'000	$'000
(a) Commitments		
Capital expenditure contracted for is payable as follows:		
Not later than one year	2,212	3,214
Operating lease expenditure contracted for is payable as follows:		
Not later than one year	15,333	12,004
Later than one year but not later than five years	46,508	37,070
Later than five years	22,497	17,126
	84,338	**66,200**

Operating leases have remaining terms between 1 and 10 years with an average lease term of 4 years (2010: 4 years) and an average implicit interest rate of 6.4% (2010: 6.0%). Leases include a clause to enable upward revision of the rental charge on an annual basis. Assets that are the subject of operating leases are rental properties and office machines.

24 CONTINGENT LIABILITIES

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

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

There are no other contingent liabilities at 30 June 2011 (30 June 2010: nil)

25 CASH AND CASH EQUIVALENTS (CURRENT)

(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	
	Year ended	Year ended
	30 June 2011	30 June 2010
	$'000	$'000
Cash at bank	16,045	6,161
Cash and short term deposits attributable to discontinued operations (note 6)	-	147
	16,045	**6,308**

25 CASH AND CASH EQUIVALENTS (CURRENT) (continued)

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

Operating profit after income tax	8,064	9,762
Adjustments for non-cash income & expenses items:		
Depreciation, amortisation and impairment expense	11,506	8,227
Other	280	120
Loss on sale of property, plant and equipment	50	238
(Profit) on sale of trademark	(185)	-
Changes in assets and liabilities		
(Increase)/decrease in trade debtors	(1,911)	(318)
(Increase)/decrease in inventory	(5,075)	3,196
(Increase)/decrease in prepaid expenses	341	631
Increase/(decrease) in trade creditors	(1,307)	5,808
Increase/(decrease) in other creditors	6,412	1,232
Increase/(decrease) in income tax payable	1,237	1,901
Increase/(decrease) in deferred income tax	(285)	215
Increase/(decrease) in employee entitlements provisions	327	298
	19,454	**31,310**

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 plant and machinery.

(b) Financing facilities available

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

	Consolidated		
	Accessible	Drawdown	Unused
At 30 June 2011	$'000	$'000	$'000
Bank overdraft facility	3,077	-	3,077
Bank loan facilities	55,772	(46,000)	9,772
Total financing facilities	**58,849**	**(46,000)**	**12,849**
At 30 June 2010			
Bank overdraft facility	3,081	-	3,081
Bank loan facilities	62,902	(32,423)	30,479
Total financing facilities	65,983	(32,423)	33,560

Expiry date: 30 September 2012 (2010: 30 September 2012)

26 FINANCING FACILITIES AVAILABLE (continued)

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

At balance date, the Group has approximately $12.8 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:

		Consolidated	
		Year ended	Year ended
		30 June 2011	30 June 2010
	Note	$'000	$'000
Current			
Floating charge			
Cash at bank	25(a)	16,045	6,308
Receivables	9	16,483	14,572
Inventory	10	47,784	42,709
Total current assets pledged as security		**80,312**	**63,589**
Non-current			
First mortgage			
Freehold land and buildings	12	35,376	34,558
Floating charge			
Leasehold improvement	6,12	8,818	5,431
Plant and machinery	6,12	15,045	14,866
Total non-current assets pledged as security		**59,239**	**54,855**
Total assets pledged as security		**139,551**	**118,444**

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Notional Amounts and Credit Exposures of Derivatives:

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

a) Interest Rate Risk Management

The economic entity raises short and long term debt at both fixed and floating rates. In order to minimise risk, interest rate swaps are used to convert floating rate debt to fixed rates when this results in a fixed rate lower than that available if fixed-rate debt was raised directly. Under the swaps, the economic entity agrees with other parties to exchange, at specified intervals, the difference between the fixed-rate and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

At balance 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	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Financial assets		
Cash and cash equivalents	16,045	6,308
	16,045	6,308
Financial liabilities		
Bank loans at floating rate	41,000	27,423
	41,000	27,423
Net exposure	**(24,955)**	**(21,115)**

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

27 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, modified by interest rate swaps. Interest rate swap contracts – are limited to the net fair value of the swap agreement at reporting date being $143,000 (2010: $185,000). The table included in Note 28 summarises interest rate risk for the economic entity, together with effective interest rates at balance date.

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

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

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

Judgements of reasonable possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Consolidated				
+1% (100 basis points)	(175)	(148)	79	107
-.5% (50 basis points)	87	74	(40)	(55)

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges. The sensitivity is higher in 2011 than in 2010 because of an increase in outstanding borrowings that has occurred due to net cash outflows.

Significant assumptions used in the interest rate sensitivity analysis include:

i) 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.
ii) 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 balance date.
iii) The effect on other comprehensive income is the effect on the cash flow hedge reserve.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Credit Risk

The economic entity's exposures to credit risk at reporting date are as indicated by the carrying amounts of its financial assets. Concentrations of credit risk (whether on or off balance sheet) that arise from derivative instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There is a 16% concentration of credit risk with major customer groups.

c) Foreign Currency Risk

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

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

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

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Financial assets		
Cash and cash equivalents	62	-
Trade and other receivables	963	489
	1,025	489
Financial liabilities		
Trade and other payables	-	-
	-	-
Net exposure	**1,025**	**489**

The Group has, as outlined in note 28, forward currency contracts designated as cash flow hedges that are subject to fair value movements through equity and profit and loss respectively as foreign exchange rates move.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c) Foreign Currency Risk (continued)

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

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

Judgements of reasonable possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Consolidated				
AUD/USD +10%	(57)	(31)	(2,670)	(3,470)
AUD/USD - 5%	33	18	1,546	2,009

The movements in profit in 2011 are more sensitive than in 2010 due to the higher level of US Dollar receivables not designated as cash flow hedges at balance date. The movements in equity are lower in 2011 than in 2010 owing to the higher level of AUD as at June 2011.

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

i) Reasonably possible movements in foreign currency were determined based on a review of the last two year's historical movements and economic forecaster's expectations.

ii) The reasonably possible movement was calculated by taking the USD spot rate as at balance date, moving this spot rate by the reasonably possible movements and then re-converting the USD into AUD with the "new spot rate". This methodology reflects the translation methodology undertaken by the Group.

iii) 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 balance date.

iv) The effect on other comprehensive income is the effect on the cash flow hedge reserve.

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

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

d) Liquidity Risk

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

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2011. For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2011.

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

	Consolidated	
	Year ended	Year ended
	30 June 2011	30 June 2010
	$'000	$'000
Financial liabilities		
0-12 months	58,019	36,257
1-5 years	32,390	35,063
Over 5 years	-	-
	90,409	**71,320**

e) Hedging Instruments

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

f) Fair Value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

28 DERIVATIVE FINANCIAL INSTRUMENTS

Hedging activities

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Current assets		
Interest rate swaps - cash flow hedges	143	185
Forward currency contracts - cash flow hedges	-	2,453
	143	**2,638**
Current liabilities		
Forward currency contracts - cash flow hedges	3,080	-

a) Instruments used by the Group

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

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

As these are designated effective hedges, an adjustment of $5,532,000 (2010: $5,162,000) has been made to the hedge reserve while no adjustment has been included in the net profit for the year relating to the forward exchange contracts. This comprises an asset of $nil (2010: $2,453,000) and a liability of $3,080,000 (2010: $nil).

The cash flows are expected to occur between 0-12 months from 1 July 2011 and the profit and loss within cost of sales will be affected over the next few years as the inventory is either used in production or sold. At balance date, the details of outstanding contracts are:

Year ended 30 June 2011	**Amount**	**Expiry Date**	**Rate**
Consolidated			
Forward Exchange Contracts - Buy (US$'000)	USD 45,107	01.07.11 - 29.06.12	0.9339 - 1.0498

Year ended 30 June 2010	**Amount**	**Expiry Date**	**Rate**
Consolidated			
Forward Exchange Contracts - Buy (US$'000)	USD 46,532	01.07.10 - 29.04.11	0.8418 - 0.9210

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

28 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

a) Instruments used by the Group (continued)

Movement in forward currency contract cash flow hedge reserve

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Opening balance	2,453	(2,692)
Transferred to inventory	(2,409)	2,684
Charge to equity	(3,124)	2,461
Closing balance	(3,080)	2,453

(ii) Interest rate swaps – cash flow hedges
At 30 June 2009, the Group had an interest rate swap agreement in place with a notional amount of $5,000,000 whereby Gazal paid a fixed rate of interest of 4% and received a variable rate equal to the BBSY on the notional amount.

Year ended 30 June 2011	**Amount**	**Maturity**	**Interest Rate**
Consolidated			
Interest Rate Swaps	A$5,000,000	03.02.2014	4.00%

Year ended 30 June 2010	**Amount**	**Maturity**	**Interest Rate**
Consolidated			
Interest Rate Swaps	A$5,000,000	03.02.2014	4.00%

The swap is being used to hedge the exposure to changes in interest payable on working capital requirements.

Movement in interest rate swaps cash flow hedge reserve

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Opening balance	185	297
Transferred to interest expense	(45)	6
Charge to equity	3	(118)
Closing balance	143	185

(iii) Hedge of net investments in foreign operations
No hedge of this type existed at 30 June 2011 (2010: nil).

b) Interest rate risk

Information regarding interest rate risk exposure is set out in note 27.

c) Credit risk

Information regarding credit risk exposure is set out in note 27.

29 RELATED PARTY DISCLOSURES

The consolidated financial statements as at 30 June 2011 include the financial statements of Gazal Corporation Limited and the subsidiaries listed in the table below.

Name of controlled entity	Notes	Country of incorporation	Equity interest 2011	2010
Gazal Corporation Limited		Australia	-	-
Gazal Apparel Pty Limited	(a)	Australia	100	100
Fashion Factory Outlets (Trade Secret) Pty Limited	(a)	Australia	100	100
Gazal Clothing Company Pty Limited	(a)	Australia	100	100
Manline Clothing Company Pty Limited	(a)	Australia	100	100
M. Graphics Pty Limited (formerly Mambo Graphics Pty Limited)	(a)	Australia	100	100
M. Street Pty Limited (formerly Mambo Street Pty Limited)	(a)	Australia	100	100
Body Art Australia Pty Limited	(a)	Australia	100	100
Brands United Pty Limited	(a)	Australia	100	100
Bracks Apparel Pty Limited	(b)	Australia	100	100
Coronet Corporate Pty Limited	(b)	Australia	100	100
Gazal (NZ) Limited		New Zealand	100	100
Gazal Apparel Trading Company Limited (Shanghai)		China	100	100
Gazal Hong Kong Limited		Hong Kong	100	100
Mambo International (Europe) Limited (In Liquidation)		United Kingdom	-	100

29 RELATED PARTY DISCLOSURES (continued)

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

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

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

(c) Financial information for class order closed group

Gazal Corporation Limited Closed Group
Income Statement for the year ended 30 June 2011

	Consolidated	
	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Sales revenue	257,487	220,481
Cost of sales	(140,619)	(119,765)
Gross profit	116,868	100,716
Other revenues	2,441	2,062
Selling and marketing expenses	(71,254)	(56,779)
Distribution expenses	(12,682)	(16,836)
Administration expenses	(18,580)	(17,058)
Finance costs	(2,515)	(1,800)
Profit before income tax expense	**14,278**	**10,305**
Income tax expense	(4,506)	(3,393)
Net profit after tax from continuing operations	**9,772**	**6,912**
Profit/(loss) after tax from discontinuing operations	(1,812)	1,935
Net profit for the year	**7,960**	**8,847**
Retained profits at the beginning of the year	(14,308)	(18,301)
Dividends paid	(7,797)	(4,854)
Retained profits at the end of the year	**(14,145)**	**(14,308)**

29 RELATED PARTY DISCLOSURES (continued)

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

Gazal Corporation Limited Closed Group
Statement of Financial Position at 30 June 2011

	Consolidated	
	As at **30 June 2011** $'000	As at 30 June 2010 $'000
Current assets		
Cash and cash equivalents	15,314	5,464
Trade and other receivables	18,144	12,976
Inventories	44,563	41,647
Derivative financial instruments	143	2,638
Other current assets	4,213	4,156
	82,377	66,881
Assets of disposal group classified as held for sale	6,989	-
Total current assets	89,366	66,881
Non-current assets		
Investment	4,695	6,458
Property, plant and equipment	58,325	54,525
Intangibles	13,010	22,384
Deferred tax assets	5,262	2,980
Other	533	918
Total non-current assets	81,825	87,265
Total assets	**171,191**	**154,146**
Current liabilities		
Trade and other payables	37,274	33,273
Derivative financial instruments	3,080	-
Interest-bearing loans and borrowings	16,000	2,000
Tax payables	3,000	1,715
Provisions	4,825	4,713
	64,179	41,701
Liabilities directly associated with the assets classified as held for sale	850	-
Total current liabilities	65,029	41,701
Non-current liabilities		
Interest bearing liabilities	30,000	30,000
Provisions	547	540
Deferred tax liabilities	8,988	8,315
Total non-current liabilities	39,535	38,855
Total liabilities	**104,564**	**80,556**
Net assets	**66,627**	**73,590**
Equity		
Contributed equity	62,705	69,410
Reserves	18,067	18,488
Retained earnings	(14,145)	(14,308)
Total Equity	**66,627**	**73,590**

30 SIGNIFICANT EVENTS AFTER BALANCE DATE

On 16th August 2011 the Company entered into an agreement to sell a discontinued business, being the Brands United outlet stores. The sale completed on 31st August 2011 and the proceeds from the sale were in line with the carrying value of assets held for sale. Brands United results were included in discontinued operations at year end. Other than the sale of the Brands United outlet stores, there are no matters or circumstances that have arisen since 30 June 2011 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.

31 REMUNERATION OF AUDITOR

	Year ended **30 June 2011** $	Year ended 30 June 2010 $
Auditor and review services		
Australia		
Ernst & Young - Audit	165,277	155,598
Royalty, workers compensation and turnover audits	24,902	19,534
Other services		
- Taxation	76,776	49,563
Affiliate firms of Ernst & Young		
Other services - UK	-	29,918
Audit - HK	-	274
Taxation - HK	-	350
Total fees paid to Ernst & Young	**266,955**	**255,237**

32 KEY MANAGEMENT PERSONNEL

(a) Remuneration by Category: Key Management Personnel

	Consolidated	
	Year ended 30 June 2011	Year ended 30 June 2010
Short-Term	3,398,031	3,122,132
Post Employment	173,161	396,318
Long-Term Benefits	30,159	24,340
Share-based Payments	206,041	159,340
	3,807,392	3,702,130

Gazal Corporation Limited

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For the year ended 30 June 2011

32 KEY MANAGEMENT PERSONNEL (continued)

(b) Option holdings of Key Management Personnel

	Balance at beginning of period	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of period	Total		Vested at 30 June 2011
	1 July 2010				30 June 2011		Not Exercisable	Exercisable
Directors								
B. Klatsky	1,000,000	-	-	-	1,000,000	1,000,000	666,667	333,333
C. Kimberley	500,000	-	166,666	-	333,334	333,334	333,334	-
G. Paton	500,000	-	166,666	-	333,334	333,334	333,334	-
Total	**2,000,000**	**-**	**333,332**	**-**	**1,666,668**	**1,666,668**	**1,333,335**	**333,333**

	Balance at beginning of period	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of period	Total		Vested at 30 June 2010
	1 July 2009				30 June 2010		Not Exercisable	Exercisable
Directors								
B. Klatsky	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
C. Kimberley	-	500,000	-	-	500,000	500,000	500,000	-
G. Paton	-	500,000	-	-	500,000	500,000	500,000	-
Total	**-**	**2,000,000**	**-**	**-**	**2,000,000**	**2,000,000**	**2,000,000**	**-**

32 KEY MANAGEMENT PERSONNEL (continued)

(c) Shareholdings of Key Management Personnel

30 June 2011 Shares held in Gazal Corporation Limited (Number)	Balance 1 July 2010 Ordinary	Granted as Remuneration Ordinary	On Exercise of Options Ordinary	Net Change Other Ordinary	Balance 30 June 2011 Ordinary
Directors					
B. Klatsky	1,000,000	-	-	-	1,000,000
M.J. Gazal (1)	9,872,653	-	-	2,067,467	11,940,120
D.J. Gazal (1)	9,856,486	-	-	2,067,467	11,923,953
C. Kimberley	515,000	-	166,666	-	681,666
G. Paton	200,000	-	166,666	-	366,666
Executives					
C. Barnett	150,000	-	-	-	150,000
R. Gazal (1)	9,790,941	-	-	2,067,466	11,858,407
D. Coghlan	492,640	-	-	-	492,640
P. Wood	324,000	-	-	-	324,000

30 June 2010 Shares held in Gazal Corporation Limited (Number)	Balance 1 July 2009 Ordinary	Granted as Remuneration Ordinary	On Exercise of Options Ordinary	Net Change Other Ordinary	Balance 30 June 2010 Ordinary
Directors					
B. Klatsky *	-	-	-	1,000,000	1,000,000
M.J. Gazal (1)	5,804,850	-	-	4,067,803	9,872,653
D.J. Gazal (1)	4,461,183	-	-	5,395,303	9,856,486
C. Kimberley	250,000	-	-	265,000	515,000
G. Paton	-	-	-	200,000	200,000
Executives					
C. Barnett	150,000	-	-	-	150,000
R. Gazal (1)	3,570,136	-	-	6,220,805	9,790,941
D. Coghlan	492,640	-	-	-	492,640
P. Wood	324,000	-	-	-	324,000

* Appointed on 21 October 2009

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

32 KEY MANAGEMENT PERSONNEL (continued)

(d) Loans to Key Management Personnel

There are no loans to Directors or executives.

(e) Other Transactions and Balances with Key Management Personnel

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

Mr G. Paton is a Director of Harvey Norman Holdings Limited. During the year Harvey Norman Shopfitting Pty Limited, a subsidiary of Harvey Norman Holdings Limited provided shopfitting services on normal commercial terms amounting to $3,894,699 (2010: $5,942,924).

33 EMPLOYEES

	Consolidated	
	Year ended	Year ended
	30 June 2011	30 June 2010
	$'000	$'000
(a) Employee entitlements		
Aggregate employee entitlement liability (Refer Notes 17 & 19)	5,612	5,285

	30 June 2011	30 June 2010
	Number	Number
(b) Number of Employees	827	716

(c)Superannuation

Gazal Corporation Limited and its controlled entities contribute to superannuation funds for officers and employees. Employee and employer contributions and benefits are set out below:

	Employees	Officers
Benefit type	Accumulated fund	Accumulated fund
Form of benefit	Lump sum benefit on retirement or withdrawal	Lump sum benefit on retirement or withdrawal
Contributions by		
- Employee	Various	-
- Employer	9%	10%

The assets of the above funds were sufficient to satisfy all benefits, which would have been vested in the event of termination of the funds, or in the event of the voluntary or compulsory termination of the employment of each employee.

34 PARENT ENTITY

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

Financial information relating to Gazal Corporation Limited as below

Statement of Financial Position at 30 June

	As at **30 June 2011** $'000	As at 30 June 2010 $'000
Current assets		
Trade and other receivables	23,284	27,542
Tax assets	1,187	1,834
Other current assets	-	6
Total current assets	24,471	29,382
Non-current assets		
Investment	37,722	37,722
Deferred tax assets	150	178
Total non-current assets	37,872	37,900
Total assets	**62,343**	**67,282**
Current liabilities		
Trade and other payables	-	127
Total current liabilities	-	127
Total liabilities	**-**	**127**
Net assets	**62,343**	**67,155**
Equity		
Contributed equity	62,705	69,410
Employee equity benefit reserve	418	164
Retained earnings	(780)	(2,419)
Total Equity	**62,343**	**67,155**

Income Statement for the year ended 30 June

	Year ended **30 June 2011** $'000	Year ended 30 June 2010 $'000
Other revenues	10,450	10,115
Administration expenses	(962)	(947)
Profit before income tax expense	**9,488**	**9,168**
Income tax expense	(117)	(114)
Net profit and total comprehensive income after related income tax expense	**9,371**	**9,054**
Retained profits at the beginning of the year	(2,354)	(6,619)
Dividends paid	(7,797)	(4,854)
Retained profits at the end of the year	**(780)**	**(2,419)**

Gazal Corporation Limited
Shareholder Information

Supplementary Information as Required by Australian Stock Exchange Listing Requirements.

Ordinary Shareholders as at 6 September 2011

These statistics relate to 815 shareholders of 57,228,018 Ordinary Shares. The proportion of shares held by the twenty largest shareholders is 88.92%. There are 99 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 6 September 2011

Size of Holding	Number of Shareholders	Number of Ordinary Shares	% of Total
1 - 1,000	275	128,503	0.23
1,001 - 5,000	304	877,145	1.53
5,001 - 10,000	97	757,727	1.32
10,001 - 100,000	111	3,286,873	5.74
100,001 and over	28	52,177,767	91.18
Total	815	57,228,018	100.00

Substantial Shareholders
The following information is extracted from the Company's Register of substantial shareholders as at 6 September 2011.

Name	Relevant Interest in fully paid shares	Percentage
Michael Joseph Gazal	20,752,998	35.8
David Joseph Gazal	20,674,242	35.7
Richard Victor Gazal	19,489,430	33.6
Judith Ann Gazal	10,025,452	16.6
Gazal Nominees Pty Limited as trustees of the Mathilda Malouf Settlement Trust, a trust established for the benefit of the family of the late J.S. Gazal	10,004,154	16.6
RBC Global Services Australia Nominees Pty Limited	3,703,813	6.1

Gazal Corporation Limited
Top 20 Shareholders

Top 20 Shareholders as at 6 September 2011

Registered Holder.	Number of Ordinary Shares	% of Total Shares
1. M J & H H Gazal Pty Limited	9,546,633	16.68
2. David Gazal Family Company Pty Limited	9,530,466	16.65
3. Cinu Investments Pty Limited	9,464,920	16.54
4. Woodcray Pty Limited	8,996,600	15.72
5. RBC Global Services Australia Nominees Pty Limited	3,446,659	6.02
6 UBS Wealth Management Aust Nominees Pty Ltd	1,390,111	2.43
7. Michael Joseph Gazal	1,202,211	2.10
8. David Joseph Gazal	1,139,622	1.99
9. Gazal Nominees Pty Limited (Mathilda Malouf Trust)	1,007,554	1.76
10. Bruce Klatsky	1,000,000	1.75
11. Yoogalu Pty Limited	1,000,000	1.75
12. Andrew Rich Enterprises Pty Limited	738,480	1.29
13. David John Coghlan	492,640	0.86
14. G & V Paton (the Anchorage Super Fund)	366,666	0.64
15. Gwynvill Investments Pty Limited	366,000	0.64
16. John Wilson Blood	250,000	0.44
17. Featherline Pty Limited	250,000	0.44
18. Lippo Securities Nominees (BVI) Limited	250,000	0.44
19. P & M Wood Nominees Pty Limited	235,500	0.41
20. Brickworks Investments Company Limited	211,865	0.37
	50,885,927	88.92

Corporate Information

Auditors
Ernst & Young
680 George Street Sydney NSW 2000

Bankers
Westpac Banking Corporation
60 Martin Place Sydney NSW 2000

Company Secretary
Peter James Wood CA, FICS

Registered Office & Principal Place of Business
3-7 McPherson Street
Banksmeadow NSW 2019
Telephone: (02) 9316 2800
Fax (02) 9316 7207
Web: www.gazal.com.au

Share Registry
Boardroom Limited
207 Kent Street Sydney NSW 2000
Telephone: (02) 9290 9600

Solicitor
Johnston Winter Slattery
264 George Street, Sydney NSW 2000

Blake Dawson Waldron
225 George Street Sydney NSW 2000

State of Incorporation
Victoria, Australia

Stock Exchange Listings
Gazal Corporation Limited shares are quoted on the Australian Securities Exchange

ASX Code
GZL