GAZAL

PRESS RELEASE - FOR IMMEDIATE RELEASE

Thursday 25th August 2005

Gazal announces profit increase and Bracks acquisition

Gazal Corporation Limited today announced an after tax profit of $12.481 million for the year ended June 30, 2005. This was an increase of 15.2% on the previous year. Earnings per share (EPS) increased by 11.2% to 20.9 cents per share.

Earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 5.2% to $23.920 million. EBITDA margin decreased slightly to 11.3% of sales compared to 11.8% of sales for the previous year. Whilst trading conditions in the first half of the financial year were buoyant, the second half trading results were impacted by the general economic slow-down and the late on-set of winter weather. Also as stated in the half yearly announcement, we invested in brand building activities by increased advertising and promotional expenditure, which continued through into the second half.

The company's key brands including Van Heusen, Nautica, Calvin Klein, Lovable, Midford and Bisley, all performed to expectation and we continue to project substantial growth potential for the Bisley workwear business. Mambo's results for the full year to 30 June 2005 were an improvement on the previous 12 months and Management continues to work hard on delivering on our strategic objective to restore Mambo to its sales and profit potential with the medium to longer-term goal to build a truly global surf brand.

The Group's overall inventory position improved at the end of the financial year with our closing stock value lower by $1.473 million than that at the same time last year to close at $42.763 on 30 June 2005. Improved inventory management and supply-chain efficiencies have and continue to be an extremely important priority for the Board and Management.

The Group's entry into tax consolidation resulted in a lower effective tax rate during the period under review. Despite this however, timing issues resulted in actual company income tax payments during the year being greater than the previous corresponding period by $2.355 million. This negatively impacted cash flows from operating activities. The Group's balance sheet and cash generation remains in a healthy position.

Bracks Acquisition

Today the Company announced it has acquired the Bracks Apparel Group ("Bracks") effective from 22 August 2005. Founded in 1945, the Bracks business is the long established market leader in men's pants and trousers in Australasia, famous for their renowned 'Bracks slacks'. In recent years the business has expanded its ranges to include men's suits, shirts and knitwear. In the acquisition Gazal has acquired Bracks' Australian business, which is headquartered in Silverwater, Sydney as well as Bracks' growing New Zealand business located in Auckland.

We are pleased to be able to add the well-respected Bracks brand name to Gazal's impressive portfolio of existing brands. The acquisition will also take the Company into the additional product categories of men's casual and formal trousers and men's suits. These product categories will compliment Gazal's significant presence in the businesswear market, which includes our well-established Van Heusen brand.

It is expected that in the first 12 months of ownership the acquisition will be earnings per share positive.

Management and the Board are continuing to review further strategic growth options with the assistance of Rothschild Australia and we are currently assessing several additional opportunities.

Dividends

The directors declared a final dividend of 9 cents per share fully franked (final dividend 2004: 9 cents per share fully franked) taking the total dividend for the year to 16 cents per share fully franked. (total dividends 2004: 15.5 cents per share fully franked). This is an increase of 3.2% on last year. The record date for determining shareholder's entitlement for the final dividend is September 23, 2005 and the final dividend is payable on October 7, 2005.

In line with our capital management initiatives the second special dividend of 10 cents per share fully franked was paid in July 2005, to which the Company's Dividend Reinvestment Plan (DRP) was applied. Shareholders representing 17.2% of equity interests participated in the DRP. This resulted in a further 365,328 ordinary shares allotted at a price of $2.89 per ordinary share totaling $1.055 million equity reinvested in the company out of the $6.124 million special dividend paid. The impact on EPS was negligible.

Gazal Corporation, headquartered in Sydney, is a leader in branded apparel including surfwear, sportswear, intimate apparel, business shirts, workwear and schoolwear. Its portfolio of company owned and licensed brands include Mambo®, Nautica®, Van Heusen®, Calvin Klein®, Lovable®, Bisley®, Kenneth Cole®, Trent Nathan®, Oroton®, Crystelle®, Maui & Sons®, SMP®, Playboy®, Morrissey®, Kookai®, Body Nancy Ganz® and Midford®.

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