

NB Flinders Pty Ltd
Interim report

ABN 14 119 085 602

for the half-year ended 27 January 2007

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Interim report – 27 January 2007

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 29 July 2006 and any public announcements made by NB Flinders Pty Ltd during the interim reporting period.

Directors' report

Your directors present their report on the consolidated entity consisting of NB Flinders Pty Ltd and the entities it controlled at the end of, or during, the half-year ended 27 January 2007.

Directors

The following persons were directors of NB Flinders Pty Ltd during the whole of the half-year and up to the date of this report:

William Wavish
 Steven Schneider
 Paul Chen
 Bernard Brookes
 Rupert Myer
 Philippe Costeletos
 John Lovering
 Richard Blum
 Howard McDonald

Review of operations

A summary of the Group's profit for the period is set out below.

	Half-year 2007 consolidated \$'000
Revenue from the sale of goods	1,663,290
Other operating revenue	34,621
Cost of goods sold	(986,285)
Operating gross profit	711,626
Other income	7,236
Selling expenses	(414,944)
Administration expenses	(180,983)
Earnings before interest and tax	122,935
Net finance costs	(48,841)
Profit before income tax expense	74,094
Income tax expense	(22,509)
Profit for the period	51,585

Sales were strong for the half-year, resulting in a 5% increase on the equivalent period under the previous ownership.¹ The strong sales performance translated into strong earnings before interest and tax, significantly greater than for the equivalent period under the previous ownership.

During the half-year, the Group issued 2,550,000 Myer Notes at an issue price of \$100. The notes were listed on the Australian Stock Exchange. The proceeds from the issue of the notes was \$242,968,000, after deducting borrowing costs. This money was used to repay the Group's subordinated debt in full (\$225,000,000) and contribute to a \$30,000,000 repayment of senior debt.

The interest rate payable on the notes is 10.1938% per annum, payable semi-annually. The interest rate represents a margin to the interpolated 6.5 year swap rate as at 15 September 2006 of +3.95%.

In addition to the abovementioned repayments of debt, the Group repaid \$125,000,000 of its senior borrowings during the half-year. These repayments were ahead of schedule.

¹ Since the equivalent comparative period of the Myer business was under the ownership of Coles Group Limited, no comparatives are disclosed in the directors' report or the financial report.

Matters subsequent to the end of the financial period

On 13 March 2007, the Group announced the proposed sale of the Myer Melbourne property. Interested parties have been asked to tender for the property, with the finalisation of the sale process scheduled for July 2007. The Group will continue to operate its flagship Melbourne store from the property via a lease on the property.

On 16 March 2007, the Group announced its intention to take over four Harris Scarfe stores - Elizabeth and Colonnades in South Australia and Werribee and Forest Hill in Victoria. As part of the transaction, the Group will also acquire a 30% equity stake in Harris Scarfe. The interest will be a passive one, with less than 20% voting rights. The total consideration payable under the transaction is \$57.5m.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Rounding of amounts

The company has taken advantage of Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.



William PR Wavish
Executive Chairman

Melbourne
26 March 2007



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Auditor's Independence Declaration

As lead auditor for the review of NB Flinders Pty Ltd for the half-year ended 27 January 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of NB Flinders Pty Ltd and the entities it controlled during the period.

A handwritten signature in cursive script that reads "Nadia Carlin".

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
26 March 2007

NB Flinders Pty Ltd
Consolidated income statement
For the half-year ended 27 January 2007

	Half-year 2007 consolidated \$'000
Revenue from sale of goods (excluding GST)	1,663,290
Other operating revenue (excluding finance revenue)	34,621
Cost of goods sold	(986,285)
Operating gross profit	711,626
Other income	7,236
Selling expenses	(414,944)
Administration expenses	(180,983)
Earnings before interest and tax	122,935
Finance revenue	5,601
Finance costs	(54,442)
Net finance costs	(48,841)
Profit before income tax	74,094
Income tax benefit	(22,509)
Profit for the period	51,585

The above income statement should be read in conjunction with the accompanying notes.

NB Flinders Pty Ltd
Consolidated balance sheet
As at 27 January 2007

	27 January 2007	29 July 2006
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	229,694	235,712
Trade and other receivables	26,979	17,107
Inventories	366,751	343,172
Total current assets	623,424	595,991
Non-current assets		
Property, plant and equipment	576,270	590,213
Deferred tax assets	17,240	22,610
Intangible assets	810,937	794,551
Other	5,262	5,230
Total non-current assets	1,409,709	1,412,604
Total assets	2,033,133	2,008,595
LIABILITIES		
Current liabilities		
Trade and other payables	401,643	370,337
Derivative financial instruments	244	390
Provisions	109,881	78,181
Other	2,102	2,844
Total current liabilities	513,870	451,752
Non-current liabilities		
Borrowings	933,075	1,037,874
Derivative financial instruments	977	942
Provisions	88,845	92,158
Other	13,258	14,346
Total non-current liabilities	1,036,155	1,145,320
Total liabilities	1,550,025	1,597,072
Net assets	483,108	411,523
EQUITY		
Contributed equity	448,000	428,000
Retained profits/(losses)	35,108	(16,477)
Total equity	483,108	411,523

The above balance sheet should be read in conjunction with the accompanying notes.

NB Flinders Pty Ltd
Consolidated statement of changes in equity
For the half-year ended 27 January 2007

	Notes	Half-year 2007 consolidated \$'000
Total equity at the beginning of the financial period		411,523
Profit for the period		<u>51,585</u>
Total recognised income and expense for the period		<u>51,585</u>
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	4	<u>20,000</u>
		<u>20,000</u>
Total equity at the end of the financial period		<u>483,108</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

NB Flinders Pty Ltd
Consolidated cash flow statement
For the half-year ended 27 January 2007

	Half-year 2007 consolidated \$'000
Cash flows from operating activities	
Receipts from customers (inclusive of goods and services tax)	1,958,774
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(1,829,291)</u>
	129,483
Other revenue	4,915
Interest paid	<u>(20,000)</u>
Net cash (outflow) inflow from operating activities	<u>114,398</u>
Cash flows from investing activities	
Payments for property, plant and equipment	(9,166)
Payments for intangible assets	(17,342)
Interest received	4,158
Net cash (outflow) inflow from investing activities	<u>(22,350)</u>
Cash flows from financing activities	
Proceeds from borrowings	265,844
Repayment of borrowings	(380,000)
Proceeds from the issue of shares	16,090
Net cash inflow (outflow) from financing activities	<u>(98,066)</u>
Net increase in cash and cash equivalents	(6,018)
Cash and cash equivalents at the beginning of the financial period	235,712
Effects of exchange rate changes on cash and cash equivalents	-
Cash and cash equivalents at end of period	<u>229,694</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

1 Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 27 January 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*. Whilst the Company is not a disclosing entity and is therefore not required to prepare an interim financial report, the directors have chosen to do so. The report has been prepared in accordance with the requirements of the *Corporations Act 2001* applying to disclosing entities.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 29 July 2006 and any public announcements made by NB Flinders Pty Ltd during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year.

2 Segment information

The Group operates in one business segment, retail, and one geographical segment, Australia.

3 Notes issued

	2007 Notes	2007 \$'000
Issues of Notes during the half-year		
Issue of Notes 15 th September 2006 at an issue of \$100	2,550,000	255,000
Borrowing costs		(12,032)
	2,550,000	242,968

4 Equity securities issued

	2007 Shares	2007 \$'000
Issues of shares during the half-year		
Issue of shares in November and December 2006 at an issue of \$1	20,000,001	20,000
	20,000,001	20,000

5 Contingent liabilities

There have been no changes to the contingent liabilities disclosed in the annual financial report for the period ended 29 July 2006.

6 Events occurring after the balance date

On 13 March 2007, the Group announced the proposed sale of the Myer Melbourne property. Interested parties have been asked to tender for the property, with the finalisation of the sale process scheduled for July 2007. The Group will continue to operate its flagship Melbourne store from the property via a lease on the property.

On 16 March 2007, the Group announced its intention to take over four Harris Scarfe stores - Elizabeth and Colonnades in South Australia and Werribee and Forest Hill in Victoria. As part of the transaction, the Group will also acquire a 30% equity stake in Harris Scarfe. The interest will be a passive one, with less than 20% voting rights. The total consideration payable under the transaction is \$57.5m.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 9 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 27 January 2007 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that NB Flinders Pty Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



William PR Wavish
Executive Chairman

Melbourne
26 March 2007

INDEPENDENT AUDITOR'S REVIEW REPORT
to the members of NB Flinders Pty Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of NB Flinders Pty Ltd, which comprises the balance sheet as at 27 January 2007, the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes for the NB Flinders Pty Ltd. The consolidated entity comprises both NB Flinders Pty Ltd (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company have elected to prepare a half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

We have conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report does not present fairly the consolidated entity's financial position as at 27 January 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*. As the auditor of NB Flinders Pty Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Responsibility (continued)

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of NB Flinders Pty Ltd does not present fairly the consolidated entity's financial position as at 27 January 2007 and its performance for the half-year ended on that date in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*.



PricewaterhouseCoopers



Nadia Carlin
Partner
Melbourne
26 March 2007