

Media Release

MOMENTUM PRIVATE EQUITY LEADS \$80M BUY OUT OF HARRIS SCARFE.

Kevin Jacobson, Managing Director of Momentum Private Equity, today announced that Momentum had led the buyout of specialty retailer Harris Scarfe, in a deal worth \$80m.

The Harris Scarfe management team, led by existing CEO Robert Atkins will retain a 15% stake in the business, whilst Myer will own a 20% passive stake. As part of the transaction, four Harris Scarfe stores which are strategically aligned to Myer's growth plans will be assigned to Myer. These stores are Elizabeth and Colonnades in South Australia and Werribee and Forest Hill in Victoria.

Harris Scarfe - with annual sales of around \$320 million - will have virtually no debt following the transaction and plans to add another 15 stores to its existing 39-store network over the next three years.

"Together with an active store roll-out plan, we envisage strong top line sales growth, and even faster profit growth in the years ahead," Mr Atkins said. "These are exciting times for Harris Scarfe. This transaction better positions Harris Scarfe to further develop the business for the benefit of our customers, employees and shareholders."

Momentum Private Equity is part of the Momentum Pacific Group, a Sydney-based boutique investment bank led by Managing Director, Kevin Jacobson. Momentum has particularly strong retail sector skills. In 2005, Momentum advised Metcash on the \$2.1 billion restructuring and acquisition of Foodland Australia. Whilst Managing Director of global investment bank JPMorgan Australia during 2000-2003, Mr Jacobson was actively involved in the retail sector as lead advisor on the sale of the \$3 billion Franklins supermarkets chain, the sale of Woolworths New Zealand for \$600 million and the Caltex/Woolworths petrol JV.

"Momentum's acquisition is a strong endorsement of the tremendous work done by the existing management of Harris Scarfe to reposition and strengthen the business," Mr Jacobson said. "We are delighted to be backing Robert Atkins and his team and will work together through the new Board to execute the growth strategy they have developed. We are excited by this investment opportunity."

"Since Harris Scarfe Australia purchased the assets of the old Harris Scarfe out of receivership in 2001, we have worked hard to stabilise and then refocus the business, ensuring underlying profitability and repositioning the brand," Mr Atkins said.

From the 23 stores acquired in late 2001, Harris Scarfe today has a network of 39 stores across South Australia, Victoria, Tasmania, New South Wales and ACT. The latest store at Warrnambool in Victoria will open on March 22, 2007.

“The involvement of Momentum and Myer will allow us to implement our store roll out plan, with the opening of at least 15 new stores in key markets including Sydney, a market we plan to enter with the establishment of two to three strategically located stores in the next twelve months.”

“We have infrastructure in place that can support up to 80 stores and we have a future growth plan that complements the rest of our existing network.

“While we obviously look at stores that fit a particular footprint and demography, Harris Scarfe expects to have over 50 stores by the end of 2009,” Mr Atkins said.

Mr Atkins said that Myer will hold a passive 20% stake given that Myer’s management was clearly focussed on its own business and would not be involved in Harris Scarfe at Board or management level. He expected Myer to be a supportive shareholder. He said Harris Scarfe would be run completely separately from Myer but the groups intended to cooperate on opportunities in sourcing as well as identification of property locations for Harris Scarfe.

“Harris Scarfe and Myer will continue to have quite distinct market positions and pursue quite separate strategies,” Mr Atkins said.

“Harris Scarfe will continue to focus on being an innovative, value based, big box specialty retailer with core platforms in home and apparel merchandise. Harris Scarfe is well-positioned in the Australian retail market focusing primarily on aspirational customers over 30 years of age who are seeking quality brands at the right price.”

The transaction is subject to certain third party consents and approvals.

As a privately-owned Australian company, Harris Scarfe intends to retain its head office in South Australia. Employment levels will grow with the addition of new stores.

ABN Amro acted as independent financial adviser to Harris Scarfe on this transaction.

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