

**FULL YEAR RESULTS FOR YEAR ENDED 30 JUNE 2007**

**22 AUGUST 2007**

- ***NPAT of \$32.1 million, up \$45.9 million***
- ***Fully franked ordinary and special dividends of 6.5 cents (16.0 cents for FY 2007)***
- ***Business turnaround continues***

Specialty Fashion Group Limited (ASX: SFH) today announced a Net Profit After Tax (NPAT) of \$32.1 million for the year ended 30 June 2007, up \$45.9 million when compared to the previous corresponding period.

These earnings include the previously announced one-off \$7 million write back relating to the sale of the Discount Variety Division.

The Apparel business (continuing operations) achieved a NPAT of \$25.1 million, which exceeded the high end of the range of \$25 million as announced in the profit update on 10 May 2007. Apparel earnings were helped in the last month of the year by the long awaited cooler weather, and a better than expected June sales period.

Earnings per share for the Apparel business have increased from 10.1 cents per share as reported at 30 June 2006 to 12.8 cents per share as a result of the improved earnings and the 8 for 10 share consolidation that took effect in November 2006.

The Board of Specialty Fashion Group has also declared a fully franked dividend for FY2007 of 6.5 cents per share, 2.5 cents higher than anticipated in the May earnings update. The dividend, payable to all shareholders on the register on 6 September 2007, includes a final ordinary dividend of 3 cents from Apparel operations and an additional 3.5 cents "special" non-continuing dividend relating to Discount Variety earnings. This takes full year dividends per share to 16 cents.

In addition to dividends, Specialty Fashion Group shareholders on the register at the close of business on 2 November 2006 also received a capital return per share of 20 cents (\$49 million in aggregate).

Revenues for FY2007 were \$523.6 million, a 2.1% increase on the previous corresponding period. As at 30 June 2007, store numbers reached 784, which included 28 net new stores

through organic growth, and an additional 42 stores acquired in January 2007 from Chain Reaction, including the City Chic brand.

Specialty Fashion Group CEO Gary Perlstein said: “We are satisfied with the result given tough trading conditions and a difficult start to the winter season for women’s specialty apparel retailers.”

Chairman Geoff Levy said: “Operating cash flows of \$48.2 million were again driven by disciplined working capital management. Net debt stands at \$6.2 million as at 30 June 2007. The balance sheet is strong, there’s minimal debt, and this together with strong operating cash flows places the company in a strong position to capitalise on future growth opportunities, including potential acquisitions.”

In addition to the \$49 million capital return, the company commenced an on-market share buy-back program during FY2007 as part of its on-going capital management program. By June 2007, 5.2 million shares (2.6% of the share capital) had been purchased for \$9.3 million.

CEO Gary Perlstein said: “We have genuine momentum across our business. The FY2007 result was underpinned by improved gross margins resulting from a disciplined stock clearance program which left all brands with no aged stock. Twelve months ago we flagged that our inventory reduction program was sustainable, and this has been proved correct.

“In addition, our sourcing strategy is helping improve gross margins, our acquisition of the City Chic business is performing well, we continue to drive our brand positioning and business improvement strategies, and we’ve successfully commenced implementation of a new IT system aimed at improving inventory management and productivity.”

Mr Perlstein said trading for the first seven weeks of FY2008 was in line with expectations and is showing growth on the previous corresponding period.

“Our team remains highly motivated and excited about our growth prospects. We are confident that if macro economic conditions are favourable, FY2008 will be a year of both sales and margin growth for all the businesses in our portfolio of brands,” Mr Perlstein said.

#### **FOR FURTHER INFORMATION CONTACT:**

##### **Investors**

Howard Herman  
Chief Financial Officer  
Specialty Fashion Group  
(02) 8303 7982 or 0413 886 489

##### **Media**

Chris Savage  
Savage & Partners  
(02) 8281 3231 or 0404 012 266

# Appendix 4E

## Preliminary final report

.Name of entity

Specialty Fashion Group Limited
---------------------------------

ABN	Half yearly (tick)	Preliminary final (tick)	Financial year ended ('current period')
<div style="border: 1px solid black; padding: 2px;">43 057 569 169</div>	<div style="border: 1px solid black; width: 40px; height: 20px; display: flex; align-items: center; justify-content: center;"> </div>	<div style="border: 1px solid black; padding: 2px; text-align: center;">✓</div>	<div style="border: 1px solid black; padding: 2px;">30 June 2007</div>

### For announcement to the market

				\$'000			\$'000
Revenues from continuing operations	up	2.1%	from	513,080	to		523,623
Profit from continuing operations after tax	up	2.0%	from	24,624	to		25,114
Profit/(loss) from discontinued operations after tax	up	N/A %	from	(38,434)	to		7,000
Profit/(loss) after tax from ordinary activities and attributable to members of Specialty Fashion Group Limited	up	N/A %	from	(13,810)	to		32,114
Dividends			Amount per security		Franked amount per security		
Final dividend from continuing operations			3.0¢		3.0¢		
Special dividend from discontinued operations			3.5¢		3.5¢		
Previous corresponding period			0.0¢		0.0¢		
Record date for determining entitlements to the dividends			6 September 2007				

### Brief explanation of any of the figures reported above and commentary on the results for the period:

REFER PRESS RELEASE ATTACHED

## Consolidated income statement

	Notes	2007 \$'000	2006 \$'000
<b>Revenue from continuing operations</b>	3	<b>523,623</b>	513,080
Changes in inventories of finished goods and consumables		(1,987)	(5,868)
Finished goods and consumables		(244,182)	(239,220)
Employee benefits expense		(115,816)	(108,522)
Depreciation and impairment		(12,126)	(12,491)
Rental expense relating to operating leases		(77,028)	(67,435)
Other expenses from ordinary activities		(35,643)	(39,144)
Borrowing costs expense		(685)	(5,135)
<b>Profit from continuing operations before income tax expense</b>	4	<b>36,156</b>	35,265
Income tax expense		(11,042)	(10,641)
<b>Profit from continuing operations after income tax expense</b>		<b>25,114</b>	24,624
Profit/(loss) from discontinued operations	12	<b>7,000</b>	(38,434)
<b>Profit/(loss) attributable to members of Specialty Fashion Group Limited</b>		<b>32,114</b>	(13,810)

### Earnings per share from continuing operations

		2007	2006*
Basic EPS	9	<b>12.8 cents</b>	12.6 cents
Diluted EPS	9	<b>12.7 cents</b>	12.4 cents

### Earnings/(loss) per share attributable to the members of Specialty Fashion Group Limited

		2007	2006*
Basic EPS	9	<b>16.4 cents</b>	(7.0) cents
Diluted EPS	9	<b>16.2 cents</b>	(6.8) cents

\* - Prior year EPS has been restated following the 8 for 10 share consolidation that took effect on 10 November 2006

## Consolidated balance sheet

	Notes	June 2007 \$'000	June 2006 \$'000
<b>Current assets</b>			
Cash		6,752	71,046
Receivables		2,414	3,704
Inventories		35,009	36,995
Total current assets		44,175	111,745
<b>Non-current assets</b>			
Property, plant and equipment		56,455	41,030
Deferred tax assets		7,910	5,265
Intangible assets		10,063	8,089
Total non-current assets		74,428	54,384
<b>Total assets</b>		118,603	166,129
<b>Current liabilities</b>			
Payables		53,991	65,982
Borrowings		-	10,615
Current tax liabilities		2,071	1,454
Derivative financial instruments		7,330	165
Provisions		7,433	6,480
Other		1,707	1,929
Total current liabilities		72,532	86,625
<b>Non-current liabilities</b>			
Borrowings	6	13,000	-
Derivative financial instruments		3,056	-
Provisions		8,154	7,722
Other		2,500	2,466
Total non-current liabilities		26,710	10,188
<b>Total liabilities</b>		99,242	96,813
<b>Net assets</b>		19,361	69,316
<b>Equity</b>			
Contributed equity	5	134,750	191,486
Reserves	5	(7,249)	(662)
Accumulated losses	5	(108,140)	(121,508)
<b>Total equity</b>		19,361	69,316

## Consolidated statement of changes in equity

	2007 \$'000	2006 \$'000
<b>Total equity at the beginning of the financial year</b>	<b>69,316</b>	83,652
Adjustment on adoption of AASB 132 and AASB 139 , net of tax: Opening hedging reserve at 1 July 2005	-	254
<b>Restated total equity at the beginning of the financial year</b>	<b>69,316</b>	83,906
Revaluation of cash flow hedges (net of tax)	(7,105)	(224)
Fair value of cash hedges, subsidiary sold	-	(195)
Exchange differences on translation of foreign operations	326	(550)
<b>Net expense recognised directly in equity</b>	<b>(6,779)</b>	(969)
<b>Profit/(loss) for the financial year</b>	<b>32,114</b>	(13,810)
<b>Total recognised income and expense for the year attributable to members of Specialty Fashion Group Limited</b>	<b>25,335</b>	(14,779)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction cost	1,561	-
Dividends provided for or paid	(18,746)	-
Return of capital	(49,006)	-
Share buy back	(9,291)	-
Employee share options	192	189
<b>Total equity at the end of the financial year</b>	<b>19,361</b>	69,316

## Consolidated cash flow statement

	2007 \$'000	2006* \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	573,988	889,619
Payments to suppliers and employees (inclusive of goods and services tax)	(520,654)	(861,965)
	53,334	27,654
Interest received	1,629	2,245
Borrowing costs	(685)	(5,135)
Income taxes (paid)/received	(6,102)	6,254
<b>Net cash inflow from operating activities</b>	48,176	31,018
<b>Cash flows from investing activities</b>		
(Payments)/proceeds - sale of discontinued operations	(10,000)	120,000
Transaction costs relating to sale of discontinued operations	(825)	(4,416)
Payments for acquisition of business, net of cash acquired	(4,461)	-
Payments for property, plant and equipment	(24,164)	(19,433)
Proceeds from sale of property, plant and equipment	77	630
<b>Net cash (outflow)/inflow from investing activities</b>	(39,373)	96,781
<b>Cash flows from financing activities</b>		
Proceeds from/(repayment) of borrowings	2,385	(77,478)
Proceeds from issue of shares	1,561	-
Payment of capital return	(49,006)	-
On market share buy back	(9,291)	-
Dividends paid	(18,746)	-
<b>Net cash outflow from financing activities</b>	(73,097)	(77,478)
<b>Net (decrease)/increase in cash held</b>	(64,294)	50,321
Cash at the beginning of the financial period	71,046	20,725
<b>Cash at the end of the financial period</b>	6,752	71,046
<b>Analysis of net cash inflow/(outflow) from operating activities</b>		
Continuing operations	48,176	60,266
Discontinued operations	-	(29,248)
	48,176	31,018

\* - The 2006 consolidated cash flow statement includes the cash flows from the Discount Variety Division up until its disposal on 22 December 2005.

## Notes to the financial statements

### 1. Summary of significant accounting policies

This preliminary final report for the year ended 30 June 2007 has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

This financial report does not include notes of the type normally included in an annual financial report. Accordingly, it is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Specialty Fashion Group Limited (the Company) during the year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year. Comparatives for the year ended 30 June 2006 have been reclassified where necessary for consistency with current year disclosures.

### 2. Earnings before Interest, Taxation, Depreciation, Impairment and Amortisation (EBITDA) from continuing operations

	<b>2007</b> <b>\$'000</b>	2006 \$'000
Profit from continuing operations before income tax expense	36,156	35,265
Interest expense	685	5,135
Interest income	(1,629)	(2,245)
Depreciation and impairment expense	12,126	12,491
<b>Earnings from continuing operations before interest, taxation, depreciation, impairment and amortisation</b>	<b>47,338</b>	<b>50,646</b>

### 3. Revenue from continuing operations

	<b>2007</b> <b>\$'000</b>	2006 \$'000
<b>Revenue from continuing operations</b>		
Sale of goods	521,807	510,215
<b>Revenue from outside the operating activities</b>		
Interest	1,629	2,245
Other revenue	187	620
<b>Revenue from continuing operations</b>	<b>523,623</b>	<b>513,080</b>



#### 4. Expenses from continuing operations

	<b>2007</b> <b>\$'000</b>	2006 \$'000
Profit from continuing operations before income tax expense includes the following specific expenses:		
Cost of sales of goods	246,169	245,088
Depreciation and impairment expense	12,126	12,491
Borrowing costs	685	5,135
Rental expense relating to operating leases	77,028	67,435

#### 5. Contributed equity and movement in reserves

	<b>2007</b> <b>\$'000</b>	2006 \$'000
<b>Contributed equity</b>		
Balance at the beginning of the financial period	191,486	191,486
Shares issued on the exercise of options	1,561	-
Return of capital	(49,006)	-
On market buy back of shares	(9,291)	-
Balance at the end of the financial period	134,750	191,486
<b>Accumulated losses</b>		
Accumulated losses at the beginning of the financial period	(121,508)	(107,698)
Net profit/(loss) attributable to members of Specialty Fashion Group Limited	32,114	(13,810)
Dividends paid	(18,746)	-
Accumulated losses at the end of the financial period	(108,140)	(121,508)
<b>Reserves</b>		
Foreign currency translation reserve	(360)	(686)
Hedging reserve – cash flow hedges	(7,270)	(165)
Employee share option reserve	381	189
	(7,249)	(662)

	<b>2007</b> <b>\$'000</b>	2006 \$'000
Movements in reserves:		
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the financial period	(686)	(136)
Currency translation differences arising during the year	326	(550)
Balance at the end of the financial period	(360)	(686)
<i>Hedging reserve – cash flow hedges</i>		
Balance at the beginning of the financial period	(165)	-
Adjustments on adoption of AASB 132 and AASB 139, net of tax	-	254
Subsidiary sold	-	(195)
Revaluation of cash flow hedges – net of tax	(7,105)	(224)
Balance at the end of the financial period	(7,270)	(165)
<i>Share based payments reserve</i>		
Balance at the beginning of the financial period	189	-
Reserve arising during financial period	192	189
Balance at the end of the financial period	381	189

## **6. Financing arrangements**

At balance date, bank loan facilities totalling \$63 million were available to the Company. Of this facility, \$13 million was drawn at balance date, with a further \$50 million unused.

## 7. Dividends

	<b>2007</b>		<b>2006</b>	
	Amount per security cents	Total amount \$'000	Amount per security cents	Total amount \$'000
Interim dividend (fully franked at 30%) paid 7 March 2007	9.5	18,746	0.0	-
Final dividend (fully franked at 30%) payable 20 September 2007	3.0	5,764	0.0	-
Special dividend (fully franked at 30%) payable 20 September 2007	3.5	6,725	0.0	-
<b>Total dividends</b>	<b>16.0</b>	<b>31,235</b>	<b>0.0</b>	<b>-</b>

### Final and special dividends

Date the dividends are payable 20 September 2007

Record date to determine entitlements to the dividends 6 September 2007

### Dividend Reinvestment Plan (DRP)

The directors announce that the Specialty Fashion Group DRP is not active in respect of this final dividend.

## 8. Franking credits

	<b>2007 \$'000</b>	<b>2006 \$'000</b>
Franking credits available for subsequent financial years	28,675	30,942

## 9. Earnings per share

	<b>2007</b>	<b>2006 restated*</b>	<b>2006 reported</b>
Basic EPS from continuing operations	<b>12.8 cents</b>	12.6 cents	10.1 cents
Basic EPS attributable to members of Specialty Fashion Group Limited	<b>16.4 cents</b>	(7.0) cents	(5.6) cents
Weighted average number of ordinary shares used in the calculation of Basic EPS	<b>195,747,104</b>	195,996,481	244,995,602
Diluted EPS from continuing operations	<b>12.7 cents</b>	12.4 cents	9.9 cents
Diluted EPS attributable to members of Specialty Fashion Group Limited	<b>16.2 cents</b>	(6.8) cents	(5.4) cents
Weighted average number of ordinary shares used in the calculation of Diluted EPS	<b>199,571,188</b>	200,480,706	250,600,883

\* - Prior year EPS has been restated following the 8 for 10 share consolidation that took effect on 10 November 2006

## 10. Net tangible assets per security

	<b>2007</b>	2006 restated*	2006 reported
Net tangible asset backing per ordinary security	4.8 cents	31.2 cents	25.0 cents

\* - Prior year NTA backing has been restated following the 8 for 10 share consolidation that took effect on 10 November 2006

## 11. Segment reporting

Specialty Fashion Group Limited operated in only one business segment for the 12 month period to 30 June 2007 being the sale of women's apparel through retail outlets. During the corresponding 12 month period to 30 June 2006, Specialty Fashion Group Limited operated in two business segments until the sale of the Discount Variety business (the discontinued operation) on 22 December 2005. The segment results for this prior year period are as follows:

<b>12 months to June 2006</b>	<b>Discontinued operation Discount Variety \$'000 #</b>	<b>Apparel \$'000</b>	<b>Total \$'000</b>
Operating revenue			
Sales to customers outside the economic entity	312,814	510,215	823,029
Other revenue	518	620	1,138
Unallocated revenue			2,245
Total revenue			826,412
Segment result before interest and taxation	4,530	38,155	42,685
Unallocated expenses			(2,890)
Profit/(loss) before income tax			39,795
Segment assets (note 1)	-	166,129	166,129
Segment liabilities	-	96,813	96,813
Segment acquisitions of property, plant and equipment	3,289	16,144	19,433
Segment depreciation, amortisation and impairment (note 2)	3,209	12,491	15,700
Segment other non-cash expenses	-	2,049	2,049

# The results for the Discontinued operations for the Discount Variety division relate to the trading result from the 1 July 2005 until the 22 December 2005.

### Notes

(1) Includes deferred tax assets of \$5,265,000

(2) Includes impairment charge of \$1,375,000 (Discount Variety: \$Nil and Apparel: \$1,375,000)

## **12. Discontinued operations**

With effect from 22 December 2005 the Discount Variety division was sold and as a result the disposal has been reported in this financial report as a discontinued operation.

As previously announced, a write back to earnings of discontinued operations has been recorded in the current financial year following the finalisation of the adjustments under the terms of the sale agreement.

	<b>2007</b> <b>\$'000</b>	2006 \$'000
Revenue	-	313,332
Operating profit after income tax of discontinued operations	-	3,171
<b>Net Profit/(loss) from discontinued operations</b>	<b>7,000</b>	<b>(38,434)</b>

## **13. Events occurring after the balance sheet date**

At the date of this report there is no matter or circumstance that has arisen since 30 June 2007 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

### **Annual general meeting**

The annual general meeting will be held as follows:

Place	Stamford Plaza Hotel Cnr O’Riordan Street and Robey Street Mascot
Date	27 November 2007
Time	10:00am
Approximate date the annual report will be available	26 October 2007

### **Information on audit**

This report is based on accounts to which one of the following applies.

- |                          |  |                          |  |
|--------------------------|--|--------------------------|--|
| <input type="checkbox"/> | The accounts have been audited.  | <input type="checkbox"/> | The accounts have been subject to review.                  |
| X                        | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |



G Perlstein  
Director

Sydney  
22 August 2007