MILLER'S RETAIL LIMITED

2005/6 Half Year Results

15 March 2006

Note: *These Half Year Results have been prepared in accordance with Australian International Financial Reporting Standards (AIFRS)*

Key points

- On a continuing business basis (excluding the recently sold Discount Variety division):

  - **Sales revenue** of $266.9 million for the six month period ended 31 December 2005, a 14% improvement compared to the previous corresponding period

  - **Like-for-like** sales growth of 15% reflecting a strong performance from the MRL Apparel business

  - **EBITDA** of $32 million, up 66% compared to the previous corresponding period

  - **Working capital improvements**, with operating cash flows of $54.8 million, a $28 million improvement on the previous corresponding period

- **Net** loss after tax for the period of $21.5 million, after taking into account a loss of $38.4 million on sale of the Discount Variety division (discontinued business) as previously reported

- **Sale proceeds** from the sale of the Discount Variety division received and used to repay long term debt. As a result, MRL has **no long term borrowings** and a net cash position of $50.5 million at 31 December 2005

- The Company does not have the ability to pay an ordinary dividend this financial year. However together with consideration being given to **potential bolt-on acquisitions**, a range of **capital management initiatives** will be considered.

Miller's Retail Limited (ASX: MRL) today announced sales revenue for the six months ended 31 December 2005 of $266.9 million on a continuing business basis, an increase of 14% compared to the period ended 31 December 2004. Like-for-like store sales increased 15% compared to the corresponding period on a continuing business basis.

Net loss after tax for the period was $21.5 million, reflecting a loss on the sale of the Discount Variety division of $38.4 million. The sale was announced on 24 November 2005.

Earnings before interest, tax, depreciation and amortisation (EBITDA) on a continuing business basis was $32.0 million, a 66% improvement compared to the previous corresponding period. Inventory reduced to $30.4 million, a 48% reduction compared to $58.8 million at 31 December 2004.

MRL CEO Gary Perlstein said the Apparel business had performed strongly, with an encouraging outlook for continued business improvement.

"MRL is now an Apparel-focused company following the sale of the Discount Variety division. Our focus on our Apparel business has delivered a strong first half performance, with solid revenue and like-for-like store sales growth," Mr Perlstein said.

"The Apparel result can be attributed to improvements made to the MRL Apparel brand portfolio, to strong trading over the Christmas quarter, and to particularly robust consumer demand in the ladies apparel sector, which benefited a broad range of ladies apparel retailers.

"At the AGM in October, we said our brand repositioning strategy, which clearly distinguishes our four Apparel brands (Miller's Fashion Club, Katies, Crossroads and 1626), was showing very promising signs. Since then our brand initiatives have continued to gain traction, and ensured MRL was well positioned to capitalise on buoyant consumer demand in the apparel sector during the period.

"Another key element of our Apparel initiatives is our store optimisation program, where we are closing underperforming stores or stores that do not meet minimum return benchmarks. And we are continuing to drive improved operating efficiencies across the company," he said.

Sale of Discount Variety

Mr Perlstein said the sale of the Discount Variety division, the major outcome of MRL's Strategic Review, had been the right decision for all parties.

"The sale of the Discount Variety division was a positive for MRL shareholders, and for the future of MRL. The sale was made possible by the business improvements we implemented, and gave MRL immediate benefit of part of potential future value," Mr Perlstein said.

Stronger Balance Sheet

Chairman Geoff Levy said MRL had considerably strengthened its Balance Sheet and working capital during the period.

"Operating cash flows on a continuing business basis increased to $54.8 million, a $28 million improvement on the previous corresponding period.

"We have used the proceeds of the sale of the Discount Variety division to pay down debt. As a result, MRL has no long term borrowings and has a net cash position of $50.5 million at 31 December 2005," Mr Levy said.

Full Year 2006 Outlook

Mr Perlstein said MRL was well positioned for future growth, and to deliver increasing shareholder returns.

“These results are encouraging, and confirm MRL has the right strategy. We are well positioned to continue executing our strategy and improve our business outlook. The improved working capital conditions provide MRL with the flexibility to drive future growth,” he said.

“Our outlook for MRL is positive. The management team is very focused and motivated. It is likely MRL will be in a position to re-commence ordinary dividends in the 2007 financial year,” Mr Levy added.

FOR FURTHER INFORMATION CONTACT:

Investors
Howard Herman
Chief Financial Officer
Miller’s Retail Limited
(02) 8303 7982 or 0413 886 489

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

Appendix 4D

Half year report

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Name of entity

Miller's Retail Limited

ABN	Half yearly *(tick)*	Preliminary final *(tick)*	Financial year ended ('current period')
43 057 569 169	✓		31 December 2005

For announcement to the market

				$'000		$'000
Revenues from continuing operations	up	13.6%	from	236,263	to	268,353
Sales revenue from continuing operations	up	13.9%	from	234,387	to	266,934
Earnings before interest, taxation, depreciation and goodwill impairment from continuing operations	up	65.9%	from	19,302	to	32,024
Profit from continuing operations after tax	up	118.6%	from	7,743	to	16,925
Net Loss from discontinued operations after tax	down	N/A %	from	(11,609)	to	(38,434)
Profit/(loss) after tax from ordinary activities and attributable to members of Miller's Retail Limited	down	N/A %	from	(3,866)	to	(21,509)

Dividends (distributions)

There were no dividend distributions in the current or prior half year periods.

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	YTD Dec 2005 $'000	YTD Dec 2004 $'000
Revenue from continuing operations	3	**268,353**	236,263
Changes in inventories of finished goods and consumables		**(6,514)**	38,408
Finished goods and consumables		**(115,478)**	(149,721)
Employee benefits expense		**(53,504)**	(49,520)
Depreciation and amortisation		**(4,125)**	(3,978)
Rental expense relating to operating leases		**(33,295)**	(32,654)
Other expenses from ordinary activities		**(27,258)**	(22,979)
Borrowing costs expense		**(4,245)**	(4,904)
Profit from continuing operations before income tax expense	4	**23,934**	10,915
Income tax expense		**(7,009)**	(3,172)
Profit from continuing operations after income tax expense		**16,925**	7,743
Net Loss from discontinued operations	11	**(38,434)**	(11,609)
Loss attributable to members of Miller's Retail Limited		**(21,509)**	(3,866)

Loss per share

	Dec 2005	Dec 2004
Basic EPS	(8.8) cents	(1.6) cents
Diluted EPS	(8.8) cents	(1.6) cents

Consolidated balance sheet

	Notes	**31 Dec 2005 $'000 #**	30 June 2005 $'000	31 Dec 2004 $'000
Current assets				
Cash		**65,196**	20,725	17,612
Receivables		**2,600**	8,540	9,742
Inventories	5	**30,443**	145,783	230,158
Current tax assets		**11,358**	7,614	-
Derivative financial instruments		**660**	**-**	-
Other		**187**	2,343	4,909
Total current assets		**110,444**	185,005	262,421
Non-current assets				
Property, plant and equipment		**42,213**	74,482	99,743
Deferred tax assets		**9,049**	26,939	16,052
Intangible assets		**8,090**	36,086	77,512
Other		**101**	101	203
Total non-current assets		**59,453**	137,608	193,510
Total assets		**169,897**	322,613	455,931
Current liabilities				
Payables		**69,837**	101,394	148,270
Interest bearing liabilities		**14,651**	42,433	82,801
Current tax liabilities		**-**	**-**	3,836
Provisions		**11,072**	34,150	23,794
Total current liabilities		**95,560**	177,977	258,701
Non-current liabilities				
Interest bearing liabilities		**-**	50,054	-
Deferred tax liabilities		**4,483**	6,323	7,943
Provisions		**7,438**	4,607	11,288
Total non-current liabilities		**11,921**	60,984	19,231
Total liabilities		**107,481**	238,961	277,932
Net assets		**62,416**	83,652	177,999
Equity				
Contributed equity	6	**191,486**	191,486	191,486
Reserves	6	**137**	(136)	(129)
Retained profits/(accumulated losses)	6	**(129,207)**	(107,698)	(13,358)
Total equity		**62,416**	83,652	177,999

Current period end balance sheet excludes the Discount Variety Division which was sold on 22 December 2005.

Consolidated statement of changes in equity

	Dec 2005 $'000	Dec 2004 $'000
Total equity at the beginning of the half-year	**83,652**	188,971
Adjustment on adoption of AASB 132 and AASB 139 , net of tax:		
Opening hedging reserve at 1 July 2005	**59**	-
Revaluation of cash flow hedges	**403**	-
Exchange differences on translation of foreign operations	**(189)**	100
Net income recognised directly in equity	**273**	100
Profit/(loss) for the half year	**(21,509)**	(3,866)
Total recognised income and expense for the year attributable to members of Miller's Retail Limited	**(21,236)**	(3,766)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction cost	**-**	2,516
Dividends provided for or paid	**-**	(9,722)
Total equity at the end of the half year	**62,416**	177,999

Consolidated cash flow statement

	Dec 2005 $'000 #	Dec 2004 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**642,810**	663,515
Payments to suppliers and employees (inclusive of goods and services tax)	**(608,897)**	(597,792)
	33,913	65,723
Interest received	**280**	495
Borrowing costs	**(5,864)**	(5,709)
Income taxes paid	**(2,800)**	(6,529)
Net cash inflow from operating activities	**25,529**	53,980
Cash flows from investing activities		
Payments for property, plant and equipment	**(11,786)**	(9,618)
Proceeds from sale of Discount Variety division	**108,000**	-
Proceeds from sale of property, plant and equipment	**565**	95
Net cash inflow (outflow) from investing activities	**96,779**	(9,523)
Cash flows from financing activities		
Repayment of borrowings	**(77,837)**	(28,632)
Dividends paid	**-**	(7,208)
Net cash outflow from financing activities	**(77,837)**	(35,840)
Net increase in cash held	**44,471**	8,617
Cash at the beginning of the financial period	**20,725**	8,995
Cash at the end of the financial period	**65,196**	17,612

Analysis of net cash inflow/(outflow) from operating activities		
Continuing operations	**54,777**	26,903
Discontinuing operations	**(29,248)**	27,077
	25,529	53,980

The above 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 half year consolidated financial report is a general purpose financial report for the half year ended 31 December 2005 and has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* 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 2005 and any public announcements made by Miller's Retail Limited (the Company) during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

(a) Basis of Preparation
Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

This half year consolidated financial report is the first half year financial report to be prepared in accordance with Australian International Financial Reporting Standards (AIFRS). AASB 1 has been applied in preparing these financial statements.

Financial statements of the Company until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Company's financial report for the half year ended 31 December 2005, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Company has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the group's equity and its net income are given in note 12.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

The following significant accounting policies have been adopted in the preparation and presentation of the half-year financial report:

(b) Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 31 December 2005 and the results of all controlled entities for the half year then ended. The Company and its controlled entities are referred to as the 'Group' or 'consolidated entity'.
Where control of an entity ceases during the financial period its results are included for that part of the year during which control existed.

(c) Foreign currency translation
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at half year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items are reported as part of the fair value gain or loss.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchanges rates;
- all resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity.

(d) Revenue recognition
Revenue from the sale of goods is recognised at the point of sale. Amounts disclosed as revenue are net of sales returns, trade allowances and duties paid and taxes paid.

(e) Dividends
Provision is made for the amount of any dividends declared by the Directors on or before the end of the financial period but not distributed at balance date.

(f) Cash
For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks and financial institutions, and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes of value, net of outstanding bank overdrafts.

(g) Receivables
All trade debtors are recognised at the amounts receivable and they are due for settlement in 30 days. Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(h) Income tax
The income tax expense for the period is the tax payable on the current periods taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(i) Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average cost.

(j) Depreciation of property, plant and equipment
Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives for plant and equipment range from 4 – 14 years.

(k) Intangible assets
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

(l) Impairment of assets
At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(m) Trade and other creditors
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 45 days of recognition.

(n) Interest bearing liabilities
Borrowings are initially recognised at fair values, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

(o) Derivatives
The consolidated entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The consolidated entity has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured at fair value. Changes in fair value are either taken to the income statement or an equity reserve. At the date of transition changes in the carrying amounts of derivatives are taken to retained earnings or reserves depending on whether the criteria for hedge accounting are satisfied at the transition date.

From 1 July 2005
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges – changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges – the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect the profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability the gains or losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(p) Provisions
Provisions are recognised when the Group has a present legal and or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(q) Employee benefits

(i) Wages salaries and annual leave
Liabilities for wages and salaries are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. Liabilities for annual leave in respect of employees' services up to the reporting date are measured as the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave
A liability for long service leave is recognised, and is 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 wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation
Superannuation contributions are made by the Group to defined contribution funds on behalf of its employees and are charged as expenses when incurred.

(r) Earnings per share

(i) Basic earnings per share
Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the number of ordinary shares outstanding at the end of the financial period, adjusted for bonus elements in ordinary shares issued during the period.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Segment reporting
A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different to those of other business segments.

(t) Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(u) Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the directors' and financial report. Amounts in these reports have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2. Earnings before Interest, Taxation, Depreciation and Impairment of intangible assets (EBITDA) from continuing operations

	Dec 2005 $'000	Dec 2004 $'000
Profit from continuing operations before income tax expense	23,934	10,915
Interest expense	4,245	4,904
Interest income	(280)	(495)
Depreciation	4,125	3,903
Impairment of intangible assets	-	75
Earnings from continuing operations before interest, taxation, depreciation and impairment of intangible assets	32,024	19,302

3. Revenue from continuing operations

	Dec 2005 $'000	Dec 2004 $'000
Revenue from continuing operations		
Sale of goods	266,934	234,387
Revenue from outside the operating activities		
Interest	280	495
Other revenue	1,139	1,381
Revenue from continuing operations	268,353	236,263

4. Expenses from continuing operations

	Dec 2005 $'000	Dec 2004 $'000
Profit/(loss) from continuing operations before income tax expense includes the following specific expenses:		
Impairment of intangible assets	-	75
Cost of sales of goods	121,992	111,313
Depreciation and amortisation expense	4,125	3,903
Borrowing costs	4,245	4,904
Rental expense relating to operating leases	33,295	32,654

5. Inventories

	Dec 2005 $'000	Dec 2004 $'000
Inventory on hand – continuing operations	30,443	58,840
Inventory on hand – discontinued operations	-	171,318
Total inventories	30,443	230,158

6. Contributed equity and movement in reserves

	Dec 2005 $'000	Dec 2004 $'000
Contributed equity		
Balance at the end of the financial period	191,486	191,486
Retained profits		
Retained profits/(accumulated losses) at the beginning of the financial period – see note 12	(107,698)	230
Net loss attributable to members of Miller's Retail Limited	(21,509)	(3,866)
Dividends provided for or paid		(9,722)
Accumulated losses at the end of the financial period	(129,207)	(13,358)
Reserves		
Foreign currency translation reserve	(325)	(129)
Hedging reserve – cash flow hedges	462	-
	137	(129)
Movements:		
Foreign currency translation reserve		
Balance at the beginning of the financial period	(136)	(229)
Currency translation differences arising during the half year	(189)	100
Balance at the end of the financial period	(325)	(129)
Hedging reserve – cash flow hedges		
Balance at the beginning of the financial period	-	-
Adjustments on adoption of AASB 132 and AASB 139, net of tax	59	-
Revaluation of cash flow hedges – net of tax	403	-
Balance at the end of the financial period	462	-

7. Franking credits

	Dec 2005 $'000	Dec 2004 $'000
Franking credits available for subsequent financial years	31,735	35,657

8. Earnings per share

	Dec 2005	Dec 2004
Basic EPS	(8.8) Cents	(1.6) Cents
Weighted average number of ordinary shares used in the calculation of Basic EPS	244,995,602	243,961,041
Diluted EPS	(8.8) Cents	(1.6) Cents
Weighted average number of ordinary shares used in the calculation of Diluted EPS	245,005,802	244,003,941

9. Net tangible assets per security

	Dec 2005	Dec 2004
Net tangible asset backing per ordinary security	22.2 cents	41.3 cents

10. Segment reporting

6 months to December 2005	**Discontinued operation Discount Variety $'000 #**	**Apparel $'000**	**Total $'000**
Operating revenue			
Sales to customers outside the economic entity	312,814	266,934	579,748
Other revenue	518	1,139	1,657
Unallocated revenue			280
Total revenue			581,685
Segment result before interest and taxation	4,530	27,899	32,429
Unallocated expenses			(3,965)
Profit/(loss) before income tax			28,464
Segment assets	-	149,490	149,490
Unallocated assets			20,407
Total assets			169,897
Segment liabilities	-	93,363	93,363
Unallocated liabilities			14,118
Total liabilities			107,481
Segment acquisitions of property, plant and equipment, intangibles and other non-current segment assets	3,289	8,497	11,786
Segment depreciation and amortisation	3,209	4,125	7,334
Segment other non-cash expenses	-	2,165	2,165

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.

6 months to December 2004	**Discontinued operation Discount Variety $'000**	**Apparel $'000**	**Total $'000**
Operating revenue			
Sales to customers outside the economic entity	369,824	234,387	604,211
Other revenue	1,603	1,381	2,984
Unallocated revenue			495
Total revenue			607,690
Segment result before interest, taxation, and impairment of intangible assets	25,006	15,399	40,405
Unallocated expenses			(34,337)
Profit/(loss) before income tax			6,068
Segment assets	322,288	117,591	439,879
Unallocated assets			16,052
Total assets			455,931
Segment liabilities	135,886	89,155	225,041
Unallocated liabilities			52,891
Total liabilities			277,932
Segment acquisitions of property, plant and equipment, intangibles and other non-current segment assets	4,022	5,596	9,618
Segment depreciation and amortisation	3,923	3,903	7,826
Segment other non-cash expenses	127	185	312

11. 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.

The loss on sale of assets is subject to finalisation under the terms of the sale agreement. Any change to the loss on disposal will be adjusted in the annual financial report.

	Dec 2005 $'000	Dec 2004 $'000
Revenue	313,332	371,427
Profit after income tax of discontinued operations	3,171	(11,609)
Net Loss from discontinued operations	**(38,434)**	(11,609)

12. Explanation of transition to Australian equivalents to AIFRS

(1) Summary of impact on retained earnings of the Australian equivalents to IFRS (AIFRS)

	Notes	Adjustment to retained earnings Increase/ (Decrease) 1 July 2004 $'000	Adjustment to profit Increase/ (Decrease) 31 December 2004 $'000	Adjustment to profit Increase/ (Decrease) 30 June 2005 $'000	Current half year profit impact Increase/ (Decrease) 31 December 2005 $'000
Impairment of plant and equipment	(a)	**(13,734)**	1,733	(1,403)	1,163
Make good costs	(b)	**(2,451)**	-	408	-
Goodwill	(d)	**-**	653	653	253
Inventory	(e)	**6,878**	1,579	(952)	(345)
Revenue	(f)	**(166)**	(196)	181	(199)
Stepped leases	(g)	**(6,503)**	(636)	(636)	51
Foreign currency translation	(h)	**480**	88	2	323
Taxation	(i)	**(3,427)**	2,976	721	(201)
AIFRS impact on sale of DV division		**-**	-	-	9,939
Total adjustment		**(18,923)**	6,197	(1,026)	10,984
Continuing operations		**(4,700)**	1,022	(136)	1,045
Discontinued operations		**(14,223)**	5,175	(890)	9,939
Total Group		**(18,923)**	6,197	(1,026)	10,984

(2) Explanation of the summary of the impact on retained earnings of the Australian equivalents to IFRS (AIFRS)

(a) Impairment of assets

AASB136 "Impairment of assets" requires impairment testing for individual assets or the cash generating unit to which an asset belongs. The Group is required to test the recoverable amount of fixed assets at store level on a discounted cash flow basis. This adjustment impacts retained earnings, the income statement (refer part (1)) and the value of plant and equipment as follows:

	1 July 2004	31 December 2004	30 June 2005
	$'000	$'000	$'000
Property, plant and equipment	(13,734)	(12,001)	(13,403)

(b) Make good costs

AIFRS requires a provision for make good costs to be recognised over the period of the lease. Previously, under AGAAP, these costs have only been recognised when it is probable that the expenditure will be incurred. This adjustment impacts retained earnings, the income statement (refer part (1)) and provisions as follows:

	1 July 2004	31 December 2004	30 June 2005
	$'000	$'000	$'000
Provisions	(2,451)	(2,451)	(2,042)

(c) Financial instruments

The Group has elected to apply the exemption from restatement of comparatives for AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. It has therefore continued to apply the previous AGAAP rules to derivatives, financial assets and financial liabilities and also to hedge relationships for the year ended 30 June 2005.

The adjustments required for differences between previous AGAAP and AASB 132 and AASB 139 have been determined and recognised at 1 July 2005. Refer to note 1 and note 6 for further details.

(d) Intangible Assets

AIFRS requires intangible assets with indefinite lives to no longer be amortised. Instead intangible assets will be subject to annual impairment testing where any impairment amount is taken to profit and loss. This adjustment impacts retained earnings, the income statement (refer part (1)) and the value of intangible assets as follows:

	1 July 2004	31 December 2004	30 June 2005
	$'000	$'000	$'000
Intangible assets	-	653	1,305

(e) Inventory

AIFRS requires the cost of freighting inventory to stores to be capitalised into inventory cost. This adjustment impacts retained earnings, the income statement (refer part (1)) and the value of inventory as follows:

	1 July 2004	31 December 2004	30 June 2005
	$'000	$'000	$'000
Inventory	6,878	8,457	7,505

(f) Sales returns

AIFRS requires a sales return provision to be raised against revenue if sales returns are deemed to significantly alter revenue. This adjustment impacts retained earnings, the income statement (refer part (1)) and provisions as follows:

	1 July 2004	31 December 2004	30 June 2005
	$'000	$'000	$'000
Provisions	(167)	(362)	(182)

(g) Leases

AIFRS requires the escalation amounts on leases containing fixed escalation clauses to be determined on lease inception and expensed evenly over the lease term. This adjustment impacts retained earnings, the income statement (refer part (1)) and provisions as follows:

	1 July 2004	31 December 2004	30 June 2005
	$'000	$'000	$'000
Provisions	(6,503)	(7,140)	(7,776)

(h) Foreign currency translation

AIFRS requires the results and financial position of Group entities that have a functional currency different from the presentation currency to be translated into the presentation currency using the closing rate for the balance sheet at the date of that balance sheet, and the average exchange rate to be used for income and expenses. On consolidation, exchange differences arising from the translation are taken to shareholders' equity. This adjustment impacts retained earnings, the income statement (refer part (1)), the foreign currency translation reserve and the value of plant and equipment as follows:

	1 July 2004	31 December 2004	30 June 2005
	$'000	$'000	$'000
Property, plant and equipment	252	439	435
Foreign currency translation reserve	(229)	(129)	(136)

(i) Taxation

AIFRS requires deferred tax balances to be determined using the balance sheet method which calculates temporary differences based on an entity's assets and liabilities in the balance sheet and their associated tax bases. These adjustments impact retained earnings, the income statement (refer part (1)) and the deferred tax assets and liabilities as follows:

	1 July 2004	**31 December 2004**	**30 June 2005**
	$'000	**$'000**	**$'000**
Deferred tax assets			
- Deferred tax asset on stepped lease provision	1,951	2,142	2,333
- Deferred tax asset on make good provision	735	735	613
- Deferred tax asset on sales return provision	50	109	55
	2,736	2,986	3,000
Deferred tax liabilities			
- Deferred tax liability on freight costed into stock	2,063	2,537	2,251
- Deferred tax liability on property, plant and equipment	(4,120)	(3,600)	(4,020)
- Deferred tax liability on brand names	8,220	4,500	4,500
	6,163	3,437	2,731

(j) Cash flow

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

(3) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

1 July 2004			**Consolidated**	
		Previous AGAAP	**Effect of transition to AIFRS**	**AIFRS**
	Notes	**$'000**	**$'000**	**$'000**
Current assets				
Cash		8,995		8,995
Receivables		10,711		10,711
Inventories	(e)	184,872	6,878	191,750
Current tax assets		979		979
Other		2,869		2,869
Total current assets		208,426	6,878	215,304
Non-current assets				
Property, plant and equipment	(a) (h)	113,064	(13,482)	99,582
Deferred tax assets	(i)	12,036	2,736	14,772
Intangible assets		109,003		109,003
Other		99		99
Total non-current assets		234,202	(10,746)	223,456
Total assets		**442,628**	**(3,868)**	**438,760**
Current liabilities				
Payables		91,677		91,677
Interest bearing liabilities		29,348		29,348
Provisions	(b) (f) (g)	8,917	9,121	18,038
Total current liabilities		129,942	9,121	139,063
Non-current liabilities				
Payables		2,250		2,250
Interest bearing liabilities		92,680		92,680
Deferred tax liabilities	(i)	4,959	6,163	11,122
Provisions		4,674		4,674
Total non-current liabilities		104,563	6,163	110,726
Total liabilities		**234,505**	**15,284**	**249,789**
Net assets		**208,123**	**(19,152)**	**188,971**
EQUITY				
Contributed equity		188,970		188,970
Reserves	(h)	-	(229)	(229)
Retained earnings		19,153	(18,923)	230
Total Equity		**208,123**	**(19,152)**	**188,971**

(b) At the end of the last half year period under previous AGAAP : 31 December 2004

31 December 2004			**Consolidated**	
		Previous AGAAP	**Effect of transition to AIFRS**	**AIFRS**
	Notes	**$'000**	**$'000**	**$'000**
Current assets				
Cash		17,612		17,612
Receivables		9,742		9,742
Inventories	(e)	221,701	8,457	230,158
Other		4,909		4,909
Total current assets		253,964	8,457	262,421
Non-current assets				
Property, plant and equipment	(a) (h)	111,305	(11,562)	99,743
Deferred tax assets	(i)	13,066	2,986	16,052
Intangible assets	(d)	76,859	653	77,512
Other		203		203
Total non-current assets		201,433	(7,923)	193,510
Total assets		**455,397**	**534**	**455,931**
Current liabilities				
Payables		148,270		148,270
Interest bearing liabilities		82,801		82,801
Current tax liabilities		3,836		3,836
Provisions	(b) (f) (g)	13,841	9,953	23,794
Total current liabilities		248,748	9,953	258,701
Non-current liabilities				
Deferred tax liabilities	(i)	4,506	3,437	7,943
Provisions		11,288		11,288
Total non-current liabilities		15,794	3,437	19,231
Total liabilities		**264,542**	**13,390**	**277,932**
Net assets		**190,855**	**(12,856)**	**177,999**
EQUITY				
Contributed equity		191,486		191,486
Reserves	(h)	-	(129)	(129)
Retained earnings		(631)	(12,727)	(13,358)
Total Equity		**190,855**	**(12,856)**	**177,999**

(c) At the end of the last reporting period under previous AGAAP: 30 June 2005

30 June 2005			**Consolidated**	
		Previous AGAAP	**Effect of transition to AIFRS**	**AIFRS**
	Notes	**$'000**	**$'000**	**$'000**
Current assets				
Cash		20,725		20,725
Receivables		8,540		8,540
Inventories	(e)	138,278	7,505	145,783
Current tax assets		7,614		7,614
Other		2,343		2,343
Total current assets		177,500	7,505	185,005
Non-current assets				
Property, plant and equipment	(a) (h)	87,450	(12,968)	74,482
Deferred tax assets	(i)	23,939	3,000	26,939
Intangible assets	(d)	34,781	1,305	36,086
Other		101		101
Total non-current assets		146,271	(8,664)	137,608
Total assets		**323,771**	**(1,159)**	**322,613**
Current liabilities				
Payables		101,394		101,394
Interest bearing liabilities		42,433		42,433
Provisions	(b) (f) (g)	24,150	10,000	34,150
Total current liabilities		167,977	10,000	177,977
Non-current liabilities				
Interest bearing liabilities		50,054		50,054
Deferred tax liabilities	(i)	3,592	2,731	6,323
Provisions		4,607		4,607
Total non-current liabilities		58,253	2,731	60,984
Total liabilities		**226,230**	**12,731**	**238,961**
Net assets		**97,541**	**(13,889)**	**83,652**
EQUITY				
Contributed equity		191,486		191,486
Reserves	(h)	-	(136)	(136)
Retained earnings		(93,945)	(13,753)	(107,698)
Total Equity		**97,541**	**(13,889)**	**83,652**

(4) Reconciliation of profit under previous AGAAP to profit under AIFRS

(a) Reconciliation of profit for the half year ended 31 December 2004

31 December 2004		**Consolidated**		
	Notes	**Previous AGAAP $'000**	**Effect of transition to AIFRS $'000**	**AIFRS $'000**
Revenue from continuing operations	(f)	**236,459**	**(196)**	**236,263**
Changes in inventories of finished goods and consumables	(e)	38,240	168	38,408
Finished goods and consumables		(149,721)		(149,721)
Employee benefits expense		(49,520)		(49,520)
Depreciation and amortisation	(a) (d)	(5,325)	1,347	(3,978)
Rental expense relating to operating leases	(g)	(32,561)	(93)	(32,654)
Other expenses from ordinary activities	(b) (h)	(23,067)	88	(22,979)
Borrowing costs expense		(4,904)		(4,904)
Profit/(loss) from continuing operations before income tax		**9,601**	**1,314**	**10,915**
Income tax expense	(i)	(2,880)	(292)	(3,172)
Profit/(loss) from continuing operations after income tax		6,721	1,022	7,743
Profit/(loss) from discontinued operations		(16,784)	5,175	(11,609)
Profit/(loss) attributable to members of Miller's Retail Limited		**(10,063)**	**6,197**	**(3,866)**

(b) Reconciliation of profit for the year ended 30 June 2005

30 June 2005		Consolidated		
	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Revenue from continuing operations	(f)	**465,903**	**(15)**	**465,888**
Changes in inventories of finished goods and consumables	(e)	86,595	(272)	86,323
Finished goods and consumables		(316,681)		(316,681)
Employee benefits expense		(100,618)		(100,618)
Depreciation and amortisation	(a) (d)	(13,684)	1,393	(12,291)
Rental expense relating to operating leases	(g)	(65,384)	(186)	(65,570)
Other expenses from ordinary activities	(h)	(47,388)	90	(47,298)
Borrowing costs expense		(9,401)		(9,401)
Profit/(loss) from continuing operations before income tax	(i)	**(658)**	**1,010**	**352**
Income tax benefit/(expense)		(539)	(124)	(663)
Profit/(loss) from continuing operations after income tax		(1,197)	886	(311)
Profit/(loss) from discontinued operations		(102,178)	4,285	(97,893)
Profit/(loss) attributable to members of Miller's Retail Limited		**(103,375)**	**5,171**	**(98,204)**

Information on audit

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

☐	The accounts have been audited.	X	The accounts have been subject to review.
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have *not* yet been audited or reviewed.

G Perlstein
Director

Sydney
15 March 2006

Miller's Retail Limited
Directors' Report
For the half-year ended 31 December 2005

The directors present their report on the consolidated entity consisting of Miller's Retail Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2005.

Directors

The following persons were directors of Miller's Retail Limited during the whole of the half-year and up to the date of this report:

G Perlstein
A I Miller
J Murphy
G Levy
J Bloom

Review of Operations

Sales revenue for the six months ended 31 December 2005 of $266.9 million on a continuing business basis, an increase of 14% compared to the period ended 31 December 2004. Like-for-like store sales increased 15% compared to the corresponding period on a continuing business basis.

Net loss after tax for the period was $21.5 million, reflecting a loss on the sale of the Discount Variety division of $38.4 million. The sale was announced on 24 November 2005.

Earnings before interest, tax, depreciation and amortisation (EBITDA) on a continuing business basis was $32.0 million, a 66% improvement compared to the previous corresponding period. Inventory reduced to $30.4 million, a 48% reduction compared to $58.8 million at 31 December 2004.

MRL CEO Gary Perlstein said the Apparel business had performed strongly, with an encouraging outlook for continued business improvement.

“MRL is now an Apparel-focused company following the sale of the Discount Variety division. Our focus on our Apparel business has delivered a strong first half performance, with solid revenue and like-for-like store sales growth,” Mr Perlstein said.

“The Apparel result can be attributed to improvements made to the MRL Apparel brand portfolio, to strong trading over the Christmas quarter, and to particularly robust consumer demand in the ladies apparel sector, which benefited a broad range of ladies apparel retailers.

“At the AGM in October, we said our brand repositioning strategy, which clearly distinguishes our four Apparel brands (Miller’s Fashion Club, Katies, Crossroads and 1626), was showing very promising signs. Since then our brand initiatives have continued to gain traction, and ensured MRL was well positioned to capitalise on buoyant consumer demand in the apparel sector during the period.

"Another key element of our Apparel initiatives is our store optimisation program, where we are closing underperforming stores or stores that do not meet minimum return benchmarks. And we are continuing to drive improved operating efficiencies across the company," he said.

Sale of Discount Variety

Mr Perlstein said the sale of the Discount Variety division, the major outcome of MRL's Strategic Review, had been the right decision for all parties.

"The sale of the Discount Variety division was a positive for MRL shareholders, and for the future of MRL. The sale was made possible by the business improvements we implemented, and gave MRL immediate benefit of part of potential future value," Mr Perlstein said.

Rounding of amounts to the nearest thousand dollars
The company is of a kind referred to in class order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that class order.

Auditors' independence declaration
A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 30.

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

G Perlstein
Director

G Levy
Director

Sydney
15 March 2006

Miller's Retail Limited
Statutory Directors' Declaration – half year
31 December 2005

In the directors' opinion:

(a) the financial statements and notes set out on pages 1 to 26 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 31 December 2005, 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 Miller's Retail Limited 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.

G Perlstein
Director

G Levy
Director

Sydney
15 March 2006

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditor's Independence Declaration

As lead auditor for the review of Miller's Retail Limited for the half year ended 31 December 2005, 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 Miller's Retail Limited and the entities it controlled during the period.

K. Stubbins

Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
15 March 2006

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Independent review report to the members of Miller's Retail Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Miller's Retail Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Miller's Retail Limited Group (defined below) as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Miller's Retail Limited Group (the consolidated entity), for the half-year ended 31 December 2005. The consolidated entity comprises both Miller's Retail Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of the company personnel/responsible entity's personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.
These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.
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 review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Pricewaterhouse Coopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins — Sydney
Partner — 15 March 2006