Miller's Retail Limited

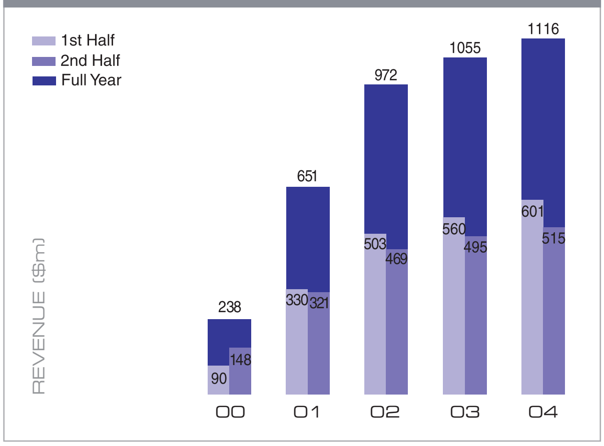
MRL

Annual Report 2004

Highlights

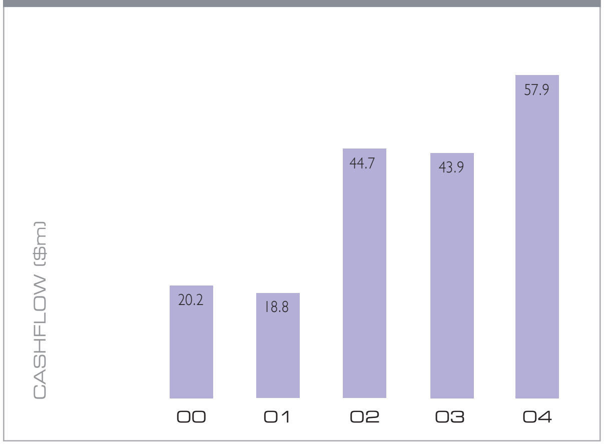
$1,116m revenue for the year ending 30 June 2004

REVENUE



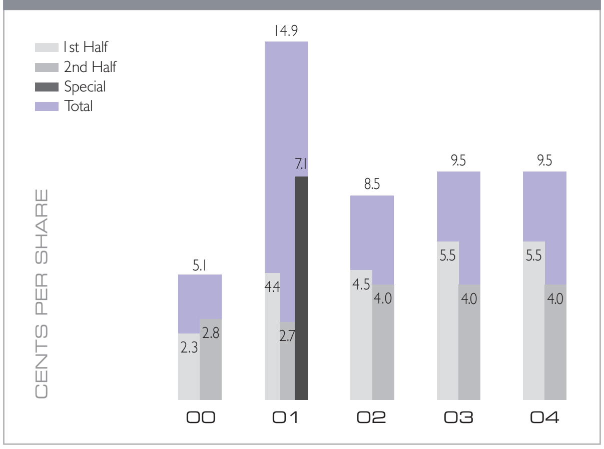
$59.7m operating cashflow for the year ending 30 June 2004

OPERATING CASHFLOW



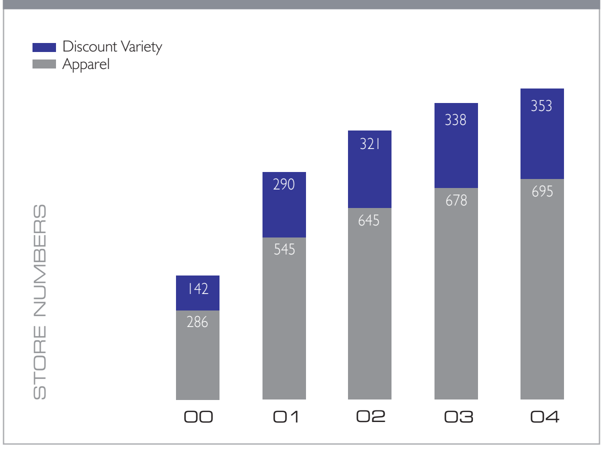
9.5c total dividends for the year ending 30 June 2004

DIVIDENDS



1,048 total number of apparel/ discount variety stores

STORES APPAREL/DISCOUNT VARIETY



MRL

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Chairman's Review

I was appointed as Chairman of Miller's Retail Limited (MRL) at last year's AGM. As this is my first formal report to shareholders, I would like to reflect on my impressions of MRL.

2004 was a year of challenges for MRL and I'm pleased to report the company made good progress towards meeting those challenges. In light of the abnormal and adverse market dynamics in Discount Variety, MRL performed creditably in the 2004 financial year. The continuing improvement in Apparel was particularly encouraging.

The Discount Variety market was characterised by an irrational and extremely fierce price war. The dynamics of the Discount Variety competitive environment were particularly abnormal, and the Board and Management view these competitive pressures as unsustainable in the medium to long term. Despite this environment, MRL remains profitable in Discount Variety.

"MRL made good progress in improving the company's business fundamentals. Further progress was made in strengthening the balance sheet, with a reduction in gearing and improved working capital management. The 36% improvement in operating cash flow is a result of these efforts."

The strong performance of Apparel helped to offset some of the challenges facing our Discount Variety division. Management commenced a brand positioning strategy in Apparel to clearly position and differentiate MRL's Apparel brands. This strategy continues to enhance brand equity and has sharpened brand focus in Apparel.

In terms of business fundamentals, MRL continued to strengthen its balance sheet, with a reduction in gearing levels and an improvement in working capital management.

Capital management and Balance Sheet

MRL made good progress in improving the company's business fundamentals. Further progress was made in strengthening the balance sheet, with a reduction in gearing and improved working capital management. The 36% improvement in operating cash flow is a result of these efforts.

The Board declared a final fully franked dividend of 4 cents per share, bringing the full year dividend payout to 9.5 cents, maintaining the previous year's dividend.

In light of the pressures in Discount Variety, the Board decided it prudent to reduce the carrying value of the intangible assets relating to our Discount Variety Goodwill and Brand name. These write downs are non-operational and exceptional in nature.

I would like to thank management, staff and shareholders for their support during the year. I look forward to the year ahead.

Competitive strengths

A strong feature of MRL's success has been its competitive advantages in the Apparel and Discount Variety markets. Low overheads, extensive knowledge and expertise in the appropriate market sectors remain crucial to the company's success.

MRL maintains a loyal base of customers and The Retail Club has grown to more than 2.8 million members since its inception.

Although the short-term outlook for the Discount Variety market remains challenging, we look forward to market conditions eventually normalising. MRL is well placed to further leverage our competitive strengths in the years ahead.

Our goals are;

- to remain focused on low costs and high profits
- to continue extracting value from existing businesses
- to grow organically and encourage new business within our areas of expertise
- to enhance shareholder returns

Strong platform for growth

I have been continually impressed with the skill and dedication of the management team at MRL and their deep understanding of business at the value end of the market. Management responded to the challenges facing the company, particularly in Discount Variety, with strength and insight. Their skills and experience ensure MRL remains solidly profitable in Discount Variety.

Shareholders can draw confidence from the strength of cash flows and working capital management. The underlying fundamentals give Miller's Retail Limited a strong platform for growth.

In closing, I would like to thank management, staff and shareholders for their support during the year. I look forward to the year ahead.

Ron Baskin
Chairman

"The company recorded a 5.8% increase in revenue to $1.116 billion for the twelve months ended 30 June 2004, with like-for-like sales increasing by 0.7%. Earnings before interest, tax and amortisation/ write down of intangible assets (EBITA) was $48.2 million."

Chief Executive Officer's Report

2004 – hard at work

I am pleased to present to you in my first report to shareholders on what has been a very busy year. The management and staff of Miller's Retail Limited (MRL) have been hard at work meeting the challenges and opportunities that have faced the company.

I believe MRL performed creditably in 2004 in light of abnormal market conditions in Discount Variety, with strong results achieved in the Apparel division. Apparel sales were up 7% and like-for-like store sales up 4.3%, helping to partially offset the impact of the strong competitive pressures in Discount Variety.

There remains a lot of work to be done, but we made progress in enhancing the Apparel performance and defending Discount Variety profitability.

Financial highlights

The company recorded a 5.8% increase in revenue to $1.116 billion for the twelve months ended 30 June 2004, with like-for-like sales increasing by 0.7%. Earnings before interest, tax and amortisation/write down of intangible assets (EBITA) was $48.2 million.

Apparel sales were $452 million, representing a 7% increase against the corresponding 12 month period ended 30 June 2003, with like-for-like store growth of 4.3%.

Discount Variety sales were $658 million, representing a 5% improvement against the corresponding period. Like-for-like store sales were down 2.0%.

Operating cash flow over the twelve months ended 30 June 2004 was $59.7 million, a 36% improvement on operating cash flow from the corresponding period of $43.9 million.

Net profit after tax was $21.3 million before write down of intangible assets.

Total store numbers increased during the last financial year to 1048 as a result of 84 store openings and 52 stores closures.

Apparel – focused brand differentiation

MRL, at balance date, had a total of 695 speciality Apparel stores, trading under the brands Katies, Crossroads, 1626, and Miller's Fashion Club.

The performance of the Apparel Division was a positive for the company. The increase in like-for-like store sales in our Apparel division was the result of several management initiatives to streamline the focus and differentiation of our customer offer.

We are in the process of introducing a brand positioning strategy in Apparel. This strategy focuses on continuing to clearly position and differentiate the Apparel brands, enhancing brand equity and sharpening brand focus.

This strategy encompasses building individual business silos for each brand to give specialised buying and operational focus to the particular brand.

The Apparel division will continue to have a shared service model providing support functions to each brand.

Discount Variety – defending profitability

MRL had a total of 353 Discount Variety stores at balance date, trading under the brands Go-Lo, Crazy Clark's, Makro and Chickenfeed.

The market conditions in Discount Variety throughout the year were extremely challenging. The market has seen an irrational and extremely fierce price war, with downward price pressures across all product lines. Despite this environment, MRL remain solidly profitable in Discount Variety. The Board and Management view this price war as unsustainable over the medium to long term.

During the year, management has made and is continuing to make good progress in defending Discount Variety profitability. Several internal initiatives are being implemented to improve the business outlook for Discount Variety Operations. These focus on strengthening our internal logistics and supply chain management. Refined allocation models are being used to ensure efficient product allocation to Discount Variety stores.

An important element of Management's efforts to defend Discount Variety profitability is the store portfolio optimisation program. The store optimisation program aims to ensure all stores are operating above minimum profitability requirements. Strict criteria are applied to the key metrics of each store and those stores that do not meet certain profitability levels receive immediate management action. This ensures shareholder capital is employed in the most efficient and productive manner.

MRL's success to date in Discount Variety has been based on the company's key competitive strengths – low overheads, extensive knowledge and expertise in the value end of the market.

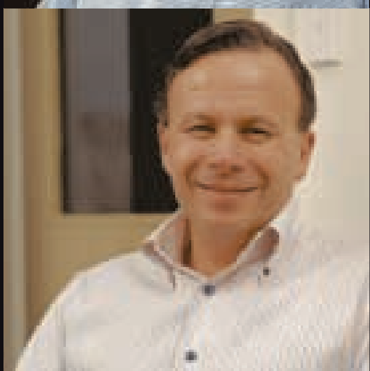
MRL remains committed to Discount Variety. Although the short term outlook for Discount Variety remains challenging, we look forward to rational trading conditions returning and market conditions eventually normalising. With the initiatives we have implemented we look forward to the year ahead.

I would like to thank the Board, shareholders, customers, suppliers and in particular our staff who have shown tremendous loyalty and ongoing commitment to MRL throughout the year. While challenges remain for the company, MRL has strong foundations and fundamentals for further growth. Shareholders can be assured that the management and staff of Miller's Retail Limited are working hard to maximise shareholder returns.

Gary Perlstein
CEO

The performance of the Apparel Division was a positive for the company. The increase in like-for-like store sales in our Apparel division was the result of several management initiatives to streamline the focus and differentiation of our customer offer.





Board of Directors

Ron Baskin

Non-Executive Chairman

Ron Baskin joined the Board of Directors of MRL in April 1998 and has extensive experience in the Australian retail industry. He previously founded the 81 store Sunglass World chain and is currently the Chairman of TVSN Limited and a Director of Retail Cube Limited. Ron is the Chairman of the Remuneration Committee and is a member of the Audit Committee.

Gary Perlstein

Chief Executive Officer

Gary Perlstein started MRL together with Ian Miller and was appointed CEO in October 2003. Gary has had 14 years retailing experience in Australia. Gary has been a Director of MRL since 1995.

A Ian Miller

Executive Director

Ian Miller co-founded MRL in 1992 and was its Managing Director until October 2003. Ian has had 30 years of retailing experience in both South Africa and Australia. Ian has been a Director of MRL since 1992.

Peter Allen

Non-Executive Director

Peter Allen practiced in the accounting profession between 1974-1998, was the Managing Partner of Arthur Andersen Sydney from 1993-1998 and is a member of the Institute of Chartered Accountants in Australia. He is currently Managing Director of Allen Capital Pty Limited and Allen Capital Private Equity Pty Limited and is a Director of Walker Corporation Pty Limited and the Sydney Children's Hospital Foundation. Peter joined the MRL Board on 26 November 2003 and is a member of the Remuneration Committee and the Chairman of the Audit Committee.

Robert J Clark

Non-Executive Director

Robert Clark is the founder of the Crazy Clark's chain and has extensive experience in the discount variety industry within Australia. Robert held the position of Managing Director of Crazy Clark's since it was founded in 1984 until September 2001 when he became an Executive Director of the MRL Board. In January 2003 Robert moved to being a Non-Executive Director.

Five Year summary

	FY 2000 $000's	FY 2001 $000's	FY 2002 $000's	FY 2003 $000's	FY 2004 $000's
Income Statement					
Revenue from ordinary activities	237,735	650,739	972,189	1,054,775	1,116,120
Earnings before Interest, Tax and Amortisation	20,213	46,026	60,722	60,746	48,175
Net profit after tax	12,252	23,552	31,682	30,504	8,653
	Cents	Cents	Cents	Cents	Cents
Basic earnings per share before write down of intangibles	8.0	12.7	14.3	13.0	8.8
	$000's	$000's	$000's	$000's	$000's
Balance Sheet					
Net Assets	39,299	80,747	189,049	215,876	208,124
Net Debt	44,309	89,857	96,165	118,882	102,439
	Cents	Cents	Cents	Cents	Cents
Net tangible asset per share	-6.6	-13.9	29.2	37.5	40.8
	%	%	%	%	%
Gearing	113%	111%	51%	55%	49%
	$000's	$000's	$000's	$000's	$000's
Cash Flows					
Net operating Cashflows	20,224	18,814	44,789	43,902	59,693
Free Cashflow	(8,282)	(56,968)	(40,424)	(21,103)	15,220
	Cents	Cents	Cents	Cents	Cents
Ordinary dividend per share	5.1	7.1	8.5	9.5	9.5
Special dividend per share	-	7.8	-	-	-
	No's	No's	No's	No's	No's
Number of stores at the end of the financial year	428	835	966	1,016	1,048

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Directors' Report

Your 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 year ended 30 June 2004.

Directors

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

R Baskin

G Perlstein

A I Miller

R J Clark

P Allen was appointed a director on 26 November 2003 and continues in office at the date of this report.

W S Cutbush was a director from the beginning of the financial year until his resignation on 28 October 2003.

Information on the qualifications, experience and special responsibilities of the board of directors is set out on page 6.

Particulars of directors' interests in shares and options of Miller's Retail Limited

Director	Ordinary shares	Options
Ron Baskin	2,711,318	80,000
Gary Perlstein	18,270,720	970,000
A Ian Miller	24,065,683	970,000
P Allen	-	-
Robert J Clark	-	120,000

The particulars of directors' interests in shares and options are as at the date of this report.

Principal activities

During the year the principal activities of the consolidated entity constituted by Miller's Retail Limited and the entities it controlled during the year consisted of the retailing of women's clothing in Australia and New Zealand and discount variety goods in Australia.

Dividends – Miller's Retail Limited

Details of dividends in respect of the current year are as follows:

	2004 $'000	2003 $'000
Interim dividend of 5.5 cents (2003 : 5.5 cents) per ordinary share, paid 2 April 2004 fully franked	**13,225**	12,930
Final dividend of 4.0 cents (2003: 4.0 cents) per ordinary share declared by directors fully franked	**9,723**	9,573
Total dividends in respect of the year	**22,948**	22,503

Directors' Report

Review of operations

A summary of consolidated revenues and results by significant industry segments is set out below:

	Segment revenues		Segment results	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Apparel	**453,382**	422,490	**35,318**	25,300
Discount Variety	**662,189**	632,142	**12,857**	35,446
Unallocated revenue	**549**	143	**-**	-
	1,116,120	1,054,775	**48,175**	60,746
Unallocated expenses less unallocated revenue			**(28,030)**	(14,902)
Profit from ordinary activities before income tax expense			**20,145**	45,844
Income tax expense			**(11,492)**	(15,340)
Net profit attributable to members of Miller's Retail Limited			**8,653**	30,504

Miller's Retail Limited predominately operates in Australia through two distinct business segments, the retailing of women's apparel and the retailing of discount variety goods. Further comments on the operations and the results of those operations are set out in the Chairman's Review and Chief Executive Officer's Report.

During the reporting year, Miller's Retail Limited apparel store numbers increased by 17 to 695 stores in Australia and New Zealand and discount variety store numbers increased by 15 to 353 stores. At balance date Miller's Retail Limited had 1048 stores operating across Australia and New Zealand.

Earnings per share

	2004 Cents	2003 Cents
Basic earnings per share	**3.6**	13.0
Diluted earnings per share	**3.6**	13.0
Basic earnings per share before write down of intangible assets	**8.8**	13.0
Diluted earnings per share before write down of intangible assets	**8.8**	13.0

Significant changes in the state of affairs

Other than those disclosed above, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

At the date of this report there is no matter or circumstance that has arisen since 30 June 2004 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.

Directors' Report

Likely developments and expected results of operations

There were no likely developments in the operations of the consolidated entity, constituted by Miller's Retail Limited and the entities it controlled during the year, that were not finalised at the date of this report. Additional comments on expected results of the operations of the consolidated entity are included in this report under the Chairman's Review and Chief Executive Officer's Report.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The company has assessed whether there are any particular environmental regulations that apply to it and has determined that there are none.

Meetings of directors

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2004, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	Number of meetings attended	Number of meetings held during service period	Number of meetings attended	Number of meetings held during service period	Number of meetings attended	Number of meetings held during service period
W S Cutbush**	4	4	1	1	**	**
G Perlstein	13	13	*	*	*	*
A I Miller	11	13	*	*	*	*
R Baskin	12	13	2	2	1	1
R J Clark	10	13	*	*	*	*
P Allen***	8	8	1	1	1	1

* Not a member of the relevant committee

** W S Cutbush resigned as a director effective 28 October 2003. He was eligible to attend 4 meetings of directors and 1 audit committee meeting. He was not eligible to attend the remuneration committee meeting.

*** P Allen was appointed as a director effective 26 November 2003. He was eligible to attend 8 meetings of directors, 1 audit committee meeting and 1 remuneration committee meeting.

Retirement, election and continuation in office of directors

In accordance with the Constitution, Mr A I Miller retires as a director at the annual general meeting and being eligible, offers himself for re-election.

Mr W S Cutbush retired as a director on 28 October 2003 and did not offer himself for re-election.

Mr P Allen was appointed as a director on 26 November 2003 to fill the vacancy caused by the retirement of Mr W S Cutbush. In accordance with the Constitution, Mr P Allen retires as a director at the annual general meeting and, being eligible, offers himself for re-election.

Directors' Report

Remuneration report

Information on the remuneration principles and policies of Miller's Retail Limited is set out in note 29 of the financial statements.

Directors' and executives' emoluments

Details of the nature and amount of each element of the emoluments of each director of Miller's Retail Limited and each of the 5 officers of the company and the consolidated entity receiving the highest emoluments are set out in the following tables.

Non-executive directors of Miller's Retail Limited

Name	Directors' base fee $	Prior year options* $	Total $
R Baskin	75,000	8,632	83,632
P Allen (26 November 2003 to 30 June 2004)	40,833	-	40,833
R Clark	26,250	8,820	35,070
W S Cutbush (1 July 2003 to 28 October 2003)	23,362	3,237	26,599

Executive directors of Miller's Retail Limited

		Primary		Post-employment	Equity	
Name	Base salary $	Short term incentives (cash bonus) $	Motor Vehicle $	Superannuation $	Prior Year Options* $	Total $
A I Miller	567,641	275,000	71,500	74,250	104,663	1,093,054
G Perlstein	581,319	-	71,500	49,500	104,663	806,982

* No options were granted to non-executive or executive directors under the Miller's Retail Limited Senior Executive Option Plan during the year ended 30 June 2004 or the year ended 30 June 2003. The value of options issued during prior years has been spread over the period from grant date to vesting date. Remuneration in relation to options for the year ended 30 June 2004 includes amounts that were already shown as remuneration in prior years. As at the date of this report, the Miller's Retail Limited share price was below the exercise price of all of these prior year options.

Directors' Report

Directors' and executives' emoluments (continued)

Five most highly remunerated executives of Miller's Retail Limited

	Primary			Post-employment		Equity	
Name	Base salary $	Short term incentives (cash bonus) $	Motor Vehicle $	Superannuation $	Termination benefits $	Prior Year Options* $	Total $
P Hotz General Manager, Apparel Wholesale	384,756	100,000	50,138	40,500	-	36,330	611,724
G Novis General Manager, Apparel Group	272,938	130,000	34,993	35,100	-	39,370	512,401
N Freeman Former Chief Financial Officer, Miller's Retail Limited (1 July 2003 to 31 March 2004)	200,145	-	20,506	18,013	164,780	46,875	450,319
S James Former Business Development Manager, Miller's Retail Limited (1 July 2003 to 30 November 2003)	83,333	-	22,000	7,500	280,000	15,343	408,176
B Fielding General Manager, The Discount Variety Group	329,785	-	14,149	26,585	-	30,625	401,144

An executive officer is defined as the Managing Director or a person who reports or is responsible to the Managing Director for the strategic direction and operational management of Miller's Retail Limited. Remuneration is determined on the basis of benefit given by Miller's Retail Limited.

* No options were granted to executives under the Miller's Retail Limited Senior Executive Option Plan during the year ended 30 June 2004. The value of options issued during prior years has been spread over the period from grant date to vesting date. Remuneration in relation to options for the year ended 30 June 2004 includes amounts that were already shown as remuneration in prior years. As at the date of this report, the Miller's Retail Limited share price was below the exercise price of all of these prior year options.

The amounts disclosed above for remuneration relating to options are the assessed fair values of options at the date they were granted to executives during prior financial years. Fair values have been independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Share options granted to directors and the most highly remunerated officers

No options over unissued ordinary shares of Miller's Retail Limited have been granted since the date of the 2003 annual report to the date of this report to any of the directors or the 5 most highly remunerated officers of the company and consolidated entity as part of their remuneration.

Directors' Report

Shares under option

Date options granted	Expiry date	Issue price of shares	Number under option
02/07/2001*	30/11/2007	$4.75	70,000
02/08/2001*	30/11/2007	$5.75	1,225,000
24/10/2001	30/01/2006	$3.20	2,020,000
19/10/2001	30/10/2006	$0.01	42,900
09/01/2002	31/10/2005	$3.17	500,000
02/04/2002	30/06/2005	$3.20	60,000
02/04/2002	30/06/2005	$2.70	50,000
29/08/2002	30/10/2006	$2.15	1,895,000
18/10/2002	30/10/2006	$1.86	1,275,000

* Bonus shares from the 4:5 bonus issue of ordinary shares on 7 September 2001 attach to these options as they were granted prior to this date. The total number of shares that will be issued on the exercise of these options will be 126,000 and 2,205,000 respectively.

Of the above options 3,369,566 are exercisable at any time on or before the expiry date and 1,135,000 options have not reached their vesting performance criteria, but have not yet expired. The balance is exercisable, subject to performance criteria as detailed in the Miller's Retail Limited Senior Executive Option Plan being achieved as follows:

Date exercisable	Number
1 March 2005	250,000
30 June 2005	2,123,333
31 October 2005	250,000
30 June 2006	10,000

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

Shares issued on the exercise of options

A total of 1,003,412 ordinary shares of Miller's Retail Limited were issued during the year ended 30 June 2004 on the exercise of options under the Miller's Retail Limited Senior Executive Option Plan. The amount paid on these shares was between $0.01 and $2.54. No amounts are unpaid on any of the shares. Since the end of the financial year and up to the date of this report, no ordinary shares of Miller's Retail Limited have been issued on the exercise of options under the Miller's Retail Limited Senior Executive Option Plan.

Insurance of officers

During the financial year, Miller's Retail Limited insured certain officers of the company and related bodies corporate. The insurance policy prohibits the disclosure of the premium amount.

The officers of the company covered by the insurance policy include any director, secretary, executive officer or employee of Miller's Retail Limited and its controlled entities.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities of the consolidated entity.

Directors' Report

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

G Perlstein
Director

A I Miller
Director

Sydney
30 September, 2004

Corporate Governance Statement

The directors' overriding objective is to increase shareholder value within an appropriate framework which protects the rights and interests of shareholders and ensures the company and its controlled entities are properly managed.

The functions of the Board of Directors are clearly defined in the company's Corporate Governance Policy which includes responsibility for:

- approval of corporate strategies and the annual budget
- monitoring financial performance including approval of the annual and half year financial reports and liaison with the company's auditors
- monitoring managerial performance, and
- ensuring the significant risks facing the company and its controlled entities have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place.

The directors are committed to the principles underpinning best practice in corporate governance, applied in a manner which is best suited to the company and its controlled entities and to best addressing the directors' accountability to shareholders and other stakeholders. In formulating the governance principles that guide the operations of the Company, the directors have taken into account the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. This is supported by an overriding organisation wide commitment to the highest standards of legislative compliance and financial and ethical behaviour.

A description of the company's main corporate governance practices is set out below.

The Board of Directors

The Board of Directors' charter for the operation of the Board includes reference to the following broad principles:

- composition of the Board
- what proportion of the Board should be non-executive directors
- whether the Chairman should be a non-executive director
- policy for appointment, retirement and length of term of directors; and
- the Board should comprise directors with a broad range of skills and experience.

To assist it in fulfilling its responsibilities and to allow detailed consideration of complex issues the Board establishes committees. Current committees of the Board are the Remuneration Committee and the Audit Committee consisting of non-executive directors. Each of these committees has its own charter setting out the authority delegated to it by the Board and the manner in which the committee is to operate.

At the date of signing the directors' report the Board consisted of 3 non-executive directors and 2 executive directors. Details of the directors are set out in the Directors' Report.

The Board has adopted a policy in regard to Director Independence, based on the ASX guidelines for determining the independence of directors. Due to the composition of the Board and the number of directors, the Board is endeavouring to appoint a new independent non-executive director in order that the majority of the Board should be independent directors. Non- executive directors Ron Baskin and Peter Allen are considered independent. The Board does not consider Robert Clark to be independent due to his previous executive capacity. Gary Perlstein and Ian Miller are executive directors and therefore not independent. The Chairman of the Board is an independent director.

Directors are initially appointed by the full Board, subject to election by shareholders at the next annual general meeting.

The Board review any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction is in compliance with the Corporations Act 2001 and is appropriately disclosed.

The Board's responsibilities include overseeing the appointment and induction process for directors and Committee members, and the selection, appointment and succession planning process of the Company's Chief Executive Officer. Board membership is regularly reviewed. Recommendations on the appropriate skill mix, personal qualities, expertise and diversity of each position are made. When a vacancy exists or there is a need for particular skills, the selection criteria based on the skills deemed necessary are identified. Suitable candidates are interviewed and appointed by the Board. New Board members must stand for election at the next general meeting of shareholders. An annual review of the performance of the Chief Executive Officer is to be conducted.

Corporate Governance Statement

Chairman

The Chairman of the Board is a non-executive director who is elected by the full Board.

Director Performance Evaluation

The Board intends to adopt a Performance Evaluation process which involves an annual formal review of its effectiveness.

Independent professional advice

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Remuneration Committee

The Remuneration Committee consists of the following non-executive directors:

R Baskin (Chairman)

P Allen

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors and other senior executives. The committee, having regard to performance, relevant comparative information and independent expert advice, reviews executive remuneration and other terms of employment annually. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance related bonuses and fringe benefits. Executives are also eligible to participate in the option plan. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

Information on directors' and executives' remuneration and remuneration policies is set out in the Directors' Report and note 29 to the financial statements.

Audit Committee

The Audit Committee consists of the following non-executive directors:

P Allen (Chairman)

R Baskin

The main responsibilities of the Audit Committee are to:

- review and report to the Board on the annual and half year report and financial statements
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering; effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulations
- provide assurance to the Board that it is receiving adequate, up to date and reliable information

The Committee is also charged with the responsibilities of recommending to the Board the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement, and the scope and quality of the audit and non-audit services.

In fulfilling its responsibilities the Committee receives regular reports from management and external auditors. It also meets with the external auditors at least twice a year, more frequently if necessary. The external auditors have a clear line of direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the Board.

The Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party, and obtain external legal or other independent professional advice.

The Committee reports to the full Board after each committee meeting and relevant papers and minutes are provided to all directors. The number of meetings held by the Audit Committee is set out in the Directors' Report.

The company does not fully comply with the ASX Corporate Governance recommendation which states that the structure of the audit committee consists of at least three members. Due to the current composition of the Board there are only two independent, non-executive members who can sit on the Audit Committee. When a new independent non-executive director is appointed he or she will join the Audit Committee.

Corporate Governance Statement

Nomination Committee

As the Company has a relatively small number of directors, the full Board effectively acts as a Nominations Committee. For the Nominations responsibilities performed by the Board refer to the section: "The Board of Directors" above.

Risk Management and Assessment

The Board is responsible for the Company's system of internal control and for regularly reviewing its effectiveness. The main aim of the system of internal control is the management of business risks. The focus of the Company's risk management and internal control system is on maintaining a high level of risk awareness across the organisation at strategic and operational levels. The philosophy towards risk is not to be risk averse and thus potentially constrain prospects for growth, but to enable risks to be identified, discussed, mitigated and monitored in a balanced manner.

Assessment of Business Risk

The Company is implementing a formalised risk management system incorporating an integrated risk management programme aimed at ensuring risks are identified, assessed and appropriately managed. The Company faces a range of risks as a company operating in the retail and wholesale discount variety and apparel markets. The key areas of risk for the Company include risks relating to changes in the industry and competitive environment, strategic growth, relationships with and reliance on key employees, operational controls, supply chain continuity, development and use of information systems, financial reporting and regulatory compliance.

The Chief Executive Officer and the Chief Financial Officer are required to certify to the Board that the Company's financial statements comply with Accounting Standards, give a true and fair view, of the financial position and performance of the company and consolidated entity; the financial statements and notes thereto are in accordance with the Corporations Act 2001 and this statement is founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board of Directors.

Continuous Disclosure Policy

The Company satisfies its continuous disclosure obligations as required by the Listing Rules of the Australian Stock Exchange and the Corporations Law. Information is disclosed in a full and timely manner to enable all shareholders and the market to have an equal opportunity to obtain and review information about the Company.

The Company's annual and half year reports, media and analysts' presentations and press releases and other information disclosed to the ASX and the company's Code of Conduct are posted on the Company's website (www.millersretail.com.au).

Ethical standards

The company's Code of Conduct applies to all employees of the organisation and sets out the standards within which employees and directors are expected to act. In summary employees and directors are required to act with the utmost integrity and objectivity at all times in their dealings.

Unethical conduct will not be tolerated. Strict compliance with legislative requirements will not be an adequate defence. The company intends that the spirit of the Code will be adopted as well as the letter of the standards therein. The Code covers the following:

- act honestly, professionally and in good faith and in the best interests of the Company as a whole
- due care and diligence in fulfilling the functions of office and exercising the powers attached to that office
- use the powers of office for a proper purpose, in the best interests of the Company as a whole
- recognise the primary responsibility is to the Company's shareholders but should, where appropriate, have regard for the interests of all stakeholders of the Company
- not make improper use of information acquired as a Director or employee
- not take improper advantage of their position
- not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company
- independent in judgment and actions
- confidential information received by a Director in the course of the exercise of directorial duties remain the property of the Company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised or is required by law

Corporate Governance Statement

Ethical standards (continued)

- correct conduct
- comply with the spirit, as well as the letter, of the law and with the principles of this Code
- declare any vested interest in any matter discussed at the Board meetings and to remain separate from and independent of the process

The company is developing a code of conduct to guide directors, the chief executive officer, the chief financial officer and other key executives as to the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Trading in the Company's Shares

Directors and senior executives of the Company are subject to the Corporations Act 2001, which prohibits buying, selling or subscribing for shares in the Company if they are in possession of inside information.

Directors and senior executives must not undertake any transactions at any time without the prior approval of the Chairman (or, in the case of the Chairman, another non-executive director). If the transaction is proposed to occur within the period of three months prior to the release to the ASX of the Company's annual results or half yearly results, or at any other time when the Chairman (or non-executive director) is in any doubt about whether inside information is in existence, then the prior approval of the Board is also required, and the transaction may only occur if the Board has received supporting advice from the Company's external legal advisers.

To allow information to be fully disseminated in the market, buying or selling within twenty four hours after an announcement to the ASX, that in the opinion of the Board could have a material impact on the share price, is not permitted without the prior approval of the Board, and only after obtaining supporting advice from the Company's external legal advisers.

The issue of shares under the Dividend Reinvestment Program (DRP) is permitted.

The Code will be regularly reviewed and updated as necessary to ensure it reflects the highest standards of integrity and professionalism.

Statements of Financial Performance

For the year ended 30 June 2004

		Consolidated		Parent Entity	
	Notes	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Revenue from ordinary activities	3	**1,116,120**	1,054,775	**246,327**	228,771
Changes in inventories of finished goods and consumables		**(3,018)**	27,358	**445**	3,551
Finished goods and consumables		**(625,179)**	(618,544)	**(102,258)**	(113,481)
Employee benefits expense		**(192,002)**	(180,034)	**(43,639)**	(40,095)
Depreciation and amortisation	4	**(27,796)**	(25,213)	**(5,054)**	(4,213)
Write down of intangible assets	14	**(12,620)**	-	**-**	-
Write down of investments	11	**-**	-	**(19,620)**	-
Rental expense relating to operating leases		**(122,458)**	(114,177)	**(29,477)**	(28,240)
Other expenses from ordinary activities		**(102,032)**	(88,382)	**(21,492)**	(16,624)
Borrowing costs expense	4	**(10,870)**	(9,939)	**(9,208)**	(7,085)
Profit from ordinary activities before income tax expense	4	**20,145**	45,844	**16,024**	22,584
Income tax expense	5	**(11,492)**	(15,340)	**(704)**	(248)
Profit from ordinary activities after income tax expense		**8,653**	30,504	**15,320**	22,336
Adjustment resulting from change in accounting policy for provision of annual leave	25	**-**	(160)	**-**	(43)
Total revenue, expenses and valuation adjustments attributable to members of Miller's Retail Limited recognised directly in equity		**-**	(160)	**-**	(43)
Total changes in equity other than those resulting from transactions with owners as owners	26	**8,653**	30,344	**15,320**	22,293

		Cents	Cents
Basic earnings per share	40	**3.6**	13.0
Diluted earnings per share	40	**3.6**	13.0

The above Statements of financial performance should be read in conjunction with the accompanying notes.

Statements of Financial Position

As at 30 June 2004

		Consolidated		Parent Entity	
	Notes	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Current assets					
Cash	6,28	**8,995**	17,807	**3,114**	-
Receivables	7,28	**10,711**	15,992	**169,960**	168,526
Inventories	8	**184,872**	187,890	**25,863**	25,418
Current tax assets	9	**979**	-	**637**	1,166
Other	10	**2,869**	1,624	**682**	176
Total current assets		**208,426**	223,313	**200,256**	195,286
Non-current assets					
Other financial assets	11	**-**	-	**111,004**	130,624
Property, plant and equipment	12	**113,064**	110,274	**24,764**	22,345
Deferred tax assets	13	**12,036**	13,129	**11,888**	2,715
Intangible assets	14	**109,003**	126,712	**2,605**	2,757
Other	15	**99**	161	**99**	161
Total non-current assets		**234,202**	250,276	**150,360**	158,602
Total assets		**442,628**	473,589	**350,616**	353,888
Current liabilities					
Payables	16,28	**91,676**	86,842	**48,213**	33,995
Interest bearing liabilities	17,28	**26,478**	67,170	**6,539**	56,298
Current tax liabilities	18	**-**	4,435	**-**	-
Provisions	19	**11,787**	11,102		3,072
Total current liabilities		**129,941**	169,549	**57,891**	93,365
Non-current liabilities					
Payables	20,28	**2,250**	4,500	**-**	-
Interest bearing liabilities	21,28	**84,956**	69,519	**84,956**	54,377
Deferred tax liabilities	22	**4,959**	3,857	**4,959**	1,757
Provisions	23	**12,398**	10,288	**2,469**	2,963
Total non-current liabilities		**104,563**	88,164	**92,384**	59,097
Total liabilities		**234,504**	257,713	**150,275**	152,462
Net assets		**208,124**	215,876	**200,341**	201,426
Equity					
Contributed equity	24	**188,970**	182,577	**188,970**	182,577
Retained profits	25	**19,154**	33,299	**11,371**	18,849
Total equity	26	**208,124**	215,876	**200,341**	201,426

The above Statements of financial position should be read in conjunction with the accompanying notes.

Statements of Cash Flows

For the year ended 30 June 2004

		Consolidated		Parent Entity	
	Notes	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**1,226,025**	1,152,878	**216,107**	210,770
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,143,620)**	(1,075,565)	**(162,200)**	(171,153)
		82,405	77,313	**53,907**	39,617
Interest received		**549**	143	**478**	6
Borrowing costs		**(8,565)**	(9,939)	**(6,902)**	(7,085)
Income taxes (paid)/refunded		**(14,696)**	(23,615)	**841**	(3,312)
Net cash inflow (outflow) from operating activities	38	**59,693**	43,902	**48,324**	29,226
Payment for purchase of controlled entities and businesses, net of cash acquired					
Payment for purchase of controlled entities and businesses, net of cash acquired	35	**-**	(18,714)	**-**	(18,634)
Payments for property, plant and equipment		**(26,930)**	(30,287)	**(7,503)**	(6,093)
Loans to related parties		**-**	-	**(1,802)**	(24,022)
Proceeds from sale of property, plant and equipment		**405**	487	**-**	-
Net cash inflow (outflow) from investing activities		**(26,525)**	(48,514)	**(9,305)**	(48,749)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**818**	114	**818**	114
Proceeds from borrowings		**-**	23,648	**-**	26,721
Repayment of borrowings		**(25,255)**	-	**(3,299)**	-
Dividends paid	27	**(17,543)**	(16,004)	**(17,543)**	(16,004)
Net cash inflow (outflow) from financing activities		**(41,980)**	7,758	**(20,024)**	10,831
Net increase (decrease) in cash held		**(8,812)**	3,146	**18,995**	(8,692)
Cash at the beginning of the financial year		**17,807**	14,661	**(15,881)**	(7,189)
Cash at the end of the financial year	6	**8,995**	17,807	**3,114**	(15,881)

Financing arrangements	21
Non-cash financing and investing activities	39

The above Statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

30 June 2004

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. In certain cases, prior year balances have been restated to enhance comparability.

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in note 1(v).

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Miller's Retail Limited ('company' or 'parent entity') as at 30 June 2004 and the results of all controlled entities for the year then ended. Miller's Retail Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Miller's Retail Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision.

As a consequence, Miller's Retail Limited, as the head entity in the tax consolidated group, has recognised current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime, with one exception. The deferred tax balances relating to assets that had their tax values reset on joining the tax consolidated group, have been remeasured based on the carrying amount of those assets at the tax-consolidated group level and their reset tax values. The remeasurement adjustments to these deferred tax balances are also recognised in the consolidated financial statements as income tax expense or revenue, or as direct debits to the asset revaluation reserve to the extent the adjustments relate to the revaluation of assets. The impact on the income tax expense for the year is disclosed in note 5.

(c) Foreign currency translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

Notes to the Financial Statements

30 June 2004

Note 1. Summary of significant accounting policies (continued)

(ii) Specific commitments

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase of goods, together with subsequent exchange gains or losses resulting from those transactions are deferred up to the date of the purchase and included in the measurement of the purchase.

(iii) Foreign controlled entity

The activities undertaken in New Zealand are integrated with the activities of the parent entity. The assets, liabilities and equity of the New Zealand operations are consolidated into the parent entity using the temporal method of translation whereby non monetary assets and liabilities and equity items, including revenue and expenses, are translated using historic rates of exchange, and monetary assets and liabilities are translated using rates of exchange current at the reporting date. Any resultant exchange differences are recorded as revenue or expense by the consolidated entity.

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their fair value as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

Goodwill is brought to account on the basis described in note 1(l).

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing to zero the recorded amounts of the non-monetary assets acquired, a discount balance remains it is recognised as revenue in the statements of financial performance

(e) Revenue recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Retail sales

Revenue is recognised at the point of sale when delivery takes place.

(ii) Lay by sales

Lay-by sales are recognised at the point of sale. The cash outstanding at balance date is shown as a debtor.

(iii) Lease incentive revenue

Lease incentive revenue is recognised as revenue over the period of the lease.

(f) 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 uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(g) 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.

(h) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying

Notes to the Financial Statements

30 June 2004

Note 1. Summary of significant accounting policies (continued)

amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate. The discount rate used was 11.3% (2003: 10.8%).

(i) 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 to 14 years.

(j) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the company, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 7 years.

(k) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The leased asset is amortised on a straight line basis over the term of the lease, or where it is likely that the company will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over periods ranging from 4 to 6 years.

Incentives received on entering into operating leases are recognised as liabilities and are brought to account over the period of the lease. Lease payments are allocated between rental expense and reduction of the liability. Other operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(l) Intangible assets and expenditure carried forward

(i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over twenty years, being the period during which the benefits are expected to arise. The cost of acquisition is discounted as described in note 1(d) where settlement of any part of cash consideration is deferred.

(ii) Brand names

Expenditure incurred in developing, maintaining or enhancing brand names is written off against operating profit in the year in which it is incurred. The Directors believe that any depreciable amounts of the Group's acquired brand names are negligible based on expected residual values compared with carrying values. Further, the Directors believe that the useful lives of the brands are of such duration that any amortisation charge on the brands would be immaterial.

The carrying value of goodwill and brand names are reviewed by the directors each reporting period to ensure that they are not in excess of recoverable amount. During the year ended 30 June 2004, the directors reviewed the carrying value of intangible assets and determined that a write down to recoverable amount was required as detailed in note 14.

(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 are usually paid within 45 days of recognition.

(n) Interest bearing liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(o) Dividends

Provision is made for the amount of any dividend declared, determined, or publicly recommended by the directors on or before the end of the financial year, but not distributed at balance date.

Notes to the Financial Statements

30 June 2004

Note 1. Summary of significant accounting policies (continued)

(p) Maintenance and repairs

Maintenance, repair costs and minor renewals are charged as expenses as incurred.

(q) Employee benefits

(i) Wages and 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 at 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 guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

Miller's Retail Limited makes superannuation contributions on behalf of its employees to a number of accumulation type superannuation funds.

(iv) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(r) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are incurred in refinancing the group's funding arrangements. These costs are capitalised and amortised over the term of the funding arrangements.

(s) Cash

For purposes of the statement of cash flows, cash includes deposits at call with 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 in value, net of outstanding bank overdrafts.

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of 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.

(u) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(v) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

The transitional rules for first time adoption of IFRS require the restatement of comparative financial statements using Australian equivalents of IFRS. In some cases choices of accounting policies are available including elective exemptions under AASB 1 First Time Election of Australian Equivalents to International Financial Reporting Standards. Some of the choices are still being analysed to determine the most appropriate accounting policies for the company. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Notes to the Financial Statements

30 June 2004

Note 1. Summary of significant accounting policies (continued)

The consolidated entity has established a project team to manage the transition to Australian equivalents to IFRS. The project team is chaired by the Chief Financial Officer and reports to the Board regularly. Most of the Australian equivalents to IFRS have been evaluated and a number of key differences have been identified. The completion of this analysis is expected during the 2005 financial year, enabling the implementation of required changes ahead of the 2006 financial year.

The following areas have been identified as potentially significant for the consolidated entity:

(i) AASB 112 "Income taxes"

Under AASB 112 deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(ii) AASB 136 "Impairment of Assets"

Under the current accounting policy the recoverable amount of assets is determined by reference to cash flows generated by a group of assets.

Under AASB 136 the recoverable amount of an asset is determined as the higher of net selling price and value in use. The recoverable amount is assessed for each "cash generating unit", which is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets.

At this stage the determination of the Group's cash generating units has not been finalised.

(iii) AASB 3 "Business Combinations"

Under AASB 3 Business Combinations, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

(iv) AASB 2 "Share-based Payment"

Under AASB 2 Share-based Payment, equity-based compensation to employees will be recognised as an expense in respect of the services received.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

(v) AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement"

Under AASB 132 Financial Instruments: Disclosure and Presentation the current classification of financial instruments issued by entities in the consolidated entity is not likely to change.

Under AASB 139 Financial Instruments: Recognition and Measurement there may be major impacts as a result of:

- financial assets held by the company being subject to classification as either held for trading, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost.
- foreign exchange contracts held for hedging purposes being accounted for as cash flow hedges. Changes in the fair value of those contracts will be recognised directly in equity until the hedged transaction occurs, in which case the amounts recognised in equity will be included in the initial cost of the assets acquired. Currently, the costs or gains arising under contracts together with any realised or unrealised gains from remeasurement are included in assets or liabilities as deferred losses or deferred gains.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to IFRS on the consolidated entity's financial position and reported results.

Notes to the Financial Statements

30 June 2004

Note 2. Segment information

Business Segments

The consolidated entity is organised into the following divisions by product type.

Apparel

Manufacturing and retailing of women's clothing for the value conscious consumer.

Discount Variety

Sale of discount variety goods through retail outlets.

Geographical Segments

The consolidated entity operates predominately in Australia.

Primary reporting – business segments

2004	Apparel $'000	Discount Variety $'000	Consolidated $'000
Operating revenue			
Sales to customers outside the economic entity	451,502	658,432	1,109,934
Other revenue	1,880	3,757	5,637
Unallocated revenue - interest income			549
Total revenue			1,116,120
Segment result before interest, taxation and amortisation of goodwill	35,318	12,857	48,175
Unallocated expenses			(28,030)
Profit from ordinary activities before income tax			20,145
Segment assets	119,493	214,132	333,625
Unallocated assets			109,003
Total assets			442,628
Segment liabilities	78,857	70,692	149,549
Unallocated liabilities			84,955
Total liabilities			234,504
Total acquisitions of property, plant and equipment, intangibles and other non-current segment assets	11,455	15,475	26,930
Segment depreciation and amortisation expense	9,467	13,240	22,707
Unallocated depreciation and amortisation expense			5,089
Total depreciation and amortisation expense			27,796
Segment other non-cash expenses	268	760	1,028
Unallocated non-cash expenses			12,620
Total other non-cash expenses			13,648

Notes to the Financial Statements

30 June 2004

Note 2. Segment information (continued)

Primary reporting – business segments (continued)

2003	Apparel $'000	Discount Variety $'000	Consolidated $'000
Operating revenue			
Sales to customers outside the economic entity	421,094	628,632	1,049,726
Other revenue	1,396	3,510	4,906
Unallocated revenue - interest income			143
Total revenue			1,054,775
Segment result before interest, taxation and amortisation of goodwill	25,300	35,446	60,746
Unallocated expenses			(14,902)
Profit from ordinary activities before income tax			45,844
Segment assets	104,739	242,138	346,877
Unallocated assets			126,712
Total assets			473,589
Segment liabilities	72,378	100,265	172,643
Unallocated liabilities			85,070
Total liabilities			257,713
Total acquisitions of property, plant and equipment, intangibles and other non-current segment assets	11,709	18,578	30,287
Segment depreciation and amortisation expense	8,355	11,752	20,107
Unallocated depreciation and amortisation expense			5,106
Total depreciation and amortisation expense			25,213
Segment other non-cash expenses	217	550	767
Unallocated non-cash expenses			-
Total other non-cash expenses			767

Notes to and forming part of the segment information

(a) Accounting policies

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee entitlements and other provisions.

(b) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an 'arm's-length' basis and are eliminated on consolidation.

Notes to the Financial Statements

30 June 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Note 3. Revenue				
Revenue from operating activities				
Sale of goods	**1,109,934**	1,049,726	**196,461**	191,609
Revenue from outside the operating activities				
Interest	**549**	143	**478**	6
Dividends from other controlled entities	**-**	-	**34,000**	22,000
Other revenue	**5,232**	4,419	**15,388**	15,156
Proceeds from sale of non-current assets	**405**	487	**-**	-
Revenue from ordinary activities	**1,116,120**	1,054,775	**246,327**	228,771
Note 4. Profit from ordinary activities				
Net gains and expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net Gains				
Net foreign currency exchange gains	**126**	145	**52**	-
Expenses				
Cost of sales of goods	**628,197**	591,186	**101,813**	109,930
Depreciation				
Plant and equipment	**22,533**	19,802	**4,802**	3,999
Amortisation				
Leasehold improvements	**102**	66	**100**	62
Plant and equipment under finance leases	**72**	239	**-**	-
Goodwill	**5,089**	5,106	**152**	152
Total amortisation	**5,263**	5,411	**252**	214
Other charges against assets				
Write down of intangible assets	**12,620**	-	**-**	-
Write down of investments to recoverable amount	**-**	-	**19,620**	-
Bad and doubtful debts - trade debtors	**162**	536	**-**	-
Borrowing costs				
Borrowing costs	**1,765**	554	**1,765**	554
Interest and finance charges paid/payable	**9,737**	9,385	**8,075**	6,531
Total borrowing costs	**11,502**	9,939	**9,840**	7,085
Amount capitalised	**(632)**	-	**(632)**	-
Borrowing costs expensed	**10,870**	9,939	**9,208**	7,085
Net foreign exchange loss	**-**	-	**-**	(531)
Net loss on disposal of property, plant and equipment	**1,028**	767	**182**	216
One-off merger costs	**-**	3,065	**-**	-
Rental expense relating to operating leases	**122,458**	114,177	**29,477**	28,240

Notes to the Financial Statements

30 June 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Note 5. Income tax				
Income tax expense				
The income tax expenses for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	**20,145**	45,844	**16,024**	22,584
Income tax calculated @ 30% (2003 - 30%)	**6,044**	13,753	**4,807**	6,775
Tax effect of permanent differences				
Non-deductible amortisation	**1,527**	1,532	**45**	45
Non-deductible write down of intangible assets	**3,786**	-	**-**	-
Non-deductible write down of investments	**-**	-	**5,887**	-
Rebateable dividends	**-**	-	**(10,200)**	(6,600)
Sundry items	**23**	34	**-**	19
Income tax adjusted for permanent differences	**11,380**	15,319	**539**	239
Effect of lower rates of tax on overseas income	**(14)**	7	**-**	-
Under (over) provision in prior year	**16**	14	**165**	9
Income tax expense attributable to profit from ordinary activities before impact of tax consolidation	**11,382**	15,340	**704**	248
Income tax expense relating to other entities in the tax consolidated group	**-**	-	**10,474**	-
Income tax expense allocated to other entities in the tax consolidated group	**-**	-	**(10,474)**	-
Write-down of deferred tax assets as a result of the substantive enactment of the tax consolidation legislation	**110**	-	**-**	-
Income tax expense attributable to profit from ordinary activities	**11,492**	15,340	**704**	248

Tax consolidation legislation

Miller's Retail Limited and its wholly owned Australian subsidiaries have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision. The entities also intend to enter into a tax sharing agreement, but details of this agreement are yet to be finalised. The accounting policy on the implementation of the legislation is set out in note 1(b).

As a consequence, Miller's Retail Limited, as the head entity of the tax consolidated group, has recognised current and deferred tax amounts relating to transactions, events and balances of the wholly owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transactions, events and balances. Amounts receivable or payable under the tax sharing agreement have been recognised separately by Miller's Retail Limited as tax related amounts receivable or payable. The impact on the income tax expense and results of Miller's Retail Limited is unlikely to be material because of the tax sharing agreement. This is not expected to have a material impact on the consolidated assets and liabilities and results.

Notes to the Financial Statements

30 June 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Note 6. Current assets – Cash				
Cash on hand	**8,995**	17,807	**3,114**	-
The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:				
Balances as above	**8,995**	17,807	**3,114**	-
Less: Bank overdrafts (note 17)	**-**	-	**-**	15,881
Balances as per statements of cash flows	**8,995**	17,807	**3,114**	(15,881)
Note 7. Current assets – Receivables				
Trade debtors	**3,803**	8,443	**-**	-
Less: Provision for doubtful debts	**232**	238	**-**	-
	3,571	8,205	**-**	-
Other debtors	**7,140**	7,787	**2,697**	3,315
Receivable from wholly owned subsidiaries	**-**	-	**167,263**	165,211
	10,711	15,992	**169,960**	168,526
Note 8. Current assets – Inventories				
Inventories on hand at lower of cost and net realisable value	**184,872**	187,890	**25,863**	25,418
Note 9. Current assets – Income tax receivable				
Income tax receivable	**979**	-	**637**	1,166
Note 10. Current assets – Other				
Prepayments	**2,237**	1,624	**50**	176
Capitalised finance costs	**875**	-	**875**	-
Less: accumulated amortisation of finance costs	**(243)**	-	**(243)**	-
	2,869	1,624	**682**	176
Note 11. Non-current assets – Other financial assets				
Shares in controlled entities - at cost (note 35)	**-**	-	**130,624**	130,624
Less: Provision for write down to recoverable amount	**-**	-	**(19,620)**	-
	-	-	**111,004**	130,624

Notes to the Financial Statements

30 June 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Note 12. Non-current assets – Property, plant & equipment				
Leasehold improvements				
At cost	**737**	535	**698**	496
Less: Accumulated amortisation	**361**	259	**331**	231
	376	276	**367**	265
Plant and equipment				
Plant and equipment - at cost	**193,524**	169,085	**42,494**	35,519
Less: Accumulated depreciation	**80,836**	59,616	**18,097**	13,439
	112,688	109,469	**24,397**	22,080
Plant and equipment under finance lease	**103**	936	**-**	-
Less: Accumulated amortisation	**103**	407	**-**	-
	-	529	**-**	-
Total plant and equipment	**112,688**	109,998	**24,397**	22,080
	113,064	110,274	**24,764**	22,345

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Leased plant & equipment $'000	Leasehold improvements $'000	Plant & equipment $'000	Total $'000
Consolidated				
Carrying amount at 1 July 2003	529	276	109,469	110,274
Additions	-	202	26,728	26,930
Disposals	(457)	-	(976)	(1,433)
Depreciation/amortisation expense (note 4)	(72)	(102)	(22,533)	(22,707)
Carrying amount at 30 June 2004	-	376	112,688	113,064
Parent entity				
Carrying amount at 1 July 2003	-	265	22,080	22,345
Additions	-	202	7,301	7,503
Disposals	-	-	(182)	(182)
Depreciation/amortisation expense (note 4)	-	(100)	(4,802)	(4,902)
Carrying amount at 30 June 2004	-	367	24,397	24,764

Notes to the Financial Statements

30 June 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Note 13. Non-current assets – Deferred tax assets				
Future income tax benefit	**12,036**	13,129	**11,888**	2,715

No part of the future income tax benefit is attributable to tax losses.

Note 14. Non-current assets – Intangible assets

Goodwill	**101,756**	101,756	**3,009**	3,009
Less: Accumulated amortisation	**19,133**	14,044	**404**	252
Less: Write down of goodwill	**1,020**	-	**-**	-
	81,603	87,712	**2,605**	2,757
Brand names	**39,000**	39,000	**-**	-
Less: Write down of brand names	**11,600**	-	**-**	-
	27,400	39,000	**-**	-
	109,003	126,712	**2,605**	2,757

Note 15. Non-current assets – Other

Other non-current assets	**99**	161	**99**	161

Note 16. Current liabilities – Payables

Trade creditors	**54,548**	53,539	**24,701**	21,128
Other payables	**37,128**	33,303	**16,525**	12,867
Tax related amounts payable to wholly-owned entities*	**-**	-	**6,987**	-
	91,676	86,842	**48,213**	33,995

* Refer to note 5 for details about tax sharing and compensation agreements

Note 17. Current liabilities – Interest bearing liabilities

Secured				
Bank overdraft (note 6)	**-**	-	**-**	15,881
Bank loans	**26,296**	59,067	**6,527**	40,271
Lease liability (note 32)	**182**	8,103	**12**	146
	26,478	67,170	**6,539**	56,298

Details of the finance facility and security for the above borrowings are set out in note 21.

Note 18. Current liabilities – Current tax liabilities

Provision for taxation	**-**	4,435	**-**	-

Notes to the Financial Statements

30 June 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Note 19. Current liabilities – Provisions				
Dividends	**-**	70	**-**	70
Employee entitlements	**8,917**	8,158	**1,840**	1,833
Deferred lease incentive	**2,870**	2,874	**836**	706
Other	**-**	-	**463**	463
	11,787	11,102	**3,139**	3,072

Movements in provisions

The movements in current and non-current provisions for deferred lease incentives (note 23) during the financial year are set out below.

	Consolidated	Parent Entity
	Provision for deferred lease incentives $'000	Provision for deferred lease incentives $'000
Carrying amount at start of year	8,919	2,484
New lease incentives received	4,810	592
Amortisation of deferred lease incentives	(3,135)	(887)
Carrying amount at end of year	10,594	2,189

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Note 20. Non-current liabilities – Payables				
Other payables	**2,250**	4,500	**-**	-
Note 21. Non-current liabilities – Interest bearing liabilities				
Secured				
Bank loans	**84,956**	14,000	**84,956**	14,000
Commercial bills	**-**	40,000	**-**	40,000
Lease liability (note 32)	**-**	15,519	**-**	377
Total non-current interest bearing liabilities	**84,956**	69,519	**84,956**	54,377
Secured liabilities				
Total secured liabilities (current and non-current) are:				
Bank overdrafts and bank loans	**111,252**	73,067	**91,483**	70,152
Lease liabilities	**182**	23,622	**12**	523
Commercial bills	**-**	40,000	**-**	40,000
Total secured liabilities	**111,434**	136,689	**91,495**	110,675

	Consolidated	
	2004 $'000	2003 $'000
Note 21. Non-current liabilities – Interest bearing liabilities (continued)		
Financing arrangements		
Unrestricted access was available at balance date to the following lines of credit:		
Total facilities		
Bank loans and bill facilities	**200,000**	113,000
Bank overdrafts	**10,000**	35,000
Visa, encashment and guarantee facilities	**1,500**	-
Total	**211,500**	148,000
Used at balance date		
Bank loans and bill facilities	**111,434**	113,067
Net overdraft/(cash) position (a)	**(4,936)**	(17,807)
Visa, encashment and guarantee facilities	**634**	-
Total	**107,132**	95,260
Unused at balance date		
Bank overdrafts, bank loans and bill facilities	**103,502**	52,740
Visa, encashment and guarantee facilities	**866**	-
Total	**104,368**	52,740

(a) The 2003 facility agreement provides that total limits are inclusive of a cash offset.

The bank finance arrangements are secured by a cross guarantee and a mortgage debenture given by certain group companies consisting of fixed and floating charges over all present and future assets of these companies. Lease liabilities are secured by the assets to which the lease liabilities relate.

The bank loan facilities comprise amortising and non-amortising cash advance facilities along with working capital facilities (including overdraft facilities) and seasonal facilities. The cash advance facilities may be drawn at any time and have maturities ranging from 2 to 4 years. The working capital facilities may be drawn at any time and are subject to annual review. The seasonal facilities may be drawn at agreed periods of peak debt and are subject to annual review. All of these facilities are available subject to the continuance of satisfactory credit ratings and compliance with certain covenants.

The current interest rates are 9.5% on the overdraft and 6.8% on the bank loans (2003: 9.1% and 6.1% respectively).

Notes to the Financial Statements

30 June 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Note 22. Non-current liabilities – Deferred tax liabilities				
Provision for deferred income tax	**4,959**	3,857	**4,959**	1,757
Note 23. Non-current liabilities – Provisions				
Employee entitlements	**4,674**	4,243	**1,116**	1,185
Deferred lease incentives	**7,724**	6,045	**1,353**	1,778
	12,398	10,288	**2,469**	2,963

Refer to note 19 for details of movements in provisions for deferred lease incentives.

	Consolidated		Parent Entity	
	2004 Shares	2003 Shares	**2004 Shares**	2003 Shares
Note 24. Contributed equity				
Share capital				
Ordinary shares				
Issued and paid up capital	**243,063,717**	238,076,839	**188,970**	182,577

(a) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue price	$'000
01-07-2002	Opening balance		232,217,181		173,976
29-08-2002	Shares issued	(i)	850,805	$2.35	2,000
23-09-2002	Options exercised	(ii)	138,030	$0.01 to $2.54	78
30-09-2002	Shares issued	(iii)	122,146	$2.05	250
18-10-2002	Dividend reinvestment	(iv)	1,660,558	$1.77	2,943
13-03-2003	Options exercised	(ii)	110,432	$0.01 to $1.10	36
14-04-2003	Dividend reinvestment	(iv)	1,787,211	$1.84	3,294
27-06-2003	Shares issued	(v)	1,190,476	-	-
30-06-2003	Balance		238,076,839		182,577
31-07-2003	Options exercised	(ii)	987,512	$1.10 to $2.54	818
30-09-2003	Shares issued	(iii)	140,352	$1.78	250
08-10-2003	Dividend reinvestment	(iv)	1,250,150	$1.75	2,182
13-10-2003	Options exercised	(ii)	13,500	$0.01	-
12-03-2004	Shares issued	(v)	599,462	-	-
06-04-2004	Dividend reinvestment	(iv)	1,993,502	$1.58	3,143
09-06-2004	Options exercised	(ii)	2,400	$0.01	-
30-06-2004	Balance		243,063,717		188,970

Notes to the Financial Statements

30 June 2004

Note 24. Contributed equity (continued)

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(i) Issue of shares in accordance with the acquisition of the assets of the Chickenfeed Bargain Stores business. These additional shares were issued as a result of this business achieving pre-determined earnings targets for the year ended 30 June 2002.

(ii) Exercise of options granted under the Miller's Retail Limited Senior Executive Option Plan. Some of the options exercised received bonus issue shares as they were granted prior to the bonus issues in 2000 and 2001. A schedule detailing the relevant bonus elements is shown below.

Exercise date	Options exercised	1:5 bonus issue 21-01-2002	1:5 bonus issue 07-09-2000	4:5 bonus issue 07-09-2001	Total shares issued
23-09-2002	73,118	6,333	10,100	48,479	138,030
13-03-2003	57,900	6,599	7,919	38,014	110,432
31-07-2003	405,568	51,614	91,436	438,894	987,512
13-10-2003	13,500	-	-	-	13,500
09-06-2004	2,400	-	-	-	2,400

(iii) Issue of shares to the vendors of Look Sharp Concepts Pty Limited. These shares were issued as part of a loan repayment.

(iv) The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlement satisfied by the issue of new ordinary shares rather than being paid in cash.

(v) Issue of shares to pay a bonus to the vendors of Look Sharp Concepts Pty Limited for achieving pre-determined performance targets.

(c) Options

Information relating to the Miller's Retail Limited Senior Executive Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out below:

	Number of options 2004	Number of options 2003
Balance at the beginning of the financial year	**9,371,505**	5,372,523
Issued during the year	**-**	4,130,000
Exercised during the year	**(421,468)**	(131,018)
Cancelled during the year	**(1,812,137)**	-
Balance at the end of the financial year	**7,137,900**	9,371,505

(d)

Options are issued in accordance with the Miller's Retail Limited Senior Executive Option Plan. Each option is convertible into one ordinary share plus bonus shares depending on the timing of the issue of the option with expiry dates ranging from 30/6/2005 to 30/11/2007 at prices ranging between $0.01 and $5.75. The number of unissued ordinary shares under the options outstanding at 30 June 2004 is 8,047,900 (2003: 11,491,274). This takes into account the impact of the bonus issues up to 30 June 2004.

Notes to the Financial Statements

30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Note 25. Retained profits					
Retained profits at the beginning of the financial year		**33,299**	15,073	**18,849**	8,674
Net profit attributable to members of Miller's Retail Limited		**8,653**	30,504	**15,320**	22,336
Adjustment resulting from change in accounting policy for provision of dividends	27	**-**	9,289	**-**	9,289
Adjustment resulting from change in accounting policy for provision of annual leave		**-**	(160)	**-**	(43)
Dividends provided for or paid	27	**(22,798)**	(21,407)	**(22,798)**	(21,407)
Retained profits at the end of the financial year		**19,154**	33,299	**11,371**	18,849
Note 26. Equity					
Total equity at the beginning of the financial year		**215,876**	189,049	**201,426**	182,650
Total changes in equity recognised in the statement of financial performance		**8,653**	30,344	**15,320**	22,293
Transactions with owners as owners:					
Contributions of equity, net of transaction costs	24	**6,393**	8,601	**6,393**	8,601
Dividends provided for or paid	27	**(22,798)**	(21,407)	**(22,798)**	(21,407)
Adjustment resulting from change in accounting policy for provision of dividends		**-**	9,289	**-**	9,289
Total equity at the end of the financial year		**208,124**	215,876	**200,341**	201,426
Note 27. Dividends					
Ordinary shares					
Dividends paid during the year					
Final dividend of 4.0 cents (2003 - 4.0 cents) per fully paid share based on tax paid @ 30%		**9,573**	-	**9,573**	-
Interim dividend of 5.5 cents (2003 - 5.5 cents) per fully paid share based on tax paid @ 30%		**13,225**	12,930	**13,225**	12,930
		22,798	12,930	**22,798**	12,930
Final dividend of 4.0 cents per fully paid share paid on 18 October 2002 recognised as a liability at 30 June 2002 but adjusted against retained profits at 1 July 2002 on the change in accounting policy for providing for dividends (note 1)					
Fully franked based on tax paid @ 30%		**-**	9,289	**-**	9,289
Overprovided in prior years		**-**	(812)	**-**	(812)
Total dividends provided for or paid		**22,798**	21,407	**22,798**	21,407

Notes to the Financial Statements

30 June 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Note 27. Dividends (continued)				
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2004 and 2003 were as follows:				
Paid in cash	**17,543**	16,004	**17,543**	16,004
Satisfied by issue of shares	**5,325**	6,237	**5,325**	6,237
	22,868	22,241	**22,868**	22,241
Dividends not recognised at year end				
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 4.0 cents (2003 - 4.0 cents) per fully paid ordinary share, franked at 30%. The aggregate amount of the proposed dividend expected to be paid on 7 October 2004 out of retained profits at 30 June 2004, but not recognised as a liability at year end as a result of the change in accounting policy for providing for dividends (note 1), is	**9,723**	9,573	**9,723**	9,573
Franked dividends				
The franked portions of the dividends recommended after 30 June 2004 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2005.				
Franking credits available for subsequent financial years based on a tax rate of 30% (2003 - 30%)	**33,411**	28,859	**33,192**	9,643

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the current tax liability

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and

(d) franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of controlled entities were paid as dividends.

Franking credits of $19,205,000 were transferred from wholly-owned entities to the parent entity at the time these entities entered the tax consolidated group.

Notes to the Financial Statements

30 June 2004

Note 28. Financial instruments

Interest rate swap contracts

Bank loans of the consolidated entity currently bear an average variable interest rate of 6.8%. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the consolidated entity has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other debtors or other creditors.

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Swaps currently in place cover approximately 65% (2003 - 73%) of the loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates range between 5.4% and 7.2% (2003 - 5.4% and 7.2%).

At 30 June 2004, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2004 $'000	2003 $'000
Less than 1 year	**16,000**	3,000
1 - 2 years	**40,000**	16,000
2 - 3 years	**-**	40,000
	56,000	59,000

Forward exchange contracts

Miller's Retail Limited imports some product direct from overseas. In order to protect against exchange rate movements, the consolidated entity has entered into forward exchange contracts to purchase foreign currencies.

The contracts are timed to mature when major shipments of goods are scheduled to arrive and cover anticipated purchases for the ensuing financial year.

At balance date, the details of outstanding contracts are:

	Sell Australian dollars		Average exchange rate	
	2004 $'000	2003 $'000	**2004**	2003
Forward foreign exchange contracts				
Maturity - less than 1 year				
USD	**70,966**	32,023	**0.6980**	0.6027

The value of unrealised foreign exchange gains on hedging deferred at 30 June 2004 was $156,884 (2003: $1,959,097).

(a) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statements of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and liabilities is set out below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

Notes to the Financial Statements

30 June 2004

Note 28. Financial instruments (continued)

2004	Notes	Weighted average interest rate %	Floating interest rate $'000	Fixed interest maturing in: 1 Year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets								
Cash and deposits	6	4.5	8,995	-	-	-	-	8,995
Receivables	7	-	-	-	-	-	10,711	10,711
			8,995	-	-	-	10,711	19,706
Financial liabilities								
Bank overdraft and loans	17,21	6.7	-	26,296	84,956	-	-	111,252
Trade and other creditors	16,20	-	-	-	-	-	93,926	93,926
Lease liabilities	17,21	7.6	-	182	-	-	-	182
Interest rate swaps *		6.0	(56,000)	16,000	40,000	-	-	-
			(56,000)	42,478	124,956	-	93,926	205,360
Net financial assets (liabilities)			64,995	(42,478)	(124,956)	-	(83,215)	(185,654)

* Notional principal amounts

2004	Notes	Weighted average interest rate %	Floating interest rate $'000	Fixed interest maturing in: 1 Year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets								
Cash and deposits	6	4.0	17,807	-	-	-	-	17,807
Receivables	7	-	-	-	-	-	15,992	15,992
			17,807	-	-	-	15,992	33,799
Financial liabilities								
Bank overdraft and loans	17,21	6.1	-	59,067	54,000	-	-	113,067
Trade and other creditors	16,20	-	-	-	-	-	91,342	91,342
Lease liabilities	17,21	7.1	-	8,103	15,519	-	-	23,622
Interest rate swaps *		6.0	(59,000)	3,000	56,000	-	-	-
			(59,000)	70,170	125,519	-	91,342	228,031
Net financial assets (liabilities)			76,807	(70,170)	(125,519)	-	(75,350)	(194,232)

* Notional principal amounts

Notes to the Financial Statements

30 June 2004

Note 28. Financial instruments (continued)

(c) Net fair value of financial assets and liabilities

(i) On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

(ii) Derivative financial instruments

The net fair value of financial assets or financial liabilities arising from interest rate swap agreements has been determined as the carrying amount, which represents the amount currently receivable or payable at the reporting date, and the present value of the estimated future cash flows which have not been recognised as an asset or liability.

For forward exchange contracts, the net fair value is taken to be unrealised gain or loss at balance date calculated by reference to the current forward rates for contracts with similar maturity profiles.

Note 29. Director and executive disclosures

Directors

The following persons were directors of Miller's Retail Limited during the financial year:

Chairman – non executive

Ron Baskin

Executive directors

Gary Perlstein

A Ian Miller

Non-executive directors

Robert Clark

Peter Allen*

William S Cutbush**

* Peter Allen was appointed director on 26 November 2003 and continues in office at the date of this report.

** William S Cutbush was the non-executive Chairman from the beginning of the financial year until his resignation on 28 October 2003.

Executives (other than directors) with the greatest authority for strategic direction and management

The following persons were the executives with the greatest authority for the strategic direction and management of the consolidated entity (“specified executives”) during the financial year (in alphabetical order):

Name	Position
B Fielding	General Manager - Discount Variety Group
N Freeman	Former Chief Financial Officer
H Herman	Chief Financial Officer
P Hotz	General Manager - Apparel Wholesale
S James	Former Business Development Manager
G Novis	General Manager - Apparel Group
A Wilson	General Manager - Discount Variety Wholesale

All of the above persons were also specified executives during the year ended 30 June 2003.

Notes to the Financial Statements

30 June 2004

Note 29. Director and executive disclosures (continued)

Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration

The objective of the company's executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to shareholder growth
- provides a clear structure for earning rewards
- provides recognition for contribution

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. Non-executive directors no longer receive share options.

Directors' fees

The current base remuneration was last reviewed with effect from November 2003.

Non-executive directors' fees are determined by the Board within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum directors' fee pool limit currently stands at $260,000.

The Remuneration Committee

The Remuneration Committee, currently consisting of two non-executive directors, advises the Board on remuneration policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for executive directors and other senior executives.

Notes to the Financial Statements

30 June 2004

Note 29. Director and executive disclosures (continued)

Executive pay

The executive pay and reward framework has four components:

- base pay and benefits
- short-term performance incentives
- long-term incentives through participation in the Miller's Retail Limited Senior Executives Option Plan, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

Structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

Remuneration and other terms of employment for the executives are not formalised in service agreements. There are no guaranteed base pay increases.

Short-term incentives

Should the company achieve pre-determined targets set by the Remuneration Committee then short-term incentives (STI) are available for executives. Cash incentives (bonuses) are payable in cash following finalisation and announcement of the full year audited results. Using value creation targets ensures variable awards are only available when value has been created for shareholders and when profit is consistent with the business plan. The incentives are leveraged for performance above the threshold to provide an incentive for executive out-performance.

Each executive has a target STI opportunity depending on the accountabilities of the role and impact on organisation or business unit performance. For senior executives the maximum target bonus opportunity is 50% of total base salary.

Each year, the remuneration committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the year ended 30 June 2004, the KPIs linked to short term incentive plans were based on group or individual business objectives where appropriate to the executive's role and their impact on the business unit's performance. The KPIs required performance in maximising sales and margins, reducing operating costs and achieving specific targets in relation to return on assets, as well as other key, strategic non-financial measures linked to drivers of performance in future reporting periods.

The short term bonus payments are adjusted in line with the degree of over achievement against the target performance levels.

The STI target annual payment is reviewed annually.

Long-term incentives – Miller's Retail Limited Senior Executive Option Plan

Information on the Miller's Retail Limited Senior Executive Option Plan is set out later in this note.

Notes to the Financial Statements

30 June 2004

Note 29. Director and executive disclosures (continued)

Details of remuneration

Details of the nature and amount of each element of the emoluments of each director of Miller's Retail Limited and each of the specified executives of the company and the consolidated entity for the year ended 30 June 2004 are set out in the following tables.

Directors of Miller's Retail Limited

2004	Primary			Post-employment	Equity	
Name	Base salary $	Short term incentives (cash bonus) $	Motor Vehicle $	Superannuation $	Prior Year Options* $	Total $
A Ian Miller Executive Director	567,641	275,000	71,500	74,250	104,663	1,093,054
Gary Perlstein Chief Executive Officer	581,319	-	71,500	49,500	104,663	806,982
Ron Baskin Non-executive Chairman	75,000	-	-	-	8,632	83,632
Peter Allen Non-executive director (26 November 2003 to 30 June 2004)	40,833	-	-	-	-	40,833
Robert Clark Non-executive director	26,250	-	-	-	8,820	35,070
William S Cutbush Former Non-executive Chairman (1 July 2003 to 28 October 2003)	23,362	-	-	-	3,237	26,599
Total	1,314,405	275,000	143,000	123,750	230,015	2,086,170

* No options were issued to directors during the year ended 30 June 2003 or 30 June 2004. The value of options issued during prior years has been spread over the period from grant date to vesting date. Remuneration in relation to options for the year ended 30 June 2004 includes amounts that were already shown as remuneration in prior years. As at the date of this report, the Miller's Retail Limited share price was below the exercise price of all of these prior year options.

The amounts disclosed above for remuneration relating to options are the assessed fair values of options at the date they were granted to executives during prior financial years. Fair values have been independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Total remuneration of directors of Miller's Retail Limited for the year ended 30 June 2003 is set out below. Information for individual directors is not shown as this is the first financial report prepared since the issue of AASB 1046 Director and Executive Disclosures by Disclosing Entities.

2003	Primary			Post-employment	Equity	
	Base salary $	Short term incentives (cash bonus) $	Motor Vehicle $	Superannuation $	Prior Year Options* $	Total $
Total	1,224,915	-	143,000	107,542	245,121	1,720,578

Notes to the Financial Statements

30 June 2004

Note 29. Director and executive disclosures (continued)

Specified executives of the consolidated entity

2004	Primary			Post-employment		Equity	
Name	Base salary $	Short term incentives (cash bonus) $	Motor Vehicle $	Superannuation $	Termination benefits $	Prior Year Options* $	Total $
P Hotz General Manager - Apparel Wholesale	384,756	100,000	50,138	40,500	-	36,330	611,724
G Novis General Manager - Apparel Group	272,938	130,000	34,993	35,100	-	39,370	512,401
N Freeman Former Chief Financial Officer (1 July 2003 to 31 March 2004)	200,145	-	20,506	18,013	164,780	46,875	450,319
S James Former Business Development Manager (1 July 2003 to 30 November 2003)	83,333	-	22,000	7,500	280,000	15,343	408,176
B Fielding General Manager - Discount Variety Group	329,785	-	14,149	26,585	-	30,625	401,144
A Wilson General Manager - Discount Variety Wholesale	213,873	58,000	26,373	17,141	-	14,700	330,087
H Herman Chief Financial Officer	211,431	-	29,367	17,907	-	13,500	272,205
Total	1,696,261	288,000	197,526	162,746	444,780	196,743	2,986,056

* No options were issued to executives during the year ended 30 June 2004. The value of options issued during prior years has been spread over the period from grant date to vesting date. Remuneration in relation to options for the year ended 30 June 2004 includes amounts that were already shown as remuneration in prior years. As at the date of this report, the Miller's Retail Limited share price was below the exercise price of all of these prior year options.

The amounts disclosed above for remuneration relating to options are the assessed fair values of options at the date they were granted to executives during prior financial years. Fair values have been independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Total remuneration of specified executives for the year ended 30 June 2003 is set out below. Information for individual specified executives is not shown as this is the first financial report prepared since the issue of AASB 1046 Director and Executive Disclosures by Disclosing Entities.

2003	Primary			Post-employment	Equity	
	Base salary $	Short term incentives (cash bonus) $	Motor Vehicle $	Superannuation $	Prior Year Options* $	Total $
Total	1,553,837	9,000	149,198	130,138	245,752	2,087,925

Notes to the Financial Statements

30 June 2004

Note 29. Director and executive disclosures (continued)

Share-based compensation

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable*
02/07/2001	30/11/2007	$4.75	$1.65	1/3 after 30 June 2002, 1/3 after 30 June 2003, 1/3 after 30 June 2004
02/08/2001	30/11/2007	$5.75	$0.66	1/3 after 30 June 2002, 1/3 after 30 June 2003, 1/3 after 30 June 2004
24/10/2001	30/01/2006	$3.20	$0.97	1/3 after 30 June 2002, 1/3 after 30 June 2003, 1/3 after 30 June 2004
02/04/2002	30/06/2005	$2.70	$1.12	1/3 after 30 June 2002, 1/3 after 30 June 2003, 1/3 after 30 June 2004
29/08/2002	30/10/2006	$2.15	$1.21	1/3 after 30 June 2003, 1/3 after 30 June 2004, 1/3 after 30 June 2005
18/10/2002	30/10/2006	$1.86	$0.99	1/3 after 30 June 2003, 1/3 after 30 June 2004, 1/3 after 30 June 2005

* As at the date of this report, the Miller's Retail Limited share price was below the exercise price of all of these prior year options and performance hurdles for June 2004 were not met.

Options are granted under the Miller's Retail Limited Senior Executive Option Plan. Staff eligible to participate in the plan are those of supervisor level and above (including executive directors).

Performance hurdles are in place for all of the options disclosed above. Performance hurdles are based on profit growth, either through earnings per share growth or net profit after tax growth from the year the options were granted.

Options granted under the plan carry no dividend or voting rights.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted.

Shares provided on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of Miller's Retail Limited and each of the specified executives of the consolidated entity are set out below.

Name	Number of options exercised during the year	Number of ordinary shares issued on exercise of options during the year
Directors of Miller's Retail Limited		
G Perlstein	120,000	293,760
A I Miller	120,000	293,760
R Baskin	15,000	32,400
W S Cutbush	86,668	218,163
R Clark	-	-
P Allen	-	-
Specified executives of the consolidated entity		
B Fielding	-	-
N Freeman	-	-
H Herman	-	-
P Hotz	-	-
S James	-	-
G Novis	12,500	27,000
A Wilson	-	-

The amounts paid per ordinary share by each director and executive on the exercise of options at the date of exercise ranged from $1.10 to $2.54.

Notes to the Financial Statements

30 June 2004

Note 29. Director and executive disclosures (continued)

Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Miller's Retail Limited and each of the specified executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Director resignation/ executive termination	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Miller's Retail Limited						
G Perlstein	1,090,000	-	(120,000)	-	970,000	646,666
A I Miller	1,090,000	-	(120,000)	-	970,000	646,666
R Baskin	95,000	-	(15,000)	-	80,000	53,333
W S Cutbush	176,668	-	(86,668)	(90,000)	-	-
R J Clark	120,000	-	-	-	120,000	40,000
P Allen	-	-	-	-	-	-
Specified executives of the consolidated entity						
B Fielding	250,000	-	-	-	250,000	-
N Freeman	500,000	-	-	(500,000)	-	-
H Herman	100,000	-	-	-	100,000	-
P Hotz	390,000	-	-	-	390,000	60,000
S James	300,000	-	-	(300,000)	-	-
G Novis	382,500	-	(12,500)	-	370,000	40,000
A Wilson	120,000	-	-	-	120,000	-

Notes to the Financial Statements

30 June 2004

Note 29. Director and executive disclosures (continued)

Share holdings

The numbers of shares in the company held during the financial year by each director of Miller's Retail Limited and each of the specified executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Miller's Retail Limited				
Ordinary shares				
Gary Perlstein	18,270,720	293,760	(293,760)	18,270,720
A Ian Miller	24,065,683	293,760	(293,760)	24,065,683
Ron Baskin	3,136,042	32,400	(457,124)	2,711,318
William S Cutbush	95,466	218,163	(218,163)	95,466
Robert J Clark	9,299,101	-	(9,299,101)	-
Peter Allen	-	-	-	-
Specified executives of the consolidated entity				
Ordinary shares				
B Fielding	7,800	-	(7,800)	-
N Freeman	3,500	-	(3,500)	-
H Herman	10,127	-	593	10,720
P Hotz	1,472,803	-	(300,000)	1,172,803
S James	-	-	-	-
G Novis	902,354	27,000	(801,000)	128,354
A Wilson	67,972	-	-	67,972

Other transactions with directors and specified executives

Directors of Miller's Retail Limited

A I Miller and G Perlstein are directors and shareholders of companies that own the business premises at 151 - 163 Wyndham Street, Alexandria which are leased to Miller's Retail Limited. During the year, Miller's Retail Limited committed to undertake building improvements at a cost of $1,948,325 at these premises to convert warehouse space to office space in exchange for an extended lease for a lower than market rental. The non-executive directors are satisfied that the overall arrangement is in the best interests of all shareholders.

A director, G Perlstein, has a minority ownership interest in the property of two of the stores which are leased to Miller's Retail Limited. These transactions are on normal commercial terms and conditions.

The directors, A I Miller and G Perlstein and subsidiary director, P Hotz are directors and shareholders of companies that own the business premises at 62-64 O'Riordan Street, Alexandria which are leased to G I P Fashions Pty Limited on normal commercial terms and conditions.

The wife of the subsidiary director P Hotz has a majority ownership interest in Susan Small Enterprises Pty Limited which provides design consulting services to G I P Fashions Pty Limited. These transactions are on normal terms and conditions.

A director, R Baskin, is a director and shareholder of TVSN Limited which leases floorspace in five stores from Miller's Retail Limited. These transactions are on normal commercial terms and conditions.

Notes to the Financial Statements

30 June 2004

Note 29. Director and executive disclosures (continued)

Aggregate amounts of each of the above types of other transactions with directors of the consolidated entity and their director related entities:

	2004 $	2003 $
Amounts recognised in the statement of financial performance		
Lease of business premises in which A I Miller and G Perlstein have an interest	**300,000**	334,900
Lease of stores in which G Perlstein has a minority interest	**258,482**	259,968
Lease of business premises in which A I Miller, G Perlstein and P Hotz have an interest	**222,723**	202,338
Consulting services provided by Susan Small Enterprises Pty Limited	**592,429**	503,110
Rent received from TVSN Limited	**48,249**	6,969

* The prior year figure includes an amount in relation to the underpayment of rent in 2002. The rent paid in relation to the 2003 year was $300,000.

	Consolidated		Parent Entity	
	2004 $	2003 $	2004 $	2003 $
Note 30. Remuneration of auditors				
Audit and review of financial reports and other audit work under the Corporations Act 2001	**621,326**	520,020	**318,026**	155,820
Due diligence and completion reviews	**-**	8,000	**-**	-
Accounting advice and assistance	**8,860**	29,840	**8,860**	29,840
Total remuneration for other assurance services	**8,860**	37,840	**8,860**	29,840
Total remuneration for assurance services	**630,186**	557,860	**326,886**	185,660
Tax compliance services, including review of company income tax returns	**52,000**	87,781	**16,000**	71,531
Tax fees paid to related practices of PricewaterhouseCoopers Australian firm	**55,815**	-	**-**	-
Total remuneration for taxation services	**107,815**	87,781	**16,000**	71,531
Assistance with improving product compliance processes*	**497,986**	591,695	**-**	-
Total remuneration for advisory services	**497,986**	591,695	**-**	-

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important; these assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the consolidated entity's policy to seek competitive tenders for all major consulting projects.

* As previously announced on 5 November 2002, PricewaterhouseCoopers was engaged to assist with the strengthening of the Discount Variety Group's product compliance processes.

Notes to the Financial Statements

30 June 2004

Note 31. Contingent liabilities and contingent assets

(a) Cross guarantees by and between Miller's Retail Limited, Miller's Fashion Club (QLD) Pty Limited, Miller's Fashion Club (VIC) Pty Limited, Miller's Fashion Club (WA) Pty Limited, Crazy Clark's Retail Pty Limited, Sungate Pty Limited, Youngdown Pty Limited, GIP Fashions Pty Limited, Discount Variety Group Pty Limited and Look Sharp Concepts Pty Limited as described in note 36. No deficiencies of assets exist in any of these companies.

(b) Security for borrowings is detailed in note 21.

(c) Details of the security for leases is detailed in note 21.

No material losses are anticipated in respect of any of the above contingent liabilities.

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Note 32. Commitments for expenditure				
Capital commitments				
Commitments for the acquisition of property, plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**2,098**	825	**1,573**	825
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**113,554**	99,307	**22,988**	24,468
Later than one year but not later than 5 years	**262,425**	221,923	**39,815**	43,993
Later than 5 years	**64,499**	54,465	**3,744**	2,866
Commitments not recognised in the financial statements	**440,478**	375,695	**66,547**	71,327
Hire purchase and finance leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	**196**	9,521	**13**	176
Later than one year but not later than 5 years	**-**	16,937	**-**	408
Minimum lease payments	**196**	26,458	**13**	584
Less: Future finance charges	**14**	2,836	**1**	61
Recognised as a liability	**182**	23,622	**12**	523
Total lease liabilities	**182**	23,622	**12**	523
Representing lease liabilities:				
Current (note 17)	**182**	8,103	**12**	146
Non-current (note 21)	**-**	15,519	**-**	377
	182	23,622	**12**	523

The weighted average interest rate implicit in the leases is 7.6% (2003 - 7.1%).

Notes to the Financial Statements

30 June 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Note 32. Commitments for expenditure (continued)				
Remuneration commitments				
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:				
Within one year	**300**	300	**-**	-
Later than one year but not later than 5 years	**250**	550	**-**	-
	550	850	**-**	-

Note 33. Employee benefits

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Employee benefit and related on-costs liabilities				
Provision for employee entitlements - current (note 19)	**8,917**	8,158	**1,840**	1,833
Provision for employee entitlements - non-current (note 23)	**4,674**	4,243	**1,116**	1,185
Aggregate employee benefit and related on-costs liabilities	**13,591**	12,401	**2,956**	3,018

	Number		Number	
	2004	2003	**2004**	2003
Employee numbers				
Average number of employees during the financial year	**11,503**	11,569	**2,312**	2,231

Note 34. Related parties

Directors

The names of persons who were directors of Miller's Retail Limited at any time during the financial year are as follows:

R Baskin

G Perlstein

A I Miller

W S Cutbush

P Allen

R J Clark

P Allen was appointed as a director on 26 November 2003 and continues in office as at the date of this report.

W S Cutbush held office as a director until his retirement on 28 October 2003.

Remuneration benefits

Information on remuneration of directors is disclosed in note 29.

Directors and specified executives

Disclosures relating to directors and specified executives are set out in note 29.

Notes to the Financial Statements

30 June 2004

Note 34. Related parties (continued)

Wholly-owned group

The wholly-owned group consists of Miller's Retail Limited and its wholly-owned controlled entities. Ownership interests in these controlled entities are set out in note 35.

All transactions and balances within the wholly owned group have been eliminated on consolidation.

Controlling entities

The ultimate parent entity in the wholly owned group is Miller's Retail Limited.

Note 35. Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding 2004 %	Equity holding 2003 %
Miller's Fashion Club (QLD) Pty Limited*	Australia	Ordinary	**100**	100
Miller's Fashion Club (VIC) Pty Limited*	Australia	Ordinary	**100**	100
Miller's Fashion Club (WA) Pty Limited*	Australia	Ordinary	**100**	100
Go Lo Distribution Pty Limited	Australia	Ordinary	**100**	100
Go Lo Management Pty Limited	Australia	Ordinary	**100**	100
Go Lo Variety Stores Pty Limited	Australia	Ordinary	**100**	100
Youngdown Pty Limited*	Australia	Ordinary	**100**	100
Yip Eks Pty Limited	Australia	Ordinary	**100**	100
H&H Corporation Pty Limited	Australia	Ordinary	**100**	100
McSeveny DA Pty Limited	Australia	Ordinary	**100**	100
Crazy Clark's Retail Pty Limited*	Australia	Ordinary	**100**	100
Sungate Pty Limited*	Australia	Ordinary	**100**	100
GIP Fashions Pty Limited*	Australia	Ordinary	**100**	100
Discount Variety Group Pty Limited*	Australia	Ordinary	**100**	100
Look Sharp Concepts Pty Limited*	Australia	Ordinary	**100**	100
Miller's Retail New Zealand Limited	New Zealand	Ordinary	**100**	100
Other controlled entities (a)				
Crazy Clark's Ipswich Pty Limited	Australia		-	-
Crazy Clark's Nth Qld Pty Limited	Australia		-	-
Garden Pty Limited	Australia		-	-
Crazy Clark's (Dalby) Pty Limited	Australia		-	-
Crazy Clark's Warwick Pty Limited	Australia		-	-
Goralin Pty Limited	Australia		-	-
Makro Cannon Park Pty Limited**	Australia		-	-
Makro Toowoomba Pty Limited**	Australia		-	-

* These controlled entities have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities & Investments Commission.

** These entities were incorporated during the financial year.

(a) The company and the consolidated entity do not own shares in these companies, however they have the capacity to dominate the decision making directly in relation to the financial and operating policies of the companies so as to enable the companies to operate with Miller's Retail Limited in pursuing the objectives of the consolidated entity as controlled entities, and accordingly these companies are treated as controlled entities.

Notes to the Financial Statements

30 June 2004

Note 35. Investments in controlled entities (continued)

Acquisitions during the year

There were no acquisitions made during the year. Although there were no acquisitions in the financial year ended June 2003, deferred consideration from previous acquisitions was paid during the year ended 30 June 2003. This deferred consideration was paid in relation to the acquisition of the assets of the Crazy Prices discount variety business in June 2001 and the acquisition of the assets of the Chickenfeed Bargain Stores discount variety business in July 2001.

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Outflow of cash to acquire controlled entities, net of cash acquired				
Cash consideration in relation to prior year acquisitions	-	18,714	-	18,634
Less: Balances acquired	-	-	-	-
Outflow of cash	-	18,714	-	18,634

Note 36. Deed of cross guarantee

Miller's Retail Limited, Miller's Fashion Club (QLD) Pty Limited, Miller's Fashion Club (VIC) Pty Limited, Miller's Fashion Club (WA) Pty Limited, Crazy Clark's Retail Pty Limited, Sungate Pty Limited, Youngdown Pty Limited, G I P Fashions Pty Limited, Discount Variety Group Pty Limited and Look Sharp Concepts Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017 and 00/0321) issued by the Australian Securities & Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Miller's Retail Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of financial performance for the year ended 30 June 2004 of the Closed Group consisting of Miller's Retail Limited, Miller's Fashion Club (QLD) Pty Limited, Miller's Fashion Club (VIC) Pty Limited, Miller's Fashion Club (WA) Pty Limited, Crazy Clark's Retail Pty Limited, Sungate Pty Limited, Youngdown Pty Limited, G I P Fashions Pty Limited, Discount Variety Group Pty Limited and Look Sharp Concepts Pty Limited.

	2004 $'000	2003 $'000
Revenue from ordinary activities	**1,005,986**	961,714
Changes in inventories of finished goods and work in progress	**(6,941)**	29,532
Raw materials and consumables used	**(553,552)**	(565,568)
Employee benefits expense	**(178,404)**	(168,514)
Depreciation and amortisation expense	**(27,406)**	(24,483)
Write down of intangible assets	**(12,620)**	-
Rental expense relating to operating leases	**(112,829)**	(107,462)
Borrowing costs expense	**(10,846)**	(9,939)
Other expenses from ordinary activities	**(83,917)**	(69,664)
Profit from ordinary activities before income tax expense	**19,471**	45,616
Income tax expense	**(11,258)**	(15,265)
Profit from ordinary activities after income tax expense	**8,213**	30,351
Adjustment resulting from change in accounting policy for provision of annual leave	-	(160)
Total revenues, expenses and valuation adjustments recognised directly in equity	-	(160)
Total changes in equity other than those resulting from transactions with owners as owners	**8,213**	30,191

Notes to the Financial Statements

30 June 2004

Note 36. Deed of cross guarantee (continued)

Set out below is a summary of movements in consolidated retained profits for the year ended 30 June 2004 of the Closed Group consisting of Miller's Retail Limited, Miller's Fashion Club (QLD) Pty Limited, Miller's Fashion Club (VIC) Pty Limited, Miller's Fashion Club (WA) Pty Limited, Crazy Clark's Retail Pty Limited, Sungate Pty Limited, Youngdown Pty Limited, G I P Fashions Pty Limited, Discount Variety Group Pty Limited and Look Sharp Concepts Pty Limited:

	2004 $'000	2003 $'000
Retained profits at the beginning of the financial year	29,633	11,560
Profit from ordinary activities after income tax expense	8,213	30,351
Adjustment resulting from change in accounting policy for provision of dividends	-	9,289
Adjustment resulting from change in accounting policy for provision of annual leave	-	(160)
Dividends provided for or paid	(22,798)	(21,407)
Retained profits at the end of the financial year	**15,048**	29,633

Set out below is a consolidated statement of financial position as at 30 June 2004 of the Closed Group consisting of Miller's Retail Limited, Miller's Fashion Club (QLD) Pty Limited, Miller's Fashion Club (VIC) Pty Limited, Miller's Fashion Club (WA) Pty Limited, Crazy Clark's Retail Pty Limited, Sungate Pty Limited, Youngdown Pty Limited, G I P Fashions Pty Limited, Discount Variety Group Pty Limited and Look Sharp Concepts Pty Limited.

	2004 $'000	2003 $'000
Current assets		
Cash assets	8,255	17,386
Receivables	23,137	28,558
Inventories	169,113	173,470
Other	3,251	1,604
Total current assets	**203,756**	221,018
Non-current assets		
Property, plant and equipment	111,620	108,806
Deferred tax assets	11,888	13,012
Intangible assets	109,003	126,712
Other	99	161
Total non-current assets	**232,610**	248,691
Total assets	**436,366**	469,709
Current liabilities		
Payables	90,114	87,062
Interest bearing liabilities	26,478	67,170
Current tax liabilities	-	4,846
Provisions	11,371	10,561
Total current liabilities	**127,963**	169,639

Notes to the Financial Statements

30 June 2004

Note 36. Deed of cross guarantee (continued)

	2004 $'000	2003 $'000
Non-current liabilities		
Payables	**2,250**	4,500
Interest bearing liabilities	**84,956**	69,519
Deferred tax liabilities	**4,959**	3,857
Provisions	**12,220**	9,984
Total non-current liabilities	**104,385**	87,860
Total liabilities	**232,348**	257,499
Net assets	**204,018**	212,210
Equity		
Contributed equity	**188,970**	182,577
Retained profits	**15,048**	29,633
Total equity	**204,018**	212,210

Note 37. Events occurring after reporting date

At the date of this report there is no matter or circumstance that has arisen since 30 June 2004 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.

Note 38. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Profit from ordinary activities after income tax	**8,653**	30,504	**15,320**	22,336
Depreciation and amortisation	**27,796**	25,213	**5,054**	4,213
Write down of investments to recoverable amount	**-**	-	**19,620**	-
Write down of intangible assets	**12,620**	-	**-**	-
Net loss on sale of non-current assets	**1,028**	767	**182**	216
Change in operating assets and liabilities, net of effects from purchase of controlled entities and businesses				
Decrease/(increase) in trade debtors	**4,634**	(1,655)	**-**	-
Decrease/(increase) in inventories	**3,018**	(27,358)	**(445)**	(3,551)
Decrease/(increase) in future income tax benefit	**1,093**	(4,945)	**(9,173)**	(1,154)
Decrease/(increase) in other operating assets	**(536)**	293	**174**	485
Increase/(decrease) in trade creditors and other liabilities	**2,835**	21,478	**14,218**	7,398
Increase/(decrease) in provision for income taxes payable	**(5,414)**	(4,749)	**529**	(1,555)
Increase in provision for deferred income tax	**1,102**	1,445	**3,202**	810
Increase/(decrease) in other provisions	**2,864**	2,909	**(357)**	28
Net cash inflow from operating activities	**59,693**	43,902	**48,324**	29,226

Notes to the Financial Statements

30 June 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Note 39. Non-cash financing and investing activities				
Acquisition of entities or deferred settlement for prior year acquisition by means of an equity issue	**-**	2,000	**-**	2,000
Issue of shares under the dividend reinvestment plan	**5,325**	6,237	**5,325**	6,237
Repayment of a vendor loan paid in shares	**250**	250	**250**	250

Note 40. Earnings per share

	Consolidated	
	2004 Cents	2003 Cents
Basic earnings per share	**3.6**	13.0
Diluted earnings per share	**3.6**	13.0

	Consolidated	
	2004 Number	2003 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**240,654,305**	234,724,865
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**240,917,860**	235,369,007

	Consolidated	
	2004 $'000	2003 $'000
Reconciliations of earnings used in calculating earnings per share		
Net profit	**8,653**	30,504
Earnings used in calculating basic earnings per share	**8,653**	30,504
Net profit	**8,653**	30,504
Interest on notional shares	**7**	644
Earnings used in calculating diluted earnings per share	**8,660**	31,148

Information concerning the classification of securities

(a) Options

Options granted to employees under the Miller's Retail Limited Senior Executive Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 24(c).

Directors' Declaration

30 June 2004

The directors declare that the financial statements and notes set out on pages 20 to 58:

(a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36.

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

G Perlstein
Director

A I Miller
Director

Sydney, 30 September 2004

Independent Audit Report

To the members of Miller's Retail Limited

Audit opinion

In our opinion, the financial report of Miller's Retail Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Miller's Retail Limited and the Miller's Retail Limited Group (defined below) as at 30 June 2004 and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Miller's Retail Limited (the company) and the Miller's Retail Limited Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that 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.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Independent Audit Report

To the members of Miller's Retail Limited

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Our audit 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 and the Corporations Act 2001.

PricewaterhouseCoopers

Eddie Wilkie
Partner

Sydney
30 September 2004

Shareholder Information

The shareholder information set out below was applicable as at 21 September 2004.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security Ordinary shares	
	Shares	Options
1 - 1,000	**3,040**	4
1,001 - 5,000	**9,984**	9
5,001 - 10,000	**4,280**	1
10,001 - 100,000	**3,131**	32
100,001 - and over	**111**	26
	20,546	72

There were 683 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of issued shares
Perlcorp Pty Limited	**15,153,840**	6.24
Westpac Custodian Nominees	**14,482,389**	5.96
Landcharm Pty Limited	**11,858,400**	4.88
Landpeak Pty Limited	**11,664,000**	4.80
RBC Global Services Australia Pty Limited	**6,911,211**	2.84
National Nominees Limited	**6,835,114**	2.81
JP Morgan Nominees Australia Limited	**6,232,200**	2.56
RBC Global Services Australia Pty Limited	**4,147,495**	1.71
Rye Holdings Pty Limited	**2,184,275**	0.90
Radiata Investments Pty Limited	**2,109,276**	0.87
Mr David McSeveny	**2,035,240**	0.84
Rosedale Road Pty Limited	**1,771,880**	0.73
Frank Hadley Pty Limited	**1,730,999**	0.71
Icestorm Pty Limited	**1,564,560**	0.64
Citicorp Nominees Pty Limited	**1,181,752**	0.49
PMH Holdings Pty Limited	**872,803**	0.36
GDL Investments Pty Limited	**848,151**	0.35
Snowglaze Pty Limited	**686,400**	0.28
Mr Eric Bruce Hanson	**560,000**	0.23
Mr Ian Miller	**518,400**	0.21
	93,348,385	38.41

Shareholder Information

Unquoted equity securities

	Number on issue	Number of holders
Options issued under the Miller's Retail Limited Employee Option Plan to take up ordinary shares	7,137,900	72

The number of unissued ordinary shares under the options is 8,047,900.
No person holds 20% or more of these securities.

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Landcharm Pty Limited/Landpeak Pty Limited/A I Miller	24,065,683	9.90
Lazard Asset Management Pacific	18,671,920	7.68
Perlcorp Pty Limited/Snowglaze Pty Limited/Mr G Perlstein	18,270,720	7.52
Perpetual Trustees Australia Limited	16,112,259	6.63
NAB Limited Group	12,381,421	5.09

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights.

Corporate Directory

Directors

R Baskin
Non-Executive Chairman

G Perlstein
Chief Executive Officer

A I Miller
Executive Director

P Allen
Non-Executive Director

R J Clark
Non-Executive Director

Secretary

N Borman

Notice of annual general meeting

The annual general meeting of Miller's Retail Limited will be held at:

PricewaterhouseCoopers
Level 10, Darling Park Tower 2
201 Sussex Street, Sydney

Time: 10:30am
Date: Thursday 25 November 2004

A formal notice of meeting is enclosed.

Principal registered office in Australia

151-163 Wyndham Street
Alexandria NSW 2015

Telephone: (02) 9310 2233
Facsimile: (02) 9310 2255

Share registry

Computershare Registry Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Telephone: (02) 8234 5000
Facsimile: (02) 8234 5050

Auditor

PricewaterhouseCoopers
Chartered Accountants
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

Solicitors

Freehills
Level 38, MLC Centre
19-29 Martin Place
Sydney NSW 2000

Bankers

National Australia Bank
255 George Street
Sydney NSW 2000

Stock exchange listing

Miller's Retail Limited shares are listed on the Australian Stock Exchange (ASX code: MRL)

Website address

www.millersretail.com.au

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