Betta Stores Limited
ABN 44 009 710 605
and its Controlled Entities

Annual Financial Report
30 June 2005

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Annual Financial Report

Contents

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Directors' report

The directors present their report together with the financial report of Betta Stores Limited ("the Company") and of the economic entity, being the Company and its controlled entities, for the year ended 30 June 2005 and the auditor's report thereon.

The directors of the Company at any time during or since the end of the financial year are:

Name and qualifications	*Age*	*Experience and special responsibilities*
Patrick J Tynan Chairperson Non-Executive Director	48	Patrick was appointed as Chairman of the Board on 30 June 2003 and has been a member of the Board since 9 April 1996. He has a Bachelor of Commerce (Marketing), is past Chairman of the Hi-Fi Industry Association and the Microwave Oven Association, and has over 27 years electrical wholesaling and retailing experience. He is the owner of Tynan Betta Electrical. He is also a member of the Finance & Audit Committee.
Everard D Johnson Deputy Chairman Non-Executive Director	57	Everard was appointed as Deputy Chairman of the Board on 30 June 2003 and has been a member of the Board since 26 November 2001. He is the co-owner of Ian Everard's Betta Electrical in Bundaberg, Maryborough and Maroochydore, and Hervey Bay and Canelands Chandlers and has over 34 years experience in electrical retailing.
Reginald L Cain Non-Executive Director	70	Reginald has been a member of the Board since 29 November 1999 and has over 41 years experience in electrical retailing and service as owner of Able's Betta Electrical. He is President of the Gladesville Chamber of Commerce and is a foundation member of the Appliance Industry Association.
Graham L Currington Non-Executive Director	46	Graham has been a member of the Board since 26 November 2001 and has over 28 years experience in electrical retailing and service as owner of Ball & Croft at Colac, and previously of Warrnambool Betta Electrical.
Dominic C McClelland Non-Executive Director	42	Dominic has been a member of the Board since 24 November 2003 and has over 24 years experience in electrical retailing as owner of Betta Electrical stores in Bateman's Bay and Ulladulla, NSW since March 1989. Dominic is a current member of the National Retail Council and had previously spent 7 years on the National Buying Committee.
Neville J Sutherland Non-Executive Director	65	Neville has been a member of the Board since 2 November 1981 and has over 28 years television repair experience, and over 25 years experience in electrical retailing as the former owner of Sutherlands Betta Electrical. Neville is a member of the Finance & Audit committee.

Company secretary

Nicole Quinn (LLB) was appointed to the position of Company Secretary on 1 June 2005. Nicole is currently the Company's Legal Counsel and prior to that was a Senior Associate with a major Queensland legal practice.

Ruth Marshall (LLB, BSc) was appointed to the position of Company Secretary on 1 June 2005. Ruth is currently the Company Solicitor and prior to that was a solicitor in private practice.

David Goode (B Bus (Acc), ACA, Asia) was Company Secretary from 1 December 2004 until his resignation on 1 June 2005.

Mal Leeke was Company Secretary from 31 July 1961 until his resignation on 1 December 2004. Mal is principal of public accountants Malcolm V Leeke and Co.

Kirby Leeke was Company Secretary from 28 April 1997 until his resignation on 1 December 2004.

Officers who were previously partners of the audit firm

The following persons were officers of the Company during the financial year and were previously partners of the current audit firm, Grant Thornton, at a time when Grant Thornton undertook an audit of the Company:

David Goode previously held the position of partner at Grant Thornton prior to his appointment in February 2002.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	**Board Meetings**		**Finance & Audit Committee Meetings**	
	A	**B**	**A**	**B**
Patrick Tynan	16	16	7	7
Everard Johnson	15	16	-	-
Reginald Cain	15	16	-	-
Graham Currington	16	16	-	-
Dominic McClelland	16	16	-	-
Neville Sutherland	16	16	6	7

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

Corporate governance statement

This corporate governance statement outlines the key corporate governance practices in place throughout the financial year for BSL and its controlled entities, which comply with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations unless otherwise stated.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board is responsible for charting the strategic direction of the BSL Group and the protection and enhancement of long term shareholder value. The Board operates under a Board Charter that details its functions and the matters specifically reserved to it for decision. To fulfil its role, the Board is responsible for approving and reviewing overall corporate governance of the BSL Group including formulating its strategic direction, approving and monitoring capital expenditure, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

The Board has developed a schedule of delegations which clearly set out financial and other delegation from the Board to the CEO and management, as well as those decisions reserved only for the Board.

To assist in the execution of the responsibilities of the Board, a Finance and Audit Committee has been in place for a number of years and has endeavoured to operate within written mandates and procedures set out in the Board Charter. Having regard to the size of the BSL Group, the Board has not established a separate nomination committee or remuneration committee, seeking external advice when required to assist it in relation to remuneration and nomination of the directors and CEO.

The full Board meets for at least nine regular meetings each year plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise. Meeting attendance for the 2004/2005 financial year is available in the Directors Report on page 4. At every Board meeting, Directors meet for a period without management present.

The Board has delegated responsibility for operation and administration for the BSL Group to the CEO and senior management. Each month, Directors receive operating reports provided by senior management covering each core function of the BSL Group. With the acquisition of further controlled entities during the course of the financial year the Board is continually revising and developing the framework for management of the economic entity including system of internal control, business risk management process and establishment of appropriate ethical standards.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE.

The Constitution of BSL determines the number and composition of the Board. The Constitution was amended on 13 July 2004. Before the amendment of the Constitution, no more than 2 of the Directors could be persons who had no association with a retailer of the BSL Group. The amended Constitution provides for a maximum of 9 directors of which not less than 5 but no more than 6 must be associated with a retailer of the BSL Group. The role of the Chairman of the Board and the CEO are not to be exercised by the same person. The names of the directors of BSL in office at the time of this report are set out in the Directors Report on page 3.

Of the seven tests of independence proposed by the Best Practice Recommendations, BSL's Directors meet five. The two exceptions are created by the requirements of the Constitution for a minimum number of directors having an association with a retailer of the BSL Group, being the tests requiring that a non-executive director:

• not be a material customer of BSL or other group member; and

• have no material contractual relationship with BSL or another group company.

Therefore, it is unlikely that the majority of the Board could be characterised as independent. The Board has assessed the effectiveness of the directors in light of their interests and relationships and considers all Directors are independent of management and able to exercise objective, unfettered and independent judgment and act in the best interests of the BSL Group.

Directors participate in education and improvement programs from time to time, as considered appropriate.

The directors may seek external professional advice on matters connected with their responsibilities at the expense of the BSL Group. The director must consult with a suitably qualified advisor and seek the Chairman's prior approval of the fee payable. No individual Directors exercised this right during the year.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

All Directors, management and staff are expected to act with the utmost integrity and objectivity, striving to observe a high standard of business practice, behaviour and ethics and to enhance the reputation of the BSL Group. These values are reflected in BSL's values and mission statements and incorporated in the company's policies and procedures.

Formal appraisals are conducted annually with every employee to ensure compliance with the BSL Group's code of business conduct. Every employee having a nominated manager to whom they may refer issues arising from their employment. From 4 April, 2005 the BSL Group has engaged a full time human resources manager.

Since the listing of BSL's ordinary shares on the NSX on 23 August, 2004, BSL has adopted a Policy for trading in company securities. The Policy provides for share trading periods and guidelines on what constitutes insider trading and can be viewed on the company's website (www.bsl.com.au).

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the BSL Group. Where a significant conflict exists for a director on a board matter, the director is not present while the item is considered. Details of director related entity transactions with the BSL Group are set out in Note 25.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the BSL Group's financial position and prospects. Accounting and financial control policies and procedures have been established and are monitored by a Finance & Audit Committee.

BSL has a structured six monthly reporting processes, with Board sign-off and release of financial results. The CEO and CFO provide a written statement to the Board that to the best of their knowledge and belief, BSL's published financial reports present a true and fair view of BSL's financial condition and that the operational results are in accordance with relevant accounting standards.

The Board has established a permanent Finance & Audit Committee which is responsible for financial and risk management. The structure of the Finance & Audit Committee complies with 3 of the 4 Best Practice Recommendations. The exception (once again flowing from the structure of the Board in accordance with the Constitution requiring directors with association with a retailer of the BSL Group) that a majority of the committee consist of independent directors.

The members meet at least six times a year and possess sufficient technical expertise to fulfil the functions of the Committee. The Committee comprises an External Chair, the Chairman of the Board, and a Director. The CEO, CFO and Financial Controller attend committee meetings by invitation.

The Finance & Audit Committee reviews the independence and objectivity of the external auditor.

Monthly actual results are reported against budgets approved by the Directors and revised forecasts are prepared regularly.

The BSL Group is progressing to implement the Australian equivalents to International Reporting Standards (AIFRS). It is expected that the BSL Group will be in a position to fully comply with reporting requirements for AIFRS for the 30 June, 2006 financial year.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

BSL is committed to effective communication with its investors so as to give them ready access to balanced and understandable communication. The BSL Group has adopted a Disclosure Policy and Shareholder Communication Policy designed to ensure full and timely disclosure to the market of material issues relating to BSL and to ensure all stakeholders have an equal opportunity to access information. All staff are regularly reminded of the requirements of these policies.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The shareholders of BSL play a key role in the governance of BSL by electing Directors. The Directors recognise that shareholders must receive high-quality, relevant, and useful information in a timely manner to play their role effectively. The principal communication channels are through the provision of the annual and half yearly reports, the distribution of specific material covering major transactions and events, and the Annual General Meeting. All of this information is made available on the company's website.

The external auditor attends the Annual General Meeting and is available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board and the Finance & Audit Committee are accountable for the overall internal risk management process. The Board oversees the establishment and implementation of the risk management system. The Finance & Audit Committee advises the Board and reports on the status of business risks.

The Board recognises that no cost-effective internal control system will preclude all errors and irregularities. The internal practices that have been established include:

- Business units providing monthly reports to the Board;
- Guidelines for capital and revenue expenditure including annual budgets, with commitments above a certain level requiring prior Board approval and due diligence requirements for acquisitions or divestments;
- Workplace health and safety standards and systems monitored and reviewed;
- Business transactions properly authorised and executed;
- Financial reporting accuracy and compliance; and
- Quality and integrity of management and staff.

PRINCIPLE 8: ENCOURAGE ENHANCED PERFORMANCE

Employees participate in annual performance reviews with their manager where achievement of key goals is discussed and assessed. The CEO's performance and remuneration is reviewed by the Board on an annual basis.

The Chairman of the Board and the Chairman of the Finance & Audit Committee informally evaluate the Board and Finance & Audit Committee on an ongoing basis throughout the year.

The Board has approved a structured formal induction and training package for all directors to ensure all directors continue to participate fully and effectively in the Board. Directors have full access to all information necessary for them to fulfil their duties, including opportunity to visit BSL Group premises and meet with management to ensure continued understanding of business operations.

A formal induction program is being reviewed for all staff. There is annual compliance training on key risk areas of the business.

PRINCIPLE 9: REMUNERATE FAIRLY AND RESPONSIBLY

BSL's remuneration practices are designed to attract, motivate and retain high-quality people. The practices are built around principles that:

- directors' remuneration be fair;
- management and employee wages be benchmarked against industry and occupational market forces;
- management remuneration be an appropriate balance of fixed and variable reward; and
- fees for Directors are based on survey data of comparable companies.

Directors did not receive options, bonuses or other performance related incentives nor are they entitled to a retirement allowance. There is currently no equity based executive remuneration. Details of the 2005 remuneration of the Directors and the eight highest paid managers of BSL and the BSL Group are included on page 19 of the Directors' Report.

PRINCIPLE 10: RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

In addition to its responsibility to shareholders, the BSL Group operates with regard to its retailers, consumers, employees, suppliers, customers and the community. Please refer to discussions regarding principles 3 and 6 for BSL's current communication policies and charters.

Principal activities

The principal activities of the economic entity during the course of the financial year were franchise, retail and central accounting activities.

Franchising operations - Betta Electrical Pty Limited and Sleepy's Pty Limited operated as franchisor for the Betta Electrical, Chandlers and Sleepy's brands.

On 20 September 2005 the economic entity announced the sale of its interest in Sleepy's Pty Limited. Further details are provided on page 12.

Retail operations - Buy Rite Stores Pty Limited, Truscotts Pty Limited and Buy Rite (Northern) Pty Limited operate the retail store operations of the economic entity.

Central accounting operations - BSL Finance Pty Limited operates the retail finance operations of the economic entity.

The economic entity further expanded its retail operations with acquisition of 100 % of A K Truscott Investments Pty Limited, trading as Truscott's Hi Fi on 1 December 2004 and the establishment of a joint venture company, Buy Rite Stores (Northern) Pty Limited on 14 January 2005. The economic entity owns 51% of the Buy Rite Stores (Northern) Pty Limited. Truscott's operates eight retail stores in South Australia. Buy Rite Northern currently operates four stores in Queensland. Buy Rite Stores (Northern) commenced operations on1 March 2005 with the acquisition of assets from participating franchisees.

There were no other significant changes in the nature of the activities of the economic entity during the year.

Investments for future performance

The economic entity acquired plant and equipment totalling $2,212,824 during the year. The acquisitions were part of the normal pattern of investing and upgrading required to ensure the economic entity's facilities are keeping pace with technological advances.

The economic entity has increased its market share in the retail operations segment through acquisition of A K Truscott Investments Pty Limited and the investment in the Buy Rite Stores (Northern) Pty Limited joint venture.

There are no other acquisitions planned.

Review of financial condition

Capital structure and treasury policy

The debt to equity ratio at 30 June 2005 grew to 344%, up from 34% at 30 June 2004. It is management's objective to reduce this level by the end of the 2006 financial year.

Liquidity and funding

The economic entity is reliant on funding through banking facilities to support investment decisions. There are no restrictions on the ability to transfer funds from one part of the group to meet the obligations of other parts of the group.

The maturity profile of the consolidated debt at 30 June 2005 is:

30 June	No Maturity	2006 $'000	2007 $'000	2008-2011 $'000	Total $'000
Retailer deposits	1,869				1,869
Receivables finance	18,411				18,411
Bank debt		12,500	1,000	12,250	25,750
Lease liabilities		532	463	465	1,460
	20,280	13,032	1,463	12,715	47,490

All debt is denominated in $A and the weighted average interest rate exposure of borrowings is 6.59% (2004: 5.26%).

Borrowings increased by $42,853,818 the majority being raised through the drawing of bills, an increase of $24,750,000 and receivables financing, an increase of $18,103,818.

These funds were used for the acquisition of controlled entities', investments and the increase in central accounting working capital.

Cash flows from operations

A total of $12,016,706 cash was used in funding the operations of the business representing an investment in working capital including both inventory and debtors.

Impact of legislation and other external requirements

From 1 July 2005 the economic entity is required to comply with Australian equivalents to International Financial Reporting Standards (AIFRS) issued by the Australian Accounting Standards Board.

There were no changes in environmental or other legislative requirements during the year that have significantly impacted the results or operations of the economic entity.

Significant changes in the state of affairs

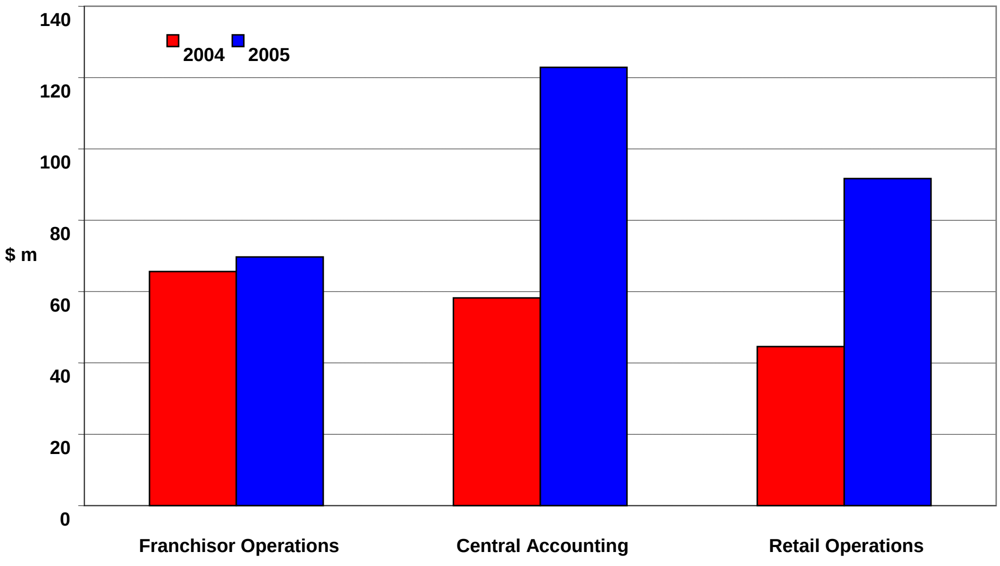
There have been no other significant changes in the nature of the economic entity's state of affairs during the year.

Overview of the economic entity

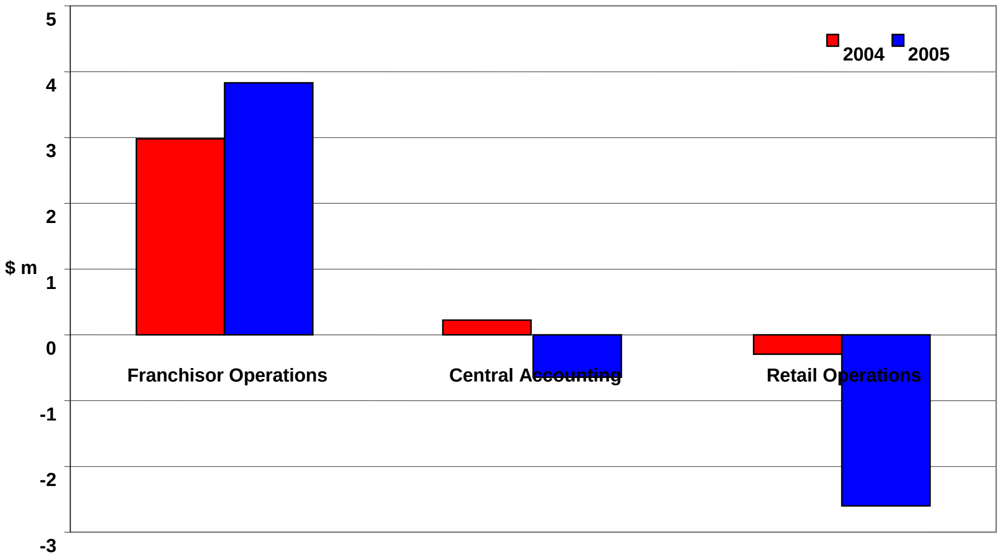
The consolidated statement of financial performance shows a consolidated net profit attributable to members of $773,593 compared with $2,899,628 in 2004. The significant decrease is mainly due to the poor performance in the retailing operations business, as the following chart shows, and as explained in the review of principal businesses.

Review of principal businesses

2005 Segment Revenue



2005 Segment Result after Tax



Franchisor operations:

The franchisor operations of the economic entity which represent the Betta Electrical, Chandlers and Sleepy's brands increased revenue by 7.5% to $70.4 million compared to $65.6 in 2004. This growth reflected the strong performance in the first half of the year of 8% growth on the previous corresponding period however the second half showed a slight decline from the previous corresponding period. This reflected the general downturn experienced in the electrical appliance retail sector in Australia.

The segment result increased by 28.5% to $3.83 million compared to $2.98 million in 2004.

Central Accounting

The central accounting operations of the economic entity increased revenue by 83.3% to $106.7 million compared to $58.2 million in 2004. This growth reflected the increase in revenue as additional suppliers traded through central accounting with both the economic entity's franchisee's and its retailing operations.

The segment result decreased to a loss of ($644,755) compared to a profit of $223,027 in 2004. This result was impacted by an increase in the write-off of bad debts and the provision for doubtful debts reflecting the difficult retail trading conditions experienced during the financial year.

Retailing Operations

The retailing operations of the economic entity increased revenue by 76.3% to $78.8 million compared to $44.7 in 2004. This growth reflected the acquisition of A K Truscott Investments Pty Ltd, trading as Truscott's Hi Fi on 1 December 2004 and the establishment of a joint venture company, Buy Rite Stores (Northern) Pty Ltd on 14 January 2005. Truscott's operates eight retail stores in South Australia. Buy Rite Northern currently operates four stores in Queensland.

Truscott's contributed total revenue for the financial year of $35.1 million. Buy Rite Northern contributed total revenue of $6.6 million.

The segment result loss of ($2.6 million) compares to a loss of ($293,650) in 2004.

The result for this segment was adversely impacted by the decrease in market sentiment, a significant drive to reduce aged and obsolete stock and a sizable investment in one off restructure costs across all business units with the clear focus of reducing long term overhead. In addition, Buy Rite Stores (Northern) Pty Ltd was adversely impacted by lengthy delays in the opening of two new superstores.

A reconciliation of segment result to net profit is shown in Note 30 Segment reporting.

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

Type	**Cents per share**	**Total amount $'000**	**Franked/ unfranked**	**Date of payment**
• Declared and paid during the year:				
- Final 2004 ordinary	2.2	1,030	Franked	5 August 2004
- Interim 2005 ordinary	1.0	468	Franked	22 April 2005
		1,498		
	Note			
• Dealt with in the financial report as:				
- Dividends	5	1,498		
- Noted as a subsequent event		-		
		1,498		

All the franked dividends paid or declared by the Company since the end of the previous financial year were franked at 30%.

Events subsequent to reporting date

Since 30 June 2005, the Company has announced the sale of its 50% controlling interest in the joint venture company Sleepy's Pty Ltd to Mattress Investments Pty Ltd for $1 million.

The contract will become binding upon certain conditions being met but is expected to be no later than 1 October 2005.

The sale will be completed on 31 December 2005 and is conditional on a number of events occurring including but not limited to the repayment of debts owing to BSL and its subsidiaries by both Sleepy's Pty Ltd and its franchisees.

Upon completion of the transaction, Sleepy's will remain a member of the BSL Group, receiving services including IT support on a fee for service basis.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity, in future financial years.

Likely developments

At the date of this report, developments in the operations of the economic entity that are likely to be finalised in the next year include the disposal of the 50% interest in Sleepy's Pty Ltd.

Further information about likely developments in the operations of the economic entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the economic entity.

Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the economic entity and other related bodies corporate, as notified by the directors to the Newcastle Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Betta Stores Limited	
	Ordinary shares	**Retailer shares**
P J Tynan	496,556	50
E D Johnson	1,583,883	50
N J Sutherland	344,789	50
R L Cain	639,335	50
G J Currington	243,322	50
D C McClelland	550,503	50

Share options

Options granted to directors and officers of the Company

During or since the end of the financial year, no options have been granted over unissued ordinary shares in Betta Stores Limited to any directors or officers of the Company.

Indemnification and insurance of officers and auditors

Indemnification

The Company's Constitution provides an indemnity for Directors and Secretaries of the Company, Patrick Tynan, Everard Johnson, Reginald Cain, Graham Currington, Neville Sutherland and Dominic McClelland against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or for pecuniary penalty order under s.1317G of Corporations Act or a compensation order s.1317H of the Corporations Act. The Constitution provides the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith or for pecuniary penalty order under s.1317G of Corporations Act or a compensation order s.1317H of the Corporations Act. The agreement is oral and on the basis that the Company will meet the full amount of any such liabilities, including costs and expenses. This oral agreement is to be recorded in writing.

The Company's Constitution also provides an indemnity to executive officers for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or for pecuniary penalty order under s.1317G of Corporations Act or a compensation order s.1317H of the Corporations Act. The executives in question are the CEO, CFO, Chief Operations Officer, General Manager - Retail, Legal Counsel and the general managers of each of the BSL Group's functional divisions. The Constitution provides that the Company will meet the full amount of any such liabilities, including legal fees.

During the year, no claims for breach of contract were brought against the Directors, Secretaries or Executive Officers of the Company.

Insurance premiums

Since the end of the previous financial year, the Company has paid insurance premiums of $28,981 in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and

- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

Non-audit services

During the year Grant Thornton, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and

- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act 2001 is included in the directors' report.

Details of the amounts paid to the auditor of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out below. No amounts have been paid to other auditors for audit services.

	Consolidated	
	2005	**2004**
	$	**$**
Statutory audit:		
Auditors of the Company		
- audit and review of financial reports	96,506	64,800
Services other than statutory audit:		
Other assurance services		
- Controls assurance services	3,735	2,107
- IFRS accounting services	1,510	-
- Due diligence services performed by a related practice	32,000	-
	133,751	66,907

Chartered Accountants
Business Advisers and Consultants

Grant Thornton

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF BETTA STORES LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Betta Stores Limited for the year ended 30 June2005, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON
Chartered Accountants

Grant Thornton
Dan Carroll

D J CARROLL
Partner

Brisbane

Dated this 30th day of September 2005

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Partners: DJ Carroll SG Hancox LR Jones RG Lunney MG McCann MJ O'Hare DS Skirving

Betta Stores Limited and its Controlled Entities

ABN 44 009 710 605

Directors' report

This report is made with a resolution of the directors:

Patrick Tynan	Neville Sutherland
Director	*Director*

Dated at Brisbane this 30th day of September 2005

Remuneration report

Remuneration levels for directors, secretaries, senior managers of the Company and the BSL Group are competitively set to attract and retain appropriately qualified and experienced directors and senior managers. The Board together with the Human Resources Manager obtain independent advice on the appropriateness of remuneration packages given trends in comparative companies in Australia and the objectives of the BSL Group's strategy as set by the Board.

The Group's remuneration policy is designed to attract suitably qualified candidates, reward achievement of strategic objectives of the BSL Group and obtain the broader outcome of creation of value for shareholders. The remuneration policy takes into account the capability and experience of Directors and Senior Managers, the Directors and Senior Managers ability to control the relevant functional group and the BSL Group's consolidated performance including economic profit.

Remuneration for Directors is fixed. Remuneration packages for Senior Managers include a mix of fixed and variable performance based incentives.

Fixed remuneration

Fixed remuneration consists of a base remuneration calculated on a total cost basis and includes FBT charges related to employee benefits including motor vehicles (except for the CEO where the Company meets FBT costs) and employer contributions to superannuation funds.

Remuneration levels for Senior Managers are reviewed annually through a process that considers individual and overall performance of the BSL Group. In addition, the Group Human Resources Manager obtains analysis and advice from external consultants to ensure senior managers' remuneration is competitive in the market place.

Directors' remuneration is reviewed annually to ensure it is competitive in the market place.

Variable performance based incentives

Performance based remuneration is designed to reward Senior Managers for achieving the strategic and financial objectives of the BSL Group. The variable incentive is an 'at risk' bonus provided in the form of cash.

The performance based incentive is determined by reference to the economic profit of the BSL Group with Senior Managers receiving a proportion based on the proportional value of their fixed remuneration. Half the total incentive is paid to Senior Managers in the financial year it is earned with the other half payable at the end of the succeeding financial year if the strategic and financial objectives of the BSL Group are obtained in that succeeding financial year.

At the end of each financial year the Board assesses the actual performance of the BSL Group against the strategic objectives set at the commencement of the financial year. A percentage of the economic profit is awarded depending on the result. No incentive is awarded where performance falls below the minimum and half the incentive retained from the previous financial year is returned to the Company.

The Bonus Plan does allow the Board to exercise any discretion on the payment of bonuses. The Board did not exercise any discretion on the payment of bonuses.

There are no long term incentives or Employee Share Option Plans.

In the current financial year the BSL Group met the majority of its strategic targets but did not meet its financial targets. Therefore no bonuses were paid to Senior Managers and 50% of the bonuses retained from the 2003/04 financial year have been returned to the Company.

Other benefits

As part of the terms and conditions of their appointment, Directors and Senior Managers can receive their base remuneration in the form of non-cash benefits. Non-cash benefits include motor vehicles, payment of school fees and cost of spouses accompanying them on business trips. The fringe benefit tax payable on these benefits is paid for by the Directors and Senior Managers as part of their base remuneration.

Senior Managers receive Qantas Club membership and a car park at the BSL Group's premises from which they predominately work and the Company pays the fringe benefit tax on this benefit.

There is no provision for Directors, Senior Managers or staff to obtain loans from the Company.

Service Contracts

It is the BSL Group's policy that service contracts for Senior Managers, excluding the CEO, former CFO & Company Secretary and former General Manager of the wholly owned subsidiary, are unlimited in term but capable of termination on 5 weeks notice and that the relevant BSL Group employing company retain the right to terminate the contract immediately, by making payment equal to 5 weeks pay in lieu of notice. The contract may also be terminated by the BSL Group where the Senior Manager has engaged in gross misconduct.

Senior Managers are entitled to receive on termination of their employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. There is no provision for the payment of other benefits where the contract is terminated by the BSL Group or the Senior Manager.

The service contracts outline the component of remuneration paid to the Senior Managers but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account changes in CPI, any change in the scope of the role performed by the Senior Manager and any changes required to meet the BSL Group's remuneration policy.

Guy Houghton, the Chief Executive Officer has a contract of employment with the Company dated 27 July, 2003 for a period of 3 years commencing on 1 July, 2003. The contract specifies the duties and obligations to be fulfilled by the CEO and provides that the Board and CEO will early in each financial year consult and agree objectives for achievement during that year. The CEO has an entitlement to a termination payment equivalent to 6 months salary in the event of the removal for misconduct in addition to what he may be entitled under general common law principles.

Mr Ross Whitehead, the former General Manager of Buy Rite Stores Pty Ltd, had a contract of employment with the Company dated 4 August 2003 for a period of 3 years. The contract specifies the duties and obligations to be fulfilled by Ross Whitehead. There was no provision in the contract for the Company or Ross Whitehead to terminate prior to its expiry on 4 August 2006. Mr Whitehead's contract was terminated on 3 September 2004 following agreement between the parties to pay Mr Whitehead the equivalent of 9 months remuneration in lieu of completion of his contract.

Mr David Goode, the former Chief Financial Officer and Company Secretary, in his role as General Manager – Finance had a service contract with the Company that accorded with the BSL Group's policy. When Mr Goode's role was revised to CFO and Company Secretary, the written contract was not revised. Mr Goode ceased his employment with the Company on 1 June, 2005.

Mr Cedric Lee has a contract of employment with the Company dated 3 August 2004 for a period of 3 years commencing on 1 July, 2004. The contract specifies the duties and obligations to be fulfilled by the Cedric Lee.

The Company Secretaries, Nicole Quinn and Ruth Marshall, have standard service contracts with the Company however the Board may remove either or both of them from the position of Company Secretary (but not their positions as Legal Counsel and Company Solicitor, respectively) at any time without notice or requirement to make any payment.

Directors

All Directors are non-executive directors. The Chairperson receives a higher base remuneration. Directors do not receive performance related remuneration or any share options. Directors' fees cover all main Board activities and committees. The Company meets the Directors travel and accommodation expenses for attending Board meetings.

There is no retirement scheme in place for Directors. The Company pays directors and officer insurance premiums on behalf of the Directors of BSL and the executive officers of BSL.

Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the eight named relevant group executives who receive the highest remuneration are:

		Primary					Post-employment		Equity compensation		Other compensation	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary and fees $	Cash bonus $	Salary Sacrificed $	Allowances $	Non-monetary benefits $	Super-annuation benefits $	Prescribed benefits $	Value of options $	Shares Issued $	Termination benefits $	$	%	%
Directors														
Non-executive														
Tynan PJ	2005	48,344	-	-	-	-	4,351	-	-	-	-	52,695	0%	0%
	2004	46,596	-	-	-	-	4,194	-	-	-	-	50,790	0%	0%
Johnson ED	2005	27,228	-	-	-	-	2,451	-	-	-	-	29,679	0%	0%
	2004	26,244	-	-	-	-	2,362	-	-	-	-	28,606	0%	0%
Sutherland NJ	2005	27,228	-	-	-	-	2,451	-	-	-	-	29,679	0%	0%
	2004	26,244	-	-	-	-	2,362	-	-	-	-	28,606	0%	0%
Cain RL	2005	14,840	-	13,614	-	-	1,225	-	-	-	-	29,679	0%	0%
	2004	26,244	-	-	-	-	2,362	-	-	-	-	28,606	0%	0%
Currington GJ	2005	-	-	27,228	-	-	1,225	-	-	-	-	28,453	0%	0%
	2004	26,244	-	-	-	-	2,362	-	-	-	-	28,606	0%	0%
McClelland DC	2005	27,228	-	-	-	-	2,451	-	-	-	-	29,679	0%	0%
	2004	15,854	-	-	-	-	1,427	-	-	-	-	17,281	0%	0%
Total Directors	**2005**	**144,868**	**-**	**40,842**	**-**	**-**	**14,154**	**-**	**-**	**-**	**-**	**199,864**		
	2004	**167,426**	**-**	**-**	**-**	**-**	**15,069**	**-**	**-**	**-**	**-**	**182,495**		

		Primary					Post-employment		Equity compensation		Other compensation	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary and fees $	Cash bonus $	Salary Sacrificed $	Allowances $	Non-monetary benefits $	Super-annuation benefits $	Prescribed benefits $	Value of options $	Shares Issued $	Termination benefits $	$	%	%
Specified Executive														
Houghton GT	2005	304,466	95,628	-	-	34,533	11,002	-	-	5,000	-	450,629	21%	1%
	2004	332,196	61,804		-	34,533	11,001	-	-	-	-	439,534	14%	0%
Mursell I	2005	106,479	-	-	-	4,852	6,981	-	-	-	-	118,312	0%	0%
(Comm 29 Nov04)	2004	-	-	-	-	-	-	-	-	-	-	-	-	-
Hazell DR	2005	83,977	58,442	80,000	-	24,970	92,292	-	-	-	-	339,681	17%	0%
	2004	130,396	44,533	-	-	23,740	45,863	-	-	-	-	244,532	18%	0%
Goode DJ	2005	173,709	58,357	-	-	43,913	11,585	-	-	5,000	18,340	310,904	19%	2%
(Left 1 Jun 05)	2004	174,776	35,178	-	-	17,061	11,001	-	-	-	-	238,016	15%	0%
Quinn NT	2005	138,994	12,140	-	-	-	11,918	-	-	5,000	-	168,052	7%	3%
	2004	87,494	-	-	-	-	6,876	-	-	-	-	94,370	0%	0%
Putt M	2005	148,548	20,000	-	-	23,184	11,585	-	-	-	-	203,317	10%	0%
	2004	144,782	-	-	-	19,579	9,906	-	-	-	-	174,267	0%	0%
Lee C	2005	103,984	10,000	85,619	115	-	9,061	-	-	-	-	208,779	5%	0%
	2004	77,628	-	-	7,692	-	6,987	-	-	-	-	92,307	0%	0%
Whitehead RB	2005	6,518	9,704	-	-	6,256	3,885	-	-	-	134,146	160,509	6%	0%
(Left 3 Sep 04)	2004	192,640	-	-	-	32,706	28,051	-	-	-	-	253,397	0%	0%
Total Executive	**2005**	**1,066,675**	**264,271**	**165,619**	**115**	**137,708**	**158,309**	**-**	**-**	**15,000**	**152,486**	**1,960,183**		
	2004	**1,139,912**	**141,515**	**-**	**7,692**	**127,619**	**119,685**	**-**	**-**	**-**	**-**	**1,536,423**		
Total	**2005**	**1,211,543**	**264,271**	**206,461**	**115**	**137,708**	**172,463**	**-**	**-**	**15,000**	**152,486**	**2,160,047**		
	2004	**1,307,338**	**141,515**	**-**	**7,692**	**127,619**	**134,754**	**-**	**-**	**-**	**-**	**1,718,918**		

BETTA STORES LTD ABN 44 009 710 605
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

	Notes	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
Revenue from sale of goods	2	178,461,973	100,191,003	110,171	51,221,438
Revenue from rendering services	2	69,867,811	64,067,687	9,799,633	61,448,434
Other revenues from ordinary activities	2	2,251,117	1,663,114	934,331	1,307,415
Total revenue from ordinary activities		250,580,901	165,921,804	10,844,135	113,977,287
Cost of sales	3(a)	(168,180,663)	(92,404,900)	(114,123)	(51,072,701)
Administrative expenses		(7,101,184)	(5,195,928)	(2,405,990)	(3,352,356)
Marketing & Promotional expenses		(38,427,884)	(37,334,200)	-	(37,187,071)
Employment expenses		(18,249,821)	(12,957,132)	(4,401,210)	(7,708,849)
Computer Development & Support expenses		(2,168,161)	(2,633,139)	(1,893,195)	(2,544,411)
Occupancy expenses		(4,812,926)	(3,242,157)	(373,988)	(797,068)
Retail Support expenses		(8,750,631)	(7,731,317)	(574,295)	(6,451,993)
Borrowing costs expense	3(a)	(2,012,854)	(231,534)	(812,325)	(225,940)
Total expenses from ordinary activities		(249,704,124)	(161,730,307)	(10,575,126)	(109,340,389)
Profit from ordinary activities before income tax expense		876,777	4,191,497	269,009	4,636,898
Income tax expense relating to ordinary activities	4	(296,302)	(1,284,587)	(55,336)	(1,417,401)
Profit from ordinary activities after related income tax expense		580,475	2,906,910	213,673	3,219,497
Net Profit/loss attributable to outside equity interests		193,118	(7,282)	-	-
Net profit attributable to members of the parent entity		773,593	2,899,628	213,673	3,219,497
Increase in asset revaluation reserve	19	-	871,328	-	871,328
Total changes in equity other than those resulting from transactions with owners as owners.		773,593	3,770,956	213,673	4,090,825
Basic earnings per share (cents per share)	24	1.65	6.35		
Diluted earnings per share (cents per share)	24	1.65	6.35		

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Notes	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
Current Assets					
Cash assets	29(b)	9,097,574	331,791	3,178,398	66,812
Receivables	6	42,415,801	16,786,535	4,023,443	22,681,614
Inventories	9	17,926,664	9,722,838	431	165,629
Current Tax Assets	12	2,194,860	157,422	1,601,046	66,891
Other financial assets	7	196,192	339,944	183,466	339,944
Other	10	1,250,156	563,795	280,703	404,045
Total Current Assets		73,081,247	27,902,325	9,267,487	23,724,935
Non-Current Assets					
Receivables	6	1,765,951	-	-	-
Property, plant and equipment and vehicles	11	8,588,480	7,835,201	6,886,078	6,906,696
Other financial assets	7	-	-	20,076,063	12
Deferred tax assets	12	1,040,654	303,762	863,331	26,369
Intangible assets	13	1,415,505	1,162,500	-	-
Total Non-Current Assets		12,810,590	9,301,463	27,825,472	6,933,077
TOTAL ASSETS		85,891,837	37,203,788	37,092,959	30,658,012
Current Liabilities					
Payables	14	23,336,441	17,279,578	5,156,993	11,556,101
Interest bearing liabilities	15	29,693,506	1,858,020	750,282	1,517,620
Current tax liabilities	16	-	-	-	-
Provisions	17	1,610,680	1,054,365	265,574	452,815
Total Current Liabilities		54,640,627	20,191,963	6,172,849	13,526,536
Non-Current Liabilities					
Interest bearing liabilities	15	17,796,165	2,822,407	17,673,235	2,740,047
Provisions	17	295,564	311,327	62,286	121,379
Total Non-Current Liabilities		18,091,729	3,133,734	17,735,521	2,861,426
TOTAL LIABILITIES		72,732,356	23,325,697	23,908,370	16,387,962
NET ASSETS		13,159,481	13,878,091	13,184,589	14,270,050
Equity					
Contributed equity	18	359,438	160,383	359,438	160,383
Reserves	19	1,469,240	1,469,240	1,469,240	1,469,240
Retained profits	20	11,556,276	12,280,872	11,355,911	12,640,427
Parent equity interest		13,384,954	13,910,495	13,184,589	14,270,050
Outside equity interest	21	(225,473)	(32,404)	-	-
TOTAL EQUITY		13,159,481	13,878,091	13,184,589	14,270,050

The accompanying notes form part of the financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
Cash Flows from Operating Activities					
Revenue from operations		251,470,454	173,861,412	25,558,158	120,378,812
Payments to retailers, suppliers and employees		(260,059,282)	(173,430,102)	(23,408,915)	(113,870,261)
Interest received		158,736	144,257	746,335	509,835
Dividends received		16,543	19,413	16,298	19,413
Borrowing costs		(2,012,854)	(231,534)	(812,325)	(225,940)
Income tax paid		(1,590,301)	(1,747,609)	(1,879,280)	(1,747,609)
Net cash provided by (used in) operating activities	29(a)	(12,016,706)	(1,384,163)	220,271	5,064,250
Cash Flows from Investing Activities					
Proceeds from sale of property, plant and equipment and vehicles		-	208,879	-	164,582
Proceeds from sale of investments		198,075	134,749	198,075	134,749
Purchase of property, plant and equipment and vehicles		(1,596,467)	(2,648,963)	(1,053,631)	(1,646,256)
Purchase of other non-current assets		(407,043)	(1,000,000)	-	-
Payment for subsidiary, net of cash acquired		(19,028,206)	-	(19,028,259)	-
Proceeds from repayments of loans to subsidiaries		-	-	16,077,962	2,332,643
Advances of loans to subsidiaries		-	-	(6,346,598)	(10,669,439)
Net cash provided by (used in) investing activities		(20,833,641)	(3,305,335)	(10,152,451)	(9,683,721)
Cash Flows from Financing Activities					
Proceeds from borrowings		42,931,016	1,307,328	14,358,699	1,000,000
Repayment of borrowings		-	(42,520)		(42,519)
Proceeds from Share Issue		49	56,383	-	56,383
Dividend Paid by parent entity		(1,312,534)		(1,312,534)	
Payment for Share Buy Back		(2,401)	(12,800)	(2,400)	(12,800)
Net cash provided by (used in) financing activities		41,616,130	1,308,391	13,043,765	1,001,064
Net increase (decrease) in cash held		8,765,783	(3,381,107)	3,111,585	(3,618,407)
Cash at 1 July 2004		331,791	3,712,898	66,812	3,685,219
Cash at 30 June 2005	29(b)	9,097,574	331,791	3,178,397	66,812

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements.

NOTE 1: Statement of Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

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

The financial report covers the economic entity of Betta Stores Limited (BSL) and controlled entities, and BSL as an individual parent entity.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Principles of Consolidation

A controlled entity is any entity controlled by BSL. Control exists where BSL has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with BSL to achieve the objectives of BSL. A list of controlled entities is contained in Note 8 to the financial statements.

All inter-company balances and transactions between entities in the economic entity have been eliminated on consolidation.

Where entities have entered the economic entity during the year, their operating results have been included from the date control was obtained.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(c) Income Tax

The economic entity adopts the liability method of tax effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of profit from ordinary activities before income tax and taxable income are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation, the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

BSL and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. BSL is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group notified the ATO that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(d) Property, Plant and Equipment, Vehicles and Leasehold Improvements
Each class of property, plant and equipment and vehicles is carried at cost or fair value less, where applicable, any accumulated depreciation.

Property
Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable parties in an arm's length transaction. It is the policy of the economic entity to have an independent valuation every three years. The revaluation of freehold land and buildings has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

Plant, Equipment, Vehicles and Leasehold Improvements
The carrying amount of plant, equipment, vehicles and leasehold improvements is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation
Items of property, plant and equipment, vehicles and leasehold improvements, including buildings but excluding freehold land, are depreciated over their expected useful economic life. The diminishing value method is used for buildings, plant and equipment and vehicles owned by the economic entity. The straight line method is used for leased assets.

Assets are depreciated from the date of acquisition and where they have been revalued, depreciation is charged on the revalued amount. The depreciation/amortisation rates used for each class of depreciable asset are:

Class	Rate
Freehold Buildings	1% - 4%
Plant, Equipment, Vehicles & Leasehold Improvements	7.5% - 40%
Leased Assets	25% - 33%

Disposal of Assets
The gain or loss on disposal of all fixed assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in profit from ordinary activities before income tax of the economic entity in the year of disposal. Any related balance in the asset revaluation reserve is transferred to retained profits on disposal.

(e) Employee Benefits
Provision is made for the company’s liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

(f) Leases
Leases of assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. The capitalised leased assets are amortised over the leased term of the asset using the straight line method.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(g) Inventories
Inventories are measured at the lower of cost and net realisable value. Cost is based on the specific identification principle.

(h) Borrowing Costs
Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and finance charges in respect of finance leases. Interest payments in respect of financial instruments classified as liabilities are included in borrowing costs.

(i) Retailers Unsecured Deposits
Retailer's Unsecured Deposits are treated as non-current liabilities as they are only repayable on a retailer's resignation from the economic entity.

(j) Revenue Recognition
The economic entity has adopted the following revenue recognition principles:

i) Sale of or the right to collect a debt in relation to goods supplied and fixed assets - recognised upon the delivery of the goods to the customer
ii) Promotional revenue - includes funds provided by members and funds generated from manufacturer support. All promotional funds are recognised at a time when they are earned and can be reliably measured.
iii) Service revenue - includes member levies and fees for service. This revenue is recorded when earned and can be reliably measured.
iv) Interest revenue - recognised on a proportional basis taking into account the interest rates as applicable to the financial assets.
v) Dividend revenue - recognised when the dividend is received.

(k) Comparative Figures
When required by Accounting Standards or when accounts are changed for presentation purposes or disclosed differently to the prior period, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(l) Investments
Investments are brought to account at cost. The carrying value of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. Where recoverable amount is less than the carrying value, the loss or provision is included in profit from ordinary activities before tax as an expense. Dividends are brought to account in the profit from ordinary activities when received.

(m) Software Development Costs
The costs of ongoing software development, upgrades and maintenance are expensed as incurred. In the opinion of the Directors, changes in information technology, legislative requirements, and rapidly changing demands being placed on software all result in a continuing need to make modifications to the software in order for the software to maintain its service potential. Therefore the Directors have considered it prudent to expense software development costs as they are incurred because of their recurring nature.

(n) Intangible Assets, Trademarks, Brands, and Intellectual Property
The cost of developing brands and other intellectual property associated with the economic entity are generally expensed because of the recurring cost required to maintain these brands and intellectual property. Where an asset is recognised by the economic entity it has been valued in the accounts at the cost of acquisition from a third party and amortised over the period in which its benefits are expected to be realised. The brands acquired during the year will be amortised on a straight line basis over the period of 10 years.

(o) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of GST except where GST is incurred but not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(p) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions and investments in money market instruments maturing within less than two months.

(q) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Company.

NOTE 2: Revenue

	Notes	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
(i) Operating activities:					
Sale of product					
- Sale of product - centrally ordered		101,422,224	57,238,961	-	50,654,789
- Sale of product - retail sales		73,583,635	42,322,367	-	-
- Sale of product - BSL merchandise, fuel etc		3,456,114	629,675	110,171	566,649
		178,461,973	100,191,003	110,171	51,221,438
Revenue from rendering services					
- Revenue from services		20,970,914	17,085,545	8,316,475	15,389,821
- Revenue for promotional services		48,896,897	46,982,142	1,483,158	46,058,613
		69,867,811	64,067,687	9,799,633	61,448,434
Other revenues from ordinary activities					
- Dividends received	2(a)	16,543	19,413	16,298	19,413
- Interest received	2(b)	158,736	144,257	746,335	509,835
- Proceeds on disposal of assets		47,542	343,628	47,542	299,331
- Other revenues		2,028,296	1,155,816	124,156	478,836
		2,251,117	1,663,114	934,331	1,307,415
Total Revenue		250,580,901	165,921,804	10,844,135	113,977,287
(a) Dividend revenue from:					
- Other corporations		16,543	19,413	16,298	19,413
(b) Interest revenue from:					
- Wholly-owned controlled entities		-	-	618,982	360,589
- Partly owned subsidiaries		-	-	-	48,303
- Other persons		158,736	144,257	127,353	100,943
		158,736	144,257	746,335	509,835

NOTE 3: Profit from Ordinary Activities

	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
(a) Expenses:				
Cost of Sales				
- Cost of sales - centrally ordered	101,369,423	57,117,286	-	50,528,853
- Cost of sales - retail sales	63,607,301	34,689,166	-	-
- Cost of sales - BSL merchandise, fuel etc	3,203,939	598,448	114,123	543,848
	168,180,663	92,404,900	114,123	51,072,701
Borrowing Costs				
- other persons	2,012,854	231,534	812,325	225,940
Depreciation of non-current assets				
- Buildings	90,223	78,288	34,890	27,673
- Plant, equipment and motor vehicles	545,574	868,407	353,767	769,455
- Leased plant, equipment and motor vehicles	575,162	651,271	492,741	628,026
	1,210,959	1,597,966	881,398	1,425,154
Amortisation of current assets				
- Capitalised Borrowing costs	1,892	1,800	1,892	1,800
Amortisation of non-current assets				
- Goodwill	124,036	100,000	-	-
- Brands	30,000	30,000	-	-
	154,036	130,000	-	-
Provision for diminution of inventory	675,439	-	-	-
Rental expense on operating leases				
- Minimum lease payments	3,468,831	2,153,118	31,081	243,813
Bad and doubtful debts				
- Trade debtors	926,591	81,236	24,713	81,236
(b) Revenue and Net Gains:				
Net gain/(loss) on disposal of non-current assets:				
- Investments	-	(14,939)	-	(14,939)
- Property, plant, equipment and vehicles	(70,631)	(212,225)	(1,187)	(223,275)
	(70,631)	(227,164)	(1,187)	(238,214)

	Notes	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
NOTE 4: Income tax expense					
(a) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:					
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2003: 30%)					
- economic entity		263,032	1,257,448	-	-
- parent entity		-	-	79,099	1,391,068
Add:					
Tax effect of items not allowable for tax for this or future periods		35,319	32,024	(21,714)	31,218
Less:					
- rebateable fully franked dividends		(2,049)	(4,885)	(2,049)	(4,885)
Under provision for income tax in prior year		-	-	-	-
Income tax expense attributable to operating profit		296,302	1,284,587	55,336	1,417,401
(b) Income tax expense comprises amounts set aside as:					
Provision for income tax attributable to the current year					
- Income tax payable on profit from ordinary activities		58,525	1,320,035	1,113	1,410,566
Provision for income tax attributable to future years					
- Future income tax benefit		237,777	(35,448)	54,223	6,835
- Provision for deferred income tax		-	-	-	-
Payment of prior year income tax		-	-	-	-
		296,302	1,284,587	55,336	1,417,401
NOTE 5: Dividends					
Interim fully franked ordinary dividend of 2.2 (2004: Nil) cents per share franked at the tax rate of 30%		1,030,005	-	1,030,005	-
Interim fully franked ordinary dividend of 1 (2004: Nil) cents per share franked at the tax rate of 30%		468,184	-	468,184	-
		1,498,189	-	1,498,189	-
Balance of franking account at year end adjusted for franking credits arising from payment of income tax payable.		18,751,202	5,734,101	18,751,202	5,734,101
NOTE 6: Receivables					
Current					
Trade debtors		30,890,059	14,137,847	911,135	12,238,335
Provision for doubtful debts		(992,521)	(184,665)	(19,849)	(124,665)
		29,897,538	13,953,182	891,286	12,113,670
Term debtors		6,615,391	-	-	-
Provision for doubtful debts		(200,000)	-	-	-
		6,415,391	-	-	-
Amounts receivable from:					
- Wholly-owned subsidiaries		-	-	-	8,183,463
- Partly-owned subsidiaries		-	-	2,571,424	880,524
		-	-	2,571,424	9,063,987
Amounts receivable from CBA for equipment financing		484,283	67,128	456,696	67,128
Other debtors		5,618,589	2,766,225	104,037	1,436,829
		42,415,801	16,786,535	4,023,443	22,681,614
Non Current					
Term debtors		1,765,951	-	-	-
Provision for doubtful debts		-	-	-	-
		1,765,951	-	-	-
NOTE 7: Other Financial Assets					
Current					
Shares in listed corporations, at cost		243,419	381,225	230,693	381,225
Provision for Diminution		(47,227)	(41,281)	(47,227)	(41,281)
		196,192	339,944	183,466	339,944
Non-Current					
Shares in unlisted controlled entities,at cost	8	-	-	20,076,063	12

NOTE 8: Controlled Entities

(a) Controlled Entities

	Country of Incorporation	Percentage Owned (%) 2005	2004
Parent Entity:			
Betta Stores Ltd	Aust	-	-
Subsidiaries of Betta Stores Ltd:			
Betta Electrical Pty Ltd	Aust	100	100
Betta Stores Pty Limited (incorporated in New Zealand)	NZ	100	100
Betta Buying Associates Pty Ltd	Aust	100	100
BSL Rental Pty Ltd	Aust	100	100
BSL Finance Pty Ltd	Aust	100	100
Betta Management Services Pty Ltd	Aust	100	100
Buy Rite Stores Pty Ltd	Aust	100	100
AK Truscott Investments Pty Ltd	Aust	100	-
Sleepy's Pty Ltd	Aust	50	50
Buy Rite Stores (Northern) Pty Ltd	Aust	51	-

(b) Controlled Entities Acquired
The economic entity acquired 100% of the shares in A K Truscott Investments Pty Limited, trading as Truscott's Hi Fi on 1 December 2004, for a purchases consideration of $20.07 M .

The economic entity and three of its franchisee's formed a company, Buy Rite Stores (Northern) Pty Ltd, to operate four premium electrical appliance retail stores in the greater Brisbane area on 14 Junauary 2005. The economic entity owns 51% of the new company, with the remaining 49% held collectively by the three retailer partners. On 1 March 2005 Buy Rite Stores (Northern) Pty Ltd acquired four electrical aplliance retail storesfor a purchases consideration of $1.97m

(c) Controlled Entities with Ownership Interest of 50% or Less
The parent entity holds 50% of the ordinary shares of Sleepy's Pty Ltd. Under the Sleepy's Pty Ltd Shareholders Agreement BSL has the capacity to appoint 3 of the 5 board members, which enables the financial and operating policies of Sleepy's Pty Ltd to be consistent in pursuing the objectives of BSL.

(d) Deed of Cross Guarantee
Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit, and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries below became a party to the Deed on 30 June 2005 by virtue of a Deed of Assumption:
Betta Electrical Pty Ltd
Betta Buying Associates Pty Ltd
BSL Rental Pty Ltd
BSL Finance Pty Ltd
Betta Management Services Pty Ltd
Buy Rite Stores Pty Ltd
AK Truscott Investments Pty Ltd

A consolidated statement of financial performance and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2005 is set out below:

Financial information in relation to:	Closed Group 2005
(i) Statement of financial performance	
Profit from ordinary activities before income tax expense	1,420,521
Income tax expense relating to ordinary activities	(446,841)
Profit from ordinary activities after related income tax expense	973,680
Total changes in equity other than those resulting from transactions with owners as owners.	973,680
(ii) Retained Profits	
Retained profits at the beginning of the year	12,313,276
Profit from ordinary activities after income tax expense	973,680
Dividends paid	(1,498,189)
Retained profits at the end of the year	11,788,767
(iii) Statement of financial position	
Current Assets	
Cash assets	9,143,786
Receivables	44,261,415
Inventories	14,920,650
Current Tax Assets	196,192
Other financial assets	2,194,860
Other	1,182,121
Total Current Assets	71,899,024
Non-Current Assets	
Property, plant and equipment and vehicles	8,115,268
Receivables	1,765,951
Deferred tax assets	863,331
Intangible assets	941,337
Total Non-Current Assets	11,685,887
TOTAL ASSETS	83,584,911

	Closed Group 2005
Current Liabilities	
Payables	20,799,033
Interest bearing liabilities	29,693,506
Current tax liabilities	-
Provisions	1,419,596
Total Current Liabilities	51,912,135
Non-Current Liabilities	
Interest bearing liabilities	17,796,165
Deferred tax liabilities	-
Provisions	259,218
Total Non-Current Liabilities	18,055,383
TOTAL LIABILITIES	69,967,518
NET ASSETS	13,617,392
Equity	
Contributed equity	359,385
Reserves	1,469,240
Retained profits	11,788,767
TOTAL EQUITY	13,617,392

	Notes	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
NOTE 9: Inventories					
Finished goods at cost		18,602,103	9,722,838	431	165,629
Provision for Diminution		(675,439)		-	-
Finished goods at lower of cost or net realisable value		17,926,664	9,722,838	431	165,629
NOTE 10: Other Assets					
Current					
Prepayments		1,132,539	546,382	167,946	386,632
Security deposits		8,573	1,213	3,713	1,213
Capitalised finance costs		115,236	18,000	115,236	18,000
Amortisation of capitalised finance costs		(6,192)	(1,800)	(6,192)	(1,800)
		1,250,156	563,795	280,703	404,045
NOTE 11: Property, Plant and Equipment, Vehicles and Leasehold Improvements					
Freehold land at fair value		1,500,000	1,500,000	1,500,000	1,500,000
Freehold buildings at fair value		3,000,000	3,000,000	3,000,000	3,000,000
Subsequent additions at cost		324,201	-	324,201	-
Accumulated depreciation		(33,983)	-	(33,983)	-
		3,290,218	3,000,000	3,290,218	3,000,000
Leasehold improvements at cost		658,112	587,800	56,997	35,027
Accumulated depreciation		(108,612)	(52,580)	(2,872)	(1,965)
		549,500	535,220	54,125	33,062
Plant, equipment and vehicles at cost		4,282,940	2,929,372	2,709,214	2,519,366
Accumulated depreciation		(2,485,839)	(1,731,382)	(1,943,732)	(1,632,498)
		1,797,101	1,197,990	765,482	886,868
Capitalised leased plant, equipment and vehicles at cost		2,418,387	2,057,857	2,084,829	1,921,960
Accumulated amortisation		(966,726)	(455,866)	(808,576)	(435,194)
		1,451,661	1,601,991	1,276,253	1,486,766
Total property, plant and equipment and vehicles		8,588,480	7,835,201	6,886,078	6,906,696

(a) Movements in Carrying Value
Movements in the carrying value for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Note	Freehold Land	Freehold Buildings	Leasehold Improvements	Plant, Equipment and Vehicles	Leased Plant Equipment and Vehicles	Total
Economic Entity							
Balance at the beginning of year		1,500,000	3,000,000	535,220	1,197,990	1,601,991	7,835,201
Additions		-	324,201	71,830	920,943	412,734	1,729,708
Additions on acquisition of operations		-	-	-	382,034	101,079	483,113
Disposals		-	-	(1,310)	(158,292)	(88,981)	(248,583)
Depreciation expense	3(a)	-	(33,983)	(56,240)	(545,574)	(575,162)	(1,210,959)
Carrying amount at the end of year		1,500,000	3,290,218	549,500	1,797,101	1,451,660	8,588,480
Parent Entity							
Balance at the beginning of year		1,500,000	3,000,000	33,062	886,868	1,486,766	6,906,696
Additions		-	324,201	21,970	253,261	361,127	960,559
Disposals		-	-	-	(20,880)	(78,899)	(99,779)
Depreciation expense	3(a)	-	(33,983)	(907)	(353,767)	(492,741)	(881,398)
Carrying amount at the end of year		1,500,000	3,290,218	54,125	765,482	1,276,253	6,886,078

	Notes	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
NOTE 12: Tax Assets					
Current Tax Assets					
Income Tax receivable		2,194,860	157,422	1,601,046	66,891
Deferred Tax Assets					
Future income tax benefit		1,040,654	303,762	863,331	26,369
(a) The future income tax benefit is made up of the following estimated tax benefits:					
- tax losses		141,565	26,529	-	-
- timing differences		899,089	277,233	863,331	26,369
		1,040,654	303,762	863,331	26,369
NOTE 13: Intangible Assets					
Brands at cost		300,000	300,000	-	-
Less accumulated amortisation		(67,500)	(37,500)	-	-
		232,500	262,500	-	-
Goodwill at cost		1,407,041	1,000,000	-	-
Less accumulated amortisation		(224,036)	(100,000)	-	-
		1,183,005	900,000	-	-
		1,415,505	1,162,500	-	-
NOTE 14: Payables					
Current					
Trade creditors and accruals		23,336,441	17,177,058	645,391	11,453,581
Property lease liabilities		-	102,520	-	102,520
Amounts payable to wholly owned subsidiaries		-	-	4,511,602	-
		23,336,441	17,279,578	5,156,993	11,556,101
NOTE 15: Interest Bearing Liabilities					
Current					
Bank Bill liability	29(d)	10,750,000	1,000,000	250,000	1,000,000
Receivables Financing	29(d)	18,411,145	307,327	-	-
Lease liabilities	23(a)	532,361	550,693	500,282	517,620
		29,693,506	1,858,020	750,282	1,517,620
Non-Current					
Lease liabilities	23(a)	927,392	1,062,335	804,462	979,975
Bank Bill Liabilty		15,000,000	-	15,000,000	-
Retailers' interest bearing deposits		1,868,773	1,760,072	1,868,773	1,760,072
		17,796,165	2,822,407	17,673,235	2,740,047
(a) Total current and non - current secured liabilities					
- Bank Bill liability		25,750,000	1,000,000	15,250,000	1,000,000
- Receivables financing		18,411,145	307,327	-	-
		44,161,145	1,307,327	15,250,000	1,000,000
(b) Total carrying amount of non - current assets pledged as security are:					
- Freehold land and buildings	11(a)	4,790,218	4,500,000	4,790,218	4,500,000
- Floating charge over assets		26,636,449	26,636,449	29,731,316	26,636,449
Total assets pledged as security		31,426,667	31,136,449	34,521,534	31,136,449

(c) The bank bill liability is secured by registered first mortgages over certain freehold property of the parent entity and the subsidiaries

The receivable financing liability is secured by registered first mortgages over certain freehold property of the parent entity and the subsidiaries

The covenants within the bank borrowings require that certain ratios with respect to net worth to tangible assets and interest coverage be satisfied on a quarterly basis.

	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
NOTE 16: Tax Liabilities				
Current				
Income tax payable	-	-	-	-
NOTE 17: Provisions				
Current				
Provision for employee entitlements	1,610,680	1,054,365	265,574	452,815
Non-Current				
Provision for employee entitlements	295,564	311,327	62,286	121,379
(a) Aggregate of provision for employee entitlements	1,906,245	1,365,692	327,860	574,194
(b) Number of employees at year end	383	224	50	95

	Notes	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
NOTE 18: Contributed Equity					
12,250 (2004: 10,400) fully paid retailer shares (formerly fully paid A class shares)	18(a)	19,897	20,048	19,848	20,048
47,458,5960 (2004: 72,800) fully paid ordinary shares (formerly fully paid B class shares)	18(b)	339,590	140,335	339,590	140,335
		359,487	160,383	359,438	160,383

(a) Retailer shares (formerly A class shares)	**$**	**$**	**$**	**$**
At the beginning of the reporting period	20,048	14,600	20,048	14,600
Shares issued during the year - 1,950 shares	-	7,800	-	7,800
Transaction costs relating to share issue	-	(752)	-	(752)
	20,048	21,648	20,048	21,648
Shares bought back during the year - 100 shares	(200)	(1,600)	(200)	(1,600)
At reporting date	19,848	20,048	19,848	20,048
	No.	**No.**	**No.**	**No.**
At the beginning of the reporting period	10,400	7,300	10,400	7,300
Shares issued during the year	1,950	3,900	1,950	3,900
Shares bought back during the year	(100)	(800)	(100)	(800)
At reporting date	12,250	10,400	12,250	10,400

(b) Ordinary shares (formerly B class shares)	**$**	**$**	**$**	**$**
At the beginning of the reporting period	140,335	102,200	140,335	102,200
				-
Shares issued prior to restructure	-	54,600	-	54,600
Transaction costs relating to share issue	-	(5,265)	-	(5,265)
Shares bought back prior to restructure - 700 shares	(1,400)	(11,200)	(1,400)	(11,200)
	138,935	140,335	138,935	140,335
Shares issued to sharedholders on a 4:1 basis 13 July 2004	-	-	-	-
Shares issued in line with the restructure 13 July 2004	-	-	-	-
Bonus shares issued to employees 13 July 2004	15,000	-	15,000	-
Shares issued under dividend reinvestment plan during the year - 22 April 2005	185,655	-	185,655	-
At reporting date	339,590	140,335	339,590	140,335
	No.	**No.**	**No.**	**No.**
At the beginning of the reporting period	72,800	51,100	72,800	51,100
Shares issued prior to restructure	-	27,300	-	27,300
Shares bought back prior to restructure	(700)	(5,600)	(700)	(5,600)
	72,100	72,800	72,100	72,800
Shares issued to sharedholders on a 4:1 basis 13 July 2004	216,300	-	216,300	-
Shares issued in line with the restructure 13 July 2004	46,500,000	-	46,500,000	-
Bonus shares issued to employees 13 July 2004	30,000	-	30,000	-
Shares issued under dividend reinvestment plan during the year - 22 April 2005	640,196	-	640,196	-
At reporting date	47,458,596	72,800	47,458,596	72,800

The shares bought back are from members that had resigned from the group and were no longer entitled to hold those shares. The shares were bought back at $2 each prior to the restructure of contributed equity.

Restructure of Contributed equity

On 11 June 2004, BSL shareholders approved a Restructure Proposal which included the following elements:

- The granting of additional 'veto' voting rights and the removal of the right to dividends for 'A' Class Shares and renaming 'A' Class Shares as Retailer Shares;
- The conversion of all 'B' Class Shares currently on issue to Ordinary Shares (on a 4:1 basis) with voting and dividend rights;
- Unstapling the linkage between 'A' Class Shares (new Retailer Shares) and 'B' Class Shares (new Ordinary Shares) so that Shareholders do not need to hold more than one class of share;
- The issue of Retailer Shares to all Current Retailers and future Retailers and buyback or redemption of Retailer Shares when a Retailer ceases to have a Licence Agreement or Services Agreement with the BSL Group;
- The issue of Ordinary Shares to all Current Retailers as at 13 July 2004; and
- Adoption of a revised Constitution

As a result of that shareholder approval, the following changes were made to Contributed Equity on 13 July 2004:

- 10,300 issued 'A' Class Shares at 13 July 2004 were renamed as Retailer Shares
- 72,100 issued 'B' Class shares at 13 July 2004 were converted to 288,400 Ordinary Shares
- An additional 46.53 million Ordinary Shares were issued for no consideration.

Public Listing

In addition to the above capital restructure, the shareholders of BSL voted on 11 June 2004 in favour of listing on the Newcastle Stock Exchange (NSX). On 23 August 2004, the parent entity listed 46,818,400 Ordinary Shares on the NSX.

On 22 April 2005 the parent entity issued 640,196 shares as part of interim dividend declared 1 April 2005 at 1 cent fully franked that included an offer for a dividend reinvestment plan.

Ordinary shares participate in dividends (if any) and the proceeds on winding up of the entity in proportion to the number of shares held. At shareholders meetings each share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	Notes	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004

Note 19: Reserves

Asset revaluation reserve movements during the year				
Opening balance	1,469,240	597,912	1,469,240	597,912
Revaluation increment of freehold land and buildings (2004)	-	871,328	-	871,328
Closing balance	1,469,240	1,469,240	1,469,240	1,469,240

Betta Stores Limited employed DTZ Australia (Brisbane) Pty Ltd as independent valuers with a purpose of valuing the land and buildings located at 97 School Street on the basis of market value with continued existing use. The valuation of land ($1,500,000) and building ($3,000,000) were completed in the fourth quarter of the 2004 financial year.

NOTE 20: Retained Profits

Retained profits at the beginning of the year	12,280,872	9,381,244	12,640,427	9,420,930
Net profit attributable to the members of the parent entity	773,593	2,899,628	213,673	3,219,497
Dividends paid	(1,498,189)		(1,498,189)	-
Retained profits at the end of the year	11,556,276	12,280,872	11,355,911	12,640,427

NOTE 21: Outside Equity Interests in Controlled Entities

Outside equity interest comprises:				
Share Capital	50	1	-	-
Retained Profits/(Accumulated Losses)	(225,523)	(32,405)	-	-
	(225,473)	(32,404)	-	-

NOTE 22: Financial Instruments

(a) Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities, is as follows:

	Weighted average interest rate		Floating Interest Rate		Fixed Interest Rate Maturing within 1 year		Fixed Interest Rate Maturing 1-5 yrs		Non-Interest Bearing	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	%	%								
Financial Assets										
Cash at bank	4.35	4.17	9,097,574	331,791	-	-		-	-	-
Trade debtors	-	-	-	-	-	-		-	30,381,821	14,020,310
Other debtors	-	-	-	-	-	-		-	5,618,589	2,766,225
			9,097,574	331,791	-	-	-	-	36,000,410	16,786,535
Financial Liabilities										
Retailer interest bearing deposit	4.00	4.00	1,868,773	1,760,072	-	-		-	-	-
Lease liabilities	7.30	6.78	-	-	532,361	641,409	927,392	1,130,363	-	-
Property lease liability	-	-	-	-	-	-	-	-	-	102,520
Bank bill liability	5.93	5.75	-	-	10,750,000	1,000,000	25,750,000	-	-	-
Receivables Financing	7.75	7.75	18,411,145	307,327	-	-	-	-	-	-
Trade and sundry creditors	-	-	-	-	-	-	-	-	23,336,441	17,177,058
			20,279,918	2,067,399	11,282,361	1,641,409	26,677,392	1,130,363	23,336,441	17,279,578

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date to recognised financial assets is the carrying amount, net of any provision for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

(c) Fair Values

The net fair values of the company's financial assets and liabilities, except listed investments, approximate their carrying value. None of the company's assets and liabilities are readily traded on organised markets, other than listed investments.

The aggregate net fair values and carrying amounts of all other financial assets and liabilities are disclosed in the statement of financial position and notes to the financial statements.

	Notes	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
NOTE 23: Leasing Commitments					
(a) Finance lease commitments payable					
- not later than one year		651,628	641,409	607,769	601,643
- later than 1 year and not later than 5 years		930,833	1,130,363	806,564	1,041,412
Minimum lease payments		1,582,461	1,771,772	1,414,333	1,643,055
Less future finance charges		(122,708)	(158,744)	(109,589)	(145,460)
Total lease liability		1,459,753	1,613,028	1,304,744	1,497,595
Current Liabilities	15	532,361	550,693	500,282	517,620
Non-Current Liabilities	15	927,392	1,062,335	804,462	979,975
		1,459,753	1,613,028	1,304,744	1,497,595

All motor vehicle leases are non-cancellable leases, generally over a period of three years with rent payable in advance. In general, there is a provision within the lease for the economic entity to acquire the vehicle at the end of the lease term upon payment of a residual generally equal to 40% of the financed amount.

The finance leases for computer equipment are non-cancellable leases over a period of three years with rent payable in advance. There is a provision within the lease for the economic entity to acquire the equipment at the end of the lease term upon payment of a residual equal to 10% of the financed amount.

	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
(b) Non-cancellable operating leases contracted for but not capitalised in the accounts payable:				
- not later than one year	4,012,189	2,566,692	184,742	411,599
- later than 1 year and not later than 5 years	9,161,196	5,807,955	62,040	246,782
	13,173,385	8,374,647	246,782	658,381
Operating leases consist of:				
- Property lease rentals	13,133,820	8,309,397	207,217	593,131
- Equipment lease rentals	39,565	65,250	39,565	65,250
	13,173,385	8,374,647	246,782	658,381
Offsetting the above operating property lease rentals are non-cancellable operating lease revenues contracted for but not capitalised in accounts receivable				
- not later than one year	-	95,886	-	95,886
	-	95,886	-	95,886

In general, property leases are non-cancellable leases with a term of either three or five years with rent payable in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be indexed by the change in CPI published during the quarter preceding that date the indexed rent is to take effect. An option exists to renew all property leases at the end of their terms for an additional period of varying between three and ten years. The leases allows for sub-letting.

Rental agreements for all office equipment range from two to five year terms and are generally non-cancellable leases, with rent payable in advance.

	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
(c) Promotional expenditure commitments contracted for:				
- not later than one year	2,210,815	1,720,000	2,210,815	1,720,000
- later than 1 year and not later than 5 years	1,000,000	3,000,000	1,000,000	3,000,000
	3,210,815	4,720,000	3,210,815	4,720,000
(d) Capital expenditure projects commitments contracted for:				
- not later than one year	1,326,917	-	-	-
- later than 1 year and not later than 5 years	-	-	-	-
	1,326,917	4,720,000	-	4,720,000

	Notes	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
NOTE 24: Earnings per Share					
(a) Reconciliation of Earnings to Net Profit or Loss					
Net Profit		580,475	2,906,910		
Net Profit/loss attributable to outside equity interests		193,118	(7,282)		
Earnings used in the calculation of basic EPS		773,593	2,899,628		
Dividends on converting preference shares		-	-		
Earnings used in the calculation of dilutive EPS		773,593	2,899,628		
(b) Weighted average number of shares outstanding during the year used in calculation of basic EPS		46,818,400	45,636,592		
Weighted average number of options outstanding		-	-		
Weighted average number of preference shares on issue		-	-		
(c) Weighted average number of shares outstanding during the year used in calculation of dilutive EPS		46,818,400	45,636,592		

The weighted average number of shares used to calculate EPS for 2004 has been restated to take in consideration the share restructure effective 13 July 2004 (refer Note 18)

NOTE 25: Related Party Transactions

(a) Director-related Entities

Each director and/or their director related entities transact with the company on a regular basis on terms and conditions no more favourable than those provided to other franchisees of the economic entity. In summary, these transactions include:

	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
(i) Aggregate revenue from purchases of stock and fees paid by these entities:	12,518,313	5,170,842	59,269	5,170,842
(ii) Aggregate amount of rebates and retailer bonuses paid by the company to these entities:	1,917,273	1,286,940	874	1,286,940
(iii) Aggregate trade debt receivable from these parties at year end:	2,112,826	653,778	293	653,778
(iv) Aggregate amounts payable to these parties (interest bearing deposit) at year end:	46,134	43,927	46,134	43,927

NOTE 26: Auditors Remuneration

	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
Remuneration of the auditor of the parent entity for:				
- Auditing or reviewing the financial report	96,506	64,800	64,656	43,800
- Other services	5,245	2,107	5,245	2,107
- Other services provided by a related practice	32,000	-	32,000	-
	133,751	66,907	101,901	45,907

NOTE 27: Contingent Liabilities

Details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote are set out below, as well as details of contingent liabilities and contingent assets, which although considered remote, the directors consider should be disclosed

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities not considered remote

Litigation
A claim has been lodged by the liquidators of a former customer of a controlled entity with respect to preferential payments made for goods supplied prior to liquidation. The action is being defended with the maximum liability set at $37,500.

Claims for unfair dismissal has been brought against the economic entity by three former employees. The action is being defended and advice provided by the entity's solicitors indicates that the liability, if any, is not expected to exceed $162,000.

The directors are of the opinion, based on legal advice, that no provision is required.

In the directors' opinion, disclosure of any further information about the above matters would be prejudicial to the interests of the Company.

Contingent liabilities considered remote

Warranties
The Company has provided warranties to the purchaser of Sleepy's Pty Limited under the Sale Agreement relating to ownership, authority, compliance with relevant laws, disclosure of material issues and accuracy and completeness of information provided.

Guarantees
(i) Under the terms of a Deed of Cross Guarantee, described in Note 8, the Company has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed is wound up.
Deficiency in net assets exists in these companies at reporting date:
- Buy Rite Store Pty Limited
- BSL Finance Pty Limited

(ii) The Company has guaranteed the bank facilities of certain controlled entities.

(iii) The Company has provided guarantees to third party landlords in relation to the performance and obligations of controlled entities with respect to property lease rentals. The guarantees are for the term of the respective leases, covering periods between 3 and 8 years.
In the directors' opinion, disclosure of any further information would be prejudicial to the interests of the Company.

NOTE 28: Events Subsequent to Reporting Date

Sale of Entity
Since 30 June 2005, the Company has announced the sale of its 50% controlling interest in the joint venture company Sleepy's Pty Ltd to Mattress Investments Pty Ltd for $1 million.

The contract will become binding upon certain conditions being met but is expected to be no later than 1 October 2005.

The sale will be completed on 31 December 2005 and is conditional on a number of events occurring including but not limited to the repayment of debts owing to BSL and its subsidiaries by both Sleepy's Pty Ltd and its franchisees.

Upon completion of the transaction, Sleepy's will remain a member of the BSL Group, receiving services including IT support on a fee for service basis.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Dividends
No dividends have been declared after 30 June 2005.

International Financial Reporting Standards
For reporting periods beginning on or after 1 January 2005 the consolidated entity must comply with Australian equivalents to International Financial reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan is detailed in Note 32 to the financial statements.

	Notes	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
NOTE 29: Cash Flow Information					
(a) Reconciliation of cash flow from operations with Operations with profit from ordinary activities after income tax.					
Profit from ordinary activities after income tax		580,475	2,906,910	213,673	3,219,497
Non-cash flows in profit from ordinary activities					
Amortisation & Depreciation		1,364,995	1,729,766	883,290	1,426,954
Decrease value of securities to market value		5,946	(27,919)	5,946	(27,919)
Charges to provisions		(193,196)	904,862	(246,334)	116,341
Movement in future income tax benefits		237,777	(236,631)	(836,962)	6,835
Movement in income taxes payable		(1,245,176)	(427,574)	(1,534,155)	(337,043)
(Profits)/Losses on sale of property, plant, equipment and vehicles		-	212,225	-	223,275
(Profits)/Losses on sale of securities		(35,540)	14,939	(47,542)	14,939
Changes in assets and liabilities					
Movement in inventories		1,032,383	(9,562,299)	165,196	(5,091)
Movement in prepayments		(542,664)	740,076	218,686	885,514
Movement in trade and term debtors		(15,072,293)	(4,367,627)	7,797,579	(2,018,804)
Movement in creditors and accruals		1,850,587	6,729,109	(6,399,106)	1,559,752
Cash Flows from operations		(12,016,706)	(1,384,163)	220,271	5,064,249
(b) Reconciliation of Cash Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows :					
Cash at bank and on hand		9,097,574	331,791	3,178,398	66,812
Short term deposits		-	-	-	-
		9,097,574	331,791	3,178,398	66,812

(c) Non-cash financing activities
During the year the economic entity acquired leased plant, equipment & motor vehicles with an aggregate fair value of $1,844,048 by means of finance lease.
These acquisitions are not reflected in the statement of cash flows.

During the year the parent entity acquired leased plant, equipment & motor vehicles with an aggregate fair value of $1,723,702 by means of finance lease.
These acquisitions are not reflected in the statement of cash flows.

(d) Credit Standby arrangements with banks

	Notes	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
Credit facility		47,500,000	15,000,000	17,000,000	5,000,000
Amount Utilised	15	(44,161,145)	(1,307,327)	(15,250,000)	(1,000,000)
Unused Credit Facility		3,338,855	13,692,673	1,750,000	4,000,000

Credit standby arrangements are comprised of:

Commercial Bill Facility
$10,500,000 one year variable interest rate facility provided by the Commonwealth Bank of Australia

$17,000,000 five year variable interest rate facility provided by the Commonwealth Bank of Australia

Receivables Financing
$20,000,000 variable interest rate facility provided by the Commonwealth Bank of Australia

	Notes	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
(d) Acquisition of entities					
During the year 100% of the controlled entity A K Truscott Investments Pty was acquired. Details of the transaction net of cash acquired are:					
Cash Consideration		19,028,208	-	-	-
Assets and liabilities held at acquisition date:					
Receivables		12,307,126			
Inventories		9,236,209			
Property, plant and equipment		520,001			
Other Assets		1,935,454			
Creditors		(4,206,274)			
Other Liabilities		(630,522)			
		19,161,994			
Discount on consolidation		(133,786)			
		19,028,208			

NOTE 30: Segment Reporting

	Franchisor Operations 2005	Franchisor Operations 2004	Central Accounting 2005	Central Accounting 2004	Retail Operations 2005	Retail Operations 2004	Eliminations 2005	Eliminations 2004	Economic Entity 2005	Economic Entity 2004
(a) Primary reporting - Business segments										
REVENUE										
External sales (refer note 2)	68,502,211	64,528,420	103,311,667	57,238,961	78,767,023	44,154,423	-	-	250,580,901	165,921,804
Internal sales	1,938,959	1,105,123	3,430,427	974,336	36,209	503,346	(5,405,595)	(2,582,805)	-	-
Total revenue from ordinary activities	70,441,170	65,633,543	106,742,094	58,213,297	78,803,232	44,657,769	(5,405,595)	(2,582,805)	250,580,901	165,921,804
RESULT										
Segment result	3,827,196	2,977,533	(644,755)	223,027	(2,601,966)	(293,650)	-	-	580,475	2,906,910
ASSETS										
Segment assets	45,527,641	23,453,935	34,094,473	9,382,035	34,980,791	13,431,810	(28,711,068)	(9,063,992)	85,891,837	37,203,788
LIABILITIES										
Segment liabilities	28,794,337	14,206,464	34,772,725	4,457,760	17,666,613	13,725,460	(8,501,319)	(9,063,987)	72,732,356	23,325,697
OTHER										
Acquisitions of non-current segment assets	960,530	2,580,180	-	-	1,116,539	1,090,138	-	-	2,077,069	3,670,318
Depreciation and amortisation of segment assets	921,151	1,470,570	-	-	450,343	257,396	-	-	1,371,494	1,727,966
Other non-cash segment expenses	290,837	614,859	1,474,041	60,000	569,232	148,430	-	-	2,334,110	823,289

Business Segments

The economic entity has the following three business segments:

- Franchisor Operations segment reflects all activities and services that the Economic Entity provides for the benefit of its franchisees spread across Australia. Franchise operations are predominantly in the electrical retail industry and a controlled entity provides franchise operations in the retail bedding industry.

- The primary business segment titled Central Accounting refers to the acquisition of goods by the economic entity for subsequent resale to retailers.

- The Retail Operations segment refers to the retail stores operating under through the Buy Rite Stores Pty Ltd, Buy Rite Stores (Northern) Pty Ltd & AK Trusckott Investments Pty Ltd entities.

(b) Secondary reporting - Geographical segments
The company operates within a single geographical segment, being that of Australia.

NOTE 31: Director and executive disclosures for disclosing entities

Loans and other transactions with specified directors and specified executives

Loans

There were no loans outstanding at the reporting date to specified directors and specified executives.

Other transactions with the Company or its controlled entities

From time to time, specified directors and specified executives of the Company or its controlled entities, or their personally-related entities, may purchase goods from the economic entity. These purchases are on terms and conditions no more favourable than those entered into by unrelated customers and are trivial or domestic in nature.

Remuneration

Details of Directors' and Executives' remuneration are included in the Remuneration Report as set out in page 15 to 18.

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of Betta Stores Limited held, directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities is as follows:

	Held at 1 July 2004	**Issue of shares from restructure 13/7/04**	**Purchases**	**Received on exercise of options**	**Sales**	**Held at 30 June 2005**
Specified directors						
Tynan PJ	-	496,556	-	-	-	496,556
Johnson ED	-	1,531,087	52,796	-	-	1,583,883
Sutherland NJ	-	444,789	-	-	100,000	344,789
Cain RL	-	639,335	-	-	-	639,335
Currington GJ*	-	243,322	-	-	-	243,322
McClelland DC	-	532,153	18,350	-	-	550,503
Specified executives						
Houghton GT	-	10,000	378,572	-	-	388,572
Mursell I	-	-	-	-	-	-
Hazell DR	-	-	-	-	-	-
Goode DJ	-	10,000	265,690	-	-	275,690
Quinn NT	-	10,000	345	-	-	10,345
Putt M	-	-	-	-	-	-
Lee C	-	-	-	-	-	-
Whitehead RB	-	-	-	-	-	-

*An off market transfer took place in June 2005 to split the shareholding between two partners in proportion to ownership of partnership. The original allotment was for 304,152 with 60,830 allocated to another business partner

The movement during the reporting period in the number of retailer shares of Betta Stores Limited held, directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities is as follows:

	Held at 1 July 2004	Issue of shares from restructure 13/7/04	Purchases	Received on exercise of options	Sales	Held at 30 June 2005
Specified directors						
Tynan PJ	-	50	-	-	-	50
Johnson ED	-	50	-	-	-	50
Sutherland NJ	-	50	-	-	-	50
Cain RL	-	50	-	-	-	50
Currington GJ	-	50	-	-	-	50
McClelland DC	-	50	-	-	-	50
Specified executives						
Houghton GT	-	-	-	-	-	-
Mursell I	-	-	-	-	-	-
Hazell DR	-	-	-	-	-	-
Goode DJ	-	-	-	-	-	-
Quinn NT	-	-	-	-	-	-
Putt M	-	-	-	-	-	-
Lee C	-	-	-	-	-	-
Whitehead RB	-	-	-	-	-	-

NOTE 32: Impact of adopting Australian equivalents to International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the economic entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

Transition management

Betta Stores has commenced transitioning its accounting policies and financial reporting from current Australian GAAP to Australian equivalents of IFRS.

A convergence project has been established to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

Key tasks of the convergence project include:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS;
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- development of revised accounting policies, business processes and financial reporting disclosures for compliance with AIFRS requirements and to support AIFRS reporting obligations;
- identification of potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of AIFRS;
- development of training programs for staff as required.

The project is achieving its scheduled milestones and the economic entity is expected to be in a position to fully comply with the requirements of AIFRS for the financial year ending 30 June 2006.

Impact of transition to AIFRS

The expected impact of adopting AIFRS disclosed in this note is based on work-in-progress of the AIFRS project team and may be subject to change. In addition, certain choices of accounting policies and elections under AIFRS are still being analysed to determine the most appropriate policy for the Company and the economic entity. Further impacts of transition to AIFRS may be identified as the AIFRS project team conclude the implementation project. Accordingly, the impacts disclosed should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRS. There can be no assurances that all significant impacts of the transition to AIFRS have been identified.

The AIFRS project has not been finalised due to the recent appointments of the new CFO and will be finalised by 31 December 2005.

The impact of transition to AIFRS, including the selection and application of AIFRS accounting policies, are based on AIFRS standards that management expect to be in place, or where applicable, early adopted, when preparing the first complete AIFRS financial report (being the half-year ending 31 December 2005). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Company's and economic entity's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

The rules for first time adoption of AIFRS are set out in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The Standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS. The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB 1 are set out below:

(a) Property, plant and equipment

The economic entity measures its land and buildings at fair value. Under current Australian GAAP, revaluation increments and decrements within a class of assets must be set-off, however, AIFRS requires revaluations to be tracked on an individual asset-by-asset basis. This change in accounting policy may result in the recognition of impairment losses in the profit and loss even though the class of assets has increased in value.

Also, under AIFRS the gain or loss on the disposal of property, plant and equipment will be recognised on a net basis as a gain or loss rather than separately recognising the consideration received as revenue.

(b) Leased assets

Classification

At the date for transition to AIFRS leases will be classified as operating leases or finance leases on the basis of circumstance existing at inception of the lease. Under Australian GAAP certain leases were classified as operating leases that are classified as finance leases under AIFRS due to differences in the classification criteria. AIFRS requires consideration of the probability of expected risks and benefits not just the possible risks and benefits.

Make good provisions

The economic entity has certain operating leases that require the asset to be returned to the lessor in its original condition. The operating lease payments do not include an element for the repairs/overhauls.

Under current Australian GAAP the costs of refurbishment are not recognised until the expenditure is incurred, whereas under AIFRS a provision for refurbishment costs must be recognised over the period of the lease, measured at the expected cost of refurbishment at each reporting date.

(c) Business combinations

At transition date, AASB 1 makes available the following courses of action:

- Apply AIFRS retrospectively to all past business combinations;
- Utilise an exemption for all past business combinations; or
- Apply AIFRS retrospectively to some past business combinations and utilise the exemption for all later business combinations

A retrospective application of AIFRS to a specific business combination would require the reversal of any accumulated goodwill amortisation and a re-examination of the recognition and measurement of assets and liabilities acquired.

The exemption permitted by under AASB 1, allows the classification and accounting treatment of business combinations that occurred prior to transition date to be restated in preparing the opening AIFRS balance sheet. The assets and liabilities are then subject to the other requirements of AASB 1, as discussed.

The economic entity has not yet determined which course of action it will take with regard to the business combinations that occurred prior to 1 July 2004, however the accounting policy changes described in this note are based on the assumption that the exemption will be utilised for all business combinations prior to transition date.

Comparative period

Business combinations that occurred on or after 1 July 2004 will be restated to comply with AIFRS. All business combinations will be accounted for by applying the purchase method. The expected adjustments in the economic entity have not yet been identified. No adjustments are expected for the Company.

(d) Intangible assets

Goodwill

Goodwill represents the difference between the cost of a business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

In respect of acquisitions prior to transition date, goodwill is expected to be included on the basis of its deemed cost, which represents the amount recorded under Australian GAAP, adjusted for reclassifications of other intangible assets not meeting the AIFRS recognition criteria. No reclassifications are expected.

Goodwill will be stated at cost less any accumulated impairment losses. Goodwill will be allocated to cash generating units and tested annually for impairment (refer (e) for further details on impairment testing).

Negative goodwill arising on acquisition will be recognised directly in profit and loss unless it is deemed to be a transaction with owners. Under current Australian GAAP negative goodwill is allocated to the non-monetary assets acquired.

Other intangible assets

Other intangible assets acquired will be stated at cost less accumulated amortisation and impairment losses.

On transition other intangible assets are being reviewed to ensure they are capable of recognition under AASB 138 *Intangible Assets* and tested for impairment.

Amortisation

Amortisation will be recognised on a straight-line basis over the estimated useful lives of the intangible assets, unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life will not be subject to amortisation but tested for impairment annually. Other intangible assets will be amortised from the date they are available for use. Changes in useful life on transition to AIFRS will be accounted for prospectively.

(e) Impairment

Under current Australian GAAP the carrying amounts of non-current assets valued on a cost basis are reviewed at reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount the asset is written down to the lower amount, with the write-down recognised in the income statement in the period in which it occurs. Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

Under current Australian GAAP the collectability of receivables is assessed at each reporting date and a provision is raised based on the age of the outstanding overdue balance to allow for doubtful accounts.

Under AIFRS, the carrying amount of the economic entity's non-current assets and deferred tax assets will be reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount.

If there is any indication that an asset is impaired, the recoverable amount will be estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit to which the asset belongs will be determined.

A cash generating unit will be the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets. Each cash-generating unit must be no larger than a segment.

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash generating unit, exceeds its recoverable amount. Impairment losses will be recognised in the income statement.

Impairment losses recognised in respect of a cash generating unit will be allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the unit pro rata based on their carrying amounts.

Goodwill and indefinite life intangible assets will be tested for impairment as at transition date and annually thereafter.

Calculation of recoverable amount

Under current Australian GAAP, the recoverable amount of non-current assets was assessed at an entity level using undiscounted cash flows.

The recoverable amount of assets will be the greater of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows will be discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit. Cash flows will be estimated for the asset or cash generating unit in its current condition and therefore will not include cash inflows and outflows improving or enhancing the asset's performance or expected to arise from future restructuring not yet committed to at testing date.

Reversals of impairment

Under current Australian GAAP impairment losses have not been reversed.

Under AIFRS an impairment loss in respect of goodwill must not be reversed. In respect of other assets, an impairment loss will be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss will be reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

There is no expected impact of this change in treatment on transition.

(f) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences will not be provided for: goodwill for which amortisation is not tax deductible, the initial recognition of assets and liabilities that affect neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

Tax consolidation

As set out in Note 1, the Company is the head entity in a tax-consolidated group. Under current Australian GAAP, the head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions). Assets and liabilities arising under tax funding arrangements are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

Under AIFRS, accounting for the impact of the tax consolidation system in the separate financial statements of the members of a tax-consolidated group is addressed by UIG 1052 Tax Consolidation Accounting. Wholly owned subsidiaries in a tax-consolidated group must recognise their own tax amounts directly, and the current tax liability (asset) and any deferred tax asset relating to tax losses are assumed by the head entity. Assets and liabilities arising under tax funding arrangements are recognised as intercompany assets and liabilities. Any differential between the net tax amount assumed from subsidiaries and the amount recognised under tax funding arrangements is recognised as an equity contribution or distribution.

As UIG 1052 was approved by the AASB at its meeting on 8-9 June 2005 the impact of the pronouncement on the company and the wholly owned subsidiaries has not yet been quantified.

(g) Borrowing costs

Current Australian GAAP requires borrowing costs relating to qualifying assets to be capitalised as part of the cost of the asset.

Under AIFRS borrowing costs may either be recognised as an expense in the period in which they are incurred, or where they are directly attributable to the acquisition, construction or production of a qualifying asset they may be capitalised as part of the cost of the asset.

The economic entity expects to apply the allowed alternative treatment under AASB 123 and therefore will continue to capitalise borrowing costs where they are directly attributable to the acquisition, construction or production of a qualifying asset.

There is no expected impact on the economic entity in relation to this choice of AIFRS accounting policy as there is no expected change from the current policy under Australian GAAP.

(h) Financial instruments

The Group expects to take advantage of the election in AASB 1 to not restate comparatives for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. There are no expected adjustments in relation to these standards for 1 July 2004 or the financial year ended 30 June 2005 as current Australian GAAP is expected to continue to apply.

Under current Australian GAAP not all derivatives were recognised on the balance sheet. On adoption of AASB 139 all derivatives will be recognised at fair value on the balance sheet.

NOTE 33: Company Details

The registered office of the company is:

Betta Stores Ltd
97 School Street
Spring Hill Qld 4000
ABN 44 009 710 605

Betta Stores Limited
ABN 44 009 710 605

Directors' declaration

1 In the opinion of the directors of Betta Stores Limited ("the Company"):

(a) the financial statements and notes, set out on 21 to 43, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and economic entity as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 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.

2 There are reasonable grounds to believe that the Company and the controlled entities identified in Note 8 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2005.

Signed in accordance with a resolution of the directors:

Patrick Tynan	Neville Sutherland
Director	*Director*

Dated at Brisbane this 30th day of September 2005

Chartered Accountants
Business Advisers and Consultants

Grant Thornton

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF BETTA STORES LIMITED

Scope

The financial report and directors' responsibility
The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Betta Stores Limited (the company) and the consolidated entity for the year ended 30 June 2005. 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 and Assurance 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 judgment, 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.

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.

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INDEPENDENT AUDIT REPORT
TO MEMBERS OF BETTA STORES LIMITED (cont)

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Betta Stores Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australian.

GRANT THORNTON
Chartered Accountants

Grant Thornton
Dan Carroll

D J CARROLL
Partner

Brisbane

30 September 2005