"Tall oaks from little acorns grow."

Abraham Lincoln

Annual Report 2004

BSL™

Betta Stores Limited

ABN 44 009 710 605

Our Vision

To be an industry leader that people…
want to do business with… want to work for… want to own.

Our Mission

To utilise our expertise across the industries we operate in by developing and delivering integrated services that build value for our customers, company and shareholders.

Betta Stores Limited
ABN 44 009 710 605

BSL is a public company listed on the Newcastle Stock Exchange

Betta Stores Limited
97 School Street,
Spring Hill Qld 4000
Phone: (07) 3222-3999
Fax: (07) 3222-3939
Website: www.bsl.com.au

Annual General Meeting

The 2004 Annual General Meeting for BSL will be held at 97 School Street, Spring Hill on Monday 22 November, 2004 commencing at 9am. All Shareholders are invited to attend and are entitled to be present.

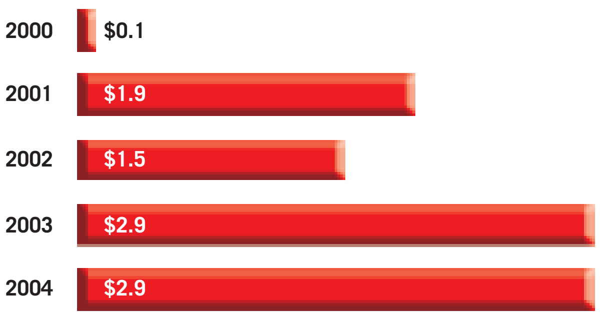
Contents

Performance Highlights

		2004	2003	% change	
Operating revenue	$000	**165,922**	88,505	87%	↑
Earnings Before Interest and Tax (EBIT)	$000	**4,368**	4,153	5%	↑
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	$000	**6,098**	5,044	21%	↑
Net profit attributable to Shareholders	$000	**2,900**	2,953	(2%)	↓
Total assets	$000	**37,204**	23,840	56%	↑
Total liabilities	$000	**23,326**	13,784	69%	↑
Net borrowings	$000	**4,680**	2,503	87%	↑
Shareholder's equity	$000	**13,878**	10,056	38%	↑
Cash flow from operating activities	$000	**(1,384)**	2,369	(158%)	↓
Capital expenditure on property, plant and equipment	$000	**2,733**	1,087	151%	↑
Depreciation and amortisation	$000	**1,730**	891	94%	↑
Earnings per share before goodwill amortisation†	cents	**6.5**	6.2	4%	↑
Net tangible assets per share†	cents	**27.2**	20.9	30%	↑
Net assets per share†	cents	**29.6**	21.5	38%	↑
Gearing (net debt to equity)	%	**34%**	25%	35%	↑
Net interest cover (cash basis)	times	**13.6**	19.3	(29%)	↓

† Presented for comparison purposes only - based on 46,818,400 Ordinary Shares issued on 13 July, 2004 (refer to note 28 in the 2004 Financial Report).

OPERATING PROFIT AFTER TAX ($'m)

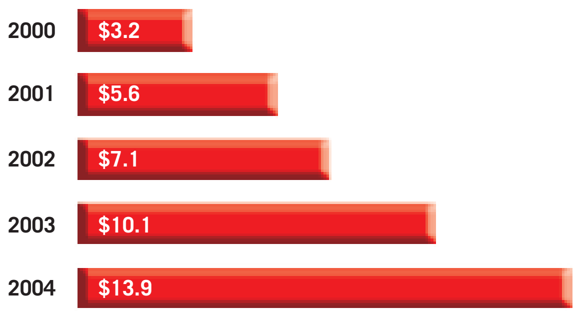


Net Consolidated Operating profit after tax was $2.9M which is in line with last year's result of $2.95M.

REVENUE ($'m)

Gross Consolidated Revenue increased by 87% to $166M, mainly due to retail sales in Buy-Rite Stores Pty Ltd and increase in Central Accounting turnover in BSL Finance Pty Ltd.

NET ASSETS ($'m)



Net Consolidated Assets increased by 38% to $13.9M.

Corporate Strategy

Environmental Pressures

BSL's core business is as a franchisor in the electrical and bedding retail markets. As a major player in these markets, BSL provides services to over 360 shop fronts across Australia.

The electrical and bedding retail markets are characterised by intense competitive pressures for both BSL and its retail customers.

Our Growth Imperative

The current environmental pressures have culminated in a clear growth imperative for BSL. First, these pressures clearly demonstrate that success in electrical retailing depends on cost advantages achieved through economies of scale.

This is being accomplished by defraying systems and mass advertising costs across the organisation, and taking advantage of substantial purchasing power. In addition, BSL's market position, while significant, must continue to increase.

There are four key growth opportunities:

1. OUR BRANDS: One of BSL's most important assets is its retail brands. BSL is revitalizing and better defining to the consumer the promise made by its brands, and assisting retailers to deliver on this offer. From a retailer perspective, this involves meeting standards for branding, merchandising and store layout. From BSL's perspective, this involves aligning its service delivery to the new offer, providing leadership to demonstrate how the standards should be met and assisting BSL's retailers to finance any upgrade to this offer. Having revitalized the consumer offer to constantly exceed expectation we are confident we will continue to grow in excess of the market.

2. DEVELOP HIGH VALUE SERVICES: Our core business is in the electrical appliance retail industry. To continue our recent success, we must further improve the value we provide to our retailers. A good example of this improved level of service is the proposed expansion of financial services to retailers within the group.

3. RETAIL: While committed to our core business as a Franchisor, the changing nature of the industry dictates that we need to do things differently. This has culminated in the recent acquisition of the group's largest retailer Buy-Rite Stores and the appetite for further expansion of this business. Joint ventures are also being investigated as a way of developing strategic opportunities into the future.

4. COST REDUCTION: We can provide a substantial cost advantage to our retailing businesses by defraying our system costs over, and use our expertise with, a broader group of users. This strategy also reduces our level of risk by diversifying our income streams across many industries and users thus reducing our exposure to one specific industry.

1961
The beginning of the BSL Group and Betta Appliance Centre store opened

1966
BSL becomes an unlisted public company

1978
BSL takes over SANTA (NSW Buying group)

1985
BSL offers membership to all UBA members

BSL becomes a National Group

1991
First computer system introduced

1993
First Betta Electrical store opens

1995
First Brms computer system released

1995
BSL and ANSL (New Zealand) sign licencing agreement

2000
BSL formulates 'Securing our Future Together' strategy map

2000
BSL Group aquires assets of Vox business Including Chandlers

2003
BSL Group acquires Buy-Rite Discounts (Victoria)

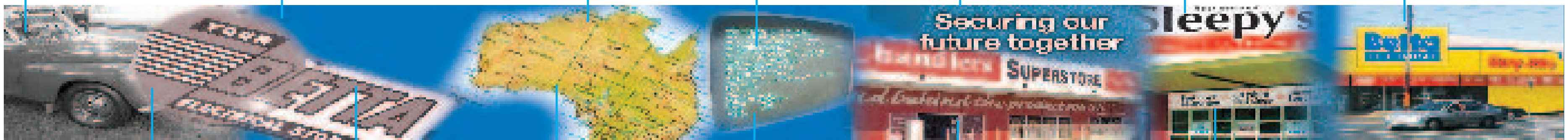
2003
Sleepy's joint venture commences

IB Global retail management system is released

Buy-Rite stores acquires 2 Chandlers stores in the NT

2004
BSL Finance is created

Betta Electrical Pty Ltd is created as a franchisor



Chairman's Report

"I have great pleasure in presenting the 2004 Annual Report for Betta Stores Limited and its controlled entities. Your company has had another successful year, with audited net profit after tax for the year ended 30 June 2004 amounting to $2.9M, which was in line with the previous year's result of $2.95M. Underpinning the result was a 13% increase in franchise revenue to $64.5M, which has been driven by favourable trading conditions in the Betta Electrical, Chandlers and Sleepy's franchises."

A more detailed explanation of the company's financial results is included in this Annual Report.

Perhaps more importantly for the company and its stakeholders, 2004 has been a formative year in the company's transition from a co-operative buying group to a fully-integrated franchisor, retailer and retail services provider. We finished the year poised to enter the realm of a publicly listed company. This process has now been underway since the introduction of the "Securing Our Future Together" strategic plan in 2000 and has culminated in the following milestones during the 2004 financial year:

- Diversification of franchise operations into the bedding industry through the 50% joint venture interest in Sleepy's the Mattress Specialists. Sleepy's is Australia's fastest growing retail bedding franchise with 32 outlets currently across all mainland states with a plan to reach 80 stores nation wide in the coming years.
- Commencement of electrical retailing, as a result of the acquisition of 9 stores in Melbourne and the Northern Territory, operating under the Betta Electrical or Chandlers brands.
- Investment of around $2M in upgraded information technology systems, which now sees over 360 shopfronts, and all corporate offices, connected via an ADSL-based wide-area network to a centralised data centre in Brisbane. This infrastructure provides a fully managed solution available to all group retailers utilising BSL's market-leading retail management system (IbGlobal).
- Continued expansion of finance-related services, with our central accounting service seeing turnover increase by 118% to $57.2M.
- Restructuring of the company's share capital, to issue Ordinary Shares to all existing shareholders, and Retailer Shares (which hold a right of veto over certain resolutions) to all group retailers, and
- Listing of the company's Ordinary shares on the Newcastle Stock Exchange on 23 August 2004.

All of these initiatives have been put in place to continue the company's long-term strategy to grow the wealth of its stakeholders into the future by building a group of highly-complimentary businesses and services. A key component of our future strategy is to look for growth opportunities that are compatible with our existing businesses and skills base.

I look forward to continuing to serve all shareholders in my capacity as Chairman, and I would like to thank my fellow Directors for the quality of their contributions over the past year, and for their ongoing commitment to the prosperity of the company.

As is the case in all companies today the commitment in time and skills is ever increasing and without this commitment we would not have achieved such sound results.

I would also like to extend the Board's thanks to our CEO, Guy Houghton and his Management team for their unwavering dedication to ensuring the ongoing success of the company.

Our industry continues to face increased competition and rapid change from the introduction of new technologies and products, and your Board is confident that the initiatives undertaken during the past year and plans for the coming year will position BSL to compete strongly and successfully for many years to come.

Patrick Tynan
Chairman of Directors

CEO's Report

"Since the development of our 'Securing Our Future Together' Strategic Plan in 2000, BSL has enjoyed successive years of earnings and profit growth. In many ways 2004 was a watershed year for the company as it re-engineered its structure to more accurately reflect the company of today. This included the creation of separate Franchising, Retailing and Financial Services businesses. The outlook is one of growth, aggressive marketing and improved market position across all business units which in turn will provide enhanced revenue and earnings."

Once again it is my pleasure on behalf of the management team to report a sound financial performance and significant strategic advancements for the 2004 financial year. In last year's Annual Report, I touched on the Sleepy's joint venture and the acquisition of the Buy-Rite Group subsequent to year end. Both of these recent ventures have now been fully integrated into the BSL group, and as a result we can expect to enjoy good profits from these businesses into the future.

The 2004 year saw the continued development of Central Accounting services for all group retailers, a move which will add additional value to the company and its customers as it grows. We also invested heavily in the development of two secure data centers and a communications infrastructure to ensure our retailers have access to their data where and when they need it. Most importantly we improved the level of services to all customers whilst amortising our costs across a greater number of users.

In addition the Directors and Management sought advice, developed a model and ultimately gained overwhelming shareholder approval to take the company public with a listing on the Newcastle Stock Exchange on 23 August 2004.

Put simply, the 2004 year was a year of investing in our future, whilst not losing sight of our core franchising business - this I believe was clearly achieved.

Financial Performance

As presented in the financial statements, the BSL group again achieved a sound result. Operating revenue grew to $166 million - an increase from $89 million in 2003. Whilst central accounting and the recently acquired retail businesses were the major contributors to this growth, the core franchise business also grew its revenue by 13% to $64.5million.

EBITDA grew to $6.1million from $5.8 million in 2003, and more than doubled that of 2002, with the net profit after tax result of $2.9 million being in line with the 2003 result. This result has been achieved despite the acquisition of two loss-making retail businesses, one of which was the largest retailer/franchisee within the group, and also as BSL funded the significant growth in central accounting and the development of its state of the art retail management systems. In short, the core franchising business remains in excellent shape, and will continue to go from strength to strength.

Net assets continued to grow, reaching $13.9 million verses $10.1 million in 2003. Employee numbers also increased as a result of the 9 retail stores in Victoria and the Northern Territory, to 224 employees.

Cash Flows

Cash flows from operations showed a net outflow of $1.4 million for the year. Whilst cash receipts from operations increased by 44.4%, or $53.5 million over the 2003 year, this increase was offset by an increase in payments to suppliers, predominantly for the acquisition of retail inventories and other associated costs of Buy-Rite Stores Pty Ltd.

A total of $3.3 million was invested by the business in plant and equipment, mainly centralised IT systems, and for the acquisition of the Buy-Rite business in Victoria.

These operating and investing cash outflows were financed via drawdown of additional borrowings.

Changes to the Reporting Structure

Early in the 2004 financial year, all group operations were moved into separate subsidiaries in line with our corporate strategy. Each subsidiary has a specific business function to perform, and is staffed by persons with the appropriate skills for each business. In short, the revised group structure is as follows:

- Betta Stores Limited – is the controlling entity, responsible for executive management and strategic direction of the group.
- Betta Electrical Pty Ltd and Sleepy's Pty Ltd – act as franchisors and service provider to all group retailers trading under the Betta Electrical, Chandlers, and Sleepy's brands, or under their own "independent" brands.
- Buy-Rite Stores Pty Ltd – conducts consumer electronics retailing operations through 7 stores in Victoria and 2 stores in the greater Darwin area under either the Betta Electrical or Chandlers brands.
- BSL Finance Pty Ltd – provides all central accounting services to group retailers, along with a number of other financial services.

Strategic Direction

Clearly BSL is seeking to enhance its already strong position in the markets in which it operates, by becoming an integral partner with its franchisees as well as a strong retailer in its own right. This objective will be achieved by expanding key services including Buying and Marketing, the maximisation of its financial services including the rapid expansion of Central Accounting and the growth of company-owned and joint venture retailing businesses.

BSL management believes that the markets in which we operate are now moving and realigning themselves quicker than ever before and we intend to be at the forefront of this change. Worldwide, small to medium enterprises are being consumed by the larger and more dominant operators and without a support structure such as BSL this is destined to happen in the Australian markets also. By expanding into retailing and financial services, the BSL group can better assist is core franchising business to develop plans to ensure long term sustainability for independent retailers – it is our belief that no other retail services group can do the same.

As our vision for the company states, we are building BSL into an industry leader that people:

- want to do business with
- want to work for
- want to own

Guy Houghton
Chief Executive Officer

'Put simply, the 2004 year was a year of investing in our future whilst not losing sight of our core franchising business; this I believe was clearly achieved.'

Company Operations Franchising

Franchising

	2004	2003	% change
	$'000	$'000	
Operating Revenue	64,528	56,956	13%
NOPAT	2,978	3,028	(2%)
EBIT	4,485	4,317	4%
EBITDA	5,957	5,208	14%

OPERATING REVENUE – FRANCHISOR OPERATIONS ($'m)

Franchising Activities

The core business of the BSL group is franchising and service provision to more than 360 retailers across Australia operating under the Betta Electrical, Chandlers, and Sleepy's brands, or under their own "independent" brands.

Key services provided to all group retailers include:

- Buying services,
- Advertising and promotional support,
- Information Technology and communications infrastructure,
- Liaison with key group suppliers,
- Training and Development programs, and
- New store development and design.

Group retailers are supported though a network of state offices in every mainland state.

Consumer Electronics Franchising

These services are provided through Betta Electrical Pty Ltd ('BE'), a wholly- owned subsidiary of Betta Stores Limited.

All franchisees trading under the Betta Electrical or Chandlers brands are licenced in accordance with the Franchise Code of Conduct, with BE providing different service offers to those franchisees depending on their needs.

BE generates franchising fees in return for the provision of these services, as well as generating revenue from key group suppliers. These revenues increased in the 2004 financial year by 13% to a total of $64.5 million, on the back of strong retailer purchases.

A key driver for BE is to provide relevant services to its customers (being group retailers) that both simplify their operations and add to their bottom line profitability. At BE, we believe there are two ways to achieve these objectives:

- Firstly, we must provide a buying platform for retailers to buy competitively. Whilst acknowledged that it is not possible to always buy at the best possible price, the merchandise buyers at BE are charged with negotiating the right deals for all group retailers. In many cases this is achieved, however additional resources are now being applied to this area to further improve our ability to provide this service.

- The second area of BE's focus is that of cost reduction. Whilst internally we have been focusing on a cost out strategy now for several years with good success, it is also seen as a major responsibility of BE to look to new areas to reduce supply chain costs across the group.

These services include:

- the upgraded IbGlobal retail management system, which is available to all group retailers, and
- integrated advertising and promotional activity which runs constantly throughout the year.

As retail margins continue to decline, the provision of new and improved services such as these will be ever more important in the future.

Bedding Franchising

These services are provided through Sleepys Pty Ltd, which is 50% owned by Betta Stores Limited in conjunction with our joint venture partner, Mattress Investments Pty Ltd. Sleepy's financial results are included in the results of the economic entity.

BSL provides all financial and operational support to the franchise, and Mattress Investments is primarily responsible for identifying new retail sites and potential franchisees.

Today Sleepy's operates 32 franchised stores across Australia, and is already Australia's fastest growing mattress specialist, with a strong growth strategy for the coming years.

As with BE, Sleepy's also derives its revenue from fees charged to the franchisees for services provided.

Company Operations Retailing

Retailing

	2004	2003	% change
	$'000	$'000	
Operating Revenue	44,154	–	–
NOPAT	(294)	–	–
EBIT	(456)	–	–
EBITDA	(199)	–	–

On 4 August 2003, the BSL group entered the retail arena for the first time in its history, with the acquisition of its largest franchisee, Buy-Rite Discounts in metropolitan Melbourne. Several months later a further acquisition was made, this time in the Northern Territory, via two Chandlers stores both situated within the greater Darwin area.

All retailing operations of the BSL group are conducted through Buy-Rite Stores Pty Ltd, a wholly-owned subsidiary of Betta Stores Limited.

At the time of acquisition both businesses (in Melbourne and Darwin) were in severe loss making positions, with 2003 losses approximating $2million.

It was seen however that both businesses not only had significant strategic importance to the group overall, but also presented an excellent opportunity to return to profitable businesses in their own right within the medium term.

Phase 1 of BSL's strategy following the acquisition of these businesses has been to bring them back to a break-even position financially, by bringing about improved efficiencies in the back end operations – this process has been successful, and will continue into the 2005 year.

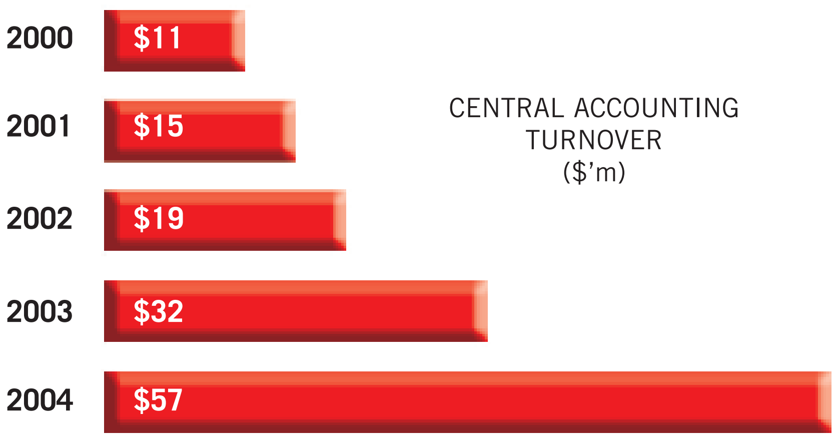
The focus is now shifting to the consumer offer of all stores, which to date has also been unsatisfactory. With the introduction of a new management team in recent months, we expect this improved consumer focus to provide direct returns to the bottom line.

Whilst the key objective of Buy-Rite Stores is to return satisfactory profits to the group, the business is also being developed as a training ground for prospective franchisees, a research business for new opportunities and a development platform for new services. It is also the subsidiary which will develop future retail opportunities through the opening of greenfield stores and acquisitions as they become available. It is anticipated that Buy-Rite Stores will continue to grow in size and turnover in the coming years and will soon be a strong contributor to the overall performance of the group.

Company Operations Finance

Finance

	2004	2003	% change
	$'000	$'000	
Operating Revenue	57,239	31,549	81%
NOPAT	223	(115)	294%
EBIT	340	(165)	306%
EBITDA	340	(165)	306%



BSL Finance Pty Ltd is a wholly-owned subsidiary of BSL, and has been established to provide all finance-based services within the BSL Group as a primary component of the group's aim to become the most cost-efficient distribution network for our supplier and retail partners.

The primary service currently offered by BSL Finance is that of central accounting, whereby individual retailers retain the freedom of ordering stock individually from group suppliers, and receiving an invoice from BSL Finance rather than from the supplier – BSL Finance then pays all suppliers for inventory purchases made by individual group retailers. This service allows suppliers to deal with one customer, rather than a large number of individual account customers, thereby reducing the ongoing administrative costs of dealing with BSL group retailers.

BSL has developed industry-leading IT systems to enable all central accounting orders and invoices to be processed electronically, which dramatically reduces the supply-chain costs for suppliers and back office costs for group retailers on each transaction. The establishment of these IT systems over the past financial year has seen a number of new suppliers using the service, resulting in turnover nearly doubling to $57M during the 2004 financial year. This turnover will continue to increase as central accounting is introduced across more suppliers and group retailers.

BSL Finance also offers a number of services aimed at adding value to the retail operations of all group retailers, including retail performance benchmarking, stock profitability planning, shop fitout financing, financial forecasting and demographic analysis and mapping.

Board of Directors

Patrick J TYNAN
(CHAIRMAN) B.COMM

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 Industry Association, and has over 26 years electrical wholesaling and retailing experience as owner of Tynan Betta Electrical. He is also a member of the Finance & Audit Committee.

Everard D JOHNSON
(DEPUTY CHAIRMAN)

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 & Maroochydore, and Hervey Bay & Canelands Chandlers, and has over 33 years experience in electrical retailing.

Reginald L CAIN

Reg has been a member of the Board since 29 November 1999 and has over 40 years experience in electrical retailing and service as owner of Able's Betta Electrical. He is Past President of the Gladesville Chamber of Commerce and is a foundation member of the Appliance Industry Association.

Graham J CURRINGTON

Graham has been a member of the Board since 26 November 2001 and has over 27 years experience in electrical retailing and service as owner of Ball & Croft at Colac, and previously of Warrnambool Betta Electrical.

Dominic C McCLELLAND

Dominic has been a member of the Board since 24 November 2003 and has over 23 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

Nev has been a member of the Board since 2 November 1981 and has over 27 years television repair experience, and over 25 years experience in electrical retailing as owner of Sutherlands Betta Electrical.

Company Secretary

Malcolm V LEEKE

Mal has been company secretary of BSL since 31 July 1961, and is principal of public accountants Malcolm V Leeke and Co.

Senior Executive Team

Guy HOUGHTON
(CHIEF EXECUTIVE OFFICER)

Guy has 24 years electrical industry experience. He was Sanyo General Manager (Sales & Marketing) before being appointed National Merchandise Manager for the Company in October 1998. In November 1999, Guy was appointed General Manger of the Company and became the Chief Executive Officer of the Company in June 2000.

Arthur TRINDALL
(NATIONAL BUSINESS MANAGER)

Arthur has 35 years retail industry experience. Prior to joining the Company in July 2003, in his current role of National Business Manager, Arthur was General Manger Action Supermarkets with Foodland Associated Ltd. His other roles with Foodland Associated Ltd included General Manager Operations.

David GOODE
(GENERAL MANAGER - FINANCE) B.BUS (ACC), ACA, ASIA

David has over 23 years experience in chartered accountancy and commercial businesses, specialising in the retail and property sectors, and was Director of Corporate Finance at Grant Thornton Chartered Accountants prior to joining BSL in February 2002. He is an Associate Member of the Institute of Chartered Accountants and of the Securities Institute of Australia.

David HAZELL
(GENERAL MANAGER - MARKETING & RETAIL)

David has over 41 years electrical industry experience. David as been employed by the Company since 2000 and has been in his current role of General Manger – Marketing & Retail since June 2002. David commenced his career in 1963 as a floor salesman with Chandlers. In 1976 David was appointed North Queensland Area Manger for Chandlers and was responsible for 15 stores. In 1985 David was promoted to General Manager of Marketing.

Nicole QUINN
(LEGAL COUNSEL) BA LLB

Nicole recently joined the Company, having previously advised the Company in her capacity as Senior Associate with McCullough Robertson for a number of years. Nicole has been admitted as a solicitor of the Supreme Court of Queensland and the High Court of Australia since July 1996. She has extensive commercial legal experience with expertise in Competition & Franchising Law and compliance management.

Corporate Governance

Betta Stores Limited is committed to best practice in all areas of corporate governance and, since listing on the Newcastle stock exchange on 23 August, 2004, ensuring compliance with all requirements applying to Australian listed companies. This corporate governance statement sets out the key governance principles and practices of BSL in order of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board is accountable to BSL's shareholders and other stakeholders for the overall performance of the BSL Group. The Board operates under a Board Charter that details its functions and the matters specifically reserved to it for decision. The Board is responsible for charting the strategic direction of the BSL Group. It approves and reviews performance targets and policy guidelines; appoints and removes the CEO; approves operating and capital budgets, major capital management and expenditure decisions; and oversees internal controls and compliance.

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. The full Board meets for at least nine regular meetings each year. Other meetings are called as deemed necessary. Meeting attendance for the 2003/2004 financial year is available in the attached Financial Report. At every Board meeting, Directors meet for a period without management present.

The Chairman is responsible for leading the Board in its duties, facilitating effective discussions at board meetings; ensuring procedures are in place to evaluate board performance and overseeing shareholder communications. The CEO is responsible for the efficient and effective operation of the BSL Group on a day to day basis, overseeing strategies approved by the Board and for bringing material and other relevant matters to the attention of the Board in an accurate and timely manner. Each month, Directors receive operating reports provided by senior management covering each core function of the BSL Group.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE.

BSL's constitution determines the number and composition of the Board. BSL's 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 exercised by the same person.

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 as described above, 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 independent of management and able to exercise objective, unfettered and independent judgment and act in the best interests of BSL.

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

With the consent of the Chairman, directors may seek external professional advice at the expense of BSL on matters connected with their responsibilities. No individual Directors exercised this right during the year.

All Directors are considered to have sufficient time available to discharge responsibilities to BSL.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

All Directors, the Executive Management Team and staff subscribe to a corporate culture of integrity and objectivity, striving to observe a high standard of business practice, behaviour and ethics. These values are reflected in BSL's values and mission statement, which are reviewed annually. BSL is in the process of developing a Code of Business Conduct which brings together elements of existing policies and practices and to further guide the Directors, Executive Management Team and staff as to the practices necessary to maintain confidence in BSL's integrity and as to the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

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. Under this Policy the Executive Management Team and staff are required to obtain the consent of the CEO before dealing in BSL securities.

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 BSL'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, culminating in Board sign-off and release of financial results. The CEO and the General Manager - Finance provide a written statement to the External Auditor and 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 responsibility 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) 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, General Manager-Finance and Financial Controller attend committee meetings by invitation.

The Finance & Audit Committee reviews the independence and objectivity of the external auditor. To enhance auditor independence, external auditor firm does not provide any non-audit services to the BSL Group.

The Finance & Audit Committee operates within guidelines set in the Board Charter. In accordance with the Best Practice Recommendations, a separate charter is being developed for the Finance & Audit Committee.

In addition, detailed monthly reporting of financial statements is provided to the Finance & Audit Committee and the Board.

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.

On listing, BSL adopted a Disclosure Policy and Shareholder Communication Policy which set out the requirements aimed to ensure full and timely disclosure to the market of material issues relating to BSL

Corporate Governance

to ensure all stakeholders have an equal opportunity to access information. The Policy reflects the ASX Listing Rules and Corporations Act 2001 continuous disclosure requirements and will be reviewed regularly.

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, and now that BSL is a listed company, through periodic analyst and media briefings.

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

BSL continues to develop and implement risk management strategies. This year a full IT disaster recovery plan was implemented. The Trade Practices and Privacy compliance program continued to be maintained, with all staff undertaking update training.

The Board and the Finance & Audit Committee are accountable for the 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. In addition each core business group provides reports on a quarterly basis of compliance with risk management and legal compliance policies.

The internal and external audit functions are separate and independent of each other. Internal audit functions may be outsourced. The Finance & Audit Committee is responsible for the appointment and removal of the internal auditor and for ensuring that the internal auditor is independent from the external auditor and approves the internal audit program for each year and the effectiveness of the function is kept under review.

In line with best practice, BSL has continued its policy requiring the CEO and General Manager - Finance to state to the Board in writing to the best of their knowledge that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently in all material respects.

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.

A formal induction program is in place for all staff. 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.

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 competitive and reflects good corporate governance;
- executive and employee wages be benchmarked against industry and occupational market forces;

- executive and relevant management remuneration be an appropriate balance of fixed and variable reward; and
- a significant proportion of executive and employee reward be dependent upon performance assessed against key business measures, both financial and non-financial.

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 2004 remuneration of the Directors and the five highest paid executive officers of the Company are included on page 30 of the 2004 Financial Report.

PRINCIPLE 10: RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

As well as its responsibility to shareholders, the BSL operates with regard to its retailers, retailers' consumers, employees, suppliers, customers and the community. Please refer to discussions regarding principles 3 and 6 for BSL's current communication policies and intention regarding development of a Code of Conduct.

2004 Financial Report

for the year ended 30 June 2004

Betta Stores Limited

ABN 44 009 710 605

DIRECTOR'S REPORT

BETTA STORES LTD ABN 44 009 710 605 AND CONTROLLED ENTITIES

Your directors present their report on the company and its controlled entities for the financial year ended 30th June 2004.

Directors

The names of the Directors in office at any time during or since the end of the year are:-

Patrick John TYNAN

Everard Desmond JOHNSON

Neville John SUTHERLAND

Reginald Leslie CAIN

Graham John CURRINGTON

Dominic Charles MCCLELLAND (appointed 24 November 2003)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Operating Results

The consolidated profit of the economic entity for the financial year after providing for income tax and eliminating outside equity interests amounted to $2,899,628 (2003 $2,952,596).

Review of the Operations and Results

Franchisor Operations:

The franchisor operations increased gross revenues by 15% over 2003 to $65.6m driven by a 5% increase in rebate revenue derived from Group Purchases over the previous comparable period.

Central Accounting:

Central accounting returned a net operating profit after tax of $223,027 (loss of $115,197 in 2003) for financial year 2004 after increasing gross revenues by 118% over the previous period to $58.2m. The significant growth in central accounting reflects the growth in the technology areas of the electrical retail business and the expansion of the central accounting facility into the retail bedding category.

Retailing Operations:

Buy Rite Stores Pty Ltd, a wholly owned subsidiary of the economic entity, acquired the electrical appliance retailing business of Buy-Rite Discounts Pty Ltd on 5 August 2003. Further, Buy Rite Stores Pty Ltd acquired the electrical appliance retailing business of Cybelectrics Pty Ltd on 30 September 2003. The retail operations generated gross revenues of $44.6m for the economic entity and incurred a loss of ($293,650) over the first 11 months of trade under the control of the economic entity.

Principal Activities

The principal activities of the economic entity during the financial year were

- Franchisor, conducted by Betta Stores Ltd and Sleepy's Pty Ltd
- Central Accounting, conducted by BSL Finance Pty Ltd
- Retailing of consumer electronics conducted by Buy Rite Stores Pty Ltd following the acquisition of the electrical appliance retailing business of Buy-Rite Discounts Pty Ltd on 5 August 2003.

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

Issue of Shares and Debentures

During the financial year the parent entity issued 3,900 (0 in 2003) A Class Shares and 27,300 (0 in 2003) B Class Shares. The parent entity cancelled 800 (400 in 2003) A Class Shares and 5,600 (2,800 in 2003) B Class Shares of 16 Shareholders who had left the group.

The company did not issue any debentures.

Dividends

No dividends have been paid, or are recommended to be paid during the year. As detailed in Note 28, subsequent to reporting date a fully franked ordinary dividend of 2.2 cents per share franked at a tax rate of 30% was proposed and paid after balance date.

After Balance Date Events

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.

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.

The financial effect of these transactions has not been brought to account in the 2004 financial report.

Except for the above items, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in future financial years.

Future Developments

Commencing 1 July 2004, BSL's wholly owned subsidiary, Betta Electrical Pty Ltd (BE) will conduct all franchisee operations for the Betta Electrical and Chandlers brands and services for the Associate Retailer's (non group branded) service level agreement. These principal activities were previously associated with BSL.

Any other likely developments in the operations of the economic entity and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the economic entity.

DIRECTOR'S REPORT

BETTA STORES LTD ABN 44 009 710 605 AND CONTROLLED ENTITIES

Directors' Particulars

Qualifications \ Experience	Meetings Attended: Board	Meetings Attended: F&A Committee	Shares Held: (A Class Voting)	Shares Held: (B Class Non-Voting)
P J TYNAN (B.Com Marketing) Chairman (Non-executive) 26 Years Electrical Wholesale & Retailing	9	5	50	350
E D JOHNSON Deputy Chairman (Non-executive) 33 Years Electrical Retailing & Service	9	-	50	350
N J SUTHERLAND 27 Years TV Repairs 25 Years Electrical Retailing	9	5	50	350
R L CAIN 40 Years Electrical Retailing & Service	9	-	50	350
G J CURRINGTON 27 Years Electrical Retailing & Service	9	-	50	350
D C MCCLELLAND 23 Years Electrical Retailing (appointed 24 November 2003)	6	-	50	350

There were nine Board Meetings held throughout the year and in addition to these meetings a Finance & Audit (F&A) committee of the Board has conducted five meetings during the year.

Directors and Auditors indemnification

During the financial year the economic entity has paid premiums to insure all of the directors and officers of the economic entity against liabilities for costs and expenses incurred by them or by the economic entity in defending any legal proceedings arising out of their conduct while acting as directors and officers of the economic entity, other than for conduct involving a wilful breach of duty in relation to the economic entity.

Other than the insurance premium detailed above the economic entity has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the economic entity or a related body corporate, indemnified or made any relevant agreement for indemnifying them against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Signed in accordance with a resolution of the Board of Directors.

Director

Director

BRISBANE QLD
20 September, 2004

Chartered Accountants
Business Advisers and Consultants

Grant Thornton

INDEPENDENT AUDIT REPORT
TO MEMBERS OF BETTA STORES LTD

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 Ltd and the consolidated economic entity, for the year ended 30 June 2004. The economic entity comprises both the company and the entities it controlled during that year.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional 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, including compliance with 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.

Independence

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

Level 4, Grant Thornton House
King George Square
102 Adelaide Street
Brisbane Qld 4000 Australia
GPO Box 1008
Brisbane Qld 4001 Australia
Tel: 61 (0)7 3222 0200
Fax: 61 (0)7 3222 0444
www.grantthornton.com.au

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

Audit opinion

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

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated economic entity's financial position as at 30 June 2004 and of their 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

GRANT THORNTON
Chartered Accountants

Dan Carroll

D J CARROLL
Partner

Brisbane 20 September 2004

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

		Economic Entity		Parent Entity	
	Notes	2004	2003	2004	2003
Revenue from sale of goods	2	100,191,003	31,670,481	51,221,438	30,291,860
Revenue from rendering services	2	64,067,687	56,149,584	61,448,434	55,933,601
Other revenues from ordinary activities	2	1,663,114	684,633	1,307,415	643,266
Total revenue from ordinary activities		165,921,804	88,504,698	113,977,287	86,868,727
Cost of sales	3	(92,404,900)	(31,578,820)	(51,072,701)	(30,189,828)
Administrative expenses		(5,195,928)	(2,140,440)	(3,352,356)	(2,014,715)
Marketing & Promotional expenses		(37,334,200)	(34,855,530)	(37,187,071)	(34,728,808)
Employment expenses		(12,957,132)	(6,330,446)	(7,708,849)	(6,277,258)
Computer Development & Support expenses		(2,633,139)	(2,445,634)	(2,544,411)	(2,443,785)
Occupancy expenses		(3,242,157)	(986,910)	(797,068)	(948,508)
Retail Support expenses		(7,731,317)	(5,866,823)	(6,451,993)	(5,852,998)
Borrowing costs expense	3	(231,534)	(147,765)	(225,940)	(147,197)
Total expenses from ordinary activities		(161,730,307)	(84,352,368)	(109,340,389)	(82,603,097)
Profit from ordinary activities before income tax expense		4,191,497	4,152,330	4,636,898	4,265,630
Income tax expense relating to ordinary activities	4	(1,284,587)	(1,239,421)	(1,417,401)	(1,273,348)
Profit from ordinary activities after related income tax expense		2,906,910	2,912,909	3,219,497	2,992,282
Net Profit/loss attributable to outside equity interests		(7,282)	39,687	-	-
Net profit attributable to members of the parent entity		2,899,628	2,952,596	3,219,497	2,992,282
Increase in asset revaluation reserve	19	871,328	-	871,328	-
Total changes in equity other than those resulting from transactions with owners as owners		3,770,956	2,952,596	4,090,825	2,992,282

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

		Economic Entity		Parent Entity	
	Notes	2004	2003	2004	2003
Current Assets					
Cash assets	29(b)	331,791	3,712,898	66,812	3,685,219
Receivables	6	16,786,535	12,418,908	22,681,614	12,326,014
Inventories	9	9,722,838	160,538	165,629	160,538
Current Tax Assets	12	157,422	-	66,891	-
Other financial assets	7	339,944	441,713	339,944	441,713
Other	10	563,795	1,325,671	404,045	1,311,359
Total Current Assets		27,902,325	18,059,728	23,724,935	17,924,843
Non-Current Assets					
Property, plant and equipment and vehicles	11	7,835,201	5,420,734	6,906,696	5,382,159
Other financial assets	7	-	-	12	12
Deferred tax assets	12	303,762	67,131	26,369	33,204
Intangible assets	13	1,162,500	292,500	-	-
Total Non-Current Assets		9,301,463	5,780,365	6,933,077	5,415,375
TOTAL ASSETS		37,203,788	23,840,093	30,658,012	23,340,218
Current Liabilities					
Payables	14	17,279,578	10,447,948	11,556,101	9,893,829
Interest bearing liabilities	15	1,858,020	515,794	1,517,620	507,071
Current tax liabilities	16	-	270,153	-	270,153
Provisions	17	1,054,365	380,736	452,815	377,758
Total Current Liabilities		20,191,963	11,614,631	13,526,536	11,048,811
Non-Current Liabilities					
Payables	14	-	102,520	-	102,520
Interest bearing liabilities	15	2,822,407	1,986,577	2,740,047	1,973,150
Provisions	17	311,327	80,095	121,379	80,095
Total Non-Current Liabilities		3,133,734	2,169,192	2,861,426	2,155,765
TOTAL LIABILITIES		23,325,697	13,783,823	16,387,962	13,204,576
NET ASSETS		13,878,091	10,056,270	14,270,050	10,135,642

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004 (CONTINUED)

		Economic Entity		Parent Entity	
	Notes	2004	2003	2004	2003
Equity					
Contributed equity	18	160,383	116,800	160,383	116,800
Reserves	19	1,469,240	597,912	1,469,240	597,912
Retained profits	20	12,280,872	9,381,244	12,640,427	9,420,930
Parent equity interest		13,910,495	10,095,956	14,270,050	10,135,642
Outside equity interest	21	(32,404)	(39,686)	-	-
TOTAL EQUITY		13,878,091	10,056,270	14,270,050	10,135,642

The accompanying notes form part of the financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Economic Entity 2004	Economic Entity 2003	Parent Entity 2004	Parent Entity 2003
Cash Flows from Operating Activities					
Revenue from operations		173,861,412	91,990,165	120,378,812	90,447,088
Payments to retailers, suppliers and employees		(173,430,102)	(88,392,823)	(113,870,261)	(87,199,017)
Interest received		144,257	214,689	509,835	214,689
Dividends received		19,413	18,512	19,413	18,512
Borrowing costs		(231,534)	(147,765)	(225,940)	(147,197)
Income tax paid		(1,747,609)	(1,313,404)	(1,747,609)	(1,313,404)
Net cash provided by (used in) operating activities	29(a)	(1,384,163)	2,369,374	5,064,250	2,020,671
Cash Flows from Investing Activities					
Proceeds from sale of property, plant and equipment and vehicles		208,879	21,000	164,582	21,000
Proceeds from sale of investments		134,749	-	134,749	-
Purchase of property, plant and equipment and vehicles		(2,648,963)	(1,722,014)	(1,646,256)	(1,700,975)
Purchase of other non-current assets		(1,000,000)	(300,000)	-	-
Payment for subsidiary, net of cash acquired		-	(1)	-	(1)
Proceeds from repayments of loans to subsidiaries		-	-	2,332,643	-
Advances of loans to subsidiaries		-	-	(10,669,439)	-
Net cash provided by (used in) investing activities		(3,305,335)	(2,001,015)	(9,683,721)	(1,679,976)
Cash Flows from Financing Activities					
Proceeds from borrowings		1,307,328	-	1,000,000	-
Repayment of borrowings		(42,520)	(1,112,577)	(42,519)	(1,112,579)
Proceeds from Share Issue		56,383	2	56,383	-
Payment for Share Buy Back		(12,800)	(6,400)	(12,800)	(6,400)
Net cash provided by (used in) financing activities		1,308,391	(1,118,975)	1,001,064	(1,118,979)
Net increase (decrease) in cash held		(3,381,107)	(750,616)	(3,618,407)	(778,284)
Cash at 1 July 2003		3,712,898	4,463,514	3,685,219	4,463,503
Cash at 30 June 2004	29(b)	331,791	3,712,898	66,812	3,685,219

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1: Statement of Significant Accounting Policies

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. As at balance date, BSL was an unlisted public company, incorporated and domiciled in Australia. The Director's Report notes that the parent entity became a listed public company by listing its Ordinary Shares on the Newcastle Stock Exchange on 23 August 2004.

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.

(a) 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.

(b) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

(c) 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.

(d) 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.

(e) 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. The straight line method is used.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

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

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

(o) Impacts of adopting the Australian equivalents to International Financial Reporting Standards

Management of the transition to A-IFRS
In accordance with the Financial Reporting Council's strategic directive, BSL will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, BSL's first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

At the date of this report, the directors of BSL have not yet finalised a high-level assessment of the impact of A-IFRS on the consolidated entity, and consequently have not yet determined how they are going to manage the transition to A-IFRS. However, the directors are monitoring the developments in A-IFRS and the potential impact it will have on the consolidated entity, and expect to complete an impact study and commence a plan to prepare the consolidated entity to be A-IFRS compliant shortly.

While no decision has yet been made as to the policy alternatives to be applied or the extent to which it will affect the consolidated entity, the directors of BSL have identified the following as being the key accounting policy differences expected to arise on transitioning to A-IFRSs:

Key differences from current accounting policies
BSL has identified the following as being the significant areas of differences affecting the consolidated entity on adoption of A-IFRS. This does not represent an exhaustive list of the differences that will arise, and further analysis may change the consolidated entity's assessment of the importance or otherwise of the various differences.

First-time adoption of A-IFRS
On first-time adoption of A-IFRS, the consolidated entity will be required to restate its comparative balance sheet such that the comparative balances presented comply with the requirements specified in the A-IFRS. That is, the balances that will be presented in the financial report for the year ended 30 June 2005 may not be the balances that will be presented as comparative numbers in the financial report for the following year, as a result of the requirement to retrospectively apply the A-IFRS. In addition, certain assets and liabilities may not qualify for recognition under A-IFRS, and will need to be derecognised. As most adjustments on first-time adoption are to be made against opening retained earnings, the amount of retained earnings at 30 June 2004 presented in the 2005 financial report and the 2006 financial report available to be paid out as dividends may differ significantly.

Various voluntary and mandatory exemptions are available to the consolidated entity on first-time adoption, which will not be available on an ongoing basis. The exemptions provide relief from retrospectively accounting for certain balances, instruments and transactions in accordance with A-IFRS, and includes relief from having to restate past business combinations, and permits the identification of a 'deemed cost' for property, plant and equipment.

The impact on BSL of the changes in accounting policies on first-time adoption of A-IFRS will be affected by the choices made. The consolidated entity is evaluating the effect of the options available on first-time adoption in order to determine the best possible outcome for the consolidated entity.

Income tax
The consolidated entity currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which give rise to 'permanent' and 'timing' differences. Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet.

Because A-IFRS has a wider scope than the entity's current accounting policies, it is likely that the amount of deferred taxes recognised in the balance sheet will increase. In particular, significant increases in deferred tax liabilities are anticipated in relation to deferred taxes associated with fair value adjustments and intangibles arising in relation to pre-transition business combinations, revaluations of land and buildings and investments in associates.

Property, plant and equipment
On transition to A-IFRS, the entity has several options in the determination of the cost of each tangible asset, and can also elect to use the cost or fair value basis for the measurement of each class of property, plant and equipment after transition. At the date of this report, the entity has not decided which options and measurement basis will be adopted and the likely impacts therefore cannot be determined.

The consolidated 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, A-IFRS 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

Impairment of assets
Non-current assets are written down to recoverable amount when the asset's carrying amount exceeds recoverable amount. Historically, although not mandated, BSL has discounted cash flows in determining the recoverable amount of its non-current assets.

Under A-IFRS, both current and non-current assets, including property, plant and equipment previously excluded as they were measured on the fair value basis, are tested for impairment. In addition, A-IFRS has a more prescriptive impairment test, and requires discounted cash flows to be used where value in use is used to assess recoverable amount. Consequently, on adoption of A-IFRS, a further impairment of certain assets may need to be recognised, thereby decreasing opening retained earnings and the carrying amount of assets – the consolidated entity has not yet determined the impact, if any, of any further impairment which may be required. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.

Impairment of financial assets
The consolidated entity provides for doubtful debts using an estimate based on historical trends. Under A-IFRS, the entity will no longer be able to provide for doubtful debts on this basis, as a financial asset or group of financial assets is impaired only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset – that is, an incurred but not yet reported model rather than an expected loss model must be applied. Consequently, on adoption of A-IFRS, and on an ongoing basis, general provisions and expected loss models may no longer be appropriate, which may cause the carrying amount of various financial assets to increase.

Goodwill
As disclosed in note 1, goodwill is currently amortised over a 10 year period. A-IFRS does not permit goodwill to be amortised, but instead requires the carrying amount to be tested for impairment at least annually. Goodwill currently recognised in the balance sheet, adjusted if necessary on the optional restatement of business combinations, must be allocated to individual cash-generating units (or groups of cash-generating units) and tested for impairment at the allocated level. This change in policy may result in increased volatility in the profit and loss, where impairment losses are likely to occur.

Business combinations
Historically, the acquisition of an entity or operation is accounted for under the purchase method of accounting by the legal acquirer. Where consolidated accounts are prepared, the assets and liabilities purchased are initially recognised at their fair values in the consolidated accounts.

Under A-IFRS, the purchase method of accounting must be applied where there is a business combination, however, not all acquisitions will qualify as a business combination, and as such the purchase method of accounting for these acquisitions will no longer be appropriate. In addition, the legal acquirer may not be the 'acquirer' per A-IFRS, and the consolidated accounts may consequently reflect the fair values of the legal acquirer's assets and liabilities rather than the fair value of the assets and liabilities of the entity legally acquired.

Furthermore, there are a number of recognition and measurement differences that result in relation to assets and liabilities acquired in a business combination, particularly in relation to intangible assets and restructuring provisions. Acquired contingent liabilities must also be recognised at their fair values where acquired in a business combination.

The impact of these changes in accounting policy on first-time adoption will depend on whether the consolidated entity will elect to adopt the exemption available to it to not reopen past acquisitions and retrospectively account for them. On an ongoing basis, this change in policy may significantly affect the profit and loss and balance sheet, as the accounting going forward significantly differs from the manner in which such transactions are treated under current Australian GAAP.

Revaluation of purchased intangible assets other than goodwill
The consolidated entity has acquired one intangible asset as a result of a past acquisition. This asset has been measured at cost and amortised over a 10 year useful life. The revaluation of an intangible asset is only permitted under A-IFRS where an active market exists for the asset. The consolidated entity's initial evaluation suggests that no active market exists for its acquired intangible assets and consequently the consolidated entity will be required to change its policy in relation to the treatment of such intangibles on transition to A-IFRS. The consolidated entity will be required to recognise these assets at their original cost at the date of acquisition. Opening retained earnings will also be increased by an amount equivalent to the amortisation previously expensed in relation to revaluation increments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

Should the consolidated entity elect to reopen past acquisitions, the consolidated entity will be required to assess the appropriateness of recognising the intangible assets that originally arose from each combination, and it may result in different intangible assets being recognised. Where these intangible assets have limited useful lives, adjustments may also be made to reflect amortisation since the original acquisition date.

If past business combinations are not restated, certain intangible assets may need to be derecognised on transition to A-IFRS where they do not satisfy the relevant recognition criteria. In these cases, the carrying amounts of these intangible assets at the date of transition will be subsumed into the carrying amount of goodwill.

Inventories
The consolidated entity applies the specific identification method in determining the cost of its inventory. Under current Australian GAAP, the discount rate applied excludes markdowns for seasonal and slow-moving inventories. Under A-IFRS, the consolidated entity will take the markdowns into account in determining the cost of inventory. Accordingly, inventory will be carried at a higher value under A-IFRS – the effect of this will be to increase net assets, but decrease subsequent gross profit. On initial transition to A-IFRS, the effect of the change will be recognised by increasing inventory and decreasing opening retained earnings.

Depreciation
Under current Australian GAAP, the consolidated entity's property, plant and equipment is depreciated to the extent of its depreciable amount, determined as the difference between carrying amount and residual value. The residual amount used in the determination of recoverable amount is estimated at the date of acquisition and is not subsequently increased for changes in prices, except where the asset had been revalued. Under A-IFRS, the residual amount is reviewed at each balance date and revised to the current net amount expected from the disposal of the asset if it were already at the age and condition expected at the end of its useful life. Accordingly, changes to the residual value may introduce additional volatility in the profit or loss.

Borrowing costs
The consolidated entity currently capitalises borrowing costs related to qualifying assets. Under A-IFRS, the consolidated entity can continue to capitalise such costs, or choose to immediately expense all borrowing costs, even where they relate to qualifying assets. The consolidated entity has not yet made a decision as to which accounting policy it will elect to adopt under A-IFRS. However, the impact of the consolidated entity changing its policy may be to cause a write-off of capitalised borrowing costs on transition (depending on first-time adoption choices around deemed cost), and on an ongoing basis, to cause a reduction in future asset values and immediate expensing of borrowing costs in net profit.

Employee benefits
Under A-IFRS, the consolidated entity will no longer be able to recognise provisions for annual leave on a nominal basis, regardless of when the leave is expected to be taken, but will instead be required to discount the portion of annual leave liabilities expected to be taken more than twelve months from the reporting date. This change in accounting policy is likely to reduce the aggregate provision for annual leave, but is unlikely to significantly affect the income statement.

Proceeds from sale of assets
The current definition of revenue requires proceeds on sale of non-current assets to be included as revenue – this has the effect of 'grossing up' the statement of financial performance. Under A-IFRS, only the net gain or loss from the sale will be recognised in profit or loss. Consequently, there will be no net impact on the income statement.

Correction of errors
An error made in a prior reporting period is presently corrected in the reporting period in which the error is discovered by recognising the effect of the error in the current financial statements. In future financial periods, any material prior period errors are to be accounted for retrospectively, i.e. by adjusting the opening balance of retained earnings of the comparative period. Accordingly, the identification of a material prior period error will no longer give rise to volatility in the current period income statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

		Economic Entity		Parent Entity	
	Notes	2004	2003	2004	2003
NOTE 2: Revenue					
(i) Operating activities:					
Sale of product					
- Sale of product - centrally ordered		57,238,961	31,037,780	50,654,789	29,659,159
- Sale of product - retail sales		42,322,367	-	-	-
- Sale of product - BSL merchandise, fuel etc		629,675	632,701	566,649	632,701
		100,191,003	31,670,481	51,221,438	30,291,860
Revenue from rendering services					
- Revenue from services		17,085,545	12,773,787	15,389,821	12,667,531
- Revenue for promotional services		46,982,142	43,375,797	46,058,613	43,266,070
		64,067,687	56,149,584	61,448,434	55,933,601
Other revenues from ordinary activities					
- Dividends received	2(a)	19,413	18,512	19,413	18,512
- Interest received	2(b)	144,257	214,689	509,835	214,689
- Proceeds on disposal of assets		343,628	21,000	299,331	21,000
- Other revenues		1,155,816	430,432	478,836	389,065
		1,663,114	684,633	1,307,415	643,266
Total Revenue		165,921,804	88,504,698	113,977,287	86,868,727
(a) Dividend revenue from:					
- Other corporations		19,413	18,512	19,413	18,512
(b) Interest revenue from:					
- Wholly-owned controlled entities		-	-	360,589	-
- Partly owned subsidiaries		-	-	48,303	-
- Other persons		144,257	214,689	100,943	214,689
		144,257	214,689	509,835	214,689

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Economic Entity 2004	Economic Entity 2003	Parent Entity 2004	Parent Entity 2003
NOTE 3: Profit from Ordinary Activities					
(a) Expenses:					
Cost of Sales					
- Cost of sales - centrally ordered		57,117,286	30,948,310	50,528,853	29,572,998
- Cost of sales - retail sales		34,689,166	-	-	-
- Cost of sales - BSL merchandise, fuel etc		598,448	630,510	543,848	616,830
		92,404,900	31,578,820	51,072,701	30,189,828
Borrowing Costs					
- Other persons		231,534	147,765	225,940	147,197
Depreciation of non-current assets					
- Buildings		78,288	26,870	27,673	26,870
- Plant, equipment and motor vehicles		868,407	467,614	769,455	465,097
- Leased plant, equipment and motor vehicles		651,271	389,324	628,026	387,230
		1,597,966	883,808	1,425,154	879,197
Amortisation of current assets					
- Capitalised Borrowing costs		1,800	-	1,800	-
Amortisation of non-current assets					
- Goodwill		100,000	-	-	-
- Brands		30,000	7,500	-	-
		130,000	7,500	-	-
Rental expense on operating leases					
- Minimum lease payments		2,153,118	651,469	243,813	650,050
Bad and doubtful debts					
- Trade debtors		81,236	49,294	81,236	49,294
(b) Revenue and Net Gains:					
Net gain/(loss) on disposal of non-current assets:					
- Investments		(14,939)	-	(14,939)	-
- Property, plant, equipment and vehicles		(212,225)	(95,325)	(223,275)	(95,325)
		(227,164)	(95,325)	(238,214)	(95,325)
(c) Significant Revenues and Expenses:					
The following significant revenue and expense items are relevant in explaining the financial performance:					
- Retailer Bonus		-	(1,750,000)	-	(1,750,000)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

		Economic Entity		Parent Entity	
	Notes	2004	2003	2004	2003
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		1,257,448	1,245,699	-	-
- Parent entity		-	-	1,391,068	1,279,689
Add:					
Tax effect of items not allowable for tax for this or future periods		32,024	(8,580)	31,218	(8,643)
Less:					
Rebateable fully franked dividends		(4,885)	(5,270)	(4,885)	(5,270)
Under provision for income tax in prior year		-	7,572	-	7,572
Income tax expense attributable to operating profit		1,284,587	1,239,421	1,417,401	1,273,348
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		1,320,035	1,300,496	1,410,566	1,300,496
Provision for income tax attributable to future years					
- Future income tax benefit		(35,448)	(67,131)	6,835	(33,204)
- Provision for deferred income tax		-	(1,516)	-	(1,516)
Payment of prior year income tax		-	7,572	-	7,572
		1,284,587	1,239,421	1,417,401	1,273,348

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

		Economic Entity		Parent Entity	
	Notes	2004	2003	2004	2003
NOTE 5: Franking Credits					
Balance of franking account at year end adjusted for franking credits arising from payment of income tax payable.		5,734,101	3,970,207	5,734,101	3,970,207
NOTE 6: Receivables					
Current					
Trade debtors		14,137,847	11,849,437	12,238,335	10,750,554
Provision for doubtful debts		(184,665)	(107,704)	(124,665)	(107,704)
		13,953,182	11,741,733	12,113,670	10,642,850
Amounts receivable from:					
- Wholly-owned subsidiaries		-	-	8,183,463	-
- Partly-owned subsidiaries		-	-	880,524	502,182
		-	-	9,063,987	502,182
Amounts receivable from CBA for equipment financing		67,128	400,656	67,128	400,656
Other debtors		2,766,225	276,519	1,436,829	780,326
		16,786,535	12,418,908	22,681,614	12,326,014
NOTE 7: Other Financial Assets					
Current					
Shares in listed corporations, at cost		381,225	510,913	381,225	510,913
Provision for Diminution		(41,281)	(69,200)	(41,281)	(69,200)
		339,944	441,713	339,944	441,713
Non-Current					
Shares in controlled entities	8	-	-	12	12

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 8: Controlled Entities

(a) Controlled Entities

	Country of Incorporation	Percentage Owned (%) 2004	2003
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 (formerly Betta Appliance Centres Pty Ltd)	Aust	100	100
Betta Management Services Pty Ltd	Aust	100	100
Buy Rite Stores Pty Ltd (formerly Betta Electronics Pty Ltd)	Aust	100	100
Sleepy's Pty Ltd	Aust	50	50

(b) 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.

	Notes	Economic Entity 2004	Economic Entity 2003	Parent Entity 2004	Parent Entity 2003
NOTE 9: Inventories					
Finished goods at lower of cost or net realisable value		9,722,838	160,538	165,629	160,538
NOTE 10: Other Assets					
Current					
Prepayments		546,382	1,304,458	386,632	1,290,146
Security deposits		1,213	1,213	1,213	1,213
Deposit held by associate		-	20,000	-	20,000
Capitalised finance costs		18,000	-	18,000	-
Amortisation of capitalised finance costs		(1,800)	-	(1,800)	-
		563,795	1,325,671	404,045	1,311,359

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Economic Entity 2004	Economic Entity 2003	Parent Entity 2004	Parent Entity 2003
NOTE 11: Property, Plant and Equipment, Vehicles and Leasehold Improvements					
Freehold land at fair value		1,500,000	1,050,000	1,500,000	1,050,000
Freehold buildings at fair value		3,000,000	2,530,000	3,000,000	2,530,000
Subsequent additions at cost		-	36,960	-	36,960
Accumulated depreciation		-	(51,460)	-	(51,460)
		3,000,000	2,515,500	3,000,000	2,515,500
Leasehold improvements at cost		587,800	35,027	35,027	35,027
Accumulated depreciation		(52,580)	(1,254)	(1,965)	(1,254)
		535,220	33,773	33,062	33,773
Plant, equipment and vehicles at cost		2,929,372	2,473,008	2,519,366	2,453,967
Accumulated depreciation		(1,731,382)	(1,346,577)	(1,632,498)	(1,344,059)
		1,197,990	1,126,431	886,868	1,109,908
Capitalised leased plant, equipment and vehicles at cost		2,057,857	1,498,283	1,921,960	1,474,138
Accumulated amortisation		(455,866)	(803,253)	(435,194)	(801,160)
		1,601,991	695,030	1,486,766	672,978
Total property, plant and equipment and vehicles		7,835,201	5,420,734	6,906,696	5,382,159

(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		1,050,000	2,515,500	33,773	1,126,431	695,030	5,420,734
Additions		-	90,133	22,491	776,554	1,844,048	2,733,226
Additions on acquisition of operations		-	-	530,283	406,809	-	937,092
Disposals		-	-	-	(243,397)	(285,816)	(529,213)
Depreciation expense	3(a)	-	(26,961)	(51,327)	(868,407)	(651,271)	1,597,966)
Revaluation Increments	19	450,000	421,328	-	-	-	871,328
Carrying amount at the end of year		1,500,000	3,000,000	535,220	1,197,990	1,601,991	7,835,201

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 11: Property, Plant and Equipment, Vehicles and Leasehold Improvements (Continued)

	Note	Freehold Land	Freehold Buildings	Leasehold Improvements	Plant, Equipment and Vehicles	Leased Plant Equipment and Vehicles	Total
Parent Entity							
Balance at the beginning of year		1,050,000	2,515,500	33,773	1,109,908	672,978	5,382,159
Additions		-	90,134	-	762,266	1,723,702	2,576,102
Disposals		-	-	-	(215,851)	(281,888)	(497,739)
Depreciation expense	3(a)	-	(26,962)	(711)	(769,455)	(628,026)	1,425,154)
Revaluation Increments	19	450,000	421,328	-	-	-	871,328
Carrying amount at the end of year		1,500,000	3,000,000	33,062	886,868	1,486,766	6,906,696

	Notes	Economic Entity 2004	Economic Entity 2003	Parent Entity 2004	Parent Entity 2003
NOTE 12: Tax Assets					
Current Tax Assets					
Income Tax receivable		157,422	-	66,891	-
Deferred Tax Assets					
Future income tax benefit		303,762	67,131	26,369	33,204
(a) The future income tax benefit is made up of the following estimated tax benefits:					
- Tax losses		26,529	32,347	-	-
- Timing differences		277,233	34,784	26,369	33,204
		303,762	67,131	26,369	33,204
NOTE 13: Intangible Assets					
Brands at cost		300,000	300,000	-	-
Less accumulated amortisation		(37,500)	(7,500)	-	-
		262,500	292,500	-	-
Goodwill at cost		1,000,000	-	-	-
Less accumulated amortisation		(100,000)	-	-	-
		900,000	-	-	-
		1,162,500	292,500	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

		Economic Entity		Parent Entity	
	Notes	2004	2003	2004	2003
NOTE 14: Payables					
Current					
Trade creditors and accruals		17,177,058	10,272,201	11,453,581	9,718,082
Property lease liabilities		102,520	175,747	102,520	175,747
		17,279,578	10,447,948	11,556,101	9,893,829
Non-Current					
Property lease liabilities		-	102,520	-	102,520
		-	102,520	-	102,520
NOTE 15: Interest Bearing Liabilities					
Current					
Mortgage Loan - School Street		-	15,904	-	15,904
Bank Bill liability	29(d)	1,000,000	-	1,000,000	-
Receivables Financing	29(d)	307,327	-	-	-
Lease liabilities	23(a)	550,693	499,890	517,620	491,167
		1,858,020	515,794	1,517,620	507,071
Non-Current					
Lease liabilities	23(a)	1,062,335	199,890	979,975	186,463
Retailers' interest bearing deposits		1,760,072	1,786,687	1,760,072	1,786,687
		2,822,407	1,986,577	2,740,047	1,973,150
(a) Total current and non - current secured liabilities					
- Bank Bill liability		1,000,000	-	1,000,000	-
- Receivables financing		307,327	-	-	-
- Mortgage loan		-	15,904	-	15,904
		1,307,327	15,904	1,000,000	15,904
(b) Total carrying amount of assets pledged as security are:					
- Freehold land and buildings	11(a)	4,500,000	3,565,500	4,500,000	3,565,500
- Floating charge over assets		26,636,449	-	26,636,449	-
Total assets pledged as security		31,136,449	3,565,500	31,136,449	3,565,500

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

		Economic Entity		Parent Entity	
	Notes	2004	2003	2004	2003
NOTE 16: Tax Liabilities					
Current					
Income tax payable (refundable)		-	270,153	-	270,153
NOTE 17: Provisions					
Current					
Provision for employee entitlements		1,054,365	380,736	452,815	377,758
Non-Current					
Provision for employee entitlements		311,327	80,095	121,379	80,095
(a) Aggregate of provision for employee entitlements		1,365,692	460,831	574,194	457,853
(b) Number of employees at year end		224	88	95	86
NOTE 18: Contributed Equity					
10,400 (2003: 7,300) fully paid A class shares	18(a)	20,048	14,600	20,048	14,600
72,800 (2003: 51,100) fully paid B class shares	18(b)	140,335	102,200	140,335	102,200
		160,383	116,800	160,383	116,800
(a) A class shares		**$**	**$**	**$**	**$**
At the beginning of the reporting period		14,600	15,400	14,600	15,400
Shares issued during the year - 3900 shares		7,800	-	7,800	-
Transaction costs relating to share issue		(752)	-	(752)	-
		21,648	15,400	21,648	15,400
Shares bought back during the year - 800 shares		(1,600)	(800)	(1,600)	(800)
At reporting date		20,048	14,600	20,048	14,600
		No.	**No.**	**No.**	**No.**
At the beginning of the reporting period		7,300	7,700	7,300	7,700
Shares issued during the year		3,900	-	3,900	-
Shares bought back during the year		(800)	(400)	(800)	(400)
At reporting date		10,400	7,300	10,400	7,300

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Economic Entity 2004	Economic Entity 2003	Parent Entity 2004	Parent Entity 2003
NOTE 18: Contributed Equity (Continued)					
(b) B class shares		$	$	$	$
At the beginning of the reporting period		102,200	107,800	102,200	107,800
Shares issued during the year - 27,300 shares		54,600	-	54,600	-
Transaction costs relating to share issue		(5,265)	-	(5,265)	-
		151,535	107,800	151,535	107,800
Shares bought back during the year - 5,600 shares		(11,200)	(5,600)	(11,200)	(5,600)
At reporting date		140,335	102,200	140,335	102,200
		No.	No.	No.	No.
At the beginning of the reporting period		51,100	53,900	51,100	53,900
Shares issued during the year		27,300	-	27,300	-
Shares bought back during the year		(5,600)	(2,800)	(5,600)	(2,800)
At reporting date		72,800	51,100	72,800	51,100

The above shares participate in dividends (if any) and the proceeds on winding up of the entity in proportion to the number of shares held. Each shareholder has 50 A class shares and 350 B class shares which are issued at $2 each. 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.

The shares bought back during the year 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.

Subsequent to the reporting date, BSL's share capital was restructured as detailed in Note 28 to the Financial accounts.

	Notes	Economic Entity 2004	Economic Entity 2003	Parent Entity 2004	Parent Entity 2003
NOTE 19: Reserves					
Asset revaluation reserve movements during the year					
Opening balance		597,912	597,912	597,912	597,912
Revaluation increment of freehold land and buildings	11a	871,328	-	871,328	-
Closing balance		1,469,240	597,912	1,469,240	597,912

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Economic Entity 2004	Economic Entity 2003	Parent Entity 2004	Parent Entity 2003
NOTE 20: Retained Profits					
Retained profits at the beginning of the year		9,381,244	6,428,648	9,420,930	6,428,648
Net profit attributable to the members of the parent entity		2,899,628	2,952,596	3,219,497	2,992,282
Retained profits at the end of the year		12,280,872	9,381,244	12,640,427	9,420,930
NOTE 21: Outside Equity Interests in Controlled Entities					
Outside equity interest comprises:					
Share Capital		1	1	-	-
Retained Profits/(Accumulated Losses)		(32,405)	(39,687)	-	-
		(32,404)	(39,686)	-	-

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 years		Non-Interest Bearing	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	%	%								
Financial Assets										
Cash at bank	4.17	4.15	331,791	2,716,453	-	-	-	-	-	-
Bank Bills	-	4.72	-	996,445	-	-	-	-	-	-
Trade debtors	-	-	-	-	-	-	-	-	14,020,310	12,142,389
Other debtors	-	-	-	-	-	-	-	-	2,766,225	276,519
			331,791	3,712,898	-	-	-	-	16,786,535	12,418,908
Financial Liabilities										
Retailer interest bearing deposit	4.00	4.00	1,760,072	1,786,687	-	-		-	-	-
Lease liabilities	6.78	6.64	-	-	641,409	540,481	1,130,363	192,438	-	-
Mortgage	-	7.40	-	-	-	15,904	-	-	-	-
Property lease liability	-	-	-	-	-	-	-	-	102,520	278,267
Bank bill liability	5.75	-	-	-	1,000,000	-	-	-	-	-
Receivables Financing	7.75	-	307,327	-	-	-	-	-	-	-
Trade and sundry creditors	-	-	-	-	-	-	-	-	17,177,058	10,272,201
			2,067,399	1,786,687	1,641,409	556,385	1,130,363	192,438	17,279,578	10,550,468

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

(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.

		Economic Entity		Parent Entity	
	Notes	2004	2003	2004	2003
NOTE 23: Leasing Commitments					
(a) Finance lease commitments payable					
- Not later than one year		641,409	540,481	601,643	530,235
- Later than 1 year and not later than 5 years		1,130,363	192,438	1,041,412	178,825
Minimum lease payments		1,771,772	732,919	1,643,055	709,060
Less future finance charges		(158,744)	(33,139)	(145,460)	(31,430)
Total lease liability		1,613,028	699,780	1,497,595	677,630
Current Liabilities	15	550,693	499,890	517,620	491,167
Non-Current Liabilities	15	1,062,335	199,890	979,975	186,463
		1,613,028	699,780	1,497,595	677,630

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

		Economic Entity		Parent Entity	
	Notes	2004	2003	2004	2003
NOTE 23: Leasing Commitments (Continued)					
(b) Non-cancellable operating leases contracted for but not capitalised in the accounts payable:					
- Not later than one year		2,566,692	551,437	411,599	551,437
- Later than 1 year and not later than 5 years		5,807,955	497,492	246,782	497,492
		8,374,647	1,048,929	658,381	1,048,929
Operating leases consist of:					
- Property lease rentals		8,309,397	971,157	593,131	971,157
- Equipment lease rentals		65,250	77,772	65,250	77,772
		8,374,647	1,048,929	658,381	1,048,929
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	160,836	95,886	160,836
- Later than 1 year and not later than 5 years		-	93,821	-	93,821
		95,886	254,657	95,886	254,657

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 agreements require the minimum lease payments shall be indexed by the change in CPI published during the quarter preceding the 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 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.

(c) Promotional expenditure commitments contracted for:				
- Not later than one year	1,720,000	3,045,000	1,720,000	3,045,000
- Later than 1 year and not later than 5 years	3,000,000	1,440,000	3,000,000	1,440,000
	4,720,000	4,485,000	4,720,000	4,485,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

Note 24: Directors' and Executives' Remuneration

(a) Names and positions held of parent entity directors and specified executives in office at any time during the financial year including remuneration details are:

	Primary			Post Employment		Equity	Other	Total
	Salary & Fees	Cash Bonus	Non-Monetary	Superannuation	Retirement Benefits		Benefits	
Specified Directors								
Tynan P J	Chairman (non-executive)							
2004	46,596	-	-	4,194	-	-	-	50,790
2003	26,754	-	-	2,396	-	-	-	29,150
Johnson E D	Director (non-executive)							
2004	26,244	-	-	2,362	-	-	-	28,606
2003	26,277	-	-	2,358	-	-	-	28,635
Sutherland N J	Director (non-executive)							
2004	26,244	-	-	2,362	-	-	-	28,606
2003	26,754	-	-	2,396	-	-	-	29,150
Cain R L	Director (non-executive)							
2004	26,244	-	-	2,362	-	-	-	28,606
2003	26,754	-	-	2,396	-	-	-	29,150
Currington G J	Director (non-executive)							
2004	26,244	-	-	2,362	-	-	-	28,606
2003	26,277	-	-	2,358	-	-	-	28,635
McClelland D C	Director (non-executive): elected 24 November 2003							
2004	15,854	-	-	1,427	-	-	-	17,281
Whitehead R B	Director (non-executive): retired 30 June 2003							
2003	47,134	-	-	4,225	-	-	-	51,359
Total Remuneration: Specified Directors								
2004	167,426	-	-	15,069	-	-	-	182,495
2003	179,950	-	-	16,129	-	-	-	196,079
Specified Executives								
Houghton G T	Chief Executive Officer							
2004	332,196	61,804	34,533	11,001	-	-	-	439,534
2003	227,590	40,159	30,377	10,519	-	-	-	308,645
Whitehead R B	General Manager - Buy Rite Stores							
2004	192,640	-	32,706	28,051	-	-	-	253,397
Hazell D R	General Manager - Marketing & Retail							
2004	130,396	44,533	23,740	45,863	-	-	-	244,532
2003	131,137	27,066	24,308	35,519	-	-	-	218,030
Goode D J	General Manager - Finance							
2004	174,776	35,178	17,061	11,001	-	-	-	238,016
2003	144,114	7,349	12,795	10,519	-	-	-	174,777
Trindall A E	National Operations Manager							
2004	157,201	-	2,799	39,999	-	-	-	199,999
Quinn N T	Legal Counsel							
2004	87,494	-		6,876	-	-	-	94,370
Total Remuneration: Specified Executive								
2004	1,074,703	141,515	110,839	142,791	-	-	-	1,469,848
2003	502,841	74,574	67,480	56,557	-	-	-	701,452

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

Note 24: Directors' and Executives' Remuneration (Continued)
(b) Remuneration Practices

The company's policy for determining the nature and amount of emoluments of directors and executives of the company is as follows:

The remuneration structure for specified directors is based on the elected position held. The contracts for service between the economic entity and specified directors are on a continuing basis for a period of three years at which time the position is vacated and the officer may stand for re-election.

The remuneration structure for executive officers is based on a number of factors, including length of service, particular experience and qualifications of the individual concerned and overall performance of the company. The contracts for service between the company and specified executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified executives are paid employee benefit entitlements accrued to date of retirement.

The group seeks to emphasise payment for results through providing various cash bonus reward schemes, specifically, the incorporation of incentive payments based on the achievement of targets and return on equity ratios. Bonuses included in Note 24(a) are based on these targets. The objective of the reward schemes is to both reinforce the short and long-term goals of the company as set out in the strategic plan of the economic entity that provides a common interest between management and shareholders. The bonuses were granted to specified executives on 28 November 2003. There has been no alteration to the terms of the bonuses paid since grant date.

		Economic Entity		Parent Entity	
	Notes	2004	2003	2004	2003

NOTE 25: Related Party Transactions

The directors of the company and/or their director related entities are shareholders of BSL and each control 400 shares in the company, which is the same for all shareholders. Under the Articles of Association, this is the maximum number of shares that any shareholder can hold.

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 2004	Economic Entity 2003	Parent Entity 2004	Parent Entity 2003
(a) Aggregate revenue from purchases of stock and fees paid by these entities:	5,170,842	3,945,880	5,170,842	3,945,880
(b) Aggregate amount of rebates and retailer bonuses paid by the company to these entities:	1,286,940	3,828,286	1,286,940	3,828,286
(c) Aggregate trade debt receivable from these parties at year end:	653,778	408,238	653,778	408,238
(d) Aggregate amounts payable to these parties (interest bearing deposit) at year end:	43,927	49,505	43,927	49,505

NOTE 26: Auditors Remuneration

	Economic Entity 2004	Economic Entity 2003	Parent Entity 2004	Parent Entity 2003
Remuneration of the auditor of the parent entity for:				
- Auditing or reviewing the financial report	64,800	51,000	43,800	46,000
- Other services	2,107	8,432	2,107	8,432
	66,907	59,432	45,907	54,432

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 27: Contingent Liabilities

Estimates of the maximum amounts of contingent liabilities that may become payable:

Guarantees provided by the parent entity

The parent entity has provided guarantees to third party landlords in relation to the performance and obligations of a controlled entity with respect to property lease rentals. The guarantees are for the term of the respective leases, covering periods between 3 and 7 years.

The parent entity has also provided a guarantee to a third party landlord over a property lease assigned from Vox Retail Group Pty Ltd to a franchisee. The guarantee covers the landlord for a period of up to twelve months should the premises become vacant prior to termination or assignment of the lease to a third party. Current annual rental on the premises is approximately $185,000.

NOTE 28: Events Subsequent to Reporting Date

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.

The financial effect of these transactions has not been brought to account in the 2004 financial report.

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.

Dividend Paid Subsequent to Reporting Date

Subsequent to reporting date and to the restructure of contributed equity detailed above, a fully franked ordinary dividend of 2.2 cents per share franked at a tax rate of 30% has been proposed and paid. The total payment to shareholders by the economic entity as a result of the dividend was $1,030,005. No dividends were paid to shareholders in the 2003 financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

		Economic Entity		Parent Entity	
	Notes	2004	2003	2004	2003
NOTE 29: Cash Flow Information					
(a) Reconciliation of cash flow from operations with profit from ordinary activities after income tax.					
Profit from ordinary activities after income tax		2,906,910	2,912,909	3,219,497	2,992,282
Non-cash flows in profit from ordinary activities					
Amortisation & Depreciation		1,729,766	891,308	1,426,954	879,197
Increase value of securities to market value		(27,919)	19,417	(27,919)	19,417
Charges to provisions		904,862	107,850	116,341	104,872
Movement in future income tax benefits		(236,631)	(68,647)	6,835	(34,721)
Movement in income taxes payable		(427,574)	(5,335)	(337,043)	(5,335)
(Profits)/Losses on sale of property, plant, equipment and vehicles		212,225	95,325	223,275	95,325
(Profits)/Losses on sale of securities		14,939	-	14,939	-
Changes in assets and liabilities					
Movement in inventories		(9,562,299)	261,093	(5,091)	261,093
Movement in prepayments		740,076	(446,980)	885,514	(432,668)
Movement in trade and term debtors		(4,367,627)	(4,070,016)	(2,018,804)	(3,977,122)
Movement in creditors and accruals		6,729,109	2,672,450	1,559,752	2,118,331
Cash Flows from operations		(1,384,163)	2,369,374	5,064,249	2,020,671
(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		331,791	218,626	66,812	190,947
Short term deposits		-	3,494,272	-	3,494,272
		331,791	3,712,898	66,812	3,685,219

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

		Economic Entity		Parent Entity	
	Notes	**2004**	**2003**	**2004**	**2003**
NOTE 29: Cash Flow Information (Continued)					
(d) Credit Standby arrangements with banks					
Credit facility		15,000,000	-	5,000,000	-
Amount Utilised	15	(1,307,327)	-	(1,000,000)	-
Unused Credit Facility		13,692,673	-	4,000,000	-

Credit standby arrangements are comprised of:

- Commercial Bill Facility: $5,000,000 ten-year variable interest rate facility provided by the Commonwealth Bank of Australia
- Receivables Financing Facility: $10,000,000 variable interest rate facility provided by the Commonwealth Bank of Australia

NOTE 30: Segment Reporting

	Franchisor Operations		Central Accounting		Retail Operations		Eliminations		Economic Entity	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
(a) Primary reporting - Business segments										
REVENUE										
External sales (refer note 2)	64,528,420	56,955,508	57,238,961	31,549,190	44,154,423	-	-	-	165,921,804	88,504,698
Internal sales	1,105,123	-	974,336	-	503,346	-	(2,582,805)	-	-	-
Total revenue from ordinary activities	65,633,543	56,955,508	58,213,297	31,549,190	44,657,76	-	(2,582,805)	-	165,921,804	88,504,698
RESULT										
Segment result	2,977,533	3,028,106	223,027	(115,197)	(293,650)	-	-	-	2,906,910	2,912,909
ASSETS										
Segment assets	23,453,935	19,298,686	9,382,035	4,541,407	13,431,810	-	(9,063,992)	-	37,203,788	23,840,093
LIABILITIES										
Segment liabilities	14,206,464	11,299,813	4,457,760	2,484,011	13,725,460	-	(9,063,987)	-	23,325,697	13,783,823
OTHER										
Acquisitions of non-current segment assets	2,580,180	1,087,378	-	-	1,090,138	-	-	-	3,670,318	1,087,378
Depreciation and amortisation of segment assets	1,470,570	883,808	-	-	257,396	-	-	-	1,727,966	883,808
Other non-cash segment expenses	614,859	101,906	60,000	46,704	148,430	-	-	-	823,289	148,610

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 30: Segment Reporting (Continued)

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 the Buy Rite Stores Pty Ltd company.

(b) Secondary reporting - Geographical segments

The company operates within a single geographical segment, being that of Australia.

NOTE 31: Company Details

The registered office of the company is:

Betta Stores Ltd
8 McIlwraith Street
Everton Park Qld 4053

The principal place of business is:

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

Directors Declaration

The directors of the company declare that:

1) the financial statements and notes, as set out on pages 7 to 35 are in accordance with the corporations Act 2001 and:

a) comply with Accounting Standards and the Corporations Regulations 2001;

b) give a true and fair view of the financial position as at 30 June 2004 and the performance for the year ended on that date of the company and the economic entity;

2) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director

Director

BRISBANE QLD
20 September, 2004

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Betta Stores Limited

ABN 44 009 710 605

Betta Stores Limited
ABN 44 009 710 605