



**BETTA STORES LTD ABN 44 009 710 605
AND CONTROLLED ENTITIES**

DIRECTOR'S REPORT

Your directors present their report on the company and its controlled entities for the half year ended 31st December 2004.

Directors

The names of the directors who held office during or since the end of the half year:

Patrick John TYNAN
Everard Desmond JOHNSON
Neville John SUTHERLAND
Reginald Leslie CAIN
Graham John CURRINGTON
Dominic Charles MCCLELLAND

Operating Results

The consolidated profit of the economic entity for the half year after providing for income tax and eliminating outside equity interests amounted to \$1,888,547 (2004 \$1,206,680).

Dividend Paid or Declared

Dividends paid or declared for payment during the period are as follows:

A special dividend of 2.2 cents (fully franked at 30%) was paid on 5 August 2004 to ordinary shareholders as part of the company's restructure proposal. The total dividend paid was \$1,030,005.

An interim ordinary dividend of 1 cent per share (fully franked at 30%) was declared after the reporting date in respect of this reporting period. The total dividend payable will be \$468,184.

Significant Items

As a result of 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.

On 1 December 2004 the parent entity purchased all shares of A K Truscott Investments Pty Ltd, which operates seven electrical appliance retail stores in South Australia. The purchase was satisfied by the payment of cash consideration totalling \$20.676m.

Review of the Operations and Results

Franchise Operations

Franchise operations increased gross revenues by 8% over 2004 to \$38.6m. Profit before income tax has increased by 93% over the comparable period in 2004 to \$3.8m.

Central Accounting

The Central Accounting segment derived revenue of \$31.3m during the first half of the year reporting growth of 26% over 2004. A net loss before income tax of \$10k was reported for the same period (2004: Profit of \$222k). The result has been affected by an increase in the provision for doubtful debts which the board considers prudent in the current retailing climate.

The Central Accounting segment continues to grow as additional electrical suppliers use the service to trade with group retailers. In the future it is expected that the majority of product purchased by group retailers will be facilitated through the Central Accounting segment.

Retailing Operations

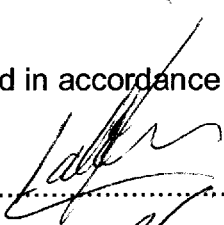
As noted above the parent entity acquired all shares of A K Truscott Investments Pty Ltd on 1 December 2004. The acquisition adds an additional seven retail stores to the eight already operated by Buy Rite Stores Pty Ltd, giving the economic entity a total of fifteen corporate owned retail stores.

For the first half of 2005 the retail operations generated revenue of \$31.3m being an increase of 41% over the first half of 2004. The result before tax for the same period is a loss of \$1m)compared to a loss of \$509k for 2004. The performance of the retail operations has been adversely affected as the group has sought to rationalise poor performing stores and proactively reduce the level of aged stock which had a direct impact on the gross profit.

Auditors Independence Declaration

A copy of the independence declaration provided by the company's auditors in relation to the review of the 31 December 2004 half year financial report is presented in the financial report and forms part of the Director's Report.

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


.....Director


.....Director

BRISBANE QLD
14 March 2005



BETTA STORES LTD ABN 44 009 710 605
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Notes	Economic Entity	
		31 December 2004	31 December 2003
Revenue from sale of goods	2	60,775,953	50,662,025
Revenue from rendering services	2	35,698,337	30,356,228
Other revenues from ordinary activities	2	959,337	686,952
Total revenue from ordinary activities		<u>97,433,627</u>	<u>81,705,205</u>
Cost of sales	2	(56,089,786)	(47,057,195)
Administrative expenses		(2,954,095)	(2,383,417)
Marketing & Promotional expenses		(19,954,245)	(18,856,559)
Employment expenses		(7,943,728)	(6,341,745)
Computer Development & Support expenses		(1,107,608)	(1,265,756)
Occupancy expenses		(1,839,979)	(1,302,335)
Retail Support expenses		(4,398,731)	(2,651,360)
Borrowing costs expense		(355,865)	(81,944)
Total expenses from ordinary activities		<u>(94,644,036)</u>	<u>(79,940,311)</u>
Profit from ordinary activities before income tax expense		2,789,591	1,764,894
Income tax expense relating to ordinary activities		(928,136)	(541,541)
Profit from ordinary activities after related income tax expense		<u>1,861,454</u>	<u>1,223,353</u>
Net Profit/loss attributable to outside equity interests		27,093	(16,673)
Net profit attributable to members of the parent entity		<u>1,888,547</u>	<u>1,206,680</u>
Increase in asset revaluation reserve		-	-
Total changes in equity other than those resulting from transactions with owners as owners.		<u>1,888,547</u>	<u>1,206,680</u>
Basic earnings per share (cents per share)		4.0	2.8



BETTA STORES LTD ABN 44 009 710 605
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

	Economic Entity	
	31 December 2004	30 June 2004
Current Assets		
Cash assets	2,987,428	331,791
Receivables	41,684,497	16,786,535
Inventories	19,612,957	9,722,838
Current Tax Assets	1,308,760	157,422
Other financial assets	205,239	339,944
Other	1,133,142	563,795
Total Current Assets	<u>66,932,023</u>	<u>27,902,325</u>
Non-Current Assets		
Property, plant and equipment and vehicles	8,417,843	7,835,201
Deferred tax assets	1,202,584	303,762
Intangible assets	1,411,404	1,162,500
Total Non-Current Assets	<u>11,031,831</u>	<u>9,301,463</u>
TOTAL ASSETS	<u><u>77,963,854</u></u>	<u><u>37,203,788</u></u>
Current Liabilities		
Payables	27,482,255	17,279,578
Interest bearing liabilities	20,562,962	1,858,020
Current tax liabilities	-	-
Provisions	1,624,474	1,054,365
Total Current Liabilities	<u>49,669,691</u>	<u>20,191,963</u>
Non-Current Liabilities		
Interest bearing liabilities	13,293,957	2,822,407
Provisions	289,966	311,327
Total Non-Current Liabilities	<u>13,583,923</u>	<u>3,133,734</u>
TOTAL LIABILITIES	<u>63,253,614</u>	<u>23,325,697</u>
NET ASSETS	<u><u>14,710,240</u></u>	<u><u>13,878,091</u></u>
Equity		
Contributed equity	161,083	160,383
Reserves	1,469,240	1,469,240
Retained profits	13,139,414	12,280,872
Parent equity interest	14,769,737	13,910,495
Outside equity interest	(59,497)	(32,404)
TOTAL EQUITY	<u><u>14,710,240</u></u>	<u><u>13,878,091</u></u>

The accompanying notes form part of the financial statements



BETTA STORES LTD ABN 44 009 710 605
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STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Notes	Economic Entity	
		31 December 2004	31 December 2003
Cash Flows from Operating Activities			
Revenue from operations		90,675,939	85,414,903
Payments to retailers, suppliers and employees		(94,166,102)	(87,499,758)
Interest received		47,510	87,291
Dividends received		11,455	13,292
Borrowing costs		(452,115)	(99,944)
Income tax paid		(1,344,169)	(834,205)
Net cash provided by (used in) operating activities		(5,227,483)	(2,918,421)
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment and vehicles		-	81,563
Proceeds from sale of investments		198,075	-
Purchase of property, plant and equipment and vehicles		(769,611)	(1,289,113)
Purchase of other non-current assets		(157,042)	(1,315,758)
Payment for subsidiary, net of cash acquired		(19,628,209)	-
Net cash provided by (used in) investing activities		(20,356,788)	(2,523,308)
Cash Flows from Financing Activities			
Proceeds from borrowings		29,269,212	2,997,472
Repayment of borrowings		-	(427,988)
Proceeds from Share Issue		700	62,398
Payment for Share Buy Back		-	(7,200)
Dividends Declared & Paid		(1,030,005)	-
Net cash provided by (used in) financing activities		28,239,907	2,624,682
Net increase (decrease) in cash held		2,655,637	(2,817,047)
Cash at 1 July 2004		331,791	3,712,898
Cash at 31 December 2004		2,987,428	895,851

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the financial statements.



BETTA STORES LTD ABN 44 009 710 605
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

NOTE 1

(a) Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by Betta Stores Ltd during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2004 annual report.

The half-year report does not include full disclosures of the type normally included in the annual financial report.

(b) International Financial Reporting Standards (IFRS)

The Economic Entity will continue to prepare financial statements in accordance with Australian Accounting Standards. This will result in the Economic Entity complying with IFRS when the entity reports in 2006.

The entity has established a project team to monitor and plan for the adoption of IFRS. The project team will be considering developments in IFRS and the likely impact that these standards will have on its financial reports and accounting policies.

The valuation of fixed assets, intangible assets and employee entitlements are the areas that have been identified as potentially being impacted by the change to IFRS.



**BETTA STORES LTD ABN 44 009 710 605
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Notes	Economic Entity	
		31 December 2004	31 December 2003
NOTE 2: Profit from Ordinary Activities			
The following revenue and expense items are relevant in explaining the financial performance for the interim period:			
Revenue from sale of goods			
- Centrally ordered		29,694,313	28,732,053
- Retail operations		29,556,023	21,611,245
- Other sales		1,525,617	318,727
		60,775,953	50,662,025
Cost of Sales			
- Centrally ordered		29,694,312	28,729,529
- Retail operations		25,001,474	18,011,050
- Other cost of sales		1,394,000	316,616
		56,089,786	47,057,195
Revenue from Rendering Services		35,698,337	30,356,228

NOTE 3: Dividends

Paid Interim fully franked dividend of 2.2 cents per share franked at a tax rate of 30%		1,030,005	-
Proposed Interim fully franked dividend of 1 cent per share franked at a tax rate of 30%		468,184	-
		1,498,189	-

NOTE 4: Acquisitions of Subsidiaries

On the 1 December 2004 the parent entity purchased all shares of A K Truscott Investments Pty Ltd, which primarily operates as an electrical appliance retailer.

The purchase was satisfied by the payment of cash consideration totalling \$20.676M.

NOTE 5: 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.

NOTE 6: Events Subsequent to Reporting Date

Subsequent to the reporting date the BSL group and three of its franchisee's formed a company, Buy Rite Stores (Northern) Pty Ltd, to operate four premium electrical appliance retail stores in the greater Brisbane area. The BSL group owns 51% of the new company, with the remaining 49% held collectively by the three retailer partners.

Buy Rite Stores (Northern) Pty Ltd completed the acquisition of the four retail stores on 1 March 2005.



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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Segment Reporting

2005	Franchise Operations	Central Accounting	Retail Operations	Eliminations	Economic Entity
(a) Primary reporting - Business segments					
REVENUE					
External sales	38,560,975	31,372,635	31,322,963	(3,822,946)	97,433,627
Total revenue from ordinary activities	38,560,975	31,372,635	31,322,963	(3,822,946)	97,433,627
Profit from Ordinary Activities before income tax expense	3,847,124	(10,160)	(1,047,373)	-	2,789,591

2004	Franchise Operations	Central Accounting	Retail Operations	Eliminations	Economic Entity
(a) Primary reporting - Business segments					
REVENUE					
External sales	35,592,601	24,813,009	22,170,036	(870,441)	81,705,205
Total revenue from ordinary activities	35,592,601	24,813,009	22,170,036	(870,441)	81,705,205
Profit from Ordinary Activities before income tax expense	2,051,829	221,711	(508,646)	-	1,764,894

Business Segments

The Economic Entity has the following three business segments:

- Franchise 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.

NOTE 8: 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

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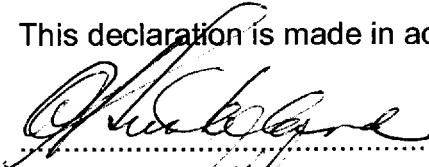
Directors Declaration


The directors of the company declare that:

- 1) the financial statements and notes, as set out on the previous pages are in accordance with the Corporations Act 2001 and:
 - a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
 - b) give a true and fair view of the economic entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date;

- 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

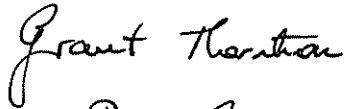

**BRISBANE QLD
14 March, 2004**

AUDITORS' INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Beta Stores Limited for the period ended 31 December 2004, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON
Chartered Accountants

D J CARROLL
Partner

Brisbane

14 March 2005

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF BETTA STORES LIMITED

Scope

We have reviewed the financial report of Betta Stores Limited for the half-year ended 31 December 2004, comprising Statement of Financial Position, Statement of Financial Performance, Statement of Cashflows, Notes to Financial Statements and Directors Declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising Betta Stores Limited and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Australian Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities & Investments Commission and the Newcastle Stock Exchange.

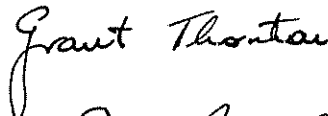

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Betta Stores Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

GRANT THORNTON
Chartered Accountants

D J CARROLL
Partner

Brisbane, Queensland

Dated this 14th day of March 2005.