



**Company Announcement**

**22 November 2004**

## **CHAIRMAN'S ADDRESS – 2004 ANNUAL GENERAL MEETING**

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In my Chairman's Report in the 2004 Annual Report, I refer to the 2004 financial year as being a formative year - a year of transition for Betta Stores Ltd.

Put succinctly, the 2004 financial year will be remembered as a milestone year in the history of Betta Stores Ltd, as we repositioned the company to support independent retailing into the future. We took the huge step, from being an unlisted public company with a history of a co-operative culture, to a company that is now publicly-listed and is a company that is fully integrated with franchising operations, retail operations and retail solutions for independent retailers. Although the listing and distribution of 46.8 million ordinary shares, for no consideration, did not occur until after the close of the financial year, all the preliminary work and statutory requirements were done prior to year end in order to have us where we are today.

Throughout this process, the Board kept its stakeholders fully informed and as a result, the most pleasing aspect of the whole restructuring procedure for the Board was the acceptance by more than 90% of shareholders of the restructure.

This transition for Betta stores Ltd is not the culmination of your Board's strategic plan but merely the necessary step the company had to take in order to put in place a structure that will help to secure its' future - further refinements to our company will be needed as time goes on. Perhaps none will be as momentous as those we achieved last year, but nonetheless further changes will be required.

Internally, the company's operations were structured into individual subsidiaries during the 2004 financial year. This now allows our management team, under the guidance of the Board and Finance Committee, to better control each business unit in terms of revenue and return.

The company structure was just one of many new endeavours acted upon by your Board and management team during this year.

The 2004 financial year also saw some major advancements in other areas of our business. Broadly speaking we could break these down into two categories - internal and external endeavours.

Internally, we continued to develop our IT-based solution for retail trading. Your Board and management are committed to enhancing our IT platform in order for it to set the pace in the industries it competes in. During the 2004 financial year, we invested around \$2 million into our IT platform and as a result we now have over 360 shopfronts connected on an ADSL network to a central database here in Queensland.

Without doubt, this network has become one of the key points in our service offer to our retail and wholesale business partners. Using industry standards, we have taken a leading position in the implementation of a true B2B network between our wholesale and retail customers. This IT strategy is focussed on removing costs from the supply chain, which inturn benefits BSL and its' customers.

The other major internal endeavour for the 2004 year was to ramp up our central accounting facilities and infrastructure. 2004 saw central accounting more than double by increasing its billings by 118%. We also moved this facility into our finance subsidiary, BSL Finance on the 1<sup>st</sup> of July 2004. Post year-end, we have now added Panasonic, one of our top five suppliers to the group, to this central accounting facility. Panasonic's introduction is all the more significant in that it is truly on a B2B platform. It is based on industry standards with paperless ordering and invoicing, and is the first of its kind in this industry. This will offer significant cost savings for all participants, as suppliers and retailers alike can accumulate numerous and expensive paper-based accounts into one central "virtually paperless" database.

The central accounting facility will also allow BSL to develop a distribution strategy in the future, to ensure independent retailers continue to have access to supply at a market-competitive price. BSL Finance will underpin this distribution strategy into the future. You can expect that this subsidiary will realise significant growth in the months and years to come as more of our major suppliers are added to this facility.

Externally we have also made numerous advancements.

Twelve months ago, we spoke of the move into retailing through the acquisition of the Buy-Rite stores in Melbourne. This transaction was completed in the first quarter of the 2004 financial year, with two Chandlers stores in the Northern Territory added to the retail division shortly thereafter. Progress during the year for these stores has been solid, with the main emphasis on removing costs from the back end operation of these businesses. The nett result has been a significant financial improvement for the retail operations, reflecting in the projected losses for the businesses - that were evident at acquisition - being substantially reduced. Currently, improvements are being made on the front-end retail offer of all stores, which is aimed at returning this division to a positive result in the 2005 financial year. It is fair to say however that we still have a lot of work to do.

The 2004 financial year also saw our first full year in our "Sleepy's the Mattress Specialists" joint venture in the bedding industry. Total franchised outlets grew to 32 by year end and our expectation is for further growth this year.

So what were some of the financial highlights for BSL in 2004?

- Operating revenue grew from \$88 million to \$166 million on the back of strong retailer purchases, the acquisition of Buy-Rite, and the expansion of Central Accounting.
- Despite significant growth in Central Accounting and the acquisition of two loss-making businesses, Earnings Before Interest & Tax of \$4.4 million remained in line with the 2003 result of \$4.2 million
- Shareholder Equity grew by 38% to \$13.8 million, with total assets reaching \$37.2 million.
- And the most significant being the post-year end distribution of 46.8 million ordinary shares to group retailers.

As this is our first AGM as a publicly-listed company, we are committed to meeting the formal requirements such a meeting entails. Throughout today's report we have highlighted the past year's achievements as well as noting our expected areas of future performance.

The Directors believe it is good governance to advise, where possible, of any significant events that may alter the future of Betta Stores Ltd. One such event which I have pleasure in confirming is that at 9am this morning, BSL advised the market of its intention to purchase the Truscott Hi-Fi business in South Australia, subject to final Board approval on 26 November. BSL and the vendor, Truscott Nominees Pty Ltd, have entered into a Share Sale Agreement which will see 100% of the shares in Truscott Investments Pty Ltd acquired by BSL on 1 December 2004 for \$22.676M. Truscott Investments is the holding company of a group which conducts retailing operations under the "Truscott Hi-Fi" brand, and consumer finance operations under the "Retail Mortgage Services" brand. This acquisition will add approximately \$55 million in sales to the current retail business of BSL, and significantly strengthen our position in the South Australian market. The acquisition also includes a large consumer finance debtor's book, which services the interest-free customers of the

retail business. Details of this transaction are now available on the BSL and NSX websites, and copies of the market release are also available here today.

In addition to the Truscott acquisition the company continues to investigate expansion and growth opportunities focussed on ensuring independent retailers remain relevant into the future. We hope to release further details of these proposals in the near future.

Amongst all of this exciting activity, today is also a sad day for Betta stores Ltd. Malcolm Leeke, our company secretary, is overseeing his 43<sup>rd</sup> AGM having not only overseen its' first, but every one in between. Malcolm has decided to retire and I'm sure I speak for all the Board, both past and present, when I wish Malcolm not only a happy retirement but also a sincere thank you on being a significant part of this company's history. Malcolm, we are here today because of many of your efforts in the past. Thank you for your enormous and positive contributions to the company we have today. In Malcolm's honour, the new Boardroom of the BSL head office has been named the "MV Leeke Boardroom" - please join me in thanking Malcolm.

It gives me pleasure to advise shareholders that our new company secretary is Mr David Goode, who will take up the role from November 30.

Successful businesses require a motivated and capable management team. We have entered the realm of public listing and diversification in our operations, and we are faced with market changes and market challenges on a scale never seen before in our industry. The fact that we continue to navigate these domains in a successful manner is testament to the quality of management that lead, and staff that fulfil the functions of, the company - Guy, as CEO could you please convey the Board's sincere appreciation to all staff members on a job well done.

In conclusion, Betta Stores Ltd has undergone an evolutionary change during 2004. The word evolution means change is required in order to survive as circumstances change. The retailing landscape is constantly changing, and your Board and senior management team is committed to ensuring your company evolves, to not only meet these changes, but in some areas to also lead the change.

Further enquiries to be directed to:

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