

FORM: Preliminary final report

Name of issuer

BETTA STORES LTD

ACN or ARBN

009 710 605

Half yearly
(tick)

Preliminary
final (tick)

√

Half year/financial year ended
('Current period')

30 June 2005

For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

Extracted from the statement for dissemination to the market (see Note 7):				\$A
Sales (or equivalent) operating revenue (item 1.1)	up	51.2 %	to	248,329,783
Operating profit (loss) before abnormal items and tax (item 1.4)	up	(79.1) %	to	876,778
Abnormal items before tax (item 1.5)	gain (loss) of	-	to	
Operating profit (loss) after tax but before outside equity interests (item 1.8)	down	(80.0) %	to	580,476
Extraordinary items after tax attributable to members (item 1.13)	gain (loss) of	-	to	-
Operating profit (loss) and extraordinary items after tax attributable to members (item 1.16)	down	(0.7) %	to	773,594
Exploration and evaluation expenditure incurred (item 5.2)	N/A	- %	to	
Exploration and evaluation expenditure written off (item 5.3)	N/A	- %	to	
Dividends Franking rate applicable		30%		
Paid 22 April 2005		1.0 Cent		
Paid 5 August 2004		2.2 cents		
Previous corresponding period		-		
Record date for determining entitlements to the dividend, (in the case of a trust distribution) (see item 15.2)		Nil		
Short details of any bonus or cash issue or other items(s) of importance not previously released to the market:				
N/A				

Consolidated profit and loss account
(The figures are not equity accounted)

		Current period \$A	Previous corresponding period \$A
1.1	Sales (or equivalent operating) revenue	248,329,783	164,258,690
1.2	Other revenue	2,256,459	1,663,114
1.3	Total revenue	250,586,243	165,921,804
1.4	Operating profit (loss) before abnormal items and tax	876,778	4,191,497
1.5	Abnormal items before tax (detail in item 2.1)	-	-
1.6	Operating profit (loss) before tax (items 1.4 + 1.5)	876,778	4,191,497
1.7	Less tax	(296,302)	(1,284,587)
1.8	Operating profit (loss) after tax but before outside equity interests	580,476	2,906,910
1.9	Less outside equity interests	193,118	(7,282)
1.10	Operating profit (loss) after tax attributable to members	773,594	2,899,628
1.11	Extraordinary items after tax (detail in item 2.3)	-	-
1.12	Less outside equity interests	-	-
1.13	Extraordinary items after tax attributable to members	-	-
1.14	Total operating profit (loss) and extraordinary items after tax (items 1.8 & 1.11)	580,476	2,906,910
1.15	Operating profit (loss) and extraordinary items after tax attributable to outside equity interests (items 1.9 & 1.12)	193,118	(7,282)
1.16	Operating profit (loss) and extraordinary items after tax attributable to members (items 1.10 & 1.13)	773,594	2,899,628
1.17	Retained profits (accumulated losses) at beginning of financial period	12,280,872	9,381,244
1.18	Aggregate of amounts transferred from reserves	-	871,328
1.19	Total available for appropriation (carried forward)	13,054,466	12,280,872
1.20	Total available for appropriation (brought forward)	12,280,872	9,381,244

Consolidated profit and loss account continued

1.21	Dividends provided for or paid	1,498,189	-
1.22	Aggregate or amounts transferred to reserves	-	-
1.23	Retained profits (accumulated losses) at end of financial period	11,556,277	12,280,872

Abnormal and extraordinary items

		Consolidated - current period		
		Before tax \$A	Related tax \$A	After tax \$A
2.1	Abnormal items	N/A	N/A	N/A
2.2	Total abnormal items			
2.3	Extraordinary items	N/A	N/A	N/A
2.4	Total extraordinary items			

Comparison of half year profits

(Preliminary final statement only)

		Current year - \$A	Previous year - \$A
3.1	Consolidated operating profit (loss) after tax attributable to members reported for the 1st half year (item 1.10 in the half yearly statement)	1,888,547	1,206,680
3.2	Consolidated operating profit (loss) after tax attributable to members for the 2nd half year	(1,114,953)	1,692,948

Consolidated balance sheet

(See note 5)

		At end of current period \$A	As shown in last annual report \$A	As in last half yearly statement \$A
Current assets				
4.1	Cash	7,628,705	331,791	2,987,428
4.2	Receivable	44,518,375	16,786,535	41,684,497
4.3	Investments	196,192	339,944	205,239
4.4	Inventories	17,926,665	9,722,838	19,612,957
4.5	Other (including Current tax assets)	3,723,888	721,217	2,441,902
4.6	Total current assets	73,993,825	27,902,325	66,932,023
Non-current assets				
4.7	Receivables	-	-	-
4.8	Investments	-	-	-
4.9	Inventories	-	-	-
4.10	Exploration and evaluation expenditure capitalised (see para .71 of AASB 1022)	-	-	-
4.11	Development properties (mining entities)	-	-	-
4.12	Other property, plant and equipment (net)	9,174,920	7,835,201	8,417,843
4.13	Intangibles (net)	1,415,505	1,162,500	1,411,404
4.14	Other (including deferred tax asset)	1,040,654	303,762	1,202,584
4.15	Total non-current assets	11,631,079	9,301,463	11,031,830
4.16	Total assets	85,624,904	37,203,788	77,963,854
Current liabilities				
4.17	Accounts payable	23,067,156	17,177,058	27,482,255
4.18	Borrowings	31,693,506	1,858,020	20,562,962
4.19	Provisions	1,630,702	1,054,365	1,624,474
4.20	Other (provide details if material)	-	102,520	-
4.21	Total current liabilities	56,391,364	20,191,963	49,669,691
Non-current liabilities				
4.22	Accounts payable	-	-	-
4.23	Borrowings	13,927,392	1,062,335	11,480,683
4.24	Provisions	275,542	311,327	289,966
4.25	Other (provide details if material)	1,868,773	1,760,072	1,813,274
4.26	Total non-current liabilities	16,071,707	3,133,734	13,583,923
4.27	Total liabilities	72,463,071	23,325,698	63,253,614
4.28	Net assets	13,161,833	13,878,090	14,710,240

Consolidated balance sheet continued

Equity				
4.29	Capital	361,839	160,383	161,083
4.30	Reserves	1,469,240	1,469,240	1,469,240
4.31	Retained profits (accumulated losses)	11,556,276	12,280,872	13,139,414
4.32	Equity attributable to members of the parent entity	-	-	-
4.33	Outside equity interests in controlled entities	(225,522)	(32,404)	(59,497)
4.34	Total equity	13,161,833	13,878,091	14,710,240

4.35	Preference capital and related premium included as part of 4.31	N/A	N/A	N/A
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Exploration and evaluation expenditure capitalisec

To be completed only by issuers with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit

		Current period \$A	Previous corresponding period \$A
5.1	Opening balance	N/A	N/A
5.2	Expenditure incurred during current period	N/A	N/A
5.3	Expenditure written off during current period	N/A	N/A
5.4	Acquisitions, disposals, revaluation increments, etc.	N/A	N/A
5.5	Expenditure transferred to Development Properties	N/A	N/A
5.6	Closing balance as shown in the consolidated balance sheet (item 4.9)	N/A	N/A

Development properties

(To be completed only by issuers with mining interests if amounts are material)

		Current period \$A	Previous corresponding period \$A
6.1	Opening balance	N/A	N/A
6.2	Expenditure incurred during current period	N/A	N/A
6.3	Expenditure transferred from exploration and evaluation	N/A	N/A
6.4	Expenditure written off during current period	N/A	N/A
6.5	Acquisitions, disposals, revaluation increments, etc.	N/A	N/A
6.6	Expenditure transferred to mine properties	N/A	N/A
6.7	Closing balance as shown in the consolidated balance sheet (item 4.10)	N/A	N/A

Consolidated statement of cash flows

(See note 6)

		Current period \$A	Previous corresponding period \$A
Cash flows related to operating activities			
7.1	Receipts from customers	250,852,575	173,861,412
7.2	Payments to suppliers and employees	(258,589,251)	(173,430,102)
7.3	Dividends received	16,543	19,413
7.4	Interest and other items of similar nature received	158,736	144,257
7.5	Interest and other costs of finance paid	(2,001,986)	(231,534)
7.6	Income taxes paid	(1,590,301)	(1,747,609)
7.7	Other (provide details if material)	-	-
7.8	Net operating cash flows	(11,153,683)	(1,384,163)

Cash flows related to investing activities			
7.9	Payments for purchases of property, plant and equipment	(2,072,897)	(2,648,963)
7.10	Proceeds from sale of property, plant and equipment	-	208,879
7.11	Payment for purchases of equity investments	(20,886,017)	-
7.12	Proceeds from sale of equity investments	198,075	134,749
7.13	Loans to other entities	-	-
7.14	Loans repaid by other entities	-	-
7.15a	Payments for purchased Goodwill	(407,041)	(1,000,000)
7.15b	Other (provide details if material)		
7.16	Net investing cash flows	(23,167,880)	(3,305,335)
Cash flows related to financing activities			
7.17	Proceeds from issues of securities (shares, options, etc.)	-	56,383
7.18	Proceeds from borrowings	42,931,011	1,307,327
7.19	Repayment of borrowings	-	(42,520)
7.20	Dividends paid	(1,312,534)	-
7.21	Payment for share buy back	-	(12,800)
7.22	Net financing cash flows	41,618,477	1,308,390
Net increase (decrease) in cash held		7,296,914	(3,381,108)
7.23	Cash at beginning of period (see Reconciliations of cash)	331,791	3,712,898
7.24	Exchange rate adjustments to item 7.23		
7.25	Cash at end of period (see Reconciliation of cash)	7,628,705	331,790

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.

If an amount is quantified, show comparative amount .

During the year the economic entity acquired leased plant, equipment & motor vehicles with an aggregate fair value of \$361,127 by means of finance lease (2004: \$208,645). These acquisitions are not reflected in the statement of cash flows.

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows

	Current period \$A	Previous corresponding period \$A
8.1 Cash on hand and at bank	7,628,705	331,791
8.2 Deposits at call	-	-
8.3 Bank overdraft	-	-
8.4 Other (provide details)	-	-
8.5 Total cash at end of period (item 7.25)	7,628,705	331,791

Ratios		Current period \$A	Previous corresponding period \$A
Profit before abnormals and tax/sales			
9.1	Consolidated operating profit (loss) before abnormal items and tax (items 1.4) as a percentage of sales revenue (items 1.1)	0.4%	2.6%
Profit after tax/equity interests			
9.2	Consolidated operating profit (loss) after tax attributable to members (item 1.10) as a percentage of equity (similarly attributable) at the end of the period (item 4.34)	5.9%	20.9%

Earnings per security (EPS)

10.1	Calculation of basic, and fully diluted, EPS in accordance with AASB 1027: Earnings per Share		
	(a) Basic EPS	1.65 cents	6.35 cents
	(b) Diluted EPS (if materially different from (a))	NA	NA

As noted in the comments by directors BSL's capital was restructured on 13 July 2004

NTA backing

(see note 7)

	Current period	Previous corresponding period
11.1 Net tangible asset backing per ordinary security	24.75 cents	27.16 cents

The NTA backing calculated above is in line with capital as at 30 June 2005. As noted in the comments by directors BSL's capital was restructured on 13 July 2004.

Details of specific receipts/outlays, revenues/expenses

	Current period \$A	Previous corresponding period \$A
12.1 Interest revenue included in determining items 1.4	158,736	144,257
12.2 Interest revenue included in item 12.1 but not yet received (if material)	-	7,662
12.3 Interest expense included in item 1.4 (include all forms of interest, lease finance charges, etc.)	2,001,986	231,534
12.4 Interest costs excluded from item 12.3 and capitalised in asset values (if material)	-	-
12.5 Outlays (except those arising from the acquisition of an existing business) capitalised in intangibles (if material)	-	-
12.6 Depreciation (excluding amortisation of intangibles)	1,215,566	1,597,966
12.7 Amortisation of intangibles	154,036	130,000

Control gained over entities having material effect

(See note 8)

13.1	Name of issuer (or group)	AK TRUSCOTT INVESTMENTS P/L
13.2	Consolidated operating profit (loss) and extraordinary items after tax of the issuer (or group) since the date in the current period on which control was acquired	\$755,007
13.3	Date from which such profit has been calculated	1 December 2004
13.4	Operating profit (loss) and extraordinary items after tax of the issuer (or group) for the whole of the previous corresponding period	N/A

Loss of control of entities having material effect

(See note 8)

14.1	Name of entity (or group)	N/A
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14.2	Consolidated operating profit (loss) and extraordinary items after tax of the entity (or group) for the current period to the date of loss of control	N/A
14.3	Date from which the profit (loss) in item 14.2 has been calculated	N/A
14.4	Consolidated operating profit (loss) and extraordinary items after tax of the entity (or group) while controlled during the whole of the previous corresponding period	N/A
14.5	Contribution to consolidated operating profit (loss) and extraordinary items from sale of interest leading to loss of control	N/A

Dividends

15.1	Date the dividend is payable	N/A
15.2	Record date to determine entitlements to the dividend (ie. on the basis of registrable transfers received up to 5.00 pm)	N/A

18.3 Amount per security	N/A
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	Franking rate applicable	39%	36%	30%
	(Preliminary final statement only)			
15.4	Final dividend: Current year	-	-	-
15.5	Previous year	-	-	-
	(Half yearly and preliminary final statements)			
15.6	Interim dividend: Current year			
	Paid 22 April 2005	-	-	468,184
	Paid 5 August 2004	-	-	1,030,005
15.7	Previous year	-	-	-

Total annual dividend (distribution) per security

(Preliminary final statement only)

	Current year	Previous year
15.8	Ordinary securities	3.20 cents
15.9	Preference securities	N/A

Total dividend (distribution)

	Current period \$A	Previous corresponding period \$A
15.10	Ordinary securities	1,498,189
15.11	Preference securities	N/A
15.12	Total	-

The dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices to the dividend or distribution plans
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Any other disclosures in relation to dividends (distributions)

Nil

Equity accounted associated entities and other material interests

Equity accounting information attributable to the economic entity's share of investments in associated entities must be disclosed in a separate notice. See AASB 1016: Disclosure of Information about Investments in Associated Companies.

		Current period \$A	Previous corresponding period \$A
Investments in associated entities			
16.1	Statutory carrying value of investments in associated entities (SCV)	N/A	N/A
16.2	Share of associated entities' retained profits and reserves not included in SCV:	N/A	N/A
	Retained profits	N/A	N/A
	Reserves		
16.3	Equity carrying value of investments	N/A	N/A

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities.

		Percentage of ownership interest (ordinary securities, units etc) held at end of period		Contributing to operating profits (loss) and extraordinary items after tax	
		Current period	Previous corresponding period	Current period	Previous corresponding period
17.1	Equity accounted associated entities			Equity accounted	
		N/A	N/A	N/A	N/A
17.2	Other material interests			Not equity accounted (ie part of item 1.14)	
		N/A	N/A	N/A	N/A

Issued and listed securities

Description includes rate of interest and any redemption or conversion rights together with prices and rates

Category of securities		Number Issued	Number Listed	Par Value (cents)	Paid-up Value (cents)
18.1	Preference securities	N/A			
	(description)				
18.2	Issued during current period	N/A			
18.3	Ordinary securities		-		
	Retailer Shares	12,150	-	200	200
	Ordinary Shares	47,458,596	47,458,596	0	0
18.4	Issued during current period		-		
	Retailer Shares	1,850	-	200	200
	Ordinary Shares	47,458,596	47,458,596	0	0
18.5	Convertible debt securities	N/A			
	(description and conversion factor)				
18.6	issued during current period				
18.7	Options (description and conversion factor)	N/A		Exercise Price	Expiry Date

18.8	Issued during current period				
18.9	Exercised during current period				
18.10	Expired during current period				
18.11	Debentures (<i>totals only</i>)				
18.12	Unsecured Notes (<i>totals only</i>)				

Comments by directors

Comments on the following matters are required by the Exchange or, in relation to the half yearly statement, by AASB 1029: Half Year Accounts and Consolidated Accounts. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final statements, if there are no comments in a section, state NIL. If there is insufficient space in comment, attach notes to this statement.

Basis of accounts preparation

The financial report from which these numbers are derived 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 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.

Material factors affecting the revenues and expenses of the issuer for the current period

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, AK Truscott Investments Pty Ltd following the acquisition of the electrical appliance retailing business of AK Truscott Investments Pty Ltd on 1 December 2004 and Buy Rite Stores (Northern) Pty Ltd following the establishment of a Joint venture on 15 January 2005.

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

Review of the Operations and Results

Overview of the consolidated entity

The consolidated statement of financial performance shows a consolidated net profit attributable to members of \$773,614 compared with \$2,899,628 in 2004. The significant decrease is mainly due to the poor performance in the retailing operations business as explained below.

Franchisor operations:

The franchisor operations of the consolidated entity which represent the Betta Electrical, Chandelers and Sleepy's brands increased revenue by 6.5% to \$69.7 million compared to \$65.6 in 2004. This growth reflected the strong performance in the first half of the year of 8% growth on the previous corresponding period however the second half showed a slight decline from the previous corresponding period. This reflected the general downturn experienced in the electrical appliance retail sector in Australia.

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

Central Accounting

The central accounting operations of the consolidated entity increased revenue by 111.2% to \$122.9 million compared to \$58.2 million in 2004. This growth reflected the increase in revenue as additional suppliers traded through central accounting with both the consolidated entity's franchisee's and its retailing operations.

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

Retailing Operations

The retailing operations of the consolidated entity increased revenue by 105.6% to \$91.7 million compared to \$44.6 in 2004. This growth reflected the acquisition of A K Truscott Investments Pty Ltd, trading as Truscott's Hi Fi on 1 December 2004 and the establishment of a joint venture company, Buy Rite Stores (Northern) Pty Ltd on 14 January 2005. Truscott's operates seven retail stores in South Australia. Buy Rite Northern currently operates two stores in Queensland. Truscott's contributed total revenue for the financial year of \$35.1 million. Buy Rite Northern contributed total revenue of \$6.6 million.

The segment result loss of \$(2.60 million) compares to a loss of \$(293,650) in 2004.

The result for this segment was adversely impacted by the decrease in market sentiment, a significant drive to reduce aged and obsolete stock and a sizable investment in one off restructure costs across all business units with the clear drive of reducing long term overhead. In addition, the Buyrite Northern business was adversely impacted by lengthy delays in the opening of the Morayfield and Rothwell Superstores.

Shareholder Restructure

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 million Ordinary Shares on the NSX.

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

Nil

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

Franking credits available at year end are \$17.9m. The company has good prospects of paying fully franked dividends in the next year depending on operating profits and availability of funds.

Changes in accounting policies since the last annual report are disclosed as follows.

(Disclose changes in the half yearly statement in accordance with paragraph 15(c) of AASB 1029: Half Year Accounts and Consolidated Accounts. Disclose changes in the preliminary final statement in accordance with AASB 101: Accounting Policies Disclosure.

Nil

Annual meeting

(Preliminary final statement only)

The annual meeting will be held as follows:

Place

Melbourne, Victoria 3000 (location to be confirmed)

Date

29 November 2005

Time

9:00 AM

Approximate date the annual report will be available

31 October 2005

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to the Exchange (see note 13).
Identify other standards used
- 2 This statement, and the financial statements under the Corporations Act (if separate), use the same accounting policies.
- 3 This statement does give a true and fair view of the matters disclosed (see note 2).
- 4 This statement is based on financial statements to which one of the following applies:
- ☐ The financial statements have been audited. ☐ The financial statements have been subject to review by a registered auditor (or overseas equivalent).
- ☒ The financial statements are in the process of being audited or subject to review. ☐ The financial statements have *not* yet been audited or reviewed.
- 5 If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications ~~are attached~~/will follow immediately they are available* (delete one). (Half yearly statement only - the audit report
- 6 The issuer has~~does not have~~* (delete one) a formally constituted audit committee.

Sign here: Date:
(Director/Company secretary)

Print name