

Betta Stores Ltd
ABN 44 009 710 605

EXPLANATORY MEMORANDUM

TO NOTICE OF 2005 ANNUAL GENERAL MEETING AND SHAREHOLDERS' MEETINGS

Meetings commencing at 9am on Tuesday 29 November, 2005

Venue: Gardenhurst Receptions, 82 Bulla Road, Essendon, Victoria

This Explanatory Memorandum is to meet the information needs of the Company's Shareholders at:

- the Annual General Meeting;
- the Ordinary Shareholders' Meeting; and
- the Retailer Shareholders' Meeting.

The items of Ordinary Business below are covered by the Notice of Annual General Meeting.

The item of Special Business is the subject of:

- agenda item 6 in the Notice of Annual General Meeting; and
- the separate notices of meeting for Retailer Shareholders and Ordinary Shareholders. Because the resolution of Special Business (if passed) will operate to change the Company's Constitution as well as to vary the rights of both Retailer Shareholders and Ordinary Shareholders, three separate meetings are required.

All meetings are proposed to be consecutively held at the same venue on the same day, starting with the Annual General Meeting at 9 am, followed by the Retailer Shareholders' Meeting at 9.40am and finally, the Ordinary Shareholders' Meeting at 10am.

Ordinary business

1. Financial Statements and Reports

- 1.1 The *Corporations Act 2001* requires that the report of the Directors, the Auditor's report and the financial report be laid before the Annual General Meeting. In addition the Company's Constitution provides for such reports and statements to be received and considered at the meeting. Apart from the matters involving remuneration which are required to be voted upon, neither the *Corporations Act 2001* nor the Company's Constitution requires a vote of shareholders at the Annual General Meeting on such reports or statements, however shareholders will be given ample opportunity to raise questions with respect to these reports and statements at the meeting.

Following consideration of reports the Chairman will give shareholders a reasonable opportunity to ask questions about or comment on the management and audit of the Company.

2. Directors' Remuneration Report

- 2.1 The *Corporations Act 2001* requires that the section of the Directors' report dealing with the remuneration of Directors, the Company Secretary and up to 5 senior executives ('remuneration report') be put to the vote of shareholders for adoption.

Following consideration of the remuneration report, the Chairman will give shareholders a reasonable opportunity to ask questions about or to make comments upon, the remuneration report.

3. Election of Directors

- 3.1 To assist members in deciding how to vote on the resolutions for the election of Directors, profiling information concerning each of the persons covered by the resolutions in the notice of meeting appear below:

Reg Cain

Reg has over 40 years electrical retailing experience, joining the BSL Group in 1992. Reg has been a Director of Betta Stores Limited for the last 6 years and is a foundation and life member of the Appliance Industry Association. He has also held the position of President of the Gladesville Chamber of Commerce since 1990.

Peter Caserta

Peter is currently an executive director of Hi Fi Supermarket. Hi Fi Supermarket operates 4 electrical retail stores with a turnover of \$42 million. Peter instigated the start up of Hi Fi Supermarkets in 2001 after resigning from JB Hi Fi in 2000. Peter joined JB Hi Fi in March 1985 at a time the business had one store and a turnover of \$6.5 million. He maintained an equity interest in that business from 1985 until December, 1996, continuing as a General Manager, with

responsibilities that included buying and marketing until 2000. At the time of his resignation JB Hi Fi had a turnover of \$120 million.

Patrick Tynan

Patrick has been a Director of Betta Stores Limited since 1996 and Chairman since 2003. His retail experience is as a franchisee of BSL for 16 years. Prior to this he held senior management positions with Panasonic and Samsung in marketing and sales roles highlighted by the task to introduce Samsung branded product to Australia in 1987. He holds a B.Com with a marketing major.

4. Director's Remuneration

4.1 This increase represents:

- (a) an increase in the Consumer Price Index; and
- (b) provision for 2 additional directors that could be appointed in accordance with the Constitution.

5. Appointment of Auditor

- 5.1 The Company's existing auditors, Grant Thornton will retire as auditors of the Company at the AGM. A resolution will be proposed at the AGM to appoint KPMG as auditors of the Company following the retirement of Grant Thornton. Grant Thornton have confirmed that there were no circumstances connected with their retirement which they considered ought to be brought to the attention of the shareholders or creditors of the Company.
- 5.2 Grant Thornton (and its predecessor entities) have been the Company's Auditors since 1987. The requirements of the Corporations Act could be met by Grant Thornton continuing as the auditors of the Company. In the interest of continuing good corporate governance and best practices, it is considered a change of auditors would ensure continued independence.
- 5.3 The Corporations Act requires shareholders to appoint an auditor at the Company's Annual General Meeting if there is a vacancy in the office of auditor of the Company.
- 5.4 Notice of the resignation of the existing auditors, Grant Thornton, has been received.
- 5.5 A nomination has been received from a member of the Company to appoint KPMG as auditors to the Company. A copy of the nomination notice is attached to this Explanatory Memorandum as Annexure B in accordance with section 328(3) of the Corporations Act.
- 5.6 Pursuant to the Corporations Act, KPMG have consented in writing to act as auditor to the Company, and have not withdrawn that consent prior to the date of this Notice.
- 5.7 The Directors unanimously recommend that shareholders vote in favour of this resolution.

6. Special business

Amendments to the Constitution and consequential share rights

- 6.1 At Company meetings convened on 11 June 2004, approval was given that the Company adopt a new form of constitution.
- 6.2 The adopted constitution (as approved) contained a number of provisions which Directors believe should be reviewed and appropriate changes made. In particular, the Directors consider that the following clauses should be reviewed in that context.

Clauses 11 and 12 – 7.5% Ordinary Shareholding limit.

- (a) There are restrictive provisions in clause 11 of the constitution which place a ceiling of 7.5% on the number of ordinary shares which can be directly or indirectly held by any person. The Directors propose that there be no limit or restriction on an ordinary shareholding in the Company. To this extent, the initial imposition of a shareholding limit of 7.5% was to ensure that it would act as an impediment to anyone seeking to control your Company. Someone who sought a greater shareholding percentage than 7.5% would need to remove those restrictions from the constitution before they acquired additional ordinary shares over the 7.5% limit. To a large extent, this would be a disincentive to anyone seeking to control or take over the Company. The provisions, in clause 11 are capable of being changed by the

shareholders at any time. However, in the absence of any change, the Company's constitution, through clause 12, allows for clause 11 to remain in place until 2009, to coincide with the 5 year anniversary of the Company's listing on the Stock Exchange of Newcastle Limited ('NSX'). The restrictive share ownerships provisions in clause 11 can be extended beyond 2009 by a resolution to that effect passed by the ordinary shareholders. However, unless the ordinary shareholders pass a renewal resolution, then the restrictive shareholding provisions lapse. Clause 11 also enables enquiries to be made by the Company into the ownership of ordinary shares in the Company, by the issue of primary and secondary notices. Those provisions would become obsolete if the 7.5% shareholding restriction was deleted. Clause 12 would become obsolete for similar reasons.

- (b) The Directors believe that the transition of your Company into a listed public company has been extremely successful. The Directors believe that removal of the shareholder restrictions contained in clause 11 will:
- remove any public perception of the Company being viewed as a 'closed shop', in terms of dominance by retailer shareholders;
 - assist the Company to attract institutional investors. (Because of the Company's relatively low capitalisation, and possible public perception of being a 'closed shop', these may be factors limiting institutional interest and investment in the Company); and
 - put your Company 'on a level playing field' ie be in the same position as nearly every other public company which lists on a stock exchange.
- (c) Against the proposal to remove the shareholding limit may be the concern that your Company may then be open to the same control vagaries as occurs with other listed public companies. Removal of the shareholding limit could expose the Company to a takeover. There could be arguments for and against such an action. Obviously, the resolution may be viewed differently by different members. Your Directors believe that having regard to the reasons covered in paragraph 4.2(b), the capital raising restrictions placed on the Company as a result of this "closed shop" and the discount which is currently being applied by market pricing as a valuation of the Company it is now time to remove these restrictions.

Retailer Shares 'Veto Rights' – clauses 53 and 54

- 6.3 Another change proposed for consideration by members is the removal of 'veto rights' held by the retailers in respect of retailer shares contained in clauses 53 and 54 of your Company's constitution.
- 6.4 Certain resolutions designated as 'Key Resolutions' need separate approval by not less than 75% of holders of retailer shares in order to be effective. A change to the Company's constitution is, for example, a Key Resolution. Essentially therefore, holders of retailer shares can exercise a power to veto any Key Resolution which ordinary shareholders may wish to pass. At present, through clause 54, the Key Resolution provisions are in place with a 5 year 'sunset' period whereby the Key Resolution provisions would lapse unless they were renewed within 5 years of the Company's anniversary of listing on the NSX.
- 6.5 The Key Resolution Provisions are intended to underpin the maintenance of control by retailers who can negate or vote down a Key Resolution which may be passed by ordinary shareholders. Quite obviously, unless a Key Resolution was overwhelmingly supported by the retailers (who hold retailer shares), it may not be approved due to their 'veto' power. Clauses 53 and 54 are not common in the constitutions of other listed public companies and it is highly unlikely that they would be accepted by the Australian Stock Exchange. These provisions could be dissuasive to new investors as those rules conflict with the 'one vote per one share' principle. In a vast majority of listed public companies, their voting structure aligns to 'one vote per share', based on the premise that ordinary shares represent the investment and control interest of shareholders in the Company and that the rights of ordinary shareholders should not be subject to dilution or detracting by other controlling stakeholders in the Company. In other words, the veto right of retailer shares would be a disincentive for institutional shareholders to invest in the Company. Whilst the Directors cannot point to any evidence to indicate that clauses 53 and 54 are an actual impediment in this regard, the Directors do believe that it is appropriate, the Company eliminate clauses 53 and 54. Whilst there is no reason to believe that retailers may necessarily act obstructively and vote against a Key Resolution which might be put up to members, the presence of clauses 53 and 54 act could give an external impression that the Company

was operating as a 'closed shop', as a result of the preferential empowerment given to retailer shareholders by clauses 53 and 54.

- 6.6 Because of similar reasons given in paragraph 4.2(b) above, your Directors believe it is appropriate, to now consider deleting both clauses 53 and 54 from the constitution. The Directors appreciate that that there may be members who hold retailer shares, who may disagree with this proposal. Nevertheless, having regard to the fact that it is timely, the capital raising restrictions placed on the Company as a result of this "closed shop" and the discount which is currently being applied by market pricing as a valuation of the Company and having regard to the opportunity to review clauses 11 and 12, the Directors believe it is also an opportunity to consider the deletion of clauses 53 and 54 from the constitution.

Clauses 66.1, 66.2, 66.3, 67 and 69.1 – Retailer Directors

- 6.7 Currently, through clauses 66 to 69, the Company's constitution recognises that the retailer shareholders have significant rights to control the composition of the board of your Company. To this extent, the board of your Company can be up to 9 people and shall comprise:
- (a) not less than 5 and not more than 6, retailer Directors;
 - (b) not more than 2 non executive Directors; and
 - (c) not more than 1 executive Director (acting as managing Director).
- 6.8 As there is a limit on the size of the board to not more than 9 Directors, the retailer Directors therefore would at all times control the decision making of the board and hence control the oversight of the Company's operations and its future direction. For any shareholders who are retailers, these rights would be consistent with their interests in most situations as a retailer but not necessarily as a shareholder. However, for company shareholders who only hold ordinary shares, this arrangement can be seen as inconsistent with their position as holding an interest in voting shares where they cannot, by exercising their voting rights, vote to appoint all Directors. Retailer shares are much fewer in number than ordinary shares and hence, on ordinary principals, retail shareholders have a disproportionate entitlement to board representation. It is therefore consistent with the reasons raised for removing the veto rights of retailer shares, to also remove from the constitution the provisions which reflect that retailer shareholders have a separate entitlement to appoint Directors of the Company. With the deletion of the relevant provisions, it simply means that the Company may appoint its Directors from any source and without any necessary connection to a retailer. Your Directors recognise that the composition of the board, without mandatory representation by retailers, should remove any perception of a third party of the potential for conflict between retailers, (as both controllers and customers of the Company) and ordinary shareholders.

7. Consequential Changes – clause 5 Definitions and clause 8.2

- 7.1 Because of the nature of changes to clauses 11, 12, 53, 54 and 66 to 69, this will result in some consequential changes being made to other provisions in the constitution. Annexure A to this explanatory memorandum sets out current text of clauses 11, 12, 53, 54, 66 to 69 as well as certain other definitions contained in clause 5 of the constitution. If the substantive text of the earlier proposals are approved, it will mean that these mentioned definitions in clause 5 will be obsolete. Clause 8.2, which currently reads: 'Ordinary Shares shall be subject to the Ordinary Shareholding Limit' will also be obsolete. Clause 68.1 which current reads 'Directors, other than Retailer Directors, are not required to hold any Shares', should be consequently changed to read: 'Directors are not required to hold any Shares'. As a result of changes to delete the requirement for there to be retailer directors, a new clause 66.1 is proposed to keep the number of directors between 3 and 9, with there being only one person eligible to be appointed as an executive director. This will necessitate a consequential variation to the clause reference in the definition of 'Managing Director', which is picked up in the changes to definitions.
- 7.2 The resolution to amend the constitution is being proposed as a composite resolution ie all elements of the resolution need to be approved for the resolution to be effective. It is therefore not contemplated that some of the changes proposed be made and not others. The amendment to the Company's constitution is one of the 'Key Provisions', which will require approval by the holders of retailer shares. Accordingly, unless the requisite resolution is approved, as well, by at least a 75% majority of retailer shares (voting in person, by proxy, attorney or representative) on this resolution at a separately convened meeting of retailer shareholders, then the resolution will not be effective.

- 7.3 Changes will occur to the rights of holders of retailer shares by reason of the constitutional amendments being passed. The changes will also indirectly change the rights of holders of ordinary shares as those changes are of benefit to the ordinary shareholders. This will mean, having regard to clause 18 of the Company's Constitution and the Corporations Act 2001, that the retailer shareholders and the ordinary shareholders need to approve the consequential variation of share rights at separate meetings of ordinary shareholders and holders of retailer shares.
- 7.4 For the convenience for all concerned, there will be meetings of retailer shareholders and ordinary shareholders to follow immediately after the 2005 Annual General Meeting convened by the accompanying notices. Subject to the Chairman being satisfied as to voting protocols being observed at each meeting, shareholders attending the AGM can continue their attendance at these other meetings.

ANNEXURE A

Provisions contained in the existing constitution of Betta Stores Ltd which are proposed for change or modification

Clauses 11 and 12

It is proposed to delete clauses 11 and 12 which currently read as follows:

'11. SHAREHOLDING LIMITS

11.1 With respect to the Ordinary Shareholding Limit:

(a) No person, either alone or with their Associates, may:

(i) hold;

(ii) have power to vote in respect of, or

(iii) have power to dispose of,

Ordinary Shares that represent more than 7.5% of the Ordinary Shares on issue at any time.

(b) For the purposes of clause 11.1(a) a person is deemed to have in relation to any Ordinary Share the same power as their Associate has if:

(i) the person has;

(ii) an Associate of the person has;

(iii) Associates of the person together have; or

(iv) the person and one or more Associates of the person together have, power to vote in respect of more than 7.5% of the issued Ordinary Shares.

11.2 Without in any way limiting clause 11.2 no person, either alone or with their Associates, may:

(a) be beneficially entitled to; or

(b) have power to control the exercise of the right to vote attached to,

Ordinary Shares representing more than 7.5% of the Ordinary Shares on issue at any time (including Ordinary Shares held by that person or any Associate).

11.3 For the purposes of clause 11.2, but without in any way limiting the generality of that provision, a person is deemed to have power to control the exercise of the right to vote attached to an Ordinary Share if the person and any one or more of:

(a) the holder of the Share;

(b) the beneficial owner of the Share; and

(c) any other person entitled to exercise the vote attached to the Ordinary Share (including by proxy or representative),

have agreed (whether in writing or otherwise) that the first mentioned person is able to influence substantially the exercise of the right to vote attached to the Ordinary Share.

11.4 Where it would result in a breach of clause 11.1:

(a) a person, either alone or with their Associate, must not acquire any Ordinary Shares;

- (b) *the Directors shall not allot any unissued Ordinary Shares to a person, either alone or with their Associate; and*
- (c) *the Directors shall not authorise the issue or allotment of any securities of the Company which, by virtue of any terms or conditions applicable to them, are convertible, or may be converted, into Ordinary Shares unless those terms or conditions provide that those securities may not be so converted by their holder if the Directors are of the opinion that the conversion will result in a person contravening clause 11.1.*

11.5 If, in relation to any Ordinary Shares held by a person, clause 11.2 is breached and then only to the extent that the 7.5% limitation has been exceeded:

- (a) *the Directors, in their absolute discretion, but acting reasonably, may nominate which Ordinary Share or Shares are held by the person in breach of this Constitution ('Breach Shares'); and*
- (b) *all rights to vote and to be paid dividends in respect of the Breach Shares will be suspended while clause 11.2 continues to be breached.*

11.6

- (a) *The Company may give to the holder of any voting Share a Primary Notice in respect of Breach Shares.*
- (b) *Within two Business Days of receipt of a Primary Notice, the holder must provide the information requested, failing which the Shares the subject of the notice will be deemed to be Breach Shares for the purposes of clauses 11.6(a), which clause will apply to those Shares until the information is provided.*
- (c) *Where the Company receives (either in response to a Primary Notice or a Secondary Notice) information that:*
 - *another person has a relevant interest in any Breach Share; or*
 - *another person has given relevant instructions in relation to any Breach Share,*

the Company may give to that other person a Secondary Notice in relation to that Breach Share.

- (d) *Within two Business Days of receipt of a Secondary Notice, the recipient must provide the information requested, failing which the Shares the subject of the notice will be deemed to be Breach Shares in breach for the purposes of clauses 11.6(a), which clause will apply to those Breach Shares until the information is provided.*
- (e) *The Company may at any time (including after the two Business Days response period has expired) withdraw a Primary Notice or Secondary Notice by notice in writing to the recipient, in which case the recipient may disregard that notice and, to the extent that clause 11.6(b) or 11.6(d) applied to the Shares the subject of the notice, those clauses will cease to apply to those Shares.*
- (f) *The Directors may, in their discretion, resolve that a person be excused (either in whole or in part) from compliance with a Primary Notice or a Secondary Notice where the recipient of that notice requests to be excused within the period of two Business Days after receipt of the notice, which request must be in writing and accompanied by an explanation as to why the person should be so excused.*
- (g) *The Company is not, because of anything done under clause 11.6:*
 - (i) *to be taken for any purpose to have notice of; or*

- (ii) put on enquiry as to,
the right or rights of a person in relation to a Share.

11.6 If the Directors are of the opinion that a person (in this clause 11, the 'Owner') contravenes clause 11.2:

- (a) the Directors may cause a notice to be given to any person believed by the Directors to be a Member in respect of any Breach Share owned by the Owner, requiring the disposal of any Breach Shares, within a period of not less than 28 days of the date of that notice; and
- (b) the requirements of a notice given under clause 11.7(a) are not complied with, the Company may sell, in such manner and on such terms as the Directors in their absolute discretion determine, the Breach Shares, and a transfer of any Breach Shares signed by a Director for the purposes of giving effect to the sale shall be as valid and effectual as if signed by the Member in respect of the Breach Shares; and
- (c) the Company may receive and give a good discharge for the proceeds of a sale under clause 11.7(b), may pay or recoup out of those proceeds all costs and expenses of or incidental to the sale and shall pay the net amount to the person (the 'Former Member') who immediately before the sale was the Member in respect of the Breach Shares sold; and
- (d) the Company may pay the net amount to the Former Member under clause 11.7(c) by cheque posted to the Former Member at their address appearing in the Register; and
- (e) the omission to give a notice to a person under clause 11.7(a), shall not affect the validity of a notice given to another person in respect of a Share owned by the Owner.

11.7 No person, either alone or with their Associates, may:

- (a) hold;
 - (b) have power to vote in respect of; or
 - (c) have power to dispose of
- more than 50 Retailer Shares.

11.8 For the purposes of ensuring that no person, either alone or with their Associates:

- (a) holds;
- (b) has power to vote in respect of; or
- (c) has power to dispose of

more than 50 Retailer Shares, the provisions of clauses 11.2 to 11.7 apply with respect to such person or Associate in the case of Retailer Shares to the same extent as if Ordinary Shareholding Limit referred to 50 Retailer Shares instead of to 7.5% of the Ordinary Shares and as if to the fullest extent practical so that the provisions of clauses 11.2 to 11.7 mutatis mutandis applied as if such provisions were expressly set out, for this purpose. For the purposes of clarification, any repeal or lapse of the Ordinary Shareholding Limit Provisions shall not affect the continued application of clauses 11.2 to 11.7 for the purposes of clauses 11.8 and 11.9.

12. RENEWAL OF ORDINARY SHAREHOLDING LIMIT PROVISIONS

12.1 The Ordinary Shareholding Limit Provisions must be put to Members for renewal by way of ordinary resolution by no later than three months prior to the Sunset Date.

- 12.2 *If the Ordinary Shareholding Limit Provisions are renewed under clause 12.1, it must be put to Members for renewal by ordinary resolution by no later than three months prior to each Review Date.*
- 12.3 *This Ordinary Shareholding Limit Provisions will cease to have effect on the earlier of:*
- (a) *the Ordinary Shareholding Limit Provisions being removed by special resolution;*
 - (b) *the Ordinary Shareholding Limit Provisions not being renewed by ordinary resolution on any Review Date under clause 12.2; or*
 - (c) *if the Ordinary Shareholding Limit Provisions are not renewed by ordinary resolution under clause 12.1, the fifth anniversary of the Company being Listed.*
- 12.4 *This clause will apply despite any other provision of this Constitution which is inconsistent or contrary.*
- 12.5 *If the whole or any part of this clause is void, unenforceable or illegal in a jurisdiction, it is severed for that jurisdiction. The remainder of this clause has full force and effect and the validity or enforceability of that provision in any jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this clause or is contrary to public policy.'*

Clauses 53 and 54

It is proposed to delete clauses 53 and 54 which currently reads as follows:

‘53. KEY RESOLUTION ALSO REQUIRED WITH A SPECIAL RESOLUTION

- 53.1 *In any circumstances where a special resolution is required to be passed by Members, such special resolution shall also be required to be passed and approved at a general meeting of holders of Retailer Shares (and such approval shall for the purposes of clause 53 be called a ‘Key Resolution’).*
- 53.2 *For a Key Resolution to be approved and to be binding upon the Company and all Members, such Key Resolution shall be required to be put to the vote of a meeting of holders of Retailer Shares and in circumstances where to be passed or approved, such Key Resolution shall be required to be passed by not less than 75% of holders of Retailer Shares present in person or by proxy, attorney or Representative and voting on such resolution in order for such Key Resolution to be effective.*
- 53.3 *For the purposes of clarification, the provisions of this Constitution dealing with meetings shall specifically apply to a meeting of Retailer Shareholders.*

54. RENEWAL OF KEY RESOLUTION PROVISIONS

- (a) *The Key Resolution Provisions must be put to Members for renewal by way of ordinary resolution by no later than three months prior to the Sunset Date.*
- (b) *If the Key Resolution Provisions are renewed under clause 54(a), it must be put to Members for renewal by ordinary resolution by no later than three months prior to each Review Date.*
- (c) *The Key Resolution Provisions will cease to have effect on the earlier of:*

- (i) *the Key Resolution Provisions being removed by special resolution;*
- (ii) *the Key Resolution Provisions not being renewed by ordinary resolution on any Review Date under clause 54(c); or*
- (iii) *if the Key Resolution Provisions are not renewed by ordinary resolution under clause 54(a), the fifth anniversary of the Company being Listed.*
- (d) *This clause will apply despite any other provision of this Constitution which is inconsistent or contrary.*
- (e) *If the whole or any part of this clause is void, unenforceable or illegal in a jurisdiction, it is severed for that jurisdiction. The remainder of this clause has full force and effect and the validity or enforceability of that provision in any jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this clause or is contrary to public policy.'*

Clauses 66 and 67

It is proposed to delete clauses 66.1, 66.2, 66.3 and clause 67. Clauses 66 and 67 currently read as follows:

‘66. NUMBER OF DIRECTORS

- 66.1 *Subject to the Corporations Act, the Company may by resolution passed at a general meeting and by special resolution of holders of Retailer Shares amend the number of Directors and composition of the Board as between Retailer Directors and non-Retailer Directors.*
- 66.2 *Until the Company resolves otherwise in accordance with clause 66.1 there will be not more than 9 Directors.*
- 66.3 *Subject to clause 66, the composition of the Board of the Company will include:*
 - (a) *not less than five and not more than six, Retailer Directors; and*
 - (b) *not more than two Non-Executive Directors; and*
 - (c) *not more than one Executive Director (who will be appointed by the Directors and who will, except as otherwise determined by the Directors, be the managing director).*
- 66.4 *Each Director, except the Managing Director, must be appointed by the Members by resolution passed in general meeting.*
- 66.5 *The Directors and Secretary in office on the date this Constitution becomes effective, continue in office subject to this Constitution.*

67. RENEWAL OF RETAILER DIRECTOR PROVISIONS

- 67.1
 - (a) *The Retailer Director Provisions must be put to Members for renewal by way of ordinary resolution by no later than three months prior to the Sunset Date.*
 - (b) *If the Retailer Director Provisions are renewed under clause 67.1(a), it must be put to Members for renewal by ordinary resolution by no later than three months prior to each Review Date.*

- (c) *The Retailer Director Provisions will cease to have effect on the earlier of:*
 - (i) *the Retailer Director Provisions being removed by special resolution;*
 - (ii) *the Retailer Director Provisions not being renewed by ordinary resolution on any Review Date under clause 67.1(b); or*
 - (iii) *if the Retailer Director Provisions are not renewed by ordinary resolution under clause 67.1(a), the fifth anniversary of the Company being Listed.*
- 67.2 *This clause will apply despite any other provision of this Constitution which is inconsistent or contrary.*
- 67.3 *If the whole or any part of this clause is void, unenforceable or illegal in a jurisdiction, it is severed for that jurisdiction. The remainder of this clause has full force and effect and the validity or enforceability of that provision in any jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this clause or is contrary to public policy.'*

Clause 68.1

It is proposed to delete clause 68.1 which currently reads as follows:

'Directors, other than Retailer Directors, are not required to hold any shares'.

Clause 69.1

It is proposed to delete clause 69.1 which currently reads as follows:

'69.1 Subject to clauses 66 and 67 and the Corporations Act in relation to any Retailer Director, the Company may by resolution passed in general meeting:

- (a) remove the Retailer Director; and*
- (b) appoint another person who is a Retailer or a person who is eligible to be a Retailer Director in the Retailer Director's place.'*

Definitions and Clause 8.2

If clauses 11, 12, 53, 54, 66.1, 66.2, 66.3, 67, and 69.1 are deleted it will also be necessary to make the following deletions in clause 5 ie. to delete the definitions of Key Resolution Provisions, Ordinary Shareholding Limit, Ordinary Shareholding Limit Provisions, Primary Notice, Retailer Director, Retailer Director Provisions, Retailer Director Restrictions, Review Date, Secondary Notice.

Clause 8.2 which currently reads as follows, is proposed to be deleted ie:

'Ordinary Shares Shareholder subject to Ordinary Shareholding Limit'.

Because of clause reference changes, the definition of 'Managing Director' will incorporate a clause reference change.

ANNEXURE B

KPMG Nomination Notice

Rilzel Pty Ltd
c/- Ballina Betta Electrical
Corner of Pacific Highway and Gray Drive
WEST BALLINA NSW 2478

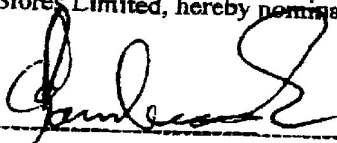
25 October 2005

Company Secretary
Betta Stores Limited
97 School Street
SPRING HILL QLD 4000

Dear Madam

Nomination of Auditor

In accordance with the provisions of section 328 of the Corporations Act 2001 (Cth), Rilzel Pty Ltd ACN 072 803 680 as trustee for The Bambrook Family Trust, being a member of Betta Stores Limited, hereby nominate KPMG for appointment as auditor of Betta Stores Limited.



Greg Bambrook
Director
Rilzel Pty Ltd