



Company Announcement

3 May, 2006

UPDATE HALF YEAR RESULTS

As explained in the company's letter to the NSX General Manager dated 16 March 2006 and a subsequent announcement made on 29 March, 2006 there are a number of issues that have caused the company delay in releasing the company's audited Half Year Financial Report ("Report"). Given the time it is taking to address the issues, the company considered it prudent to update and report on the current status of the Report.

The delays were incurred and continue to be affected by the following issues -

1. *Change in Auditor during the relevant period*

The company changed auditors during the financial period. Finalisation of matters without the outstanding auditor did not occur until 31 March, 2006.

2. *Change in Chief Financial Officer during the relevant period including the change in a number of senior accounting staff*

A new Chief Financial Officer was appointed to Betta Stores Limited on 8 August 2005. The previous CFO left the company on 1 June 2005. Since the appointment, there has been a change in a number of senior finance staff including the Group Financial Controller, the Group Senior Financial Accountant, the Group Retail Financial Accountant and the company's Financial Controller for Truscott's. This change has had a significant impact on the preparation of the company's Report including point 3 below.

3. *Issues with and modifications required of accounting practices and systems*

After the departure of some of the senior financial staff the company instigated and completed an integrity review of its financial systems. This review highlighted the weaknesses in the systems.

A number of these the weaknesses resulted in differences between the company's sub ledgers and the company's control ledgers. These differences had been adjusted previously by the past senior finance staff. The basis and the knowledge on these adjustments were not transferred to the current senior finance team.

The differences between the company's sub and control ledgers could not be readily reconciled using existing reporting functionality within the company's financial system. Consequently, the company has engaged both IBM and Professional Advantage to assist it. The terms of reference for the accounting systems review include:

- The analysis of all transactional data to confirm that it is posting to the correct accounts within the accounting system;
- Assistance in correcting any identified weaknesses in the company's accounting systems; and
- Assistance with the identification and establishment of a new system and associated rectification work.

IBM was engaged because the company had previously engaged them to assist with selection and transfer to a new enterprise resource planning system, whilst Professional Advantage consult on the company's current accounting system, Great Plains.

The company is currently assessing the reports and recommendations from IBM and Professional Advantage with a view to implementing the necessary changes, and to ensure appropriate data is obtained to verify the balances within the company's financial system and the outcome meets the requirements of the company's auditors.

The company expects, based on the existing timetable and subject to no unforeseen problems, to be able to finalise and lodge the company's Report within 4 weeks.

In the company's announcement to the NSX on 29 March 2006 the company stated that subject to the finalisation of the accounting systems review, IFRS adjustments and review of the accounts by KPMG, the company anticipates:

- it will report a net loss after tax and outside equity interests for the six months to 31 December 2005 of between \$1.8 and \$2.3 million; and
- Its net asset position will be between \$9.5 and \$10.0 million.

At this stage, the company's position on the net loss after tax and outside equity interests and net assets has not changed.

Any enquiries should be directed to:

Guy Houghton
Chief Executive Officer
BSL
07 3222 3999
guy.houghton@bsl.com.au

or

Scott McLennan
Chief Finance Officer
BSL
07 3222 3999
scott.mclennan@bsl.com.au