



Betta Stores Limited ABN 44 009 710 605

Company Announcement

18 August, 2006

**UPDATE ON HALF YEAR FINANCIAL REPORT
For six months to 31 December, 2005**

Betta Stores Limited ('BSL') is providing an update on the completion of its Half Year Financial Report for the six months to 31 December 2005.

As explained in the company's previous announcements a number of issues have caused BSL to delay the release of its full half year financial report, in particular the identification of inconsistencies in accounting data that relates back to previous financial reporting periods.

These inconsistencies revealed system errors in the financial accounting system within the entities operating the corporate stores. These system errors have produced accounting errors that also relate to prior periods.

Update

Substantial time and resources have been allocated as a priority to resolve the prior year inconsistencies in data and quantify the prior periods accounting errors. In addition to the company's own resources, the company has engaged IBM, Professional Advantage, Eclipse and a specialist team from Ernst & Young to assist in this process.

Under Australian Accounting Standards, accounting errors that are discovered in a subsequent financial period that relate to previous financial periods should be corrected in the comparative information presented in the report for that subsequent period, being for the six months to 31 December 2005.

The amount of work that has been undertaken to date, as well as the amount of work that needs to be undertaken, is beyond any expectations of the company. With the system and data limitations that have been identified to date, it is the opinion of the company that it would take a considerable amount of time and expense to finalise the quantification of the errors in accordance with the relevant accounting standard (AASB 108), if at all. It is also the opinion of the company that this would place an unjustifiable strain on the company's resources (in excess of the already substantial time and expense incurred by the company to date).

The company indicated in its release of 3 July, 2006 that should the deficiencies in the accounting system that caused the errors in the first place not allow the company to quantify the errors in a reasonable timeframe or at a reasonable cost, the directors may consider applying to ASIC for relief under the Corporations Act from compliance with the accounting standard AASB 108.

The company has reviewed its obligations and sought external professional advice. Having regard to this review and the work undertaken to date, the company considers the best way forward is to proceed to prepare the half year financial report for the six months to December, 2005 and for the 12 months to 30 June, 2006 including, where necessary, a best estimate of financial information to be adopted for these financial periods (with an explanation provided for in notes to the financial statements).

The company is of the view that the work undertaken to date will allow the balance sheet to provide a true and fair view of the company's financial position as at both 31 December 2005 and 30 June 2006.

To proceed to quantify the prior period accounting errors as preferred by AASB 108 would place an excessive and unreasonable burden on the company and jeopardise the company's ability to continue to carry out its normal operations and functions and develop its market position in accordance with its strategic plan.

Subject to the finalisation of our review to conclude estimates and KPMG's review of the accounts, the balance sheet as at 31 December, 2005, as released on 3 July, 2006 is to be treated as accurate notwithstanding the errors in data relating to prior reporting periods.

It is possible that in preparing the financial statements, including notes on the estimates used may result in the company's auditors, KPMG, providing a qualified opinion in relation to the opening balances as well as the profit and loss and statement of cash flows for both the half year and full year report.

The process of utilising estimates as adopted by the company is recognised under AASB108. Accordingly, the company does not intend to seek any ASIC relief relating to its preparation of financial statements in the way explained.

Time for lodgement of accounts

The company expects to lodge the unaudited half year financial report for the six months to December, 2005 by 1 September, 2006.

The company anticipates by adopting the same approach for the full year financial report, it will meet its reporting obligations with the lodgement of its preliminary unaudited full year financial report for the 12 months to 30 June, 2006 by 13 September, 2006 with the audited full year financial report to be lodged by 30 September, 2006.

Further enquiries to

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