

FORM: Half Year report

Name of issuer

BETTA STORES LTD

ACN or ARBN	Half yearly (tick)	Preliminary final (tick)	Half year/financial year ended (‘Current period’)
009 710 605	√		31 December 2005

For announcement to the market

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

				\$A
Sales (or equivalent) operating revenue (item 1.1)	up	97.7 %	to	190,763,799
Operating profit (loss) before abnormal items and tax (item 1.4)	down	(488.2) %	to	(6,574,583)
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	(866.5) %	to	(6,155,084)
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	(696.3) %	to	(4,950,583)
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%		
Current period		Nil		
Previous corresponding period		3.2 cents		
Record date for determining entitlements to the dividend, (in the case of a trust distribution) (see item 15.2)		n/a		
Short details of any bonus or cash issue or other items(s) of importance not previously released to the market:				

Consolidated profit and loss account

(The figures are not equity accounted)

* Some opening balances have been adjusted to reflect prior period accounting errors. Refer to attached schedule for further details.

As restated to include the effect of International Financial Reporting Standards. Refer to attached schedule for further details.

		Current period* \$A	Previous corresponding period # \$A
1.1	Sales (or equivalent operating) revenue	190,763,798	96,474,290
1.2	Other revenue	2,100,622	959,337
1.3	Total revenue	192,864,420	97,433,627
1.4	Operating profit (loss) before abnormal items and tax	(6,574,583)	1,693,541
1.5	Abnormal items before tax (detail in item 2.1)	-	-
1.6	Operating profit (loss) before tax (items 1.4 + 1.5)	(6,574,583)	1,693,541
1.7	Less tax	419,499	(890,563)
1.8	Operating profit (loss) after tax but before outside equity interests	(6,155,084)	802,977
1.9	Less outside equity interests	1,204,501	27,203
1.10	Operating profit (loss) after tax attributable to members	(4,950,583)	830,180
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)	(6,155,084)	802,977
1.15	Operating profit (loss) and extraordinary items after tax attributable to outside equity interests (items 1.9 & 1.12)	1,204,501	27,203
1.16	Operating profit (loss) and extraordinary items after tax attributable to members (items 1.10 & 1.13)	(4,950,583)	830,180
1.17	Retained profits at beginning of financial period before error adjustments	10,517,950	12,013,577
1.17b	Prior period accounting errors reflected in opening balances	(925,708)	-
1.18	Aggregate of amounts transferred from reserves	-	-
1.19	Total available for appropriation (carried forward)	4,641,660	12,843,757
1.20	Total available for appropriation (brought forward)	10,517,950	12,013,577

Consolidated profit and loss account continued

1.21	Dividends provided for or paid	-	1,030,005
1.22	Aggregate or amounts transferred to reserves	-	-
1.23	Retained profits (accumulated losses) at end of financial period	4,641,660	11,813,752

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)	NA	NA
3.2	Consolidated operating profit (loss) after tax attributable to members for the 2nd half year	NA	NA

Consolidated balance sheet

(See note 5)

* Some opening balances have been adjusted to reflect prior period accounting errors. Refer to attached schedule for further details.

As restated to include the effect of International Financial Reporting Standards. Refer to attached schedule for further details.

Current assets		At end of current period [†] \$A	As shown in last annual report # \$A	As in last half yearly statement # \$A
4.1	Cash	7,489,650	9,097,574	2,987,428
4.2	Receivables	52,523,153	43,610,149	42,782,986
4.3	Investments	196,732	196,192	180,392
4.4	Inventories	19,262,528	17,926,665	19,612,957
4.5	Other (provide details if material)	2,485,192	2,194,860	1,308,760
4.6	Total current assets	81,957,256	73,025,440	66,872,523
Non-current assets				
4.7	Receivables	1,587,630	1,765,951	-
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)	11,590,378	9,277,770	8,513,800
4.13	Intangibles (net)	-	482,500	404,365
4.14	Other (provide details if material)	2,330,534	1,501,305	1,354,712
4.15	Total non-current assets	15,508,542	13,027,526	10,272,877
4.16	Total assets	97,465,798	86,052,965	77,145,400
Current liabilities				
4.17	Accounts payable	45,331,827	24,593,094	27,989,572
4.18	Borrowings	28,819,404	29,693,506	20,562,962
4.19	Provisions	1,356,349	1,610,680	1,624,474
4.20	Other (provide details if material)	-	-	-
4.21	Total current liabilities	75,507,579	55,897,280	50,177,008
Non-current liabilities				
4.22	Accounts payable	-	-	-
4.23	Borrowings	17,192,340	17,796,165	13,293,958
4.24	Provisions	-	295,564	289,966
4.25	Other (provide details if material)	-	-	-
4.26	Total non-current liabilities	17,192,340	18,091,729	13,583,924
4.27	Total liabilities	92,699,919	73,989,009	63,760,932
4.28	Net assets	4,765,879	12,063,956	13,384,468

Consolidated balance sheet continued

Equity				
4.29	Capital	339,590	359,438	161,083
4.30	Reserves	1,469,240	1,469,240	1,469,240
4.31	Retained profits (accumulated losses)	4,641,660	10,517,950	11,813,752
4.32	Equity attributable to members of the parent entity	6,450,490	12,346,628	13,444,075
4.33	Outside equity interests in controlled entities	(1,684,611)	(282,673)	(59,607)
4.34	Total equity	4,765,879	12,063,956	13,384,468

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 capitalised

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	198,415,888	90,675,939
7.2	Payments to suppliers and employees	(194,616,344)	(94,166,102)
7.3	Dividends received	9,024	11,455
7.4	Interest and other items of similar nature received	58,800	47,510
7.5	Interest and other costs of finance paid	(2,165,978)	(452,115)
7.6	Income taxes paid	(290,641)	(1,344,169)
7.7	Other (provide details if material)	-	-
7.8	Net operating cash flows	1,410,748	(5,227,483)

Cash flows related to investing activities			
7.9	Payments for purchases of property, plant and equipment	(2,781,505)	(769,612)
7.10	Proceeds from sale of property, plant and equipment	93,329	-
7.11	Payment for purchases of equity investments	-	(19,628,209)
7.12	Proceeds from sale of equity investments	1,035,736	198,075
7.13	Loans to other entities	-	-
7.14	Loans repaid by other entities	-	-
7.15a	Payments for purchased Goodwill		
7.15b	Other (provide details if material)	-	(157,042)
7.16	Net investing cash flows	(1,652,440)	(20,356,788)
Cash flows related to financing activities			
7.17	Proceeds from issues of securities (shares, options, etc.)	1,300	700
7.18	Proceeds from borrowings	1,750,000	29,269,212
7.19	Repayment of borrowings	(3,115,032)	-
7.20	Dividends paid	-	(1,030,005)
7.21	Payment for share buy back	(2,500)	-
7.22	Net financing cash flows	(1,366,232)	28,239,907
Net increase (decrease) in cash held		(1,607,924)	2,655,636
7.23	Cash at beginning of period (see Reconciliations of cash)	9,097,574	331,791
7.24	Exchange rate adjustments to item 7.23		
7.25	Cash at end of period (see Reconciliation of cash)	7,489,650	2,987,427

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 period the economic entity acquired leased plant, equipment & motor vehicles with an aggregate fair value of \$58,493 by means of finance lease (2005: \$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	6,787,352	2,987,428
8.2 Deposits at call	-	-
8.3 Bank overdraft	-	-
8.4 Other (provide details)	702,298	-
8.5 Total cash at end of period (item 7.25)	7,489,650	2,987,428

Ratios		Current period	Previous corresponding period
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)	-3.4%	1.8%
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)	-103.9%	6.9%

Earnings per security (EPS)

10.1	Calculation of basic, and fully diluted, EPS in accordance with AASB 1027: Earnings per Share		
	(a) Basic EPS (cents per share)	-10.4	1.8
	(b) Diluted EPS (if materially different from (a))	NA	NA

NTA backing

(see note 7)

		Current period	Previous corresponding period
11.1	Net tangible asset backing per ordinary security	\$0.10	\$0.29

Details of specific receipts/outlays, revenues/expenses

		Current period \$A	Previous corresponding period \$A
12.1	Interest revenue included in determining items 1.4	58,800	47,510
12.2	Interest revenue included in item 12.1 but not yet received (if material)	-	-
12.3	Interest expense included in item 1.4 (include all forms of interest, lease finance charges, etc.)	2,165,978	(415,365)
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)	849,959	534,846
12.7	Impairment of intangibles	257,500	1,007,039

Control gained over entities having material effect

(See note 8)

13.1	Name of issuer (or group)	N/A
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	N/A
13.3	Date from which such profit has been calculated	N/A
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)	Sleepy's Pty Ltd
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	296,526
14.3	Date to which the profit (loss) in item 14.2 has been calculated	30 September 2005
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	(54,186)
14.5	Contribution to consolidated operating profit (loss) and extraordinary items from sale of interest leading to loss of control	995,471

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

	Franking rate applicable	39%	36%	33%
	(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 ¢ -	-	-	-
15.7	Previous year ¢ 3.2	-	-	1,498,189

Total annual dividend (distribution) per security

(Preliminary final statement only)

	Current year	Previous year
15.8	Ordinary securities	-
15.9	Preference securities	-
	N/A	N/A

Total dividend (distribution)

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

The dividend or distribution plans shown below are in operation.

The Betta Stores Ltd Dividend Reinvestment Plan was approved at the company's 2004 Annual General Meeting on 22 November 2004. The DRP rules have been lodged with the NSX on 8 March 2005.

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)

N/A

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:		
	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
17.1	Equity accounted associated entities	N/A	N/A	Equity accounted	
				N/A	N/A
17.2	Other material interests	N/A	N/A	Not equity accounted (ie part of item 1.14)	
				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 (description)	N/A			
18.2	Issued during current period	N/A			
18.3	Ordinary securities		-		
	Retailer Shares	11,650	-	200	200
	Ordinary Shares	47,458,596	47,458,596	0	0
18.4	Issued during current period		-		
	Retailer Shares	650	-	200	200
	Ordinary Shares	-	-	0	0
18.5	Convertible debt securities (description and conversion factor)	N/A			
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.

Refer to Directors' Report

Basis of accounts preparation

This statement is a half yearly statement, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Half Year Accounts and Consolidated Accounts. It should be read in conjunction with the last annual report and any announcements to the market made by the issuer during the period.

The financial report is presented in Australian dollars and is prepared on historical cost basis.

The preparation of an half yearly report in conformity with AASB 134 Half Yearly Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The half yearly report also includes the correction of errors that relate to prior reporting periods. The values of the errors have been established using estimates. The errors have been corrected by adjusting the opening balance of assets, liabilities and retained earnings for the account affected by the error. The basis of the estimate and the impact of the adjustment on the opening balance of assets, liabilities and retained earnings is explained in Schedule 3.

The half yearly report has been prepared on the basis that the consolidated entity is a going concern, that is, the consolidated entity will remain in existence for the foreseeable future.

The Group has undertaken to significantly reduce its working capital investment, reduce borrowings and costs through a series of actions including, but not limited to, reducing operational costs and selling non-core assets.

Although there is no assurance that the consolidated entity will be successful in these actions, the Board is confident that it will be able to secure the necessary improvement in operating cash flows to enable it to continue as a going concern. Accordingly, these financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported revenue and expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

This half yearly report has been prepared on the basis of Australian Equivalents to International Financial Reporting Standards (AIFRS) on issue that are effective or available for early adoption at the consolidated entity's first AIFRS annual reporting date, 30 June 2006. Based on these AIFRS, the Board has made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year-ended 30 June 2006.

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 30 June 2006 are still subject to change therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 30 June 2006.

The preparation of the half yearly report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies have been applied consistently to all periods presented in this half yearly report. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to AIFRS, as required by AASB 1. The impact of the transition from previous GAAP to AIFRS is explained in Schedule 4. Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy.

The accounting policies have been applied consistently throughout the consolidated entity for purposes of this half yearly report.

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

Refer to Directors' Report

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)

Refer to Directors' Report

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

Not applicable

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.

Refer to Basis of Accounts Preparation.

Annual meeting
(Preliminary final statement only)

The annual meeting will be held as follows:

Place	N/A
Date	N/A
Time	N/A
Approximate date the annual report will be available	N/A

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

N/A
- 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, which are in the process of being audited or subject to review.
- 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 will follow immediately they are available.
- 6

The issuer has a formally constituted audit committee.

Sign here:



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Company Secretary

Date: 1 September 2006

Print name: Nicole Quinn

Schedule 1 Segment Reporting

Business segments

The consolidated entity is comprised of the following main business segments:

The *Franchise Operations* segment reflects all activities and services that the consolidated entity provides for the benefit of its franchisees and buying group members ("the retailers") spread across Australia. The franchise operations are predominantly in the electrical appliance retail industry.

The *Central Accounting* segment refers to the acquisition of goods by the consolidated entity for subsequent sale to retailers.

The *Retail Operations* segment refers to the operation of several retail stores across Australia that are controlled by the consolidated entity.

	Franchise Operations		Central Accounting		Retail Operations		Eliminations		Consolidated Entity	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Segment revenue	35,914,233	38,513,465	149,121,458	31,372,635	48,079,811	31,322,963	(40,251,082)	(3,822,946)	192,864,420	97,386,117
Segment result	1,293,038	4,155,420	(102,084)	(10,160)	(5,635,758)	(2,083,864)	(4,528)	-	(4,449,332)	2,061,396
Net financing costs									(2,125,251)	(367,855)
Income tax (expense)/benefit									419,499	(890,563)
Profit/(loss) for the period									(6,155,084)	802,977

Schedule 2 Statement of Changes in Equity

	Issued capital	Reserves	Retained earnings	Total	Minority Interest	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 30 June 2005	359,438	1,469,240	11,556,274	13,384,952	(225,473)	13,159,479
Effect of change in accounting policy	-	-	(1,038,324)	(1,038,324)	(57,200)	(1,095,524)
Balance at 30 June 2005 restated	359,438	1,469,240	10,517,950	12,346,628	(282,673)	12,063,955
Prior Period Accounting Errors reflected in opening balances	-	-	(925,708)	(925,708)	(103,949)	(1,029,657)
Balance at 1 July 2005 restated	359,438	1,469,240	9,592,242	11,420,920	(386,622)	11,034,298
Total recognised income and expense	-	-	(4,950,582)	(4,950,582)	(1,204,504)	(6,155,086)
Effect of change in accounting policy	(19,848)	-	-	(19,848)	-	(19,848)
Disposal of subsidiary	-	-	-	-	(93,485)	(93,485)
Balance at 31 December 2005	339,590	1,469,240	4,641,660	6,450,490	(1,684,611)	4,765,879

Schedule 3 Accounting Errors

In preparing the attached financial report, the consolidated entity has identified and corrected a number of prior period accounting errors that affected the measurement and valuation of trade and other receivables, inventory and trade and other payables disclosed in previously lodged financial reports.

Since 31 December 2005, significant time and resources have been dedicated to reviewing the consolidated entity's financial systems and prior year financial reports in a bid to identify and quantify these errors.

Following a review of the work performed to date, the Board has determined that it is impracticable to determine and quantify the period-specific effects of the errors in prior financial years without placing an additional and unjustifiable strain on the company's resources. As a result, the cumulative effect of the prior year errors has been reflected by adjusting the opening balances of affected assets, liabilities and equity for the current period (i.e. as at 1 Jul 2005) using accounting estimates in accordance with AASB 108.

The net effect of these errors on the consolidated entity's opening balance sheet can be summarised as follows:

	Effect on 1 July 05
Increase in opening balance of trade and other receivables	179,849
Decrease in opening balance of inventory	(264,963)
Increase in opening balance of trade and other payables	1,385,824
Increase in opening balance of income tax receivable	233,851
Increase in opening balance of deferred tax assets	207,431
Decrease in opening balance of retained earnings	(1,029,656)

Details of the prior period errors are as follows:

- (1) As a result of errors in the integration of data between the point of sale system and the general ledger accounting system, a number of transactions relating to goods received but not yet invoiced were omitted from the general ledger accounting system, resulting in an understatement of both inventory and trade and other payables.

To correct this error, the opening balance of inventory has been increased by \$354,962. There has been a corresponding increase in the opening balance of trade and other payables. The effect on the restatement of opening balances has been summarised below:

	Effect on 1 July 05
Increase in opening balance of inventory	354,962
Increase in opening balance of trade and other payables	354,962
Impact on opening retained earnings	Nil

- (2) As a result of data inconsistencies and errors in the integration of data between the point of sale system and the general ledger accounting system, deposits on uncompleted sales were recorded incorrectly. There was an understatement of both trade and other payables and trade and other receivables.

The opening balance of trade and other payables has been increased by \$646,315. The opening balance of trade and other receivables has been increased by \$646,315. The effect on the restatement of opening balances has been summarised below:

	Effect on 1 July 05
Increase in opening balance of trade and other payables	646,315
Increase in opening balance of trade and other receivables	646,315
Impact on opening retained earnings	Nil

- (3) As a result of data inconsistencies and errors in the integration of data between the point of sale system and the general ledger accounting system a number of customer deposits were incorrectly recorded as sales.

To correct this error, the opening balance of trade and other payables has been increased by \$384,547. The opening balance of trade and other receivables has been decreased by \$466,466. There has been a corresponding decrease in the opening balance of retained earnings of \$595,710 after tax effects. The effect on the restatement of opening balances has been summarised below:

	Effect on 1 July 05
Increase in opening balance of trade and other payables	384,547
Decrease in opening balance of trade and other receivables	(466,466)
Increase in opening balance of income tax receivable	115,364
Increase in opening balance of deferred tax assets	139,939
Decrease in opening balance of retained earnings	(595,710)

- (4) As a result of a number of processing errors in the point of sale system and data inconsistencies inventory was overstated.

To correct this error, the opening balance of inventory has been decreased by \$619,926. There has been a corresponding decrease in the opening balance of retained earnings of \$433,948 after tax effects. The effect on the restatement of opening balances has been summarised below:

	Effect on 1 July 05
Decrease in opening balance of inventory	(619,926)
Increase in opening balance of income tax receivable	118,487
Increase in opening balance of deferred tax assets	67,491
Decrease in opening balance of retained earnings	(433,948)

Schedule 4 Transition to AIFRS

This is the consolidated entity's first half yearly report prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS).

In preparing its opening AIFRS balance sheet, comparative information for the six months ended 31 December 2004 and financial statements for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with the previous Australian Accounting Standards (previous GAAP).

An explanation of how the transition from previous GAAP to AIFRS has affected the consolidated entity's income statement and balance sheet is set out in the following tables.

Effect of Transition to AIFRS

	For the 6 months to 31 December 2004			For the year ended 30 June 2005		
	Previous GAAP	Effect of Transition to AIFRSs	AIFRSs	Previous GAAP	Effect of Transition to AIFRSs	AIFRSs
Income Statement						
Revenue from sale of goods	60,775,953	-	60,775,953	178,461,973	-	178,461,973
Cost of sales	(56,089,786)	-	(56,089,786)	(168,180,663)	-	(168,180,663)
Gross Profit	4,686,167	-	4,686,167	10,281,310	-	10,281,310
Revenue from rendering of services	35,698,337	-	35,698,337	69,867,811	-	69,867,811
Other operating income	911,827	-	911,827	2,092,381	-	2,092,381
Total other income	36,610,164	-	36,610,164	71,960,192	-	71,960,192
Administrative expenses	(2,954,095)	(911,082)	(3,865,177)	(7,101,184)	(837,048)	(7,938,232)
Marketing & Promotional expenses	(19,954,245)	-	(19,954,245)	(38,427,884)	-	(38,427,884)
Employment expenses	(7,943,728)	-	(7,943,728)	(18,249,821)	-	(18,249,821)
Computer Development & Support expenses	(1,107,608)	-	(1,107,608)	(2,168,161)	-	(2,168,161)
Occupancy expenses	(1,839,979)	(125,467)	(1,965,446)	(4,812,926)	(281,470)	(5,094,396)
Retail Support expenses	(4,398,731)	-	(4,398,731)	(8,750,631)	-	(8,750,631)
Total expenses from ordinary activities	(38,198,386)	(1,036,549)	(39,234,935)	(79,510,607)	(1,118,518)	(80,629,125)
Operating Profit before financing costs	3,097,945	(1,036,549)	2,061,396	2,730,895	(1,118,518)	1,612,377
Financial income	47,510	-	47,510	158,736	-	158,736
Financial expenses	(355,865)	(59,500)	(415,365)	(2,012,854)	(55,808)	(2,068,662)
Net financing costs	(308,355)	(59,500)	(367,855)	(1,854,118)	(55,808)	(1,909,926)
Profit before tax	2,789,590	(1,096,049)	1,693,541	876,777	(1,174,326)	(297,549)
Income tax expense	(928,136)	37,573	(890,563)	(296,302)	346,096	49,794
Profit for the period	1,861,454	(1,058,477)	802,977	580,475	(828,230)	(247,755)
Attributable to:						
Equity holders of the parent	1,888,547	(1,058,367)	830,180	773,593	(771,031)	2,562
Minority interest	(27,093)	(110)	(27,203)	(193,118)	(57,200)	(250,318)
Profit for the period	1,861,454	(1,058,477)	802,977	580,475	(828,230)	(247,755)

Schedule 4 (continued)

Effect of Transition to AIFRS (continued)

as at 1 July 2004			as at 31 December 2004			as at 30 June 2005		
Previous GAAP	Effect of Transition to AIFRSs	AIFRSs	Previous GAAP	Effect of Transition to AIFRSs	AIFRSs	Previous GAAP	Effect of Transition to AIFRSs	AIFRSs
331,791	-	331,791	2,987,428	-	2,987,428	9,097,574	-	9,097,574
17,350,330	-	17,350,330	42,842,486	(59,500)	42,782,986	43,665,957	(55,808)	43,610,149
9,722,838	-	9,722,838	19,612,957	-	19,612,957	17,926,664	-	17,926,664
339,944	-	339,944	180,392	-	180,392	196,192	-	196,192
157,422	-	157,422	1,308,760	-	1,308,760	2,194,860	-	2,194,860
27,902,325	-	27,902,325	66,932,023	(59,500)	66,872,523	73,081,247	(55,808)	73,025,439
-	-	-	-	-	-	1,765,951	-	1,765,951
303,762	114,555	418,317	1,202,584	152,128	1,354,712	1,040,654	460,651	1,501,305
7,835,201	-	7,835,201	8,417,843	95,957	8,513,800	8,588,480	689,290	9,277,770
1,162,500	-	1,162,500	1,411,404	(1,007,039)	404,365	1,415,505	(933,005)	482,500
9,301,463	114,555	9,416,018	11,031,831	(758,955)	10,272,876	12,810,590	216,936	13,027,526
37,203,788	114,555	37,318,343	77,963,854	(818,455)	77,145,399	85,891,837	161,128	86,052,965
17,279,578	381,850	17,661,428	27,482,255	507,317	27,989,572	23,336,441	1,256,653	24,593,094
1,858,020	-	1,858,020	20,562,962	-	20,562,962	29,693,506	-	29,693,506
1,054,365	-	1,054,365	1,624,474	-	1,624,474	1,610,680	-	1,610,680
20,191,963	381,850	20,573,813	49,669,691	507,317	50,177,008	54,640,627	1,256,653	55,897,280
2,822,407	-	2,822,407	13,293,957	-	13,293,957	17,796,165	-	17,796,165
311,327	-	311,327	289,966	-	289,966	295,564	-	295,564
3,133,734	-	3,133,734	13,583,923	-	13,583,923	18,091,729	-	18,091,729
23,325,697	381,850	23,707,547	63,253,614	507,317	63,760,931	72,732,356	1,256,653	73,989,009
13,878,091	(267,295)	13,610,796	14,710,240	(1,325,772)	13,384,468	13,159,481	(1,095,525)	12,063,956
160,383	-	160,383	161,083	-	161,083	359,438	-	359,438
1,469,240	-	1,469,240	1,469,240	-	1,469,240	1,469,240	-	1,469,240
12,280,872	(267,295)	12,013,577	13,139,414	(1,325,662)	11,813,752	11,556,276	(1,038,326)	10,517,950
13,910,495	(267,295)	13,643,200	14,769,737	(1,325,662)	13,444,075	13,384,954	(1,038,326)	12,346,628
(32,404)	-	(32,404)	(59,497)	(110)	(59,607)	(225,473)	(57,200)	(282,673)
13,878,091	(267,295)	13,610,796	14,710,240	(1,325,772)	13,384,468	13,159,481	(1,095,525)	12,063,956

Schedule 5 Summary of Changes to Opening Balances

The following schedule shows the adjustments to each of the balance sheet accounts since the Annual Report lodged for the year ended 30 June 2005. The adjustments relate to the transition to Australian Equivalents to International Accounting Standards (AIFRS) and the effect of prior period accounting errors reflected in the opening balances as at 1 July 2005.

Current assets		30 June 2005 As shown in last annual report	Effect of transition to AIFRS	30 June 2005 Restated under AIFRS	Effect of prior period accounting errors reflected in opening balances	1 July 2005 Opening Balances
		\$A	\$A	\$A	\$A	\$A
4.1	Cash	9,097,574	-	9,097,574	-	9,097,574
4.2	Receivable	43,665,957	(55,808)	43,610,149	179,849	43,789,998
4.3	Investments	196,192	-	196,192	-	196,192
4.4	Inventories	17,926,664	-	17,926,664	(264,963)	17,661,701
4.5	Tax related assets	2,194,860	-	2,194,860	233,851	2,428,711
4.6	Total current assets	73,081,247	(55,808)	73,025,439	148,736	73,174,175
Non-current assets						
4.7	Receivables	1,765,951	-	1,765,951	-	1,765,951
4.8	Investments	-	-	-	-	-
4.9	Inventories	-	-	-	-	-
4.10	Exploration and evaluation expenditure capitalised (see para .71 of AASB	-	-	-	-	-
4.11	Development properties (mining entities)	-	-	-	-	-
4.12	Other property, plant and equipment (net)	8,588,480	689,290	9,277,770	-	9,277,770
4.13	Intangibles (net)	1,415,505	(933,005)	482,500	-	482,500
4.14	Tax related assets	1,040,654	460,651	1,501,305	207,431	1,708,736
4.15	Total non-current assets	12,810,590	216,936	13,027,526	207,431	13,234,957
4.16	Total assets	85,891,837	161,128	86,052,965	356,167	86,409,132
Current liabilities						
4.17	Accounts payable	23,336,441	1,256,653	24,593,094	1,385,824	25,978,918
4.18	Borrowings	29,693,506	-	29,693,506	-	29,693,506
4.19	Provisions	1,610,680	-	1,610,680	-	1,610,680
4.20	Other (provide details if material)	-	-	-	-	-
4.21	Total current liabilities	54,640,627	1,256,653	55,897,280	1,385,824	57,283,104
Non-current liabilities						
4.22	Accounts payable	-	-	-	-	-
4.23	Borrowings	17,796,165	-	17,796,165	-	17,796,165
4.24	Provisions	295,564	-	295,564	-	295,564
4.25	Other (provide details if material)	-	-	-	-	-
4.26	Total non-current liabilities	18,091,729	-	18,091,729	-	18,091,729
4.27	Total liabilities	72,732,356	1,256,653	73,989,009	1,385,824	75,374,833
4.28	Net assets	13,159,481	(1,095,525)	12,063,956	(1,029,657)	11,034,298

Consolidated balance sheet continued

Equity

4.29	Capital	359,438	-	359,438	-	359,438
4.30	Reserves	1,469,240	-	1,469,240	-	1,469,240
4.31	Retained profits (accumulated losses)	11,556,276	(1,038,326)	10,517,950	(925,708)	9,592,242
4.32	Equity attributable to members of the parent entity	13,384,954	(1,038,326)	12,346,628	(925,708)	11,420,920
4.33	Outside equity interests in controlled entities	(225,473)	(57,200)	(282,673)	(103,949)	(386,622)
4.34	Total equity	13,159,481	(1,095,525)	12,063,956	(1,029,657)	11,034,298

Betta Stores Limited and its controlled entities

Directors' report

The directors present their report for the half-year ended 31 December 2005.

Directors

The directors of the company at any time during or since the end of the half-year are:

Name	Period of directorship
Patrick John TYNAN Chairman Non-Executive Director	Patrick was appointed as Chairman of the Board on 30 June 2003 and has been a member of the Board since 9 April 1996.
Everard Desmond JOHNSON Deputy Chairman Non-Executive Director	Everard was appointed as Deputy Chairman of the Board on 30 June 2003 and has been a member of the Board since 26 November 2001.
Neville John SUTHERLAND Non-Executive Director	Neville has been a member of the Board since 2 November 1981 and his resignation was accepted on 13 May 2006 with effect from 23 May 2006.
Reginald Leslie CAIN Non-Executive Director	Reginald has been a member of the Board since 29 November 1999 and his resignation was accepted on 13 May 2006 with effect from 23 May 2006.
Graham John CURRINGTON Non-Executive Director	Graham has been a member of the Board since 26 November 2001.
Dominic Charles MCCLELLAND Non-Executive Director	Dominic has been a member of the Board since 24 November 2003.
Garry THYER Non-Executive Director	Garry has been a member of the Board since 13 May 2006, filling the board position held by Mr Neville Sutherland.

Review of operations

The first six months of trade for Betta Stores Limited and its controlled entities were extremely challenging. The retail climate was flat with heavy discounting in the electrical appliance sector and uncertainty in the minds of consumers surrounded by increasing petrol prices and proposed interest rate increases.

Total revenue was \$192.8 million for the six months to 31 December 2005 an increase of 97.9% compared to the corresponding period of last year. Profit after tax and outside equity interests however decreased to a loss of \$4.95 million. Earnings before interest and tax and outside equity interests (EBIT) was a loss of \$4.45 million.

Both the Central Accounting operations and the Retail operations of the business performed poorly with a combine EBIT loss of \$5.74 million. The Franchise operations performed adequately contributing \$1.29 million.

The working capital investment of the consolidated entity decreased from \$36.9 million at 30 June 2005 to \$26.5 million at 31 December 2005 (before correcting any prior year errors).

Franchise Operations

During the period, Betta Electrical Pty Ltd operated the Betta Electrical and Chandlers franchises. On 30 September 2005, the consolidated entity sold its 50% interest in Sleepy's Pty Ltd.

Directors' report (continued)

The performance from the core business of the consolidated entity was pleasing given the competitive environment and poor retail conditions that existed during the six months to 31 December 2005. Total revenue decreased by 6.7% to \$35.9 million, however profit before interest and income tax decreased by 68.9% over the comparable period to \$1.29 million.

Retail Operations

The retail operations consist of the retail stores owned and operated by the consolidated entity. Betta Stores (Southern) Pty Ltd, previously Buy Rite Stores Pty Ltd, operated five stores in Victoria and one store in the Northern Territory. Truscott Electronics Pty Ltd operated eight stores in South Australia. Betta Stores (Northern) Pty Ltd, previously Buy Rite Stores (Northern) Pty Ltd, operated four stores in Queensland.

The retail operations continued to perform disappointingly during the period. A poor retail environment together with margin pressure from competitors saw the segment result drop to a loss of \$5.6 million for the six months to 31 December 2005 from a loss of \$2.1 million for the previous corresponding period.

Central Accounting Operations

BSL Finance Pty Ltd operates the central accounting operations of the consolidated entity. This involves financing inventory purchases for franchisees and the consolidated entity's own retail operations for a number of suppliers under a single account.

The central accounting operations increased revenue by 375% to \$149.1 million compared to \$31.4 million for the corresponding period. This reflected the increase in the number of suppliers who traded through the central accounting operations. The segment result was a loss of \$0.1 million compared to a loss of \$0.01 million for the corresponding period to 31 December 2004.

Working Capital

Our investment in working capital decreased to \$26.5 million as at 31 December 2005 as a result of higher levels of trade creditors due to increased turnover through central accounting. However, this investment is still made up of a number of assets, including the retail operations, the investment in the interest free debtors book and the central accounting operations. During the period, these assets did not provide the consolidated entity with a sufficient return on the working capital invested. Consequently, the working capital position of the consolidated entity was considered above the amount necessary for ordinary trading operations.

The investment in working capital has been funded predominantly through borrowings. Total borrowings decreased by \$1.5 million from \$47.5 million at 30 June 2005 to \$46.0 million at 31 December 2005. This level of borrowings was also considered above the level the consolidated entity would ordinarily borrow to maintain its ordinary trading operations.

Going Concern

The half yearly report has been prepared on the basis that the consolidated entity is a going concern and will remain in existence for the foreseeable future.

For the period ended 31 December 2005, the consolidated entity incurred a loss after tax and outside equity interests of \$4.95 million, had working capital invested of \$26.5 million and had net assets of \$4.8 million. It also experienced a net cash decrease of \$1.6 million.

Management has undertaken to significantly reduce the consolidated entity's working capital investment, borrowings and costs through a series of actions that include, but are not limited to, reducing operational costs and selling non-core assets.

Directors' report (continued)

Although there is no assurance that the consolidated entity will be successful in these actions, the Board is confident that it will be able to secure the necessary improvement in operating cash flow to enable it to continue as a going concern. Accordingly, this half yearly report does not reflect adjustments to the carrying value of assets and liabilities, the reported revenue and expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

Having reviewed the consolidated entity's assets and borrowing facilities, the operating performance through to 31 July 2006, the results of successful asset sales, the reduction in borrowings through to 31 July 2006 and the cash flow forecasts contained in the budget for financial year ended 30 June 2007, the directors believe that the consolidated entity has adequate resources to continue as a going concern for the foreseeable future.

Restructure

As a number of the consolidated entity's assets are no longer considered core to its operations, the Board has resolved to reduce the investment in these assets by either sale or reduction in the turnover of the asset. Since reporting date, it has been announced that the consolidated entity's strategy is to focus on its core business of franchising and to, over a period of time, either sell or franchise a number of its corporate stores and reduce its working capital investment in central accounting. Proceeds from the sale of these non-core assets will be used to retire borrowings. The reduction in the investment in central accounting will also reduce borrowings.

Central Accounting Operations

The Board has now approved the wind down of the consolidated entity's central accounting operation. This operation has not been successful for the consolidated entity, its franchisees or the suppliers for a number of reasons.

Firstly, the consolidated entity was not generating sufficient margin to offset the costs of the operations. Secondly, credit limits provided by suppliers were in most cases not large enough to trade in normal industry terms.

From the beginning of April 2006, BSL Finance Pty Ltd started to conclude central accounting services for some of the consolidated entity suppliers. From 1 July 2006, BSL Finance Pty Ltd has only provided central accounting services where the margin supports the cost of operation and the terms are sufficient for working capital purposes.

Retail Operations

The Board has resolved to reduce the consolidated entity's investment in its retail operations by either franchising or selling a number of its stores. On 6 February 2006, the consolidated entity announced that it was going to seek buyers for its company-owned stores in Melbourne including Richmond, Carnegie, Greensborough and Greythorn, the Chandlers store in Darwin and the superstore site in Campbelltown, Sydney.

Subsequently, Betta Stores (Southern) Pty Ltd has sold three company-owned stores in Melbourne including two in Richmond and one in Greensborough and closed down its store at Greythorn. Betta Stores (Northern) Pty Ltd has sold three stores in Brisbane including the superstores at Aspley and Morayfield and the Chandlers store at Kippa-ring. Negotiations are continuing for the sale of a number of other stores.

Since balance date, the consolidated entity has also disposed of its investment in an interest-free debtor book to GE Capital Finance Pty Ltd for \$8.5 million. The funds were used to retire debt.

Prior Year Errors

A number of issues have caused the delay in the release of this half yearly 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 Betta Stores (Southern) Pty Ltd, Betta Stores (Northern) Pty Ltd and Truscott Electronics Pty Ltd. These system errors have produced accounting errors that relate to prior periods.

Directors' report (continued)

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. When it is impracticable to determine the period-specific effects of the errors in prior financial periods the cumulative effect of the prior period errors should be reflected by restating the opening balances of assets, liabilities and equity for the earliest period for which restatement is practicable which may be the current period. Consequently, this half yearly report details the prior period accounting errors by restating the opening balances for the current period of assets, liabilities and equity that have been affected.

Due to the inconsistencies in accounting data that caused the errors, reasonable estimates have been used to determine the value of the prior period errors.

Further information is provided in the attached Schedule 3.

Post Balance Date Events

On 10 February 2006, the consolidated entity increased its shareholding in Betta Stores (Northern) Pty Ltd by acquiring a further 32.66%, taking its interest to 83.66%. Under the terms of the agreement, Betta Stores (Southern) Pty Ltd purchased 16.33% of the issued capital held by Blonhan Pty Ltd for \$1 and 16.33% of the issued capital held by Tiroa Pty Ltd for \$1.

On 7 April 2006, Retail Mortgage Services, a partnership operated by wholly owned subsidiaries Truscott Finance Pty Ltd and P.G.A & Associates Pty Ltd, entered into an agreement to sell its interest free debtor book to GE Capital Finance Pty Ltd for \$8.5 million. This transaction completed on 20 April 2006. Under the agreement, Retail Mortgage Services will continue to manage the debtors' book on GE's behalf, guaranteeing repayment as payments are received.

On 5 June 2006, Betta Stores (Northern) Pty Ltd entered into an agreement for the sale of two company-owned stores in Brisbane to the consolidated entity's largest franchisee, Kempcombe Pty Ltd. The two stores were Aspley Betta Electrical Superstore and Morayfield Betta Electrical Superstore. This sale completed on 26 June 2006.

On 14 June 2006, Betta Stores (Southern) Pty Ltd entered into an agreement for the sale of three company-owned stores in Melbourne to electrical and computer retailer Clive Peeters. The three stores were Richmond Betta Electrical Superstore at 479 Bridge Road, Richmond, Betta Electrical Clearance Centre at 459 Bridge Road, Richmond and Greensborough Betta Electrical at 89 Grimshaw Street, Greensborough. The agreement for the sale of the stores completed on 30 June 2006.

On 30 June 2006, Betta Stores (Northern) Pty Ltd entered into an agreement for the sale of its Chandlers-branded store at Kippa-ring. This sale completed on 1 August 2006.

Dated this 1st day of September 2006.

Signed in accordance with a resolution of the directors:



Patrick Tynan
Chairman



Everard Johnson
Director