Appendix 4D - Half Year Report for six months ended 31 December 2016

Results for announcement to the market

Name of entity	STOKES LIMITED
ABN	24 004 554 929

1 Reporting Period

Half Year Ended	31 December 2016
Previous corresponding periods – half year ended	31 December 2015
– year ended	30 June 2016

2 Results for announcement to the market

Revenue from ordinary activities	up	58%	to	8,907,582
Net profit from ordinary activities after tax attributable to members	NM*		to	133,150
Net profit for the period attributable to members	down	64%	to	133,150

* NM – Not Meaningful

(A profit of 133,150 compared to loss of $1,393,748 in previous corresponding period for continuing operations)

		Amount per Security	Franked amount per Security
Interim Dividend	- Current period	Nil	Nil
	- Previous corresponding period	Nil	Nil
Final Dividend	- Current period	Nil	Nil
	- Previous corresponding period	Nil	Nil

No interim dividend has been declared for the half-year ending 31 December 2016.

Commentary on Result

First half trading improved significantly with group revenues of $8,907,582 up by 58% compared to $5,635,541 in the previous corresponding period for continuing operations, a reported net profit of $133,150 for the half year ended 31 December 2016, a turnaround from loss of $1,393,748 in previous corresponding period for continuing operations.

Refer to interim Financial Report for the Half-Year ended 31 December 2016 for more information.

This half yearly financial report is to be read in conjunction with the 30 June 2016 annual financial report.

3 Net tangible assets per security

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security (cents per share)	(3.85)	(3.26)

4. Details of entities over which control has been gained or lost during the period: *(item 4)*

Control gained over entities

Name of entities *(item 4.1)*	- Not Applicable -
Date(s) of gain of control *(item 4.2)*	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired *(item 4.3)*	$
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period *(item 4.3)*	$

Loss of control of entities

Name of entities *(item 4.1)*	- Not Applicable -
Date(s) of loss of control *(item 4.2)*	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost *(item 4.3).*	$
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period *(item 4.3)*	$

5. **Dividends** *(item 5)*

	Date of payment	Total amount of dividend
Interim dividend year ended 30 June 2016		Nil
Final dividend year ended 30 June 2016		Nil

Amount per security

		Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend:	Current year	Nil	Nil	Nil
	Previous year	Nil	Nil	Nil

Total dividend on all securities

	Current period $A'000	Previous corresponding Period - $A'000
Ordinary securities *(each class separately)*	Nil	Nil

6. **Details of dividend or distribution reinvestment plans in operation are described below** *(item 6)*:

- Not Applicable -

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	

7. Details of associates and joint venture entities *(item 7)*

Name of associate or joint venture entity	%Securities held
- Not Applicable -	

Aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	2016 $	2015 $
Profit (loss) from ordinary activities before tax Income tax on ordinary activities		
Net profit (loss) from ordinary activities after tax Adjustments		
Share of net profit (loss) of associates and joint venture entities		

8. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached).

9. Independent review of the financial report *(item 9)*

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

STOKES LIMITED
and Controlled Entities

ABN 24 004 554 929

Financial Report
for the half-year ended 31 December 2016

The half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2016.

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Directors' Report

The directors present their report together with the condensed financial report of the consolidated entity consisting of Stokes Limited and the entities it controlled, for the half-year ended 31 December 2016 and independent review report thereon.

Directors

The names of the company's directors in office during the half-year and until the date of this report are set out below. Each of the directors was in office for this entire period, unless otherwise stated.

Peter Jinks, Managing Director

Greg Jinks, Executive Director

Terence Grigg, Non-Executive Director (appointed 31 January 2017)

Con Scrinis, Executive Director (resigned 31 January 2017)

REVIEW AND RESULTS OF OPERATIONS

The Directors of Stokes Limited take great pleasure in reporting to you the substantial work and progress that has been achieved during the half year ended 31 December 2016.

First half trading has improved significantly with group trading revenues of $8,907,582 up 58% on the $5,635,541 in the previous corresponding period from the continuing business operations of the Company, a reported net profit for the half year ended 31 December 2016 of $133,150 a turnaround from a loss of $1,393,748 in the previous corresponding period for continuing operations.

On 28 October 2016, the Group completed the acquisition of Street lighting business, Artcraft Urban Group (AUG). AUG has 11 employees in three states VIC (Head office), NSW and South Australia. It operates in the street lighting and pole sectors of the lighting industry with key customers being state road authorities, councils, power authorities, civil and electrical contractors.

Street lights in Australia are moving towards LED technology and AUG is well placed to be a leading supplier of these products in the coming years. The newly acquired business is being merged with Stokes existing commercial LED lighting business under the new trading name of "Urban Lighting Group" (ULG).

The results so far are extremely pleasing with a strong project pipeline as we look forward to further progress and success in the coming year.

AUDITOR'S INDEPENDENCE DECLARATION

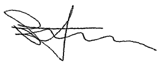
A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001* in relation to the review for the half-year is provided with this report on page 15.

Directors' Report (Cont'd)

ROUNDING OF AMOUNTS

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar.

Signed in accordance with a resolution of the directors.



Peter Jinks
Director

Melbourne
Date: 22 February 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2016

	Notes	Half- year 31 December 2016 $	31 December 2015 $
Revenue and Other Income			
Revenue	2	8,907,582	5,635,541
Other income	2	1,310,585	37,128
		10,218,167	**5,672,669**
Expenses			
Cost of Sales		(6,691,172)	(4,616,575)
Selling expense		(1,419,372)	(1,057,022)
Occupancy expense		(281,751)	(159,281)
Administration expense		(1,325,160)	(996,773)
Depreciation and amortisation		(91,789)	(58,126)
Finance costs		(275,773)	(178,640)
Total expenses		**(10,085,017)**	**(7,066,417)**
Profit / (loss) before income tax expense from continuing operations		**133,150**	**(1,393,748)**
Income tax expense		-	-
Profit / (loss) from continuing operations		**133,150**	**(1,393,748)**
Profit after tax from discontinued operation	**3**	-	1,764,188
Other comprehensive income for half-year		-	-
Total comprehensive income for half-year		**133,150**	**370,440**
Earnings per share (cents per share) for profit attributable to the equity holders of the entity:			
Basic earnings / (loss) per share – Continuing Operations		0.45	(4.78)
Basic earnings per share – Discontinued Operation		-	6.05
Basic earnings per share		0.45	1.27
Diluted earnings / (loss) per share – Continuing Operations		0.36	(4.78)
Diluted earnings per share – Discontinued Operation		-	4.84
Diluted earnings per share		0.36	1.02

The accompanying notes form part of these Financial Statements

Condensed Consolidated Statement of Financial Position as at 31 December 2016

	Notes	31 December 2016	30 June 2016
		$	$
Current assets			
Cash and cash equivalents		195,092	882,157
Trade and other receivables		5,278,462	4,596,661
Inventories		3,311,634	1,234,130
Other current assets		524,527	156,602
Total current assets		**9,309,715**	**6,869,550**
Non-current assets			
Plant and equipment		608,985	507,629
Intangible assets		773,327	121,778
Total Non-current assets		**1,382,312**	**629,407**
Total assets		**10,692,027**	**7,498,957**
Current liabilities			
Trade and other payables		4,921,206	4,774,764
Borrowings	5	4,070,268	3,306,533
Provisions		456,990	268,404
Total current liabilities		**9,448,464**	**8,349,701**
Non-current liabilities			
Borrowings	5	1,620,672	277,181
Provisions		33,370	15,704
Total non-current liabilities		**1,654,042**	**292,885**
Total Liabilities		**11,102,506**	**8,642,586**
Deficiency of Net assets		**(410,479)**	**(1,143,629)**
Equity			
Contributed capital		11,026,352	10,426,352
Accumulated losses		(11,436,831)	(11,569,981)
Total equity		**(410,479)**	**(1,143,629)**

The accompanying notes form part of these Financial Statements

Condensed Consolidated Statement of Changes in Equity

Half-year ended 31 December 2015

Consolidated	Contributed equity $	Accumulated losses $	Total equity $
At 1 July 2015	10,426,352	(11,624,498)	(1,198,146)
Profit for the half year	-	370,440	370,440
At 31 December 2015	**10,426,352**	**(11,254,058)**	**(827,706)**

Half-year ended 31 December 2016

Consolidated	Contributed equity $	Accumulated losses $	Total equity $
At 1 July 2016	10,426,352	(11,569,981)	(1,143,629)
Profit for the half year	-	133,150	133,150
Issue of shares	600,000	-	600,000
At 31 December 2016	**11,026,352**	**(11,436,831)**	**(410,479)**

The accompanying notes form part of these Financial Statements

Condensed Consolidated Statement of Cash Flows for the half-year ended 31 December 2016

	Notes	Half-year 31 December 2016 $	Half-year 31 December 2015 $
Cash flows from operating activities			
Receipts from customers		10,322,957	6,931,245
Receipt of research and development grants		1,274,307	-
Payments to suppliers and employees		(13,087,182)	(9,063,923)
Interest received		1,208	7,442
Interest paid		(222,709)	(178,640)
Net cash flows used in operating activities		**(1,711,419)**	**(2,303,876)**
Cash flows from investing activities			
Payment for plant and equipment		(20,978)	(205,172)
Payment for business		(1,061,894)	(349,302)
Proceeds from sale of business		-	4,086,030
Payment for transaction and closure costs for sale of business		-	(751,005)
Net cash flows from / (used in) investing activities		**(1,082,872)**	**2,780,551**
Cash flows from financing activities			
Proceeds from issue of convertible notes		400,000	-
Repayment of borrowings		(553,721)	(867,855)
Proceeds from borrowings		2,260,947	500,000
Net cash flows from / (used in) financing activities		**2,107,226**	**(367,855)**
Net increase / (decrease) in cash and cash equivalents		**(687,065)**	**108,820**
Cash and cash equivalents at beginning of half year		882,157	298,523
Cash and cash equivalents at end of the half year		**195,092**	**407,343**

The accompanying notes form part of these Financial Statements

Notes to Condensed Consolidated Half-Year Financial Statements

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The condensed consolidated half year financial report does not include all notes of the type normally included within the annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Stokes Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

This condensed half-year financial report covers Stokes Limited and controlled entities as a consolidated entity. Stokes Limited is a company limited by shares, incorporated and domiciled in Australia. The address of Stokes Limited's registered office and principal place of business is 53 Stanley Street, West Melbourne VIC - 3003. Stokes Limited is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors as at the date of the director's report.

(a) Basis of accounting

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting, as appropriate for for-profit entities, and the *Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The half-year financial report has been prepared in accordance with the historical cost convention, as modified by revaluations to fair value for certain class of assets as described in the accounting policies.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2016 and the corresponding half-year.

(b) Going Concern

The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

The group generated a profit from continuing operations of $133,150 during the half-year ended 31 December 2016 (half-year ended 31 December 2015 loss of $1,393,748), and as at that date, the group's net asset deficiency was $410,479 (30 June 2016: $1,143,629).

The working capital position as at 31 December 2016 results in an excess of current liabilities over current assets of $138,749 (30 June 2016: $1,480,151). Included in current liabilities are convertible notes with a face value of $2,550,737 due to mature on 30 June 2017.

The group produced negative cash flows from operating activities for the half-year ended 31 December 2016 of $1,711,419 (half-year ended 31 December 2015: $2,303,876)

The ability of the Group to continue as a going concern is reliant on generating profits, improving cash flows from operating activities, managing debt levels, and the management of other cash flows within the Group's funding facilities.

Notes to Condensed Consolidated Half-Year Financial Statements

(b) Going Concern (cont'd)

Notwithstanding the above, the directors believe the going concern basis is appropriate due to the following factors

- The Group has prepared forward budget and cash flow projections which are based on increasing revenues from the expanding technologies division of lighting and audio visual products and solutions. The directors have reviewed and approved the managements' forward budgets and forecasts which shows positive cash flow projections over the next 12 months.

- The technology division is currently in a growth phase which has meant investment in people, facilities and equipment to allow for this growth. The directors expect that this investment which has already delivered significant growth will result in, not only further growth, but profitability and positive operating cash flows in the future.

- The directors also believe the company is well placed to raise further capital (if required) to fund working capital and/or acquisitions.

On the basis of the above the directors believe that the Group will continue as a going concern over the next 12 months and consequently will realise assets and settle liabilities and commitments in the ordinary course of business and at the amounts stated in the financial report.

If the going concern basis of accounting is found to no longer be appropriate, the recoverable amounts of the assets shown in the statement of financial position are likely to be significantly less than the amounts disclosed and the extent of the liabilities may differ significantly from those reflected in the statement of financial position.

(c) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

Notes to Condensed Consolidated Half-Year Financial Statements

2. REVENUE AND OTHER INCOME

	31 December 2016 $	31 December 2015 $
Revenue		
Revenue from services or sale of goods	8,907,582	5,635,541
Other income		
Interest income	1,208	7,442
Research and development grants	1,274,307	-
Other	35,070	29,686
	1,310,585	**37,128**

3. DISCONTINUED OPERATION

On 31 July 2015, the Company sold its business of Distribution of Appliance Parts and Services, and on 30 September 2015, the Company shut down a division manufacturing industrial heating elements.

The results of the discontinued operations for the comparative period are presented below:

(i) Financial performance information	**31 December 2015**
Revenue	
Sales revenue	1,034,786
Other income	212
Total Revenue	**1,034,998**
Expenses	
Total expenses	(1,186,773)
Depreciation and amortisation	-
Total Expenses	**(1,186,773)**
Loss before income tax discontinued operation	**(151,775)**
Income tax expense	-
Loss after income tax discontinued operation	**(151,775)**
Gain on disposal of discontinued operations before income tax	1,915,963
Income tax expense	-
Gain on sale of the division after income tax	1,915,963
Profit/(loss) after income tax discontinued operations	**1,764,188**

Notes to Condensed Consolidated Half-Year Financial Statements

3. DISCONTINUED OPERATION (CONT'D)

	31 December 2015 $
(ii) Cash flow information	
Net cash used in operating activities	(151,775)
Net cash used in investing activities	3,232,525
Net cash flow	**3,080,750**
(ii) Details of discontinued operation disposed	
Consideration received or receivable	4,601,030
Less: Net assets disposed of	(1,934,062)
Less: transaction costs to complete sale of business	(751,005)
Gain on disposal of discontinued operation before tax	1,915,963
Income tax expense	-
Gain on disposal of discontinued operation after tax	**1,915,963**

4. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

There were no dividends proposed or recognised during the half-year ended 31 December 2016.

5. BORROWINGS

	31 December 2016 $	30 June 2016 $
(a) Current		
Secured:		
Bank and other loans (i)	1,404,279	643,332
Lease finance (ii)	115,252	112,464
Unsecured:		
Convertible Notes (SKSG) (iii)	2,550,737	2,550,737
	4,070,268	**3,306,533**
(b) Non Current		
Secured:		
Lease finance (ii)	220,672	277,181
Loan from Moller Volantor Pty Ltd (iv)	1,000,000	-
Unsecured:		
Convertible Notes (unlisted) (v)	400,000	-
	1,620,672	**277,181**

Notes to Condensed Consolidated Half-Year Financial Statements

5. BORROWINGS (CONT'D)

I. Current secured borrowings, were secured by a fixed and floating charge over Stokes Limited and Stokes Technologies Pty Ltd, Dueltek Pty Ltd and SKS Services Group Pty Ltd.

II. Both current and non-current finance leases were secured by assets acquired utilising finance lease facilities.

III. The Convertible Notes (SKSG) are a 3 year financial instrument with a 3 year option to convert each Convertible Note to 1 New Share at an exercise price of $0.35. The Convertible Notes bear interest at a fixed rate of 10% per annum payable quarterly in arrears and are due for redemption on 30 June 2017. In addition, Noteholders will be entitled to receive 1 new option for every 2 new shares issued upon conversion of Convertible Notes. The options will be issued at no additional cost and will be exercisable at any time prior to 30 June 2019 at an exercise price of $0.35 each.

IV. Non-current secured loan from Moller Volantor Pty Ltd, an entity related to Greg Jinks, is secured by a second ranking fixed and floating charge over Stokes Limited. This loan bears interest at a fixed rate of 10% per annum payable quarterly in arrears, to be repaid in full on 31 October 2018.

V. The Convertible Notes (unlisted) are a 2 year financial instrument with a 2 year option to convert each Convertible Note to 1 New Share at an exercise price of $0.37. The Convertible Notes bear interest at a fixed rate of 10% per annum payable quarterly in arrears and are due for redemption on 31 October 2018.

6. CONTRIBUTED CAPITAL

	31 December 2016 Number	30 June 2016 Number
Issued shares at 1 July 206 / 2015	29,151,281	29,151,281
Shares issued to vendors of Artcraft Urban Group	1,621,622	-
Issued Shares at 31 Dec	**30,772,903**	**29,151,281**

	31 December 2016 $	30 June 2016 $
Issued Capital at 1 July 206 / 2015	10,426,352	10,426,352
Shares issued to vendors of Artcraft Urban Group at $0.37	600,000	-
Issued Capital at 31 Dec	**11,026,352**	**10,426,352**

Notes to Condensed Consolidated Half-Year Financial Statements

7. ACQUISITION OF BUSINESS

On 28 October 2016, the Group completed the acquisition of Street lighting business Artcraft Urban Group (AUG). AUG has 11 employees in three states VIC (Head office) NSW and South Australia. It operates in the street lighting and pole sectors of the lighting industry with key customers being state road authorities, councils, power authorities, civil and electrical contractors. Details of assets and liabilities acquired and consideration paid is as follows:

	31 December 2016 $
Plant and equipment	172,167
Inventory	1,364,788
Receivables	1,123,655
Payables	(1,478,434)
Employee entitlements	(171,831)
Net Identifiable assets acquired	1,010,345
Add: Goodwill	651,549
Total consideration paid	**1,661,894**

Details of the purchase consideration:

Issue of 1,621,622 shares to vendor of Artcraft	600,000
Cash consideration paid	1,061,894
Total consideration paid	**1,661,894**

Initial accounting incomplete

At the date of this financial report, the accounting for the acquisition of Artcraft Urban Group (AUG) is provisional in relation to the determination of the fair value of identifiable assets acquired.

Contingent Consideration

Acquisition of Street lighting business Artcraft Urban Group (AUG) is subject to an earnings hurdle which is to be tested at both the end of 6 months and 12 months from the date of acquisition. Subject to the AUG business exceeding the earnings hurdle criteria, further payments of up to $1,000,000 could be payable;

- At the end of 6 months, if the pro-rata earnings hurdle is exceeded then a maximum of $500,000* could be payable in June 2017.

- At the end of 12 months, if the earnings hurdle is exceeded then a maximum of $1,000,000* is payable in January 2018.

*The payables above have a cumulative cap of $1,000,000.

The fair value of this contingent consideration has been assessed as $Nil.

Notes to Condensed Consolidated Half-Year Financial Statements

7. ACQUISITION OF BUSINESS (CONT'D)

Goodwill

The provisional goodwill on the acquisition arises as a result of a premium being paid in excess of the fair value of the net assets acquired. The value of goodwill represents the future benefits arising from the expected future earnings.

Goodwill is not deductible for tax purposes.

Contribution since acquisition

Since the acquisition date Artcraft has contributed revenue of $962,609 and a loss after tax of $8,412.

As the entity was not audited prior to acquisition, it is not practical to determine the contribution to revenue and profit were the acquisition to have occurred on 1 July 2016.

Transaction costs

The Group incurred $47,842 in transaction costs in relation to the acquisition. These expenses are included within administration expenses in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

8. OPERATING SEGMENTS

The Group predominantly operates in Australia, hence there is no information on operating segments provided in this report.

9. SUBSEQUENT EVENTS

Acquisition of Forlite Brand

On 1st February 2017, the Company made a payment of $100,000 to acquire the Forlite brand and a final payment of $50,000 is due to be made on 1st March 2017 to complete the acquisition of Forlite brand.

Forlite has been built on the foundations of providing a reliable, trustworthy service to its client's hand in hand with the promotion of high quality, dependable products predominantly in Queensland.

The Group will leverage the Forlite brand by adding three quality lighting ranges from the Stokes Portfolio namely Stokes commodity range, Forma Lighting and AEC product range, with the acquisition of Forlite brand providing the Group a better presence in the region.

Forlite's clients are primarily lighting designers, electrical engineers, and architects. They also seek to develop positive relationships with other stakeholders in the building process including builders, developers and contractors.

Apart from above, there were no matters or circumstances specific to Stokes Limited that have arisen since 31 December 2016 that have significantly affected or may significantly affect

- the Group's operation in future financial years or
- the results of those operation in future financial years or
- the Group's state of affairs in future financial years.

Directors' Declaration

The directors declare that:

In the directors' opinion, the financial statements and notes thereto of Stokes Limited and Controlled entities, as set out on pages 4 to 14 are in accordance with the *Corporations Act 2001*, including:

(a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that Stokes Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Peter Jinks

Director

Date: 22 February 2017

PITCHER PARTNERS

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Stokes Limited.

In relation to the independent auditor's review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001;* and

ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Stokes Limited and the entities it controlled during the period.

D A KNOWLES
Partner

PITCHER PARTNERS
Melbourne

22 February 2017

PITCHER PARTNERS

STOKES LIMITED
ABN 24 004 554 929
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF STOKES LIMITED

We have reviewed the accompanying half-year financial report of Stokes Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Stokes Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

STOKES LIMITED
ABN 24 004 554 929
AND CONTROLLED ENTITIES

PITCHER PARTNERS

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
STOKES LIMITED

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Stokes Limited and controlled entities is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(b) in the financial report which indicates the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

D A KNOWLES
Partner

22 February 2017

PITCHER PARTNERS
Melbourne