Appendix 4D - Half Year Report for six months ended 31 December 2017

Results for announcement to the market

Name of entity	STOKES LIMITED
ABN	24 004 554 929

1 Reporting Period

Half Year Ended	31 December 2017
Previous corresponding periods – half year ended	31 December 2016
– year ended	30 June 2017

2 Results for announcement to the market

Revenue from ordinary activities	up	61%	to	12,775,242
Net profit/(loss) from ordinary activities after tax attributable to members	NM*		to	(2,296,422)
Net profit/(loss) for the period attributable to members	NM+		to	(2,284,862)

NM – Not Meaningful

*(A loss of $2,296,422 compared to loss of $1,082,841in the previous corresponding period for continuing operations)
+(A loss of $2,284,862 compared to loss of $1,163,626 in the previous corresponding period)

		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 2017.

Commentary on Result

First half trading improved significantly with group sales revenues of $12,775,242 up by 61% compared to $7,911,710 in the previous corresponding period for continuing operations. The Group reported a net loss of $2,284,862 for the half year ended 31 December 2017, being a deterioration from a restated loss of $1,163,626 in the previous corresponding period, due to the booking of a number of asset impairment provisions.

Refer to interim Financial Report for the Half-Year ended 31 December 2017 for more information.

This half yearly financial report is to be read in conjunction with the 30 June 2017 annual financial report.

3 Net tangible assets per security

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security (cents per share)	(7.34)	(2.65)

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 2017		Nil
Final dividend year ended 30 June 2017		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':	2017 $	2016 $
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 2017

The half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2017

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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 2017 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

Tom Krulis, Non-Executive Director (appointed 20 September 2017)

Review and Results of Operations

First half sales have improved significantly with group trading revenues of $12,775,242 up 61% on the $7,911,710 in the previous corresponding period from the continuing business operations of the Company. The group reported a net loss for the half year ended 31 December 2017 of $2,284,862 compared to a restated loss of $1,163,626 in the previous corresponding period.

The result for the half year has been adversely affected by the booking of an impairment provision related to the following items:

- Net impairment expense of $1,195,499 in relation to doubtful debts associated with the non-payment of a debt owing by McKnight's Electrical against a series of invoices rendered for goods and services completed related to the Stage 4 redevelopment of Geelong Simonds Stadium. The Company has commenced legal proceedings to enforce its rights and recover the debt.

- Impairment against inventory lines assessed as slow moving and/or obsolete of $283,789.

On 15 December 2017, the Group completed the sale of its Dueltek Distribution business and associated business assets to Omega Power Equipment Pty. Ltd. The sale formed part of a strategy to focus on the core Stokes business operations of audio visual and lighting solutions with the proceeds directed to supporting the working capital needs of those business units.

Attention is also drawn to note 9 - Correction of Prior Period Error. Due to an incorrect recognition of R&D Tax Incentive claims received which were recorded as income in the years ended 30 June 2016 and 30 June 2017, income in the years then ended was overstated. This error has been corrected by restating the prior year financial statement line items affected by the amounts as detailed in note 9.

The loss result for the half year is very disappointing given the abnormal impairment charges outlined. However, the underlying revenue performance and project pipeline continue to grow strongly, and we look forward to a favourable operating result for the second half of the financial year.

Directors' Report (Cont'd)

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 4.

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: 28 February 2018

PITCHER PARTNERS

STOKES LIMITED

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 2017, 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

28 February 2018

PITCHER PARTNERS
Melbourne

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2017

	Notes	Half- year 31 December 2017 $	31 December 2016 (Restated*) $
Revenue and Other Income			
Sales revenue	2	12,775,242	7,911,710
Other income	2	4	36,043
		12,775,246	**7,947,753**
Expenses			
Cost of sales		(9,720,457)	(6,020,832)
Occupancy expenses		(263,667)	(246,508)
Administration expenses		(3,238,668)	(2,394,722)
Depreciation and amortisation		(73,358)	(70,290)
Impairment charge		(1,479,288)	-
Finance costs		(296,230)	(298,242)
Total expenses		(15,071,668)	**(9,030,594)**
Profit / (loss) before income tax expense from continuing operations		**(2,296,422)**	**(1,082,841)**
Income tax expense		-	-
Profit / (loss) from continuing operations		**(2,296,422)**	**(1,082,841)**
Profit/(loss) after tax from discontinued operation	3	11,560	(80,785)
Other comprehensive income for half-year		-	-
Total comprehensive income for half-year		**(2,284,862)**	**(1,163,626)**
Earnings per share (cents per share) for profit attributable to the equity holders of the entity:			
Basic earnings / (loss) per share – Continuing Operations		(5.51)	(3.64)
Basic earnings / (loss) per share – Discontinued Operation		0.03	(0.27)
Diluted earnings / (loss) per share – Continuing Operations		(5.51)	(2.55)
Diluted earnings / (loss) per share – Discontinued Operation		0.03	(0.22)

*Refer to Note 9 for additional information.

The accompanying notes forms part of these Financial Statements

Condensed Consolidated Statement of Financial Position as at 31 December 2017

	Notes	31 December 2017	30 June 2017 (Restated*)
		$	**$**
Current assets			
Cash and cash equivalents		270,707	2,161,246
Trade and other receivables		5,551,416	5,435,819
Inventories		2,407,709	3,665,801
Other current assets		95,779	132,832
Total current assets		**8,325,611**	**11,395,698**
Non-current assets			
Plant and equipment		491,148	552,540
Intangible assets	11	801,549	923,327
Total Non-current assets		**1,292,697**	**1,475,867**
Total assets		**9,618,308**	**12,871,565**
Current liabilities			
Trade and other payables		4,674,799	3,910,065
Borrowings	5(a)	2,657,156	4,628,251
R&D tax payable		2,491,518	2,425,561
Provisions		372,514	467,867
Total current liabilities		**10,195,987**	**11,431,744**
Non-current liabilities			
Borrowings	5(b)	1,603,928	1,562,551
Provisions		107,107	53,122
Total non-current liabilities		**1,711,035**	**1,615,673**
Total Liabilities		**11,907,022**	**13,047,417**
Net asset deficiency		**(2,288,714)**	**(175,852)**
Equity			
Contributed capital	6	14,449,752	14,277,752
Accumulated losses		(16,738,466)	(14,453,604)
Total equity		**(2,288,714)**	**(175,852)**

*Refer to Note 9 for additional information.

The accompanying notes forms part of these Financial Statements

Condensed Consolidated Statement of Changes in Equity

Half-year ended 31 December 2016

Consolidated	Contributed equity $	Accumulated losses $	Total equity $
At 1 July 2016 (restated)*	10,426,352	(12,647,202)	(2,220,850)
Loss for the half year	-	(1,163,626)	(1,163,626)
Transactions with owners in their capacity as owners			
Issue of shares	600,000	-	600,000
At 31 December 2016 (restated)*	**11,026,352**	**(13,810,828)**	**(2,784,476)**

Half-year ended 31 December 2017

Consolidated	Contributed equity $	Accumulated losses $	Total equity $
At 1 July 2017 (restated)*	14,277,752	(14,453,604)	(175,852)
Loss for the half year	-	(2,284,862)	(2,284,862)
Transactions with owners in their capacity as owners			
Issue of shares	172,000	-	172,000
At 31 December 2017	**14,449,752**	**(16,738,466)**	**(2,288,714)**

*Refer to Note 9 for additional information.

The accompanying notes forms part of these Financial Statements

Condensed Consolidated Statement of Cash Flows for the half-year ended 31 December 2017

	Half-year	
	31 December 2017 $	**31 December 2016 $**
Cash flows from operating activities		
Receipts from customers	14,164,408	10,322,957
Receipt of research and development grants	-	1,274,307
Payments to suppliers and employees	(14,841,524)	(13,087,182)
Interest received	4	1,208
Interest paid	(225,571)	(222,709)
Net cash flows used in operating activities	**(902,683)**	**(1,711,419)**
Cash flows from investing activities		
Payment for plant and equipment	(17,780)	(20,978)
Payment for business	-	(1,061,894)
Proceeds from sale of business	787,642	-
Net cash flows from / (used in) investing activities	**769,862**	**(1,082,872)**
Cash flows from financing activities		
Proceeds from issue of shares	172,000	-
Proceeds from issue of convertible notes	-	400,000
Repayment of convertible notes	(1,335,894)	-
Proceeds from borrowings	-	2,260,947
Repayments of borrowings	(593,824)	(553,721)
Net cash flows from / (used in) financing activities	**(1,757,718)**	**2,107,226**
Net (decrease) in cash and cash equivalents	**(1,890,539)**	**(687,065)**
Cash and cash equivalents at beginning of half year	2,161,246	882,157
Cash and cash equivalents at end of the half year	**270,707**	**195,092**

The accompanying notes forms 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 2017 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 2017 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 loss from continuing operations of $2,296,422 during the half-year ended 31 December 2017 (half-year ended 31 December 2016 loss of $1,082,841), and as at that date, the group's net asset deficiency position was $2,288,714 (30 June 2017: net asset deficiency $175,852).

The working capital position as at 31 December 2017 results in an excess of current liabilities over current assets of $1,870,376 (30 June 2017: $36,046). Included in current liabilities are convertible notes with a face value of $400,000 due to mature on 31 October 2018.

Notes to Condensed Consolidated Half-Year Financial Statements

(b) Going Concern (cont'd)

The group produced negative cash flows from operating activities for the half-year ended 31 December 2017 of $902,683 (half-year ended 31 December 2016: $1,711,419). 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.

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 which support improving cashflows from operating activities.

- 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 Group has secured an in-principle settlement with the Australian Taxation Office for an orderly repayment of the R&D tax payable booked. Broadly, this will comprise a 10% upfront payment of the debt with the balance to be paid in instalments over a three (3) year timeframe. The terms of this agreement will be formalised by written agreement on or before 13 April 2018. This in-principle agreement enables the Group to manage repayment of this debt.

- The Group has secured agreement from Moller Volantor Pty Ltd to defer the repayment date on the $1 million secured loan for a further 12 months to be repaid in full on 31 October 2019. In addition, Moller Volantor Pty Ltd has agreed to fix the repayment date for the $500,000 unsecured loan to 31 October 2019, although the Group retains the right (but not the obligation) to repay this earlier if cashflows allow. These deferrals further assist the Group in realigning its debt repayment obligations to coincide with expected improved future cashflows.

- The directors also believe the company has quality assets that could be realised if required to raise further capital to fund working capital requirements.

Based on 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.

Notes to Condensed Consolidated Half-Year Financial Statements

(c) Comparatives

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

2. Revenue and Other Income

	31 December 2017 $	31 December 2016 $
Revenue		
Revenue from services or sale of goods	12,775,242	7,911,710
Other income		
Interest income	4	1,208
Other	-	34,835
	4	**36,043**

3. Discontinued Operation

On 15 December 2017, the Company sold of its Dueltek Distribution business and associated business assets. The results of the discontinued operations for the current and comparative period are presented below:

(i) Financial performance information	31 December 2017	31 December 2016
Revenue		
Sales revenue	655,755	995,873
Other income	509	235
Total Revenue	**656,264**	**996,108**
Expenses		
Total expenses (excluding depreciation and amortisation)	(655,998)	(1,055,394)
Depreciation and amortisation	(1,464)	(21,499)
Total Expenses	**(657,462)**	**(1,076,893)**
Loss before income tax discontinued operation	**(1,198)**	**(80,785)**
Income tax expense	-	-
Loss after income tax discontinued operation	**(1,198)**	**(80,785)**
Gain on disposal of discontinued operations before income tax	12,758	-
Income tax expense	-	-
Gain on sale of the division after income tax	12,758	-
Profit/(loss) after income tax discontinued operations	**11,560**	**(80,785)**

Notes to Condensed Consolidated Half-Year Financial Statements

3. Discontinued Operations (continued)

	31 December 2017 $	31 December 2016 $
(ii) Cash flow information		
Net cash used in operating activities	(146,815)	(593,973)
Net cash from investing activities	787,642	-
Net cash provided by / (used in) financing activities	(559,109)	596,440
Net cash inflow	**81,718**	**2,467**

(iii) Details of discontinued operation disposed	
Consideration received or receivable	1,144,318
Less: Net assets disposed of	(1,114,176)
Less: transaction costs to complete sale of business	(17,384)
Gain on disposal of discontinued operation before tax	12,758
Income tax expense	-
Gain on disposal of discontinued operation after tax	**12,758**

4. Dividends Paid or provided for on Ordinary Shares

There were no dividends proposed or recognised during the half-year ended 31 December 2017.

5. Borrowings

	31 December 2017 $	30 June 2017 $
(a) Current		
Secured:		
Bank and other loans (i)	2,140,317	2,676,843
Lease finance (ii)	116,839	115,514
Unsecured:		
Convertible Notes (SKSG)	-	1,335,894
Convertible Notes (unlisted) (iv)	400,000	-
Loan from Moller Volantor Pty Ltd (v)	-	500,000
	2,657,156	**4,628,251**
(b) Non Current		
Secured:		
Lease finance (ii)	103,928	162,551
Loan from Moller Volantor Pty Ltd (iii)	1,000,000	1,000,000
Unsecured:		
Convertible Notes (unlisted) (iv)	-	400,000
Loan from Moller Volantor Pty Ltd (v)	500,000	-
	1,603,928	**1,562,551**

Notes to Condensed Consolidated Half-Year Financial Statements

5. Borrowings (continued)

i. The current secured borrowings, are secured by a fixed and floating charge over Stokes Limited, Stokes Technologies Pty Ltd, Dueltek Pty Ltd and Urban Lighting Group Pty Ltd.

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

iii. Non-current secured loan from Moller Volantor Pty Ltd, an entity related to Greg Jinks, 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 2019.

iv. The Convertible Notes (unlisted) are a 2 year financial instrument. This Convertible Notes bear interest at a fixed rate of 10% per annum payable quarterly in arrears and due for redemption on 31 October 2018.

v. Non-current unsecured loan from Moller Volantor Pty Ltd, an entity related to Greg Jinks. This loan bears interest at a fixed rate of 10% per annum payable monthly in arrears, to be repaid in full on 31 October 2019 (or earlier at the company's discretion).

6. Contributed Capital

Movements in shares on issue

	Half-Year 31 Dec 2017		Half-Year 31 Dec 2016	
	No of Shares	**$**	**No of Shares**	**$**
Beginning of the half-year	41,513,880	14,277,752	29,151,281	10,426,352
- Shares issued during the half-year	573,334	172,000	1,621,622	600,000
End of the half-year	**42,087,214**	**14,449,752**	**30,772,903**	**11,026,352**

7. Operating Segments

The Group operates predominantly in Australia, in the lighting and audio-visual markets which is regarded as a single segment, hence there is no information on operating segments provided in this report.

Notes to Condensed Consolidated Half-Year Financial Statements

8. Subsequent Events

Post 31 December 2017, Stokes Limited updated the market in relation to the following matters.

Legal Action against McKnight's Electrical (Wesley McKnight) – Geelong Simonds Stadium Project

Stokes Technologies Pty Ltd (Stokes), a wholly owned subsidiary of Stokes Limited, was engaged in August 2016 by McKnight's Electrical (McKnight's) to provide audio visual, MATV, public address, digital signage and broadcast services works (the Work) as part of the Stage 4 redevelopment of Geelong Simonds Stadium. The total value of the Works including contract variations was $1,960,880 (exc. GST) of which $1,899,662 (exc. GST) was fully taken up as revenue in the year ended 30 June 2017 following full performance by Stokes of all its contractual obligations. While McKnight's had paid Stokes' invoices to the value of $758,145 (exc. GST), Stokes considers that there is presently $1,202,735 (exc. GST) owing by McKnight's to Stokes against a series of invoices rendered for goods and services completed (the Debt).

Stokes had been seeking to resolve the Debt however this did not occur and accordingly Stokes made a written demand under a Guarantee and Indemnity Agreement for the Guaranteed Moneys ($800,000) and related security documents. Badtwm Nominees Pty Ltd - Trustee of the Luxor Family Trust trading as McKnight Electrical subsequently appointed Ferrier Hodgson as Liquidator under a Creditor's Voluntary Liquidation. Stokes is pursuing its legal rights and will look to work with Ferrier Hodgson, however booked a debtor impairment provision for the full amount of the Debt (exc. GST) in the half year results for the six-month period to 31 December 2017.

ATO R&D Tax Credit In-Principle Agreement

Stokes Limited engaged Pitcher Partners (Pitchers) to review its historic Research & Development (R&D) expenditure claims for the 2015 and 2016 financial years following receipt of a questionnaire from the Australian Taxation Office (ATO). Pitchers completed their review of the detailed project documentation post 31 December, and Stokes has accepted that the project forming the basis of the original claims was not eligible in the first instance for R&D registration.

As such, Stokes informed the ATO that it will be making a voluntary disclosure to amend its R&D Tax Incentive claim for the 2015 and 2016 income years in full requiring it to repay the cash refunds received totalling $2,332,681 and associated interest charges (Debt). Stokes has reached an in-principle agreement with the ATO for orderly payment of the Debt which broadly comprises a 10% upfront payment with the balance to be paid in instalments over a three (3) year timeframe. The terms of this agreement will be formalised by written agreement on or before 13 April 2018. Importantly, there is no dispute with the ATO and it is understood that no penalties will be imposed given the voluntary nature of the disclosure.

Other than the above, there were no matters or circumstances specific to Stokes Limited that have arisen since 31 December 2017 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.

Notes to Condensed Consolidated Half-Year Financial Statements

9. Correction of Prior Period Error

Due to an incorrect recognition of R&D Tax Incentive claims received which were recorded as income in the years ended 30 June 2016 and 30 June 2017, income in the years then ended was overstated.

This error was corrected by restating the prior year financial statement line items affected by the amounts as detailed below:

Impact on the statement of profit and loss and other comprehensive income for the year ended 30 June 2016

	30-Jun-16 as Reported	Restatements	30-Jun-16 Restated
Other Income	1,110,427	(1,058,374)	52,053
Finance costs	(423,630)	(18,847)	(442,477)
Net profit/(loss) for the year	**54,517**	**(1,077,221)**	**(1,022,704)**
Total comprehensive income for the year	**54,517**	**(1,077,221)**	**(1,022,704)**
EPS - continuing operations:			
Basic	(5.12)	(3.70)	(8.82)
Diluted	(4.10)	(2.95)	(7.05)

Impact on the statement of financial position as at 30 June 2016

	30-Jun-16 as Reported	Restatements	30-Jun-16 Restated
R&D tax incentive payable	-	1,077,221	1,077,221
(Net Asset Deficiency)	**(1,143,629)**	**(1,077,221)**	**(2,220,850)**
Accumulated losses	(11,569,981)	(1,077,221)	(12,647,202)
Total equity	**(1,143,629)**	**(1,077,221)**	**(2,220,850)**

Impact on the statement of changes in equity for the year ended 30 June 2016

	30-Jun-16 as Reported	Restatements	30-Jun-16 Restated
Accumulated losses	(11,569,981)	(1,077,221)	(12,647,202)
Total equity	(1,143,629)	(1,077,221)	(2,220,850)

Notes to Condensed Consolidated Half-Year Financial Statements

9. Correction of Prior Period Error (continued)

Impact on the statement of profit and loss and other comprehensive income for the year ended 30 June 2017

	30-Jun-17 as Reported	Restatements	30-Jun-17 Restated
Other Income	1,314,775	(1,274,307)	40,468
Finance costs	(656,118)	(74,033)	(730,151)
Net profit/(loss) for the year	**(458,062)**	**(1,348,340)**	**(1,806,402)**
Total comprehensive income for the year	**(458,062)**	**(1,348,340)**	**(1,806,402)**
EPS - continuing operations:			
Basic	(1.50)	(4.40)	(5.90)
Diluted	(0.54)	(3.56)	(4.10)

Impact on the statement of financial position as at 30 June 2017

	30-Jun-17 as Reported	Restatements	30-Jun-17 Restated
R&D tax incentive payable	-	2,425,561	2,425,561
Net Assets / (Net Asset Deficiency)	**2,249,709**	**(2,425,561)**	**(175,852)**
Accumulated losses	(12,028,043)	(2,425,561)	(14,453,604)
Total equity	**2,249,709**	**(2,425,561)**	**(175,852)**

Impact on the statement of changes in equity for the year ended 30 June 2017

	30-Jun-17 as Reported	Restatements	30-Jun-17 Restated
Accumulated losses	(12,028,043)	(2,425,561)	(14,453,604)
Total equity	2,249,709	(2,425,561)	(175,852)

Notes to Condensed Consolidated Half-Year Financial Statements

9. Correction of Prior Period Error (continued)

Impact on the statement of profit and loss and other comprehensive income for the half-year ended 31 December 2016

	31-Dec-16 as Reported	Restatements	31-Dec-16 Restated
Other Income	1,310,350	(1,274,307)	36,043
Finance costs	(275,773)	(22,469)	(298,242)
Net profit/(loss) for the year	**133,150**	**(1,296,776)**	**(1,163,626)**
Total comprehensive income for the year	**133,150**	**(1,296,776)**	**(1,163,626)**
EPS - continuing operations:			
Basic	0.72	(4.36)	(3.64)
Diluted	0.92	(3.47)	(2.55)

Impact on the statement of changes in equity for the half-year ended 31 December 2016

	31-Dec-16 as Reported	Restatements	31-Dec-16 Restated
Accumulated losses	(11,436,831)	(2,373,997)	(13,810,828)
Total equity	(410,479)	(2,373,997)	(2,784,476)

10. Business Combinations

Acquisition of controlled entities - Prior period

On 28 October 2016, the Group completed the acquisition of Street lighting business Artcraft Urban Group (AUG). The acquisition was subject to earnings hurdles to be tested at the end of 6 months and 12 months from the date of acquisition. The AUG business failed to meet the earnings hurdle criteria and accordingly no payments were required.

Details of this business combination was disclosed in Note 23 of the consolidated entity's annual financial statements for the year ended 30 June 2017.

Notes to Condensed Consolidated Half-Year Financial Statements

11. Intangible assets

	31 December 2017 $	30 June 2017 $
Goodwill at cost (a)	651,549	773,327
Brand name – Forlite	150,000	150,000
	801,549	**923,327**

(a) Reconciliation of carrying amounts at the beginning and end of the period

Goodwill		
Carrying value as at 1 July	773,327	121,778
Sale of Dueltek	(121,778)	-
Goodwill on acquisition of Artcraft Urban	-	651,549
Closing carrying value	**651,549**	**773,327**

Directors' Declaration

The directors declare that:

In the directors' opinion, the financial statements and notes thereto, as set out on pages 5 to 18 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 2017 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: 28 February 2018

STOKES LIMITED
ABN 24 004 554 929
AND CONTROLLED ENTITIES

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Stokes “the Company” Limited and controlled entities “the Group”, which comprises the condensed consolidated statement of financial position as at 31 December 2017, 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.

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 Group’s financial position as at 31 December 2017 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 the Group, 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*. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Stokes Limited, would be in the same terms if given to the directors as at the time of this auditor’s report.

PITCHER PARTNERS

STOKES LIMITED
ABN 24 004 554 929
AND CONTROLLED ENTITIES

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 the Group is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *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

28 February 2018

PITCHER PARTNERS
Melbourne