

# **STOKES AUSTRALASIA LIMITED**

## **TRADING UPDATE**

The company wishes to provide the following information in relation to the most recent management data for the four month period to 31 October 2010.

### **Trading Update**

As reported in the 2010 Annual Report the last quarter of the 2010 financial year was very challenging and such challenging trading conditions have continued for the four month period to 31 October 2010. As a consequence sales and profit will be below budget and also well below that of the same period for the previous year.

The trading result for the four month period to 31 October 2010 is around break even using the existing accounting policies. The decline in profit is mainly attributable to the following factors:

- (i) Decline in sales
- (ii) Reduction in margins in relation to the existing sales
- (iii) Increase labour costs following the wage freeze until June 2010
- (iv) Directors fees, when no fees were paid during the corresponding four month period to 31 October 2009.

The above factors were only partially offset by a material reduction in interest costs.

### **Debt Management / Borrowing Status**

The company's existing relationship with Oxford Funding Pty Ltd (a member of Bendigo and Adelaide Bank Group) for its ongoing financing requirements continues and is operating well within its limits.

The status of the company's gross borrowings is:

	<b>31 October 2010</b>	<b>30 June 2010</b>
Bank and other Loans	393,000	392,000
Finance Lease Liabilities	5,000	8,000
Total	<b><u>398,000</u></b>	<b><u>400,000</u></b>
Cash to hand	<b><u>452,000</u></b>	<b><u>461,000</u></b>
Net Cash	54,000	61,000

The company has managed to maintain high control of the working capital requirements of the business.

## **Future Expectations**

The Directors expect continued challenging trading conditions for the rest of the financial year following the resignation of a distributor of Stokes in Victoria.

The management has been taking steps in recent months to

- (i) Broaden its current customer base
- (ii) Broaden its current product offering in regard to both branded and generic products.
- (iii) Improve customer service.
- (iv) Broaden its sourcing arrangements.

The results for the 2011 year will depend very much on the state of the economic conditions and consumer sentiment in the markets in which the company operates.

The Directors are confident that the company is in a much better position on which it can meet the challenges arising from a very competitive market place than has been previously the case. This is a result of in no small part the implementation of the Business Review initiated in June 2009 and which is continuing to be progressively implemented.

The directors will be in a position to advise the shareholders further at the time of the release of the December 2010 half year results, which is scheduled for late February 2011.

Ian P.Alexander  
Chairman