

Stokes

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Stokes trading & restructuring update

21 November 2012, Melbourne: As announced on 16 October the three new Stokes directors have conducted an initial review of the Stokes business.

The Stokes business has been incurring losses over the past couple years and continues to do so. The company made a loss of \$0.5M in 2011 and a further loss of \$1.4M in 2012. Trading for the period July to October 2012 has been down on the previous corresponding period and forecasts for the half year to December 2012 show sales of \$6.6M and a net loss before one off and restructuring expenses of \$547K which compares to sales of \$7.4M and a net loss of \$403K in the previous corresponding period.

As a result of these losses the company has a current working capital shortfall of \$500K.

To stop the losses and turn the business around the board has identified a number of factors that can be addressed in the short term. These include over staffing, reviewing the manufacturing business and changing the company's pricing policies. We have also reviewed and reduced the company's product ranges, which has had an impact on the carrying value of inventory.

The result of implementing this turn around strategy is that the company will incur significant one-off restructuring expenses of \$1.7M which include redundancies of \$838K and an inventory write down of \$480K

To fund these expenses and the working capital shortfall the company has announced a rights issue to raise \$2.34M. Details of the offer will be released shortly.

We also encourage all shareholders to attend the company's annual general meeting on Thursday 29 November 2012 where directors will provide a further update on the short and long-term prospects of the company.

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