

Rules 4.2A.3

Appendix 4D

Half Year Report

Name of entity

STOKES (AUSTRALASIA) LIMITED

ABN or equivalent company
reference

24 004 554 929

Half yearly
(tick)

✓

Half year ended ('current period')

31 December 2011

(Comparative period – 31 December 2010)

2. Results for announcement to the market

	31-Dec-2011	31-Dec-2010	Increase / (Decrease)	%
2.1 Income	7,427,703	7,917,664	(489,961)	-6%
Profit (loss) for the period	(817,976)	(86,272)	(731,704)	-848%
Profit (loss) attributable to members of the parent	(817,976)	(86,272)	(731,704)	-848%
2.4 Amount of interim dividend / Final Dividend	No Dividend has been proposed			
⁺ Record date for determining entitlements to the dividend,	N/A			
2.5 Brief explanation of any of the figures reported above necessary to enable the figures to be understood.	Refer to the Directors report in the Financial Report for the Half-Year ended 31 December 2011.			

This financial report is all the half-year information provided to the Australian Stock Exchange under listing rule 4.2A. The report also satisfies the half-year reporting requirements of the Corporations Act 2001.

This half yearly financial report it is to be read in conjunction with the most recent annual financial report.

NTA backing	Current period	Previous corresponding Period
3 Net tangible asset backing per ⁺ ordinary security	\$0.28	\$0.46

Control gained or lost over entities having material effect

4.1 Name of entity (or group of entities). N/A

Dividends

5.1 Date the dividend (distribution) is payable N/A

5.2 Details of individual and total dividends or distributions and dividend or distribution payments. N/A

6. The ⁺dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the ⁺dividend or distribution plans N/A

7. Details of Associates / Joint Venture Holdings N/A

8. Foreign Entities – accounting standards used to prepare report N/A

9. Entities subject to review / audit dispute N/A

STOKES (AUSTRALASIA) LIMITED
ACN 24 004 554 929

and Controlled Entities

Condensed Half Year Financial Report
for the period ended 31 December 2011

CONTENTS

	Page
Directors' Report	2
Auditor's Independence Declaration	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Cash Flows	8
Statement of Changes in Equity	9
Notes to Half Year Financial Statements	10
Directors' Declaration	16
Independent Auditor's Review Report	17

Directors' Report

The directors submit their report for the half-year ended 31 December 2011.

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.

Ian P. Alexander, Chairman

Gordon B. Elkington, Secretary

William R. Stokes

David G. M. Welsh

REVIEW AND RESULTS OF OPERATIONS

As reported in the 2011 Annual Report the last quarter of the 2011 financial year was very challenging and such challenging trading conditions have continued for the six month period to 31 December 2011.

Sales of \$7,427,703 were achieved for the period as compared to \$7,917,664 for the previous corresponding period. As a result a loss of \$817,976 was incurred for the period as compared to a loss of \$86,272 for the previous corresponding period.

The decline in the trading result for the six month period to 31 December 2011 as compared to the previous corresponding period is mainly attributable to

- (i) Decline in sales
- (ii) Reduction in gross dollar margins notwithstanding increasing percentage margin
- (iii) Increase in sales and marketing costs as a result of increased sales representation
- (iv) Increase in interest costs arising from increased debt

LEGAL ACTION / COURT ORDER

Stokes (Australasia) Ltd has pursued its litigation against a distributor (Thermal products Pty Ltd and Mr Terry Morris) for infringing various patents and further matters. Damages were awarded to the amount of \$125,000 as a settlement sum, which is included in the December 2011 results. (Refer to market announcement lodged with ASX on 18 January 2012. Orders were made under which Thermal Products Pty Ltd and Mr Terry Morris are to pay Stokes (Australasia) Ltd legal costs. No amount has been included in the December 2011 results also in relation to this. Legal costs incurred as a result of the company taking steps to protect its trade mark and goodwill were \$272,288 for the six months to 31 December 2011.

DEBT MANAGEMENT

The company's existing relationship with Oxford Funding Pty Ltd (a member of the 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:

	31 December 2011	30 June 2011
	\$	\$
Bank	1,333,377	916,534
Total	<u>1,333,377</u>	<u>916,534</u>
Cash to Hand	237,922	199,255
Net Cash (Debt)	<u>(1,095,455)</u>	<u>(717,279)</u>

The company has maintained strong control over the working capital requirements of the business.

Directors' Report

EDIS PTY LIMITED

Edis Pty Limited is a wholly owned subsidiary. The trading performance of Edis Pty Ltd for the six month period to 31 December 2011 was in line with the expectations of the Directors.

STOKES CORE BUSINESS

The major business activity of Stokes is the wholesaling and distribution of appliance parts and industrial products. Other business activities include manufacturing, which operates to support the trading division with appliances and industrial elements, and the supply of badges and related consumer products.

FUTURE EXPECTATIONS

The Directors expect challenging but improving trading conditions for the rest of the financial year. Stokes management have been taking steps in recent months to:

- (i) Broaden the current customer base.
- (ii) Broaden the current product offering in regard to both branded and generic products by securing additional brands.
- (iii) Improve customer service.
- (iv) Broaden the sourcing arrangements.
- (v) Increase customer representation.

The results for the 2012 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. The improved competitive position is a direct consequence of the company's action in

- (i) Protecting its trademark and brand name
- (ii) Implementing a strategy to increase its relationship directly with the customers by increasing its resources in the area of sales representation
- (iii) Strengthen relationship with its current suppliers
- (iv) Reducing the overhead cost base. There has been a reduction of 3 employees since 1 January 2012.
- (v) Increasing margins where appropriate, implemented since 1 January 2012.
- (vi) Reviewing the current supplier arrangements

ACKNOWLEDGEMENT

The Directors would like to thank the Chief Executive Officer and staff for their ongoing efforts over the past six months despite challenging market conditions.

STOKES MISSION

Stokes mission is to maximise the long term return to shareholders. We aim to achieve this by:

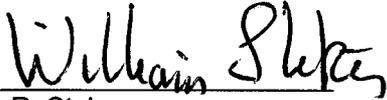
- Satisfying the needs of customers through the provision of goods and services on a competitive and professional basis.
- Empowering our employees and rewarding good performance.
- Acting with integrity and honesty in dealings both inside and outside the company.
- Utilising the warehouse and its capacity as a logistics centre for other spare parts distributions.
- Creating a greater focus on industrial projects.

Directors' Report

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration in relation to the review for the half-year is provided with this report on page 5.

Signed in accordance with a resolution of the directors.



W. R. Stokes
Director

Melbourne
Date: 29 February 2012

**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001
To the Directors of Stokes (Australasia) Limited**

I declare that, to the best of our knowledge and belief, there have been:

- (a) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

UHY Haines Norton

**UHY Haines Norton
Chartered Accountants**



**R.H. Hutton
Partner**

Melbourne

Dated: 29 February 2012

Consolidated Statement of Comprehensive Income

FOR HALF-YEAR ENDED 31 DECEMBER 2011	Notes	CONSOLIDATED	
		December 2011	December 2010
INCOME	2	7,427,703	7,917,664
COST OF SALES		(4,894,918)	(5,048,328)
GROSS PROFIT		2,532,784	2,869,336
OTHER INCOME		141,999	30,704
EXPENSES		(3,492,759)	(2,986,312)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		(817,976)	(86,272)
INCOME TAX EXPENSE		-	-
PROFIT/(LOSS) FOR THE PERIOD		(817,976)	(86,272)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(817,976)	(86,272)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Members of Stokes (Australasia) Limited		(817,976)	(86,272)
Non-Controlling Interests		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(817,976)	(86,272)
Basic earnings per share (cents per share)		(10.49)	(1.2)
Diluted earnings per share (cents per share)		(10.49)	(1.2)

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2011

CONSOLIDATED
December **June**
2011 **2011**

CURRENT ASSETS		
Cash and cash equivalents	237,922	199,255
Trade and other receivables	1,847,872	2,062,221
Inventories	3,545,957	3,788,378
Other	213,096	35,118
TOTAL CURRENT ASSETS	5,844,847	6,084,972
NON-CURRENT ASSETS		
Goodwill	25,001	25,001
Plant and equipment	199,215	226,788
TOTAL NON-CURRENT ASSETS	224,216	251,789
TOTAL ASSETS	6,069,063	6,336,761
CURRENT LIABILITIES		
Trade and other payables	1,536,262	1,500,965
Interest-bearing loans and borrowings	1,333,377	916,534
Income tax payable	-	-
Provisions	903,665	919,139
TOTAL CURRENT LIABILITIES	3,773,304	3,336,638
NON-CURRENT LIABILITIES		
Provisions	74,039	72,677
TOTAL NON-CURRENT LIABILITIES	74,039	72,677
TOTAL LIABILITIES	3,847,343	3,409,315
NET ASSETS	2,221,720	2,927,446
EQUITY		
Total parent entity interest in equity	6,321,134	6,208,884
Accumulated losses	(4,099,414)	(3,281,438)
TOTAL EQUITY	2,221,720	2,927,446

Consolidated Statement of Cash Flows

HALF-YEAR ENDED 31 DECEMBER 2011

CONSOLIDATED
December **December**
2011 **2010**

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	8,391,987	8,834,403
Payments to suppliers and employees	(8,809,214)	(9,082,183)
Interest received	3,312	3,966
Interest paid	(72,927)	(22,188)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(486,842)	(266,002)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(3,584)	(12,948)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(3,584)	(12,948)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of Shares	112,250	-
Finance lease Payments	-	(5,094)
Net proceeds from / (Repayments) of borrowings	416,843	258,826
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	529,093	253,732
NET INCREASE / (DECREASE) IN CASH HELD	38,667	(25,218)
Cash and cash equivalents at beginning of period	199,255	461,322
CASH AND CASH EQUIVALENTS AT END OF PERIOD	237,922	436,104

Reconciliation of cash

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following as at 31 December 2011:

Cash at bank and in hand	237,922	436,104
--------------------------	----------------	---------

Consolidated Statement of Changes in Equity

HALF YEAR ENDED 31 DECEMBER 2010

Notes	Attributable to equity holders of the parent			Non Controlling interest	Total equity
	Issued capital	Retained earnings	Total		
CONSOLIDATED					
At 1 July 2010	6,208,884	(2,756,178)	3,452,706	-	3,452,706
Profit attributable to members of the Parent Entity	-	(86,272)	(86,272)	-	(86,272)
Share issue during the period	-	-	-	-	-
At 31 December 2010	6,208,884	(2,842,450)	3,366,434	-	3,366,434

HALF YEAR ENDED 31 DECEMBER 2011

Notes	Attributable to equity holders of the parent			Non Controlling interest	Total equity
	Issued capital	Retained earnings	Total		
CONSOLIDATED					
At 1 July 2011	6,208,884	(3,281,438)	2,927,446	-	2,927,446
Profit attributable to members of the Parent Entity	-	(817,976)	(817,976)	-	(817,976)
Share issue during the period	112,250	-	112,250	-	112,250
At 31 December 2011	6,321,134	(4,099,414)	2,221,720	-	2,221,720

Notes to the Half-Year Financial Statements

31 DECEMBER 2011

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

The half-year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements.

The half-year financial statements should be read in conjunction with the annual financial statements of Stokes (Australasia) Limited for the year ended 30 June 2011.

It is also recommended that the half-year financial statements be considered together with any public announcements made by Stokes (Australasia) Limited and its controlled entities during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of accounting

The half-year financial statements are general-purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards, including AASB 134: *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year financial statements have been prepared in accordance with the historical cost convention.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

(b) Statement of significant accounting policies

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2011.

(c) Basis of consolidation

The consolidated financial statements for the half-year ended 31 December 2011 comprise the financial statements of Stokes (Australasia) Limited and its subsidiaries, Stokes Investments Pty Limited and Edis Pty Limited ('the Group'). Edis Pty Ltd became a 100% owned subsidiary of Stokes on 1 December 2009.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full.

Notes to the Half-Year Financial Statements

31 DECEMBER 2011

(d) Going concern basis of accounting

The financial statements have been prepared in accordance with generally accepted accounting principles which are based on the entity continuing as a going concern.

Following the Share Purchase Plan, which closed on 31 October 2011, 561,250 shares were issued raising \$112,250 as additional working capital.

The Group forward budget and cash flow projections are based on the following:

- Increase in sales over the levels achieved in 2011.
- The combined effects of increasing the number of customers and brands.
- The reimbursement of the legal costs.
- The reduction of excess stock levels.
- Reduction in overheads
- Stokes (Australasia) Ltd was also able to obtain several new distributorship contracts.

The directors have reviewed and approved the Group's forward budget and cash flow projections.

The ability of the Group to generate cash flow from operating activities, maintain debt levels and continue as a going concern is dependant on realisation of these projections and the management of other cash flows within the Group's funding facility.

The Group continues to have the support of its financier.

The directors believe that the group will continue as a going concern 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.

(e) Financial Risk Management

The consolidated entity's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements for the year ended 30 June 2011.

(f) Operating Segments

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the statement of comprehensive income and the statement of financial position. Reconciliations of such management information to the statutory information contained in the interim report have been included.

Notes to the Half-Year Financial Statements

31 DECEMBER 2011

	CONSOLIDATED	
	December 2011	December 2010
2. MATERIAL ITEMS OF INCOME AND EXPENSE		
Profit /(loss) before income tax expense includes the following income and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
(i) Income		
Revenue from services or sale of goods	7,427,703	7,917,664
(ii) Other Income		
Damage - Litigation case	125,000	-
Sundry Income	16,999	30,704
(iii) Expenses		
Finance costs	72,927	22,188
Depreciation and amortisation	31,156	56,433
Employee benefits	1,895,379	1,858,310
Operating lease expense	300,260	290,993
Slow moving stock	142,029	(45,736)

3. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change in any contingent assets and liabilities. Except for note of legal action / court order on page 2.

4. OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group is managed on the basis of products category and service offerings. Operating segments are therefore determined on the same basis

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Types of services by segments are manufacturing and appliance parts.

Assets and liabilities of the entity are used across all of the above operating segments and are not identified and allocated to each operating segment.

Notes continued

31 DECEMBER 2011

(a) SEGMENTS PERFORMANCE

	Manufacturing \$	Merchandising /Distribution \$	All other segments \$	Total \$
December 2011				
Revenue				
External sales	1,835,468	5,588,923	-	7,424,391
Inter-segment sales	110,384	235,458	-	345,842
Interest Revenue	-	3,312	-	3,312
Total segment revenue	1,945,852	5,827,693	-	7,773,545
Reconciliation of segment revenue to group revenue				
Inter-segment elimination	(110,384)	(235,458)	-	(345,842)
Total group revenue	1,835,468	5,592,235	-	7,427,703
Segment net profit before tax	2,688	101,500	-	104,188
Reconciliation of segment result to group net profit before tax				
Amounts not included in segment result but reviewed by Board				
- Other			(922,164)	(922,164)
Net profit before tax from continuing operations	2,688	101,500	(922,164)	(817,976)
	Manufacturing \$	Merchandising /Distribution \$	All other segments \$	Total \$
December 2010				
Revenue				
External sales	1,601,551	6,312,147	-	7,913,698
Inter-segment sales	172,500	115,205	-	287,705
Interest Revenue	-	3,966	-	3,966
Total segment revenue	1,774,051	6,431,318	-	8,205,369
Reconciliation of segment revenue to group revenue				
Inter-segment elimination	(172,500)	(115,205)	-	(287,705)
Total group revenue	1,601,551	6,316,113	-	7,917,664
Segment net profit before tax	162,045	390,406	-	552,451
Reconciliation of segment result to group net profit before tax				
Amounts not included in segment result but reviewed by Board				
- Other	-	-	(638,723)	(638,723)
Net profit before tax from continuing operations	162,045	390,406	(638,723)	(86,272)

Notes continued

31 DECEMBER 2011

(b) SEGMENT ASSETS

	Manufacturing \$	Merchandising /Distribution \$	All other segments \$	Total \$
December 2011				
Segment asset increases for the period				
- Capital expenditure	3,076	507	-	3,583
Segment assets	1,730,612	2,882,636	1,481,983	6,095,231
Reconciliation of segment assets to group assets				
Inter-segment eliminations	-	(84,780)	-	(84,780)
Unallocated assets:				
- Fixed assets	-	-	33,610	33,610
- Intangibles	-	25,001	-	25,001
Total group assets	1,730,612	2,822,857	1,515,593	6,069,062

	Manufacturing \$	Merchandising /Distribution \$	All other segments \$	Total \$
December 2010				
Segment asset increases for the period				
- Capital expenditure	-	10,837	56,878	67,715
Segment assets	2,146,726	4,370,886	-	6,517,612
Reconciliation of segment assets to group assets				
Inter-segment eliminations	-	(196,979)	-	(196,979)
Unallocated assets:				
- Fixed assets	-	-	33,610	33,610
- Intangibles	-	25,001	-	25,001
Total group assets	2,146,726	4,198,908	33,610	6,379,244
December 2010	2,146,726	4,198,908	33,610	6,379,244

Notes continued

31 DECEMBER 2011

(c) SEGMENT LIABILITIES

	Manufacturing \$	Merchandising /Distribution \$	All other segments \$	Total \$
December 2011				
Segment liabilities	759,808	1,769,589	-	2,529,398
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	-	(84,780)	-	(84,780)
Unallocated liabilities:				
- Other financial liabilities	-	211,682	1,121,695	1,333,377
- Current liabilities	-	-	69,348	69,348
Total group liabilities	759,808	1,896,491	1,191,043	3,847,343
December 2010				
Segment liabilities	725,768	1,721,954	-	2,447,722
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	-	(196,979)	-	(196,979)
Unallocated liabilities:				
- Other financial liabilities	-	-	650,978	650,978
- Current liabilities	-	31,437	79,652	111,089
Total group liabilities	725,768	1,556,412	730,630	3,012,810

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

There were no dividends proposed or recognised during the half-year ended 31 December 2011.

CONSOLIDATED	
AS AT 31 Dec 2011	AS AT 30 June 2011

6. ADDITIONAL INFORMATION

(a) Issued and paid up capital	7,800,427	7,239,177
--------------------------------	-----------	-----------

7. SUBSEQUENT EVENTS

There were no subsequent events to report.

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 15 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company 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 Board of directors.



W. R. Stokes
Director

Date: 29 February 2012

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF STOKES (AUSTRALASIA) LIMITED

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Stokes (Australasia) Limited and the entities it controlled during the half year, which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and 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 200* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that 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 an Interim 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 financial report are 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 2011 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 (Australasia) Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the 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*.

Conclusion

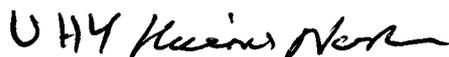
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Stokes (Australasia) Limited and the entities it controlled during the half year, is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without qualification of the opinion expressed above, we draw attention to Note 1 (d) "Going concern basis of accounting" in the financial report. The group incurred an operating loss and negative cash flows from operations during the half year ended 31 December 2011. These conditions along with other matters as set forth in Note 1 (d) indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group's ability to realise its assets and settle its liabilities in the ordinary course of business.

The financial report does not include any adjustment relating to the recoverability or classification of recorded assets amounts or the amount or classification of recorded liabilities that might be necessary should the group not continue as a going concern.



UHY Haines Norton
Chartered Accountants



R.H. Hutton

Partner

Melbourne

Dated: 29 February 2012