Directors' Report

Your directors submit their report for the half-year ended 31 December 2003.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

D. G. S. Anderson (chairman)

W. R. Stokes

C. K. Day

G. B. Elkington

REVIEW AND RESULTS OF OPERATIONS

The Directors of Stokes (Australasia) Limited report that the Company recorded an operating profit of $389,000 after minority interests and income tax for the six months ended 31 December 2003. This includes profit on the sale of the Ringwood premises and surplus plant and equipment totalling $314,000. This result compares with an operating profit of $38,000 after minority interests and income tax for the same period last year.

Overall revenue for the half year was down by $1,435,000. Sales of manufactured goods were down principally due to the loss of the contract to manufacture dishwasher baskets reported previously. Sales of spare parts were steady compared to the previous year in a flat and mature market.

The Company finalised a new agreement with its bankers for three years and is no longer in breach of any lending covenants.

The land and buildings at Ringwood have been sold as previously announced. Settlement was in December and the proceeds were partly applied to debt reduction. The remainder of the proceeds will be used to finance the relocation of the Wantirna operation to Ringwood and working capital. The cost of this relocation was provided for in the June 2003 accounts.

Surplus machinery previously used to manufacture dishwasher baskets and other plant items of no further use to the company were sold. Some plant has been relocated within the building to create space for the spare parts operation to be transferred from Wantirna to Ringwood prior to 30 June 2004. Having all operations under one roof at Ringwood will create significant savings and will improve the operations of the Company.

Contracts with low profit margins continue to be reviewed and price increases applied where appropriate. In April 2004 the Company will cease to supply heating elements to Fisher & Paykel. Additional distributors have been appointed for spare parts and other customers won and as a result an increased market share of a number of product lines is anticipated.

ROUNDING

The amounts contained in this report and in the half-year financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Directors' Report

Signed in accordance with a resolution of the directors.

On behalf of the Directors

D G S Anderson Director	C K Day Director
W R Stokes Director	G B Elkington Director

Melbourne, 1 March 2004

Condensed Statement of Financial Performance

HALF-YEAR ENDED 31 DECEMBER 2003	Notes	CONSOLIDATED 2003 $'000	2002 $'000
Revenues from ordinary activities	2	15,657	17,092
Expenses from ordinary activities		15,185	16,972
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		472	120
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		51	52
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		421	68
NET PROFIT		421	68
NET PROFIT ATTRIBUTABLE TO OUTSIDE EQUITY INTEREST		32	30
NET PROFIT ATTRIBUTABLE TO MEMBERS OF STOKES (AUSTRALASIA) LIMITED		389	38
Net exchange difference on translation of financial statements of foreign controlled entity		(10)	43
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF STOKES (AUSTRALASIA) LIMITED AND RECOGNISED DIRECTLY IN EQUITY		10	43
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		379	81
Basic earnings per share (cents per share)		6.8	0.67
Diluted earnings per share (cents per share)		6.8	0.67

Condensed Statement of Financial Position

HALF-YEAR ENDED 31 DECEMBER 2003	Notes	CONSOLIDATED	
		AS AT 31 DECEMBER 2003 $'000	AS AT 30 JUNE 2003 $'000
CURRENT ASSETS			
Cash assets		637	425
Receivables		3,918	4,969
Inventories		5,425	5,498
Current tax assets		-	21
Other	8	185	2,377
TOTAL CURRENT ASSETS		10,165	13,290
NON-CURRENT ASSETS			
Property, plant and equipment		1,403	1,808
Intangibles		74	113
Other		77	130
TOTAL NON-CURRENT ASSETS		1,554	2,051
TOTAL ASSETS		11,719	15,341
CURRENT LIABILITIES			
Payables		3,096	3,490
Interest bearing liabilities		2,699	5,878
Current tax liabilities		39	-
Provisions		1,018	1,315
TOTAL CURRENT LIABILITIES		6,852	10,683
NON-CURRENT LIABILITIES			
Interest-bearing liabilities		39	126
Provisions		693	793
TOTAL NON-CURRENT LIABILITIES		732	919
TOTAL LIABILITIES		7,584	11,602
NET ASSETS		4,135	3,739
EQUITY			
Total parent entity interest in equity		3,859	3,492
Total outside equity interest	3	276	247
TOTAL EQUITY		4,135	3,739

Condensed Statement of Cash Flows

HALF-YEAR ENDED 31 DECEMBER 2003	Notes	CONSOLIDATED 2003 $'000	2002 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		16,666	17,358
Payments to suppliers and employees		(15,533)	(17,244)
Interest received		9	3
Interest paid		(251)	(301)
Income tax paid		(2)	(59)
NET CASH FLOWS FROM OPERATING ACTIVITIES		889	(243)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of fixed assets		(73)	(204)
Proceeds from sale of property, plant and equipment		2,661	45
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		2,588	(159)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	484
Repayments of borrowings		(3,265)	(197)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(3,265)	287
NET INCREASE/(DECREASE) IN CASH HELD		212	(115)
Add opening cash brought forward		425	634
CLOSING CASH CARRIED FORWARD		637	519

Notes to the Half-Year Financial Statements

31 DECEMBER 2003

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

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

The half-year financial report should be read in conjunction with the Annual Financial Report of Stokes (Australasia) Limited as at 30 June 2003. It is also recommended that the half-year financial report be considered together with any public announcements made by Stokes (Australasia) Limited and its controlled entities during the half-year ended 31 December 2003 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention.

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

Going Concern Basis of Accounting

The financial report has been prepared in accordance with generally accepted accounting principles which are based on the company and consolidated entity continuing as going concerns.

To continue as a going concern, both the company and consolidated entity must continue to trade profitably and be supported by their financier. In November 2003 the company negotiated a new finance facility with GE Capital with a three year term and since that date has met all covenants. Also during the period the company's contract with its largest customer ceased. These matters raise significant uncertainty as to the ability of the company and the group to continue as going concerns.

The directors are satisfied however that the company will be able to continue to trade profitably as a result of securing new customers and cost reduction initiatives undertaken.

If the company and consolidated entity are unable to continue as going concerns, they may be required to realise their assets and extinguish their liabilities at amounts different to that stated in the financial report.

No adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities should the company and consolidated entity not continue as going concerns.

(b) Changes in accounting policies

The accounting policies applied are consistent with the most recent annual financial report for the year ended 30 June 2003.

Notes continued

31 DECEMBER 2003	Notes	CONSOLIDATED 2003 $'000	2002 $'000
2. PROFIT FROM ORDINARY ACTIVITIES			
(a) **Specific Items**			
Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:			
(i) **Revenues from ordinary activities**			
Revenue from services or sale of goods		**12,987**	16,982
Interest revenue		**9**	3
Proceeds from sale of Property, Plant & Equipment		**2,661**	-
(ii) **Expenses**			
Cost of goods sold		**11,369**	12,643
Borrowing costs		**251**	304
Depreciation and amortisation		**366**	45
Employee benefits		**1,992**	2,081
Redundancy costs		**10**	0
Restructuring costs		**0**	700
Operating lease expense		**275**	213

3. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent assets.

A contingent liability exists at 31 December 2003 in relation to a purported agreement between Stokes (Australasia) Limited, Jaws Pty Ltd, a company in which Mr William Stokes has an interest and Mr Walter Haller, whereby Stokes (Australasia) Limited is required to purchase the shareholdings of Jaws and Walter Haller in Stokes (New Zealand) Limited on a valuation at time of purchase.

The Directors other than William Stokes dispute this claim.

4. SUBSEQUENT EVENTS

In April 2004 the Company will cease to supply heating elements to Fisher & Paykel. Additional distributors have been appointed for spare parts and other customers won and as a result an increased market share of a number of product lines is anticipated.

Notes continued

31 DECEMBER 2003

5. SEGMENT INFORMATION

Business segments	Manufacturing		Merchandise		Eliminations		Consolidated	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Segment Revenue	8070	8810	7587	8282	0	0	15657	17092
Unallocated revenue	0	0	0	0	0	0	0	0
Total segment revenue	8070	8810	7587	8282	0	0	15657	17092
Segment result	1027	963	1166	1095	0	0	2193	2058
Unallocated expenses							1721	1938
Consolidated entity profit from ordinary activities before income tax expense							472	120

31 DECEMBER 2003	Notes	CONSOLIDATED AS AT 31 DECEMBER 2003 $'000	AS AT 30 JUNE 2003 $'000
6. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES			
There were no dividends proposed or recognised during the half-year ended 31 December 2003.			
7. ADDITIONAL INFORMATION			
(a) Issued and paid up capital		5,651,250	5,651,250

8. OTHER ASSETS

Other current assets in the condensed statement of financial performance have decreased in comparison to the prior period due to the sale and leaseback of the Ringwood land and buildings. At 30 June 2003 the value of the land and buildings at Ringwood was recorded under current assets due to the impending sale.

Directors' Declaration

In accordance with a resolution of the directors of Stokes (Australasia) Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity:

(i) give a true and fair view of the financial position as at 31 December 2003 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

D G S Anderson Director	C K Day Director
W R Stokes Director	G B Elkington Director

Melbourne, 1 March 2004

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