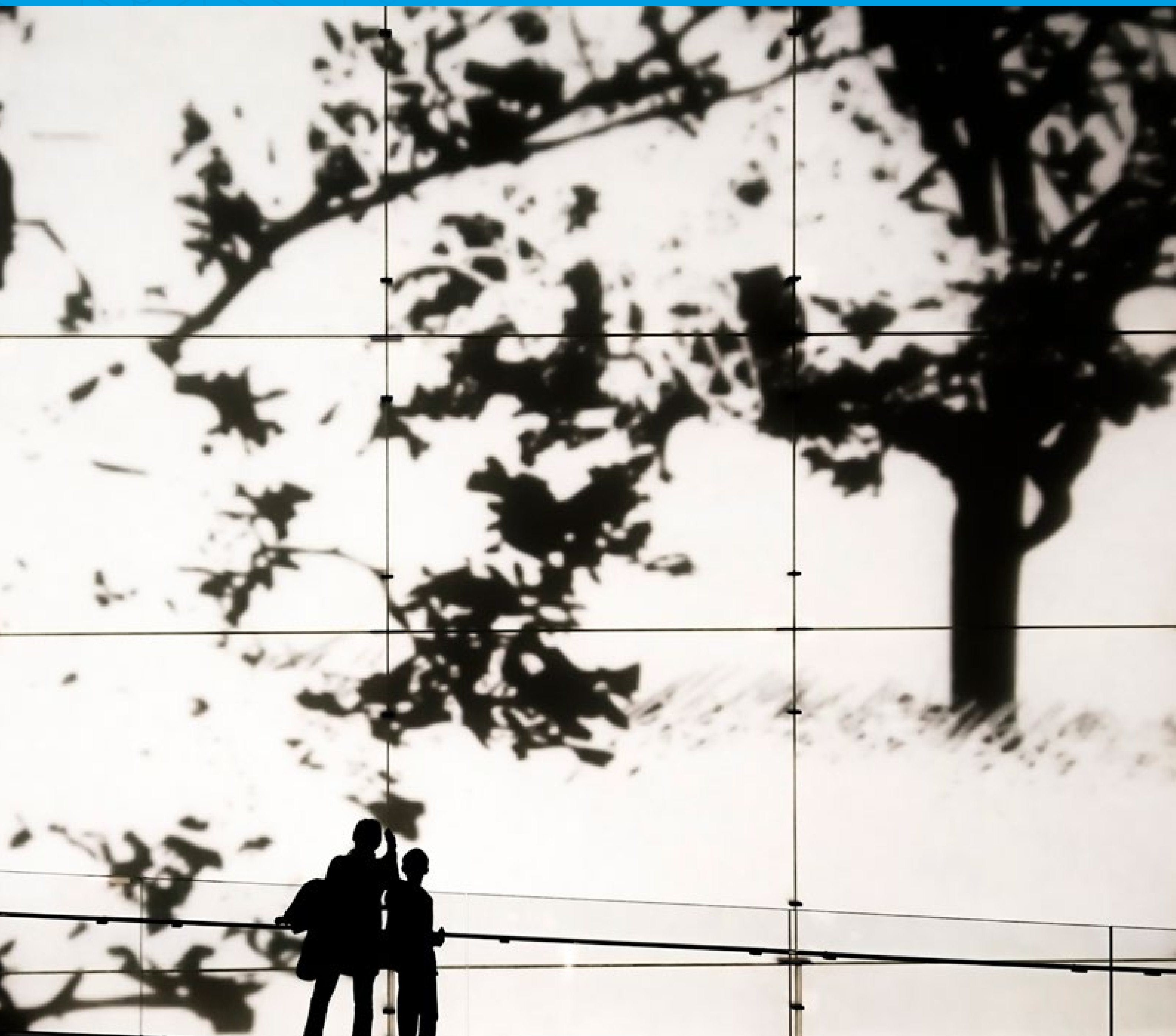
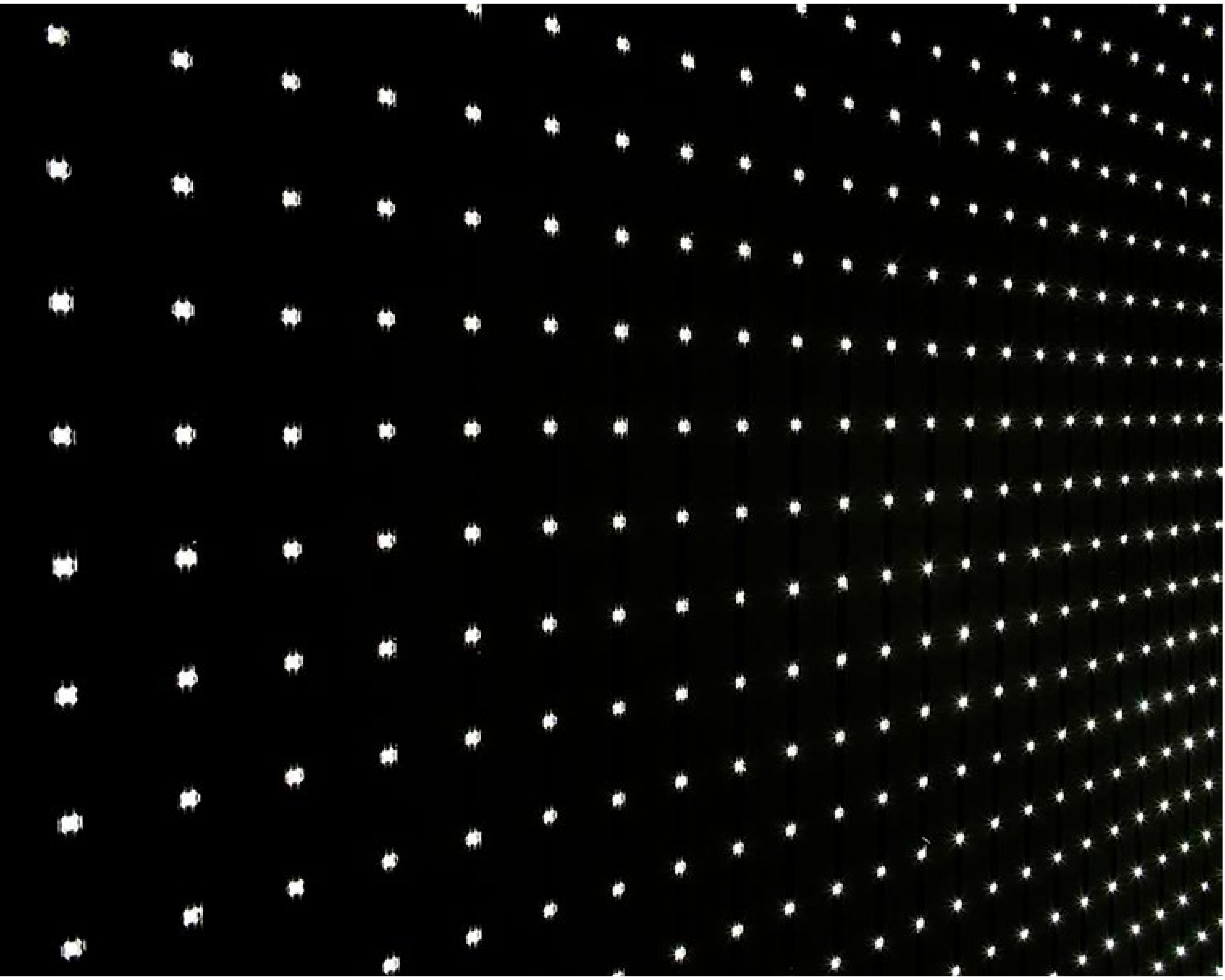
Stokes

2017 ANNUAL REPORT

LEADING PROVIDER OF
INNOVATIVE TECHNOLOGIES,
PRODUCTS AND SOLUTIONS



THROUGHOUT AUSTRALIA, ASIA AND THE PACIFIC, STOKES PROVIDE TECHNOLOGY SOLUTIONS, THROUGH THE INNOVATIVE MANUFACTURE, DESIGN AND ENGINEERING OF SOFTWARE, HARDWARE AND INSTALLATION SUPPORT SERVICES.



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CHAIRMAN & MANAGING DIRECTOR'S REPORT

Continuing to develop a business that can grow in a changing landscape has been the focus of Stokes Limited's operations during the past year.

We have worked hard to improve our financial position, with full year revenue of $24 million, a 45% improvement on $16.5 million in the previous financial year. This assisted in growing EBITDA in the period from -$0.93 million to $0.37 million, a 140% improvement. Further to this, order intake for 2017 has grown 74% to reach $30.6 million and the work in hand entering the new financial year is up 137% on last year to sit at $9 million.

This improved financial position can be attributed to Stokes strong pipeline of projects throughout the year, including large projects at Geelong's Simonds Stadium ($2 million), Melbourne Airport T2 ($1.4 million) and Aloft Hotel in Perth ($1.7 million). These were all undertaken by Stokes Technologies audio visual division, which provides digital and LED screens, AV control systems and sound systems including installation and rollout, support and maintenance to clients in retail, commercial, health, education and advertising sectors.

An active and ongoing acquisition strategy continues to be a focus for Stokes, and in the past year we took the step of further strengthening our position in the lighting sector, acquiring Artcraft Urban Group for $1.7 million in October 2016, in addition to the Queensland-based Forlite brand for $150,000 in February 2017.

The acquisition of Artcraft, a street and pole lighting business, and Forlite, which primarily serviced lighting designers, electrical engineers and architects, has allowed Stokes to expand into the high-growth street lighting business. Artcraft had traded for more than 30 years, while Forlite is also a well-regarded lighting brand.

Bringing Artcraft and Forlite into the fold allowed Stokes to create its lighting division, Urban Lighting Group. Urban Lighting was successful in winning several large projects last year, including a $500,000 contract for the new Victorian Racing Club grandstand and a $350,000 lighting package at Melbourne's Rialto building as part of its $100 million regeneration project.

Stokes funded its acquisition of Artcraft through a capital raising comprising a secured $1M debt facility, a placement of 600,000 ordinary shares at $0.37 per share to the vendors of Artcraft, as well as $400,000 raised through the issue of convertible notes to sophisticated investors.

Stokes conducted a second capital raising in June 2017, raising $2.18 million in an oversubscribed share placement to sophisticated and wholesale investors to redeem convertible notes and fund the working capital requirements for a growing project base in audio visual and content management. These raisings have put the Company in a strong financial position for the year ahead, and we thank our shareholders for their support and participation in these placements.

At Stokes we put an emphasis on the staff we bring into the team, and this year we continued to add high quality new members, growing the head count from 43 to 65. We intend to continue to pursue investment in people with key hires part of the strategy for FY18.

There was also a change on the Stokes Board this year with the resignation of Con Scrinis as Executive Director. Con had been with us for four years and played a pivotal role in the phase of restructuring the business from 2012, as well as the acquisition of Artcraft. We thank Con for his contribution during his time with Stokes.

Terence Grigg was appointed as a Non-Executive Director to the Board upon Con Scrinis' resignation. Terence has 25 years of experience as an Executive Director of food importer and exporter Ausfine Foods Pty Ltd, as well as extensive experience in a range of other sectors including sport, non-profit groups, and civil construction and infrastructure. His vast knowledge and experience in purchasing, sales and marketing, import and export logistics, accounting and financial management has been valuable to the Board since his appointment.

There is plenty of promise for the year ahead and we have started strongly, with $9 million in projects booked for the year in the first month, putting the Company in good stead to reach its expected $30M in revenue for FY18. We also have a strong pipeline of project opportunities and we expect to bring many of these to fruition over coming months.

I take this opportunity to thank Stokes staff and management for their efforts over the past year, and my fellow Board members for their contributions. I would also like to thank our Shareholders for your ongoing support as we work to make Stokes the leader in its field, and I hope that you continue to share that journey with us into 2018 and beyond.

Mr Peter Jinks
Executive Chairman & Managing Director

WE OPERATE AT THE FOREFRONT OF EMERGING TECHNOLOGY, PROVIDING SPECIALIST CAPABILITY THROUGH THE RECRUITMENT OF HIGH QUALITY PEOPLE.

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PROFILE REVIEW

Stokes delivers audiovisual and lighting solutions to the commercial, education, retail, finance and construction markets. Led by an industry renowned management team, our qualified engineers and technicians provide total service and support solutions in the design, installation and commissioning of audiovisual, intelligent lighting and control solutions. Stokes' people, their enthusiasm, ability and commitment helps to maintain and build on our future successes.

2017 HIGHLIGHTS

01 Revenue growth of 45% from $16.5M to $24.0M

02 EBITDA growth of 140% from – $0.93M to $0.37M

03 Work in hand up 137% to $9M

04 Order intake up 74% to $30.6M

05 High-profile projects at Simonds Stadium, Rialto, Melbourne Airport & Aloft Hotel

06 Acquisitions of Artcraft Urban Group and Forlite brand to form Urban Lighting Group

07 Consolidated synergies of approx. $0.5M

08 Strengthened management team to reflect business changes

09 Strong outlook for 2018

Stokes Limited is an Australian company that has become a leading provider of innovative technologies, products and solutions in audio visual, lighting and distribution, with three divisions.

www.stokes.com.au

Stokes Technologies is a leader in design, installation, commissioning and maintenance of audio visual systems throughout Australia.

Products and services include digital and LCD screen and AV control systems, with capabilities for full integration, support and maintenance. Clients are from a range of sectors including commercial, retail, health, defence, education and advertising.

www.stokestechnologies.com.au

Urban Lighting delivers advanced expertise in design and delivery of lighting solutions with multiple applications including LED lighting, street, sport, retail and highbay lighting as well as lighting management.

www.urbanlighting.com.au

Dueltek Distribution is an online wholesale business offering a wide range of audio visual and information technology products including IT, AV, HDMI, VGA cables, cable management, fibre, custom wall plates, server racks and data cabinets.

www.dueltek.com.au

STOKES WILL CONTINUE ITS GROWTH OF CURRENT ACTIVITIES AND LOOK TO ITS NEXT PHASE OF EXPANSION VIA ACQUISITION OPPORTUNITIES IN ITS CORE LIGHTING, AUDIOVISUAL AND IT DISTRIBUTION BUSINESSES

MELBOURNE AIRPORT T2

FROM CORPORATE BOARDROOMS, STADIUMS, RETAILS OUTLETS TO AIRPORT LOUNGES, LECTURE THEATRES AND MUCH MORE, STOKES HAS A WEALTH OF EXPERIENCE IN ALL FACETS OF AUDIOVISUAL AND LIGHTING INSTALLATIONS


PAY HERE
Calvin Klein
DOLCE & GABBANA
GIVENCHY
ISSEY MIYAKE
SIGNAGE
GRAB & GO
ISSEY MIYAKE
MARC JACOBS

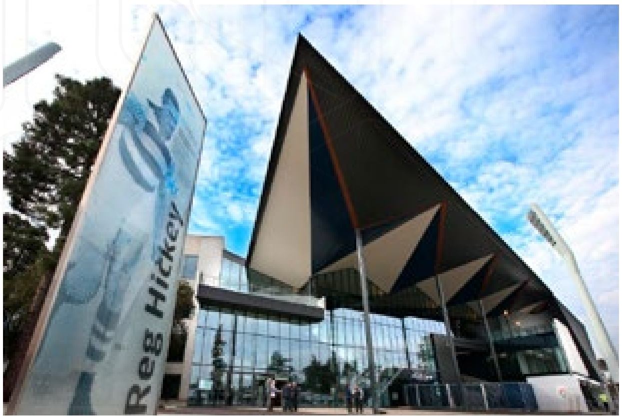
03

PROJECT INSIGHTS

We work directly with our clients in upgrading or constructing new facilities and also provide audiovisual and lighting expertise for architects, builders, and consultants, providing a total solution.

Our experienced staff include industry certified installation technicians committed to providing exceptional service ensuring installations are of the highest quality.

Solutions are designed to ensure ease of operation where user interfaces automate complex processes ensuring system operation reliability.



SIMONDS STADIUM

$2 MILLION

At Geelong's Simonds Stadium, Stokes provided all facets of advanced audio-visual systems including the public-address system, MATV, broadcast cabling and match day TV.

The home of the Geelong Cats has been a significant regional community asset for the City of Greater Geelong for almost 75 years. The Stadium is a multi-purpose venue with diverse facilities for blockbuster sports and events. Stokes Technologies delivered the audio visual, MATV, public address, digital signage and broadcast services works for the Stage 4 redevelopment.

The scope included; large, multi-purpose function rooms, expanded MATV and Foxtel system servicing over 150 endpoints. Public address and control room facilities for AFL, VFL and community events. The SmartSign Digital signage systems required for easy deployment and control of in house media. High-tech match committee room systems for coaching staff to review and plan games. Complex installations elements include; Auditorium, 10 high profile suites, meeting and office spaces, coaches box and interchange bench communication system, radio boxes, press facilities and event production room equipment and central control via Crestron network.

MELBOURNE AIRPORT T2

$1.4 MILLION

As part of Melbourne Airport T2 upgrade, Stokes' scope of work included the supply and installation of a large scale high end ribbon video wall.

The installation included an impressive duty-free entrance LED video wall, 4 metres wide by 2 metres tall. The wall is designed as a welcome and advertising screen enhanced by the bespoke audio system, providing music and special commentary throughout the entire space.

The complex design also included; additional LED Banner Video walls, totalling approximately 25 meters in length and 1250mm in height. A 4 metre by 3 metre wide LED bar style video wall and LED tree style mounted video walls. All complemented by the 80 metre horizontal skyscraper LED Banner, stretching almost the entire length of the Dufry Duty Free store.

ALOFT HOTEL PERTH

$1.7 MILLION

Overlooking the Swan River in Western Australia's vibrant capital, the newest member of the trendy Aloft Hotel chain boasts a variety of meeting and entertainment spaces.

The mezzanine level includes seven meeting rooms, the two largest of which can be combined. A rooftop area features the 300-person Springs Ballroom and an outdoor terrace with spectacular river views. State-of-the-art audiovisual systems designed by Stokes Technologies.

A ground-up construction installation, with ground-level system networked to mezzanine system, with rooftop connected by network switches and fibre. There are 12 spaces of background music utilising two Attero Tech unD6IO 4-in, 2-out Dante wall plate interfaces in each mezzanine room, with balanced, switchable microphone line inputs and phantom power which further enhance the Hotel's stylish vibe.

TOGETHER, WITH THE COLLECTIVE STRENGTH OF STOKES' PARTNERS AND STRONG EXPERTISE IN MANY NICHE MARKETS, STOKES OFFER TOTAL CONVERGED SOLUTIONS

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DIRECTORS' BIOGRAPHIES

PETER JINKS
EXECUTIVE CHAIRMAN & MANAGING DIRECTOR

Peter joined the Stokes board and management team in October 2012, and he became Executive Chairman & Managing Director in March 2016.

Peter has more than 40 years' industry experience as a leader, manager, industry NECA council member, and executor of high level policy, resource, operational and strategic visions. Peter has vast experience in technical services, specifically in electrical, data, audiovisual consultation and management.

Peter co-founded the company KLM Group Limited with his brother Greg Jinks in 1981 and was Managing Director until August 2012. The brothers built KLM Group with an enviable reputation as one of Australia's foremost electrical and communications providers. KLM is acknowledged as a company with a technological edge which services the Construction, Defence, Government, Financial, Commercial and Infrastructure markets.

KLM was a small commercial electrical contracting business that in 20 years grew to achieve revenues of $36 million in 2003 when it listed on the ASX. By 2010 KLM had a turnover of $160 million and it was then acquired by ASX-listed Programmed.

GREG JINKS
EXECUTIVE DIRECTOR

Greg was appointed to the Stokes Board and Management team in October 2012. Greg has specific responsibility for Stokes strategic and business development.

Greg has more than 35 years' experience in the telecommunications sector particularly in electrical, data cabling networks, voice, laser, microwave wireless products and the supply of high tech audiovisual installations.

Co-founding KLM Group as a small commercial electrical contracting business with his brother Peter in 1981, the pair grew the business to have a turnover of $160 million in 2010 when it was acquired by ASX-listed Programmed. Greg played a pivotal role with his involvement in the company's industry and government accreditations including vendor relationship management. KLM has 800+ employees and has become one of Australia's major communications and data network infrastructure contractors.

Greg is involved in current and emerging technologies which complement Stokes growth strategy, focusing on core service offerings while integrating superior technological products.

TERENCE GRIGG
NON-EXECUTIVE DIRECTOR

Terence has 25 years' experience as an Executive Director of Ausfine Foods Pty Ltd, an importer and exporter of meat and dairy products.

He was previously a Director of Ansearch Limited, Richmond Football Club, Windermere Child and Family Services (not-for-profit), Position Partners Pty Ltd (Civil Construction & Infrastructure Services) and ESCA Australia Pty Ltd (Medical Research Stem Cells).

Terence has extensive knowledge and experience in purchasing, sales and marketing, import and export logistics, accounting and financial management, foreign currency hedging and mitigation and banking facility negotiation..

OUR OBJECTIVE OVER THE COMING YEAR IS TO DEVELOP AND BUILD A DYNAMIC ORGANISATION, DELIVERING $30 MILLION IN REVENUE FOR FY18

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CORPORATE DIRECTORY

DIRECTORS

Peter Jinks
Terence Grigg
Greg Jinks

SECRETARY

Hemant Amin

AUDITOR

Pitcher Partners

SOLICITORS

K&L Gates
525 Collins Street
Melbourne,
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Website www.klgates.com

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Fax (03) 9289 5050
Website www.stokes.com.au
Email info@stokes.com.au

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Computershare Investor Services
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Abbotsford, Victoria 3067
GPO Box 2975
Melbourne, Victoria 3001
Investor Enquiries 1300 850 505
Tel (03) 9415 4000
Fax (03) 9473 2500

AUSTRALIAN BUSINESS NUMBER

24 004 554 929

DUFRY DUTY FREE STORE MELBOURNE

OUR VISION IS TO LEVERAGE EMERGING MARKET DYNAMICS AND INTEGRATE TECHNOLOGY SOLUTIONS IN ORDER TO ENABLE SUSTAINABLE GROWTH

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FINANCIAL REPORT

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DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity consisting of Stokes Limited and the entities it controlled, for the financial year ended 30 June 2017 and auditor's report thereon.

DIRECTORS

The names of each of the directors of the company in office during or since the end of the financial year are set out below, together with their qualifications, experience and special responsibilities are shown below.

PETER JINKS
MANAGING DIRECTOR AND CHAIRMAN

Peter is Managing Director and Chairman of the Company and has specific responsibility for operations and administration. Peter co-founded the KLM Group with Greg Jinks in 1981 and has been involved in the management of the business from its inception. He has over thirty plus years experience in technical services, specifically in electrical, data and communication consultation and management. Peter was crucial to the positioning of the KLM Group as one of Australia's major communications and data network infrastructure contractors.

Peter was appointed as non-executive director and chairman in October 2012 and appointed as Managing Director on 8 March 2016. Peter Jinks has not been a director of any other listed companies during past three years.

GREG JINKS
EXECUTIVE DIRECTOR

Greg is Executive Director of the Company and has specific responsibility for strategy and business development. Greg was a cofounder of the KLM Group with Peter Jinks, and was a key driver of a business that became one of Australia's major communications and data network infrastructure contractors. Greg has more than twenty-five plus years experience in the telecommunications sector particularly in the area of cabling and infrastructure, voice and laser and microwave wireless products.

Greg was appointed as director of the Company in October 2012. Greg Jinks has not been a director of any other listed companies during past three years.

TERENCE GRIGG
NON EXECUTIVE DIRECTOR
(APPOINTED ON 31 JANUARY 2017)

Terence has 25 years experience as an Executive Director of Ausfine Foods Pty Ltd, an importer and exporter of meat and dairy products.

Terence was previously a Director of Ansearch Limited, Richmond Football Club, Windermere Child and Family Services (not for profit), Position Partners Pty Ltd (Civil Construction & Infrastructure Services) and ESCA Australia Pty Ltd (Medical Research Stem Cells)

Terence was appointed as director of the Company on 31 January 2017. Terence Grigg has not been a director of any other listed companies during past three years.

CON SCRINIS
EXECUTIVE DIRECTOR
(RESIGNED ON 31 JANUARY 2017)

Con has an extensive background in the electrical and manufacturing industries along with a proven ability to restructure and build sustainable businesses.

Con was the founder and managing director of Moonlighting Pty Ltd, a commercial and industrial lighting manufacturer for 13 years. Moonlighting employed over 200 staff with annual sales exceeding $30 million before being sold to ASX listed Gerard Lighting in February 2004. Mr. Scrinis then founded and was joint Managing Director of ASX listed Traffic Technologies Limited for 4 years (ASX:TTI). He spearheaded a rapid expansion consolidating the fragmented traffic services area. TTI became the leading traffic products company in Australia with revenues exceeding $100 million per annum and over 1500 employees.

Con was appointed as director of the Company in October 2012 and he resigned as director of the Company on 31 January 2017. Mr Scrinis is also a director of Beauty Health Group Ltd since December 2011.

HEMANT AMIN
COMPANY SECRETARY

Hemant Amin is a certified practicing accountant. Hemant has over 30 years of accounting and business experience and has worked for both large multinational and public companies as well as smaller family owned operations. Hemant now works as a management consultant. His most recent role was as CFO to The Traffic Group.

REVIEW OF OPERATIONS

The company has completed an impressive year as the business continues to grow and expand following the decision to transform its operations from old world manufacturing to new world technologies.

All divisions have grown rapidly in the year to 30 June 2017 with revenues increasing from $15.42 million to $22.64 million in the year.

In October 2016, the Company acquired a high-growth street lighting business with the acquisition of Artcraft Urban Group (AUG) a street lighting and pole business. The upfront purchase price was $1.7 million, since the acquisition, Artcraft contributed revenue of $3.4 million for the year.

The newly acquired business was merged with Stokes existing commercial LED lighting business under the new trading name of "Urban Lighting Group" (ULG)

The Company has work in hand of approximately $9 million.

On 13 June 2017, the Company raised $2.18 million in net capital by issuing 7,269,998 fully paid ordinary shares at an issue price of $0.30 via share placement. The Company will issue 7,269,998 unlisted options, exercisable at $0.35 per share and expiring on 30 June 2019 to investors who participated in the placement of share in June 2017, after obtaining shareholders' approval at the next General meeting of Shareholders.

On 30 June 2017, the Company issued 3,470,979 fully paid Shares to Convertible Note holders who elected to convert their notes into company's ordinary shares. The Company issued 1,735,496 unlisted options, exercisable at $0.35 per share and expiring on 30 June 2019 to Convertible Note holders who converted their notes as per the terms of Convertible Notes issued in May 2014.

The company continues to invest in R&D and continues to develop cutting edge products in order to differentiate from its competitors. The company now employs 64 highly qualified staff across three states and is well placed to take advantage of growth opportunities as they arise.

The consolidated group made a loss after tax of $458,062 for the year ended 30 June 2017 (2016: profit of $54,517, which included profit from discontinued operations).

PRINCIPAL ACTIVITIES

The principal business activity of Stokes is design, distribution and installation of lighting and audio visual products.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company and its controlled entities that occurred during the financial year.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The company's operations are not subject to any significant environmental regulations under the Commonwealth or State legislation. However, the Directors believe that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the economic entity.

DIVIDENDS

No dividends have been paid, declared or recommended but not paid by the company in respect of the year ended 30 June 2017 or the year ended 30 June 2016.

OPTIONS

On 30 June 2017 the Company issued 1,735,496 Unlisted options exercisable at 35 cents each expiring on 30 June 2019, to convertible note holders who converted their notes into ordinary shares of the Company. There were no other options granted by the company over any unissued shares or unissued interests during the year ended 30 June 2017 and 30 June 2016.

OUTLOOK

The AV Integration and LED lighting divisions continue their expansion with numerous large projects having been won and completed and many more in the pipeline. The company continues to invest in R&D and continues to develop cutting edge products in order to differentiate itself from its competitors.

The company has also announced it is embarking on an acquisition strategy to complement its already proven organic growth story with a medium term target of achieving $50M in revenues helping us achieve critical mass.

The year ahead looks extremely promising, there are a number of projects in the pipeline, and the company is well placed to take advantage of opportunities as they arise.

EVENTS SUBSEQUENT TO BALANCE DATE

On 4 July 2017, the Company completed the redemption of 3,816,841 remaining convertible notes (not converted into ordinary shares of the Company) due for redemption on 30 June 2017.

Apart from the matter described above, the directors are not aware of any matters or circumstances not otherwise dealt with in this report that has significantly or may significantly affect the operations or the state of affair of the Consolidated entity in future financial periods.

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought on behalf of the company or its controlled entities.

DIRECTORS' MEETINGS

The number of Directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director) are as follows:

Director	**Directors Meetings**	
	Eligible to Attend	**Attended**
Peter Jinks	14	14
Greg Jinks	14	14
Terence Grigg (Appointed on 31 January 2017)	5	5
Con Scrinis (Resigned on 31 January 2017)	9	9

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The constitution of the company provides that, to the extent permitted by the *Corporations Act 2001* "every officer and employee of the company and its wholly-owned subsidiaries shall be indemnified out of the funds of the company (to the extent that the officer or employee is not otherwise indemnified) against all liabilities incurred as such an officer or employee, including all liabilities incurred as a result of appointment or nomination by the company or the subsidiary as a trustee or as an officer or employee of another corporation."

The directors of the company who held office during the past year, Peter Jinks, Greg Jinks, Terence Grigg and Con Scrinis have the benefit of the above indemnity. The indemnity also applies to executive officers of the company who are concerned, or take part, in the management of the company.

The company has not paid any insurance premiums in respect of any past or present directors or auditors, other than as required by law.

AUDITOR INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report on page 50.

NON-AUDIT SERVICES

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of directors. Non-audit services were provided by the auditors of entities in the consolidated group during the year, namely Pitcher Partners Melbourne, network firms of Pitcher Partners, and other non-related audit firms, as detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

› all non-audit services were subject to the corporate governance procedures adopted by Stokes Limited and have been reviewed and approved by the Audit Committee to ensure they do not impact on the integrity and objectivity of the auditor; and

› the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 **Code of Ethics for Professional Accountants**, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Stokes Limited or any of its related entities, acting as an advocate for Stokes Limited or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of Stokes Limited or any of its related entities.

	2017	2016
	$	$
Amounts paid and payable to Pitcher Partners (Melbourne) for non-audit services:		
Taxation services	15,875	15,000
Advisory services	-	9,000
	15,875	**24,000**

STAFF

The Board appreciates the support it continues to have from the company's staff, and acknowledges, with thanks, the efforts they are all making to assist the company through this transition period.

ROUNDING OF AMOUNTS

In accordance with ASIC Corporations (Rounding in the Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for key management personnel of Stokes Limited.

REMUNERATION PHILOSOPHY

Remuneration levels are set by the company in accordance with industry standards to attract and retain suitable qualified and experienced Directors and senior executives. The company has not engaged a remuneration consultant.

The company distinguishes the structure of non-executive Director's remuneration from that of executive Directors and senior executives. The company's Constitution provides that the remuneration of non-executive Directors will be not more than the aggregated sum fixed by a general meeting of shareholders.

There is no formal contract of employment for the executives of the Company. Whilst there is no formal contract of employment, standard employment conditions apply.

The remuneration for executive Directors is currently not linked to the Company's financial performance or share price. None of the remuneration of the Directors listed below was considered at risk.

There are no retirement schemes in place for directors other than statutory contributions to superannuation.

Details of key management personnel

DIRECTORS

Peter Jinks	Managing Director and Chairman
Greg Jinks	Executive Director
Terence Grigg	Non-Executive Director (Appointed on 31 January 2017)
Con Scrinis	Executive Director (Resigned on 31 January 2017)

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

2017	Short-term	Post-employment	Total 2017
	Salary and fees	Superannuation	
	$	$	$
Peter Jinks	174,797	34,851	209,648
Greg Jinks	233,800	-	233,800
Terence Grigg (appointed on 31/01/2017)	12,500	-	12,500
Con Scrinis (resigned on 31/01/2017)	194,400	-	194,400
Total	**615,497**	**34,851**	**650,348**

	Short-term	Post-employment	Total 2016
2016	Salary and fees	Superannuation	
	$	$	$
Peter Jinks	141,461	13,015	154,476
Greg Jinks	233,600	-	233,600
Con Scrinis	233,600	-	233,600
Total	**608,661**	**13,015**	**621,676**

Consequences of Company's performance on shareholder wealth

THE FOLLOWING TABLE SUMMARISES COMPANY PERFORMANCE AND KEY PERFORMANCE INDICATORS:

	2017	**2016**	**2015**	**2014**	**2013**
Revenue	$22,635,281	$15,415,780	$14,807,749	$15,440,182	$12,768,787
% increase in revenue	47%	4%	-4%	21%	-10%
Profit/(loss) before tax	($458,062)	$54,517	($3,573,694)	($146,614)	($3,224,970)
% increase in profit/(loss) before tax	(940%)	(102%)	2,337%	(95%)	(331%)
Change in share price (%)	(25%)	(18%)	23%	18%	143%
Dividend paid to shareholders	-	-	-	-	-
Return of capital ($)	-	-	-	-	-
Total remuneration of KMP	$650,348	$621,676	$572,700	$507,999	$505,594
Total performance based remuneration	-	-	-	-	-

DIRECTORS' EQUITY HOLDINGS

As at 30 June 2017 key management personnel had relevant interests in ordinary shares in Stokes Limited as follows:

Director	**Shares held Directly**	**Shares held indirectly**	**Total**
Peter Jinks	12,500	4,720,000	4,732,500
Greg Jinks	-	4,732,500	4,732,500
Terence Grigg	-	71,500	71,500

As at 30 June 2016, the key management personnel had relevant interests in the following number of ordinary shares in Stokes Limited:

Name	Directly Owned	Indirectly Owned	Total
Peter Jinks	10,000	3,776,000	3,786,000
Greg Jinks	-	3,786,000	3,786,000
Con Scrinis	750	3,786,000	3,786,750

On 30 June 2017, directors (Peter Jinks, Greg Jinks and Terence Grigg) converted their holdings of convertible notes in to ordinary shares and they were issued unlisted options exercisable at 35 cents each expiring on 30 June 2019. Their holding of these options as at 30 June 2017 was as follows:

Director	Unlisted options held Directly	Unlisted options held indirectly	Total
Peter Jinks	1,250	472,000	473,250
Greg Jinks	-	473,250	473,250
Terence Grigg	-	10,750	10,750

As at 30 June 2017 Con Scrinis was indirectly holding 946,500 convertible notes and he redeemed these notes on 4 July 2017.

As at 30 June 2016 the directors held convertible notes of Stokes Limited as follows:

Director	Convertible Notes held directly	Convertible Notes held indirectly	Total
Peter Jinks	2,500	944,000	946,500
Greg Jinks	71,500	875,000	946,500
Con Scrinis (resigned on 31 January 2017)	-	946,500	946,500

Directors did not hold any options as at 30 June 2016.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Lawson lodge, a conference centre owed by Greg Jinks invoiced the company for $20,044. The transaction was on an arms length basis on normal commercial terms and conditions.

Moller Vollanter, an entity related to Greg Jinks, provided an unsecured loan of $500,000, short term finance facility on normal commercial terms and conditions. This is a short term loan, payable on 30 day notice and it bears interest at a fixed rate of 10% per annum payable monthly in arrears.

On 28 October 2016, Moller Vollanter, an entity related to Greg Jinks, provided a secured loan of $1,000,000 for a term of two years, on normal commercial terms and conditions. This loan is 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 monthly in arrears, to be repaid in full on 31 October 2018.

The Company paid interest cost of $115,788 to Moller Vollanter during the financial year ended on 30 June 2017.

Key management personnel did not receive any share based compensation during the year.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Stokes Limited is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement (CGS) in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on the Company's website.

Accordingly, a copy of the Company's CGS is available on the Stokes website at www.stokes.com.au/corporate-governance.

Voting and comments made at the company's 2016 Annual General Meeting (AGM)

The company received 99.4% of 'for' votes in relation to its remuneration report for the year ended 30 June 2016. The resolution to adopt the Remuneration Report of the Company and its controlled entities for the year ended 30 June 2016 was carried as an ordinary resolution. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Signed on 31 August 2017 in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

Peter Jinks
Director
31 August 2017

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017	2016
		$	$
Revenue and other income			
Sales revenue	5(a)	22,635,281	15,415,780
Other income	5(b)	1,314,775	1,110,427
Total Revenue and other income		**23,950,056**	**16,526,207**
Expenses			
Cost of sales		(16,927,737)	(12,673,848)
Occupancy expenses	5(c)	(631,442)	(352,647)
Administration expenses		(6,014,076)	(4,433,086)
Depreciation and amortisation	5(c)	(178,745)	(135,660)
Finance costs	5(c)	(656,118)	(423,630)
Total Expenses		**(24,408,118)**	**(18,018,871)**
Loss before income tax		(458,062)	(1,492,664)
Income tax expense	7	-	-
Loss after income tax from continuing operations		**(458,062)**	**(1,492,664)**
Profit after income tax from discontinued operations	4	-	1,547,181
Profit / (loss) for the year		**(458,062)**	**54,517**
Other Comprehensive Income		-	-
Total Comprehensive Income / (loss) for the year		**(458,062)**	**54,517**
Profit / (loss) attributable to: members of the Parent Entity	**17**	**(458,062)**	**54,517**
Total comprehensive income attributable to members of the parent arises from:			
Continuing operations		(458,062)	(1,492,664)
Discontinued operations		-	1,547,181
		(458,062)	**54,517**
Loss per share from continuing operations			
(cents per share)			
Basic	**18**	**(1.50)**	**(5.12)**
Diluted	**18**	**(0.54)**	**(4.10)**
Earnings per share from discontinued operations			
(cents per share)			
Basic	**18**	**-**	**5.31**
Diluted	**18**	**-**	**4.25**

The above statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	2017	2016
		$	$
Current Assets			
Cash and cash equivalents	22(a)	2,161,246	882,157
Trade and other receivables	8	5,435,819	4,596,661
Inventories	9	3,665,801	1,234,130
Other assets	10	132,832	156,602
Total Current Assets		**11,395,698**	**6,869,550**
Non-Current Assets			
Plant and equipment	11	552,540	507,629
Intangible Assets	12	923,327	121,778
Total Non-Current Assets		**1,475,867**	**629,407**
Total Assets		**12,871,565**	**7,498,957**
Current Liabilities			
Trade and other payables	13	3,910,065	4,774,764
Borrowings	14(a)	4,628,251	3,306,533
Provisions – Employee benefits	15(a)	467,867	268,404
Total Current Liabilities		**9,006,183**	**8,349,701**
Non-Current Liabilities			
Borrowings	14(b)	1,562,551	277,181
Provisions – Employee benefits	15(b)	53,122	15,704
Total Non-Current Liabilities		**1,615,673**	**292,885**
Total Liabilities		**10,621,856**	**8,642,586**
Net Asset / (Net Asset Deficiency)		**2,249,709**	**(1,143,629)**
Equity			
Contributed equity	16	14,277,752	10,426,352
Accumulated losses	17	(12,028,043)	(11,569,981)
Total Equity		**2,249,709**	**(1,143,629)**

The above statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017	2016
		$	$
Cash flows from operating activities			
Receipts from customers		25,212,091	15,763,007
Receipt of Research and development grant		1,274,307	1,058,374
Payments to suppliers and employees		(29,216,817)	(18,180,244)
Interest received		2,358	14,016
Finance costs		(574,976)	(353,658)
Net cash used in operating activities	**22 (d)**	**(3,303,037)**	**(1,698,505)**
Cash flows from investing activities			
Payment for property, plant and equipment		(55,340)	(31,680)
Proceeds from sale of assets		5,000	-
Payment for business	23	(1,076,022)	(349,302)
Payment for purchase of Forlite brand		(150,000)	
Proceeds from – sale of business		-	4,086,030
Costs to complete sale of business	4	-	(1,105,810)
Deposit paid for future business acquisition		-	(25,000)
Net cash used in /(provided by) investing activities		**(1,276,362)**	**2,574,238**
Cash flows from financing activities			
Proceeds from issue of shares		2,036,557	-
Proceeds from issue of unlisted convertible notes		400,000	-
Proceeds from borrowings		3,533,511	1,125,045
Repayments of borrowings		(111,580)	(1,417,144)
Net cash provided by / (used in) financing activities		**5,858,488**	**(292,099)**
Net increase in cash held		1,279,089	583,634
Cash and cash equivalents at the beginning of the financial year		**882,157**	**298,523**
Cash and cash equivalents at the end of the financial year	**22(a)**	**2,161,246**	**882,157**

The above statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Contributed Equity	Accumulated losses	Total
	$	$	$
As at 1 July 2015	10,426,352	(11,624,498)	(1,198,146)
Profit for the year	-	54,517	54,517
As at 30 June 2016	**10,426,352**	**(11,569,981)**	**(1,143,629)**

	Contributed Equity	Accumulated losses	Total
	$	$	$
As at 1 July 2016	10,426,352	(11,569,981)	(1,143,629)
Issue of shares to vendor of Artcraft Urban	600,000	-	600,000
Issue of shares	2,180,999	-	2,180,999
Cost of issue of shares	(144,442)	-	(144,442)
Issue of shares on conversion of Convertible Notes	1,214,843	-	1,214,843
Loss for the year	-	(458,062)	(458,062)
As at 30 June 2017	**14,277,752**	**(12,028,043)**	**2,249,709**

The above statement should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Note 1: Summary of significant accounting policies

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(A) BASIS OF PREPARATION

This financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The 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. Stokes Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report of Stokes Limited for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 31 August 2017.

Compliance with IFRS

The consolidated financial statements of Stokes Limited also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Significant accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as non-controlling interests. Non-controlling interests in the results of subsidiaries are shown separately in the consolidated Statement of Profit or Loss and Other Comprehensive Income and consolidated Statement of Financial Position respectively.

(C) BUSINESS COMBINATIONS

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition-date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition-date fair value.

Goodwill is recognised initially at the excess of: (a) the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in profit or loss.

Acquisition related costs are expensed as incurred.

(D) INTANGIBLES

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Refer to Note 1(c) for a description of how goodwill arising from a business combination is initially measured.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

Intangible assets

Except for indefinite useful life intangible assets, which are not amortised but are tested annually for impairment, intangible assets are amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset.

(E) 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 incurred a loss from continuing operations of $458,062 during the year ended 30 June 2017 (2016: $1,492,664).

The group produced negative cash flows from operating activities for the year ended 30 June 2017 of $3,303,037 (2016: $1,698,505).

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 and Urban Lighting Group divisions. The directors have reviewed and approved the managements' forward budgets and forecasts which shows positive cash flow projections over the next 12 months.
- Both the Technologies and Urban Lighting Group divisions are currently in a growth phase which has meant investment in people, facilities and equipment to allow for this growth. The directors are confident 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 directors also believe the company is well placed to raise further capital (if required) to fund working capital and/or acquisitions.

On the basis of 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.

(F) FINANCIAL INSTRUMENTS

Classification

The consolidated entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation by key management personnel. Investments in listed securities are carried at fair value through profit or loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in profit or loss of the current period. Fair value of listed investments are based on closing bid prices at the reporting date.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and the group intends to hold the investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale

Available-for-sale financial assets include any financial assets not included in the above categories or are designated as such on initial recognition. Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit or loss.

Non-listed investments for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Compound financial instruments

Compound financial instruments issued by the consolidated entity comprise convertible notes that are able to be converted to share capital at the option of the noteholder, and the number of shares to be issued will not vary with changes in their fair value.

The liability component of a compound financial instrument is initially recognised at the fair value of a comparable liability that does not have an equity conversion option. The equity component is initially recognised at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. All directly attributable transaction costs are allocated to the liability and equity component on a proportional basis.

After initial recognition, the liability component of the compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured after initial recognition.

Interest, losses and gains relating to the financial liability component are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment as a result of one or more events ('loss events') having occurred and which have an impact on the estimated future cash flows of the financial assets.

For loans and receivables and held-to-maturity investments carried at amortised cost, impairment losses are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

For available-for-sale financial assets carried at cost because a fair value cannot be reliably determined, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

For available-for-sale financial assets carried at fair value, the impairment loss is measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss. If the asset is impaired, the cumulative loss is reclassified from equity to the profit or loss. For equity investments, the impairment loss is not reversed through profit or loss. For debt investments, the impairment loss is reversed through profit or loss if the fair value increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment losses was recognised in profit or loss.

(G) PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation is calculated on a straight-line basis or diminishing value over the estimated useful life of the asset as follows:

- Plant and equipment – over 3 to 10 years
- Leased assets – over 3 to 10 years

The assets residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

(H) BORROWING COSTS

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

(I) INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

Costs are accounted for as follows:

- Raw materials – average purchase cost. The cost of purchase comprises the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition of raw materials.
- Finished goods and work-in-progress – average cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

(J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(K) EMPLOYEE BENEFITS

i. Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

ii. Other long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

iii.Termination benefits

The group recognises an obligation and expense for termination benefits at the earlier of: (a) the date when the group can no longer withdraw the offer for termination benefits; and (b) when the group recognises costs for restructuring and the costs include termination benefits. In either case, the obligation and expense for termination benefits is measured on the basis of the best estimate of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before twelve months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits

iv.Retirement benefit obligations

Defined contribution superannuation plan

The consolidated entity makes superannuation contributions (currently 9.50% of the employee's average ordinary salary) to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the statement of financial position.

(L) PROVISIONS

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an out flow of economic benefits will result and that outflow can be reliably measured.

(M) LEASES

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease, if this is practicable to determine; if not, the consolidated entity's incremental borrowing rate is used. Interest expense on finance leases is included in finance costs in the statement of profit or loss. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period in accordance with the effective interest method.

Operating leases

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(N) REVENUE

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered to have passed to the buyer at the time of delivery of the goods to the customer.

Revenue from rendering of services to customers is recognised upon delivery of the service to the customer.

Government grants are recognised at fair value when there is reasonable certainty that the grant will be received and all grant conditions are met.

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(O) INCOME TAX

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax balances

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

Stokes Limited (parent entity) and its wholly owned subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group from 30 November 2009. The parent entity and subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances;
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

(P) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(Q) IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use. Refer to Note 2 for a description of how management determines value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

(R) NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups are classified as held for sale if it is highly probable their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Except in some limited circumstances, such as in the case of deferred tax balances and items measured at fair value on a recurring basis, non-current assets and assets and liabilities comprising disposal groups classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

An impairment loss is recognised when the carrying amount of a non-current asset or disposal group held for sale exceeds its fair value less costs to sell and is recognised immediately in profit or loss. Any impairment loss on a disposal group is allocated first to any goodwill attributable to the disposal group, and then to the remaining assets and liabilities on a pro rata basis, except for inventories, deferred tax assets and assets otherwise measured at fair value on a recurring basis. Gains are recognised in respect of any subsequent increases in fair value less costs to sell of non-current assets or disposal groups held for sale, but only to the extent of any cumulative impairment losses previously recognised.

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are disclosed separately in the consolidated financial statements.

(S) COMPARATIVES

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

(T) ROUNDING OF AMOUNTS

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest dollar.

(U) ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AT 30 JUNE 2017

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

AASB 15 Revenue from contracts with customers

AASB 15: Revenue from Contracts with Customers, AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15, AASB 2016-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15 and AASB 2016-3: Amendments to Australian Accounting Standards – Clarifications to AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services. Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's reported revenue, the impact has not yet been quantified.

The effective date is annual reporting periods beginning on or after 1 January 2018.

AASB 9 Financial Instruments

AASB 9: Financial Instruments (December 2014), AASB 2014-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014), AASB 2014-8: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.
- Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16 Leases

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019). AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for its operating leases, they are yet to determine the amount of the impact.

The effective date is annual reporting periods beginning on or after 1 January 2018.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 5.

Impairment of Goodwill

The recoverable amount of Goodwill is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a period of 5 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectations for the future. The present value of future cash flows has been calculated using an average growth rate of 2.5% for cash flows in year two to five which is based on the historical average, a terminal value growth rate of 2.5% and a discount rate of 10% to determine value-in-use.

Sensitivity analysis concluded that there would be no impact on the carrying value of the goodwill of Dueltek and Urban Lighting Group.

NOTE 3: RELATED PARTY DISCLOSURES

The following is a summary of transactions with directors and other related parties entered into throughout the financial year:

Lawson lodge, a conference centre owed by Greg Jinks invoiced the company for $20,044. The transaction was on an arms length basis on normal commercial terms and conditions.

Moller Vollanter, an entity related to Greg Jinks, provided an unsecured loan of $500,000, short term finance facility on normal commercial terms and conditions. This is a short term loan, payable on 30 day notice and it bears interest at a fixed rate of 10% per annum payable monthly in arrears.

And on 28 October 2016, Moller Vollanter, an entity related to Greg Jinks, provided secured loan of $1,000,000 for a term of two years, on normal commercial terms and conditions. This loan is 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 monthly in arrears, to be repaid in full on 31 October 2018.

The Company paid interest cost of $115,788 to Moller Vollanter during the financial year ended on 30 June 2017

Greg Jinks invoiced the company for directors fees of $233,800 (2016: $233,600) via his entity Lawson Group Inc.

Con Scrinis invoiced the company for directors fees of $194,400 (2016: $233,600) via his entity The Traffic Group Pty Ltd.

NOTE 4: DISCONTINUED OPERATION

On 4 June 2015, the Company entered into a contract to sell its business of distribution of Appliance Parts and Services, and announced the closure of a division manufacturing industrial heating elements effective 31 July 2015. This enabled management to concentrate on the rapidly expanding technologies division of lighting and audio visuals products and solutions.

The results of the discontinued operations for the month of July 2015 (year ended 30 June 2016) until disposal are presented below:

	2017	2016
	$	$
(i) Financial performance information		
Sales revenue	-	1,034,677
Expenses	-	(1,163,943)
Other income	-	211
Loss before income tax	**-**	**(129,055)**
Income tax expense	-	-
Loss after income tax from discontinued operations	**-**	**(129,055)**
Gain on disposal of the discontinued operations before income tax	-	1,676,236
Income tax expense	-	-
Gain on disposal of the discontinued operations before income tax	**-**	**1,676,236**
Profit/(loss) from discontinued operation	**-**	**1,547,181**
(ii) Cash flow information		
Net cash used in operating activities	-	(129,055)
Net cash from / (used in) investing activities	-	2,980,220
Net cash flow	**-**	**2,851,165**
(iii) Carrying amount of assets and liabilities		
Net assets attributable to discontinued operation	**-**	**-**
Details of discontinued operation disposed		
Consideration received or receivable	**-**	**4,601,030**
Less: Net assets disposed of	-	(1,818,984)
Less: transaction costs to complete sale of business	-	(1,105,810)
Gain on disposal of discontinued operation before tax	-	1,676,236
Income tax expense	-	-
Gain on disposal of discontinued operation after tax	**-**	**1,676,236**

NOTE 5: INCOME AND EXPENSES

	Notes	2017	2016
		$	$
(a) Sales revenue			
Sales revenue		**22,635,281**	**15,415,780**
(b) Other income			
Interest revenue		2,358	14,016
Research and development grant		1,274,307	1,058,374
Profit on sale of assets		1,149	-
Sundry income		36,961	38,037
Total other income		**1,314,775**	**1,110,427**
Total revenue and other income		**23,950,056**	**16,526,207**
(c) Expenses			
Finance Costs:			
Interest – other loans		292,945	97,884
Interest – Unlisted Convertible notes		26,959	-
Interest – Listed Convertible notes		255,072	255,774
Amortisation of deferred borrowing cost		81,142	69,972
		656,118	**423,630**
Depreciation and amortisation of non-current assets:			
Plant and equipment – continuing operation		178,745	135,660
Plant and equipment – discontinued operation		-	-
Operating lease rental expenses – continuing operation		631,442	352,647
Operating lease rental expenses – discontinued operation		-	29,537
Employee Benefits:			
Wages – continuing		4,908,710	3,220,510
Superannuation – continuing		497,267	292,319
Wages – discontinued operations		-	407,630
Superannuation – discontinued operations		-	33,635

NOTE 6: DIRECTOR'S AND EXECUTIVE'S COMPENSATION

(a) Details of Directors

Peter Jinks	Managing Director and Chairman
Greg Jinks	Executive Director
Terence Grigg (appointed on 31/01/2017)	Non Executive Director
Con Scrinis (resigned on 31/01/2017)	Executive Director

(b) Remuneration by Category: Directors and Executives

	Notes	2017	2016
		$	$
Short-term employee benefits		615,497	608,661
Long-term employee benefits		-	-
Post-employment Employee benefits		34,851	13,015
Total		**650,348**	**621,676**

NOTE 7: INCOME TAX

(a) Prima facie tax benefit/expense on profit/(loss) before income tax is reconciled to the income tax expense as follows:

(Loss) before income tax – continuing operations	(458,062)	(1,492,664)
Profit before income tax – discontinued operations	-	1,547,181
	(458,062)	**54,517**
Prima facie income tax payable / (benefit) on profit/loss before		
Income tax at 30% (2016 : 30%)	(137,419)	16,355
Add tax effect of:		
Temporary differences and tax losses not brought to account as future income tax benefits	137,419	(16,355)
Income tax expense	**-**	**-**

NOTE 8 CURRENT TRADE AND OTHER RECEIVABLES

Trade debtors	5,269,963	4,616,255
Impairment loss and credit claims	(31,955)	(27,671)
Other receivables	197,811	8,077
	5,435,819	**4,596,661**
Movements in the provision for impairment were:		
Opening balance at 1 July	(27,671)	(19,802)
Charge for the year	(4,284)	(21,462)
Amounts written off	-	13,593
Closing balance at 30 June	**(31,955)**	**(27,671)**

NOTE 8 CURRENT TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables ageing analysis at 30 June is	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
		$		$
Not past due	1,774,078	-	2,582,656	-
Past due 0–30 days	2,044,291	-	1,272,098	-
Past due 31 –60 days	917,328	-	517,606	-
Past due more than 60 days	534,266	(31,955)	243,895	(27,671)
	5,269,963	**(31,955)**	**4,616,255**	**(27,671)**

NOTE 9: INVENTORIES

	2017	2016
	$	$
Finished goods	3,665,801	1,234,130
At lower of cost and net realisable value	**3,665,801**	**1,234,130**

NOTE 10: OTHER CURRENT ASSETS

Prepayments and other assets	132,832	156,602

NOTE 11: PLANT & EQUIPMENT

Plant and equipment		
At cost	1,002,568	779,379
Accumulated depreciation	(450,028)	(271,750)
	552,540	**507,629**

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

Plant and equipment		
Carrying value as at 1 July	507,629	327,369
Additions	55,340	302,789
Assets acquired on acquisition of Dueltek	-	36,708
Assets acquired on acquisition of Artcraft	172,167	-
Disposals	(3,851)	(23,577)
Depreciation expense	(178,745)	(135,660)
Carrying value as at 30 June	**552,540**	**507,629**

NOTE 12: INTANGIBLE ASSETS

	2017 $	2016 $
Goodwill at cost (a)	773,327	121,778
Brand name – Forlite (b)	150,000	-
	923,327	**121,778**

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

Goodwill		
Carrying value as at 1 July	121,778	-
Goodwill on acquisition of Dueltek	-	121,778
Goodwill on acquisition of Artcraft Urban	651,549	-
Carrying value as at 30 June	**773,327**	**121,778**

(b) Acquistion of Forlite brand

On 1 February 2017, the Group completed and paid $150,000 for the acquisition of the Forlite brand. Forlite has been built on the foundations of providing a reliable, trustworthy service to its client's hand in hand with the promotion of high quality, dependable products and distributions, predominantly in Queensland.

NOTE 13: CURRENT TRADE AND OTHER PAYABLES

Trade payables (a)	3,189,471	2,715,864
Accrued expenses	186,383	1,350,045
Other payables	190,510	41,457
Unearned revenue	343,701	667,398
	3,910,065	**4,774,764**

(a) Trade payables are non-interest bearing and are normally settled on 60-day terms

NOTE 14: BORROWINGS

	2017	2016
	$	$
(a) Current		
Secured:		
Bank and other loans (i)	2,676,843	643,332
Lease finance (ii)	115,514	112,464
Unsecured:		
Convertible Notes (iii)	1,335,894	2,550,737
Borrowing from Moller Vollanter (iv)	500,000	-
	4,628,251	**3,306,533**
(b) Non Current		
Secured:		
Lease finance (ii)	162,551	277,181
Borrowing from Moller Vollanter (v)	1,000,000	-
Unsecured:		
Convertible Notes (vi)	400,000	-
	1,562,551	**277,181**

i. 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. The Convertible Notes are a 3 year financial instrument. The Convertible Notes bear interest at a fixed rate of 10% per annum payable quarterly in arrears. In addition, Noteholders will be entitled to receive 1 new option for every 2 new shares issued upon conversion of Convertible Notes. The options will be issued at no additional cost and will be exercisable at any time prior to 30 June 2019 at an exercise price of $0.35 each. Redemption of these convertible notes was completed on 4 July 2017.

iv. A short term, unsecured loan from Moller Vollanter Pty Ltd, an entity related to Greg Jinks, this loan bears interest at a fixed rate of 10% per annum payable monthly in arrears.

v. Non-current secured loan from Moller Vollanter Pty Ltd, an entity related to Greg Jinks, were 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 2018.

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

NOTE 15: PROVISION – EMPLOYEE BENEFITS

	2017	2016
	$	$
Balance at 1 July	284,108	399,110
Provision for the year	573,921	298,929
Amounts used	(337,040)	(413,931)
Balance as at 30 June	**520,989**	**284,108**
(a) Employee benefits – Current	467,867	268,404
(b) Employee benefits – Non Current	53,122	15,704
	520,989	**284,108**

NOTE 16: CONTRIBUTED EQUITY

	2017	2016
	$	$
Balance as at 1 July	10,426,352	10,426,352
Issue of shares to vendor of Artcraft Urban	600,000	-
Issue of shares	2,180,999	-
Cost of issue of shares	(144,442)	-
Issue of shares on conversion of Convertible Notes	1,214,843	-
Balance as at 30 June	**14,277,752**	**10,426,352**

	2017	2016
	No of Shares	No of Shares
Balance as at 1 July	29,151,281	29,151,281
Issue of shares to vendor of Artcraft Urban	1,621,622	-
Issue of shares	7,269,998	-
Issue of shares on conversion of Convertible Notes	3,470,979	-
Balance as at 30 June	**41,513,880**	**29,151,281**

Capital Management

When managing capital, management's objective is to ensure the consolidated entity continues to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share gives entitlement to one vote when a poll is called.

Options

The Company issued 1,735,496 options, exercisable at $0.35 per share and expiring on 30 June 2019 to Convertible Noteholders as per the terms of Convertible Notes issued in May 2014.

The Company also intends to issue 7,269,998 unlisted options, exercisable at $0.35 per share and expiring on 30 June 2019 to investors who participated in the placement of shares in June 2017, after obtaining shareholders' approval at the next General meeting of Shareholders.

NOTE 17: ACCUMULATED LOSSES

	2017	2016
	$	$
Balance at beginning of year	(11,569,981)	(11,624,498)
Net Profit/(Loss)	(458,062)	54,517
Balance at end of year	**(12,028,043)**	**(11,569,981)**

NOTE 18: EARNINGS/(LOSS) PER SHARE

Reconciliation of earnings used in calculating earnings per share:

	2017	2016
(Loss) from continuing operations	(458,062)	(1,492,664)
Profit/(loss) from discontinued operations	-	1,547,181
Profit/(loss) used in the calculation of basic loss per share	**(458,062)**	**54,517**
Profit/(Loss) used in calculating diluted earnings per share	(458,062)	54,517
Adjustments:		
Interest on convertible notes – listed	255,072	255,774
Earnings/(loss) used in calculating diluted earnings per share	**(202,990)**	**310,291**

	2017	2016
	No of Shares	No of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	30,612,240	29,151,281
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	37,880,093	36,439,101

NOTE 19: PARENT ENTITY DISCLOSURE

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with the Australian Accounting Standards

	Notes	2017 $	2016 $
Statement of Financial Position			
Current assets		5,388,456	2,130,491
Non current assets		35,033	109,086
Total assets		**5,423,489**	**2,239,577**
Current liabilities		1,772,197	3,234,826
Non current liabilities		1,401,183	73,896
Total liabilities		**3,173,380**	**3,308,721**
Shareholders equity			
i) Issued capital		14,277,752	10,426,352
ii) Accumulated losses		(12,027,643)	(11,495,497)
Statement of Comprehensive Income			
Net Profit/(loss)		(532,146)	13,430
Total comprehensive income		(532,146)	13,430
Guarantees			
j. Guarantees provided by parent entity in relation to the debts of the subsidiaries		3,404,212	661,943

NOTE 20: COMMITMENTS FOR EXPENDITURE

	2017	2016
	$	$
Non-cancellable operating leases:		
Property: (i)		
Not later than one year	467,524	289,340
Later than one year but not later than two years	361,661	154,097
Later than two years but not later than five years	217,478	41,958
	1,046,663	**485,395**
Plant and equipment: (ii)		
Not later than one year	45,030	11,976
Later than one year but not later than two years	45,030	11,976
Later than two years but not later than five years	123,397	24,950
	213,457	**48,902**
	1,260,120	**534,297**

Leasing Arrangements

i. The consolidated entity leases a number of premises throughout Australia. The initial rental period of each lease agreement varies between two and five years with renewal options ranging from none to five years. The majority of lease agreements are subject to rental adjustments, some annually or bi-annually, in line with market rates, Consumer Price Index or fixed increases. The Company has provided bank guarantees for a value of $76,503 as rental bond for leasing of premises.

ii. Relates to photocopier & printers, is for a fixed period, at a fixed rate with no renewal options.

NOTE 21: CONTROLLED ENTITIES

Name of Company	**Country of Incorporation**	**Percentage Owned**	
		2017	**2016**
Parent Entity			
Stokes Limited	Australia		
Controlled Entities			
Urban Lighting Group Pty Ltd *	Australia	100%	100%
Dueltek Pty Ltd **	Australia	100%	100%
AWR (135761027) Pty Ltd ***	Australia	100%	100%
Stokes Technologies Pty Ltd	Australia	100%	100%

* Urban Lighting Group Pty Ltd formerly known as SKS Services Group Pty Limited

** Dueltek Pty Ltd formerly dormant entity known as EDIS Pty Limited

*** AWR (135761027) Pty Ltd formerly known as Aussie Whitegoods Rescue Pty Ltd

NOTE 22: STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

	2017	2016
	$	$
Cash in hand	613	3,492
Cash at bank	2,017,304	799,687
Deposits	143,329	78,978
	2,161,246	**882,157**
(b) Financing Facilities:		
Maximum available subject to (c) (ii) below		
Bank and other loans	4,000,000	2,000,000
Overdraft	-	-
	4,000,000	**2,000,000**
(c) Facilities in use at the end of the financial year		
Bank and other loans (i)	2,676,843	643,332
Lease finance (ii)	278,065	389,645
	2,954,908	**1,032,977**

i. At the date of this report, the financier continues to provide debtor finance facilities. Debtor finance are secured against the trade receivables.

ii. At the date of this report, the financier continues to provide finance lease facilities. Finance leases are secured against the assets purchased utilising finance leases

(d) Reconciliation of net cash used in operating activities to net loss after income tax.

Net profit/(loss) after income tax	(458,062)	54,517
Profit on sale of assets	(1,149)	-
Profit on sale of business	-	(1,676,236)
Depreciation of plant and equipment	178,745	135,660
Amortisation of deferred borrowing costs	81,142	69,972
Disposal of plant and equipment	-	23,577
Change in net assets and liabilities		
(Increase)/decrease in assets:		
Current receivables	272,626	(2,061,160)
Current inventories	(1,066,883)	(621,746)
Other current assets	(57,372)	128,869
Increase/(decrease) in liabilities:		
Current trade payables	(2,317,134)	2,379,449
Provisions	65,050	(131,407)
Net cash (used in) operating activities	**(3,303,037)**	**(1,698,505)**

NOTE 23: ACQUISITION OF BUSINESS

Acquisition of Artcraft Urban Group (AUG)

On 28 October 2016, the Group completed the acquisition of Street lighting business Artcraft Urban Group (AUG). Details of assets and liabilities acquired and consideration paid is as follows:

	2017
	$
Plant and equipment	172,167
Inventory	1,364,788
Receivables	1,111,783
Payables	(1,452,434)
Employee entitlements	(171,831)
Net identifiable assets acquired	1,024,473
Add: Goodwill	651,549
Total consideration paid	**1,676,022**
Details of the purchase consideration:	
Issue of 1,621,622 shares to vendor of Artcraft Urban Group	600,000
Cash consideration paid	1,076,022
Contingent consideration	-
Total Consideration paid	**1,676,022**

Contribution since acquisition

Since the acquisition date Artcraft Urban Group has contributed revenue of $3,422,409 and a loss after tax of $259,951 which is included within the consolidated profit for the financial year ended 30 June 2017.

Transaction costs

The Group incurred $47,842 in transaction costs in relation to this acquisition.

Contingent consideration

Acquisition of Street lighting business Artcraft Urban Group (AUG) is subject to earning hurdles to be tested at the end of 6 months and 12 months from the date of acquisition. Subject to the AUG business exceeding the earnings hurdle criteria a pro-rata of the total $1,000,000 could be payable in January 2018. The Group will not make any payment if the AUG business fails to meet the earnings hurdle criteria. The value of this contigent consideration was recorded at fair value of $0 on the date of acquisition.

NOTE 23: ACQUISITION OF BUSINESS (CONT'D)

Acquisition of Dueltek

On 31 August 2015, the Group completed the acquisition of Dueltek, an audio visual and telecommunications product business. Details of assets and liabilities acquired and consideration paid is as follows:

	2016
	$
Plant and equipment	36,708
Inventory	218,713
Prepayments	18,508
Employee entitlements	(16,405)
Goodwill	121,778
Total consideration paid	379,302
Details of the purchase consideration:	
Deposit paid – June 2015	30,000
Cash consideration paid – August 2015	349,302
Total Consideration paid	**379,302**

Contribution since acquisition

Since the acquisition date Dueltek Pty Ltd has contributed revenue of $1,358,426 and a loss after tax of $163,926 which is included within the consolidated profit/(loss) for the financial year ended 30 June 2016.

Transaction costs

No transaction costs were incurred in relation to the acquisition.

NOTE 24: FINANCIAL RISK MANAGEMENT

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(b) Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans, finance leases and cash.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is the policy of the consolidated entity to regularly review foreign currency exposures.

The degree to which the foreign exchange risk is managed will vary depending on circumstances that prevail at the time the risk is known or anticipated.

There are no foreign currency contracts outstanding at the reporting date (2016: Nil).

The group hold no financial assets or liabilities at fair value.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate. The group monitors its exposure to interest rate risk as part of its capital and cash management. Refer Note 14 for more details.

Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligation as they fall due. The entity's approach in managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The consolidated entity does not have any significant concentrations of credit risk that arise from exposures to a single debtor or to a group of debtors having a similar characteristic such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Sensitivity Analysis

The entity has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis concluded there would be no material impact on fair values of financial assets and liabilities.

(c) Financial Risk Management

Financial Liability and Financial Asset Maturity Analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Consolidated Group								
Financial liabilities due for payment								
Bank loans	(2,676,843)	(643,332)	-	-	-	-	(2,676,843)	(643,332)
Lease finance	(115,514)	(112,464)	(162,551)	(277,181)	-	-	(278,065)	(389,645)
Trade and other payables	(3,910,065)	(4,774,764)	-	-	-	-	(3,910,065)	(4,774,764)
Borrowing from Moller Vollanter	(500,000)	-	-	-	-	-	(500,000)	-
Borrowing from Moller Vollanter	-	-	(1,000,000)	-	-	-	(1,000,000)	-
Convertible Notes – unlisted	-	-	(400,000)	-	-	-	(400,000)	-
Convertible Notes – listed	(1,335,894)	(2,550,737)	-	-	-	-	(1,335,894)	(2,550,737)
Total contractual outflows	**(8,538,316)**	**(8,081,297)**	**(1,562,551)**	**(277,181)**	**-**	**-**	**(10,100,867)**	**(8,358,478)**
Financial assets – cash flows realisable								
Cash and cash equivalents	2,161,246	882,157	-	-	-	-	2,161,246	882,157
Trade and other receivables	5,435,819	4,596,661	-	-	-	-	5,435,819	4,596,661
Total anticipated inflows	**7,597,065**	**5,478,818**	**-**	**-**	**-**	**-**	**7,597,065**	**5,478,818**

(d) Interest Rate Risk

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2017:

	Weighted average interest rate	Variable interest rate	Fixed Interest Rate Maturity		Non-interest bearing	Total
	%		Less than 1 year	2 to 5 years		
Year ended 30 June 2017						
Financial Assets						
Cash and cash equivalents	0.61	1,940,254	-	-	220,992	2,161,246
Current receivables	-	-	-	-	5,435,819	5,435,819
		1,940,254	-	-	5,656,811	7,597,065
Financial Liabilities						
Trade and other payables	-	-	-	-	3,910,065	3,910,065
Bank and other loans	9.45	2,676,843	115,514	162,551	-	2,954,908
Borrowings from Moller Vollanter	10.0	-	500,000	-	-	500,000
Borrowings from Moller Vollanter	10.0	-	-	1,000,000	-	1,000,000
Convertible Notes – unlisted	10.0	-	-	400,000	-	400,000
Convertible Notes – listed	10.0	-	1,335,894	-	-	1,335,894
		2,676,843	**1,951,408**	**1,562,551**	**3,910,065**	**10,100,867**
Year ended 30 June 2016						
Financial Assets						
Cash and cash equivalents	1.20	73,899	-	-	808,258	882,157
Current receivables	-	-	-	-	4,596,661	4,596,661
		73,899	**-**	**-**	**5,404,919**	**5,478,818**
Financial Liabilities						
Trade and other payables	-	-	-	-	4,774,764	4,774,764
Bank and other loans	9.27	643,332	112,464	277,181	-	1,032,977
Convertible Notes – listed	10.0	-	2,550,737	-	-	2,550,737
		643,332	**2,663,201**	**277,181**	**4,774,764**	**8,358,478**

NOTE 24: FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

NOTE 25: REMUNERATION OF AUDITORS

Auditors of the Parent Entity and Group entities

Amounts received or due and receivable by auditors for:

	2017	2016
	$	$
Audit or review of the financial report of the entity	106,450	73,000
Tax compliance	15,875	15,000
Other assurance services	-	9,000
	122,325	**97,000**

NOTE 26: CONTINGENT ASSETS AND LIABILITIES

The Group acquired Street lighting business Artcraft Urban Group (AUG) and initial settlement of this acquisition was completed on 28 October 2016. Acquisition of AUG is subject to earnings hurdles to be tested on completion of 12 months from the date of acquisition. The Group will not make any payment if the AUG business fails to meet the earnings hurdle criteria.

Considering earnings hurdles criteria to be tested on completion of a 12 months period, no provision has been made in the accounts for this deferred settlement in relation to acquisition of AUG as at 30 June 2017.

Apart from the above, the directors are not aware of any contingent assets or any contingent liabilities as at 30 June 2017 (2016: nil).

NOTE 27: EVENTS AFTER THE BALANCE SHEET DATE

On 4 July 2017, the Company completed the redemption of 3,816,841 remaining convertible notes (not converted into ordinary shares of the Company) due for redemption on 30 June 2017.

Apart from above, directors are not aware of any other matters or circumstances not otherwise dealt with in this report that has significantly or may significantly affect the operations of the consolidated entity in future financial periods.

NOTE 28: OPERATING SEGMENT

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

DIRECTORS' DECLARATION

FOR THE FINANCIAL YEAR ENDED 30 June 2017

The directors declare that

1. In the director's opinion the financial statements and notes thereto, as set out on pages 20 to 48 are in accordance with the *Corporations Act 2001, including*:

   a. complying with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;

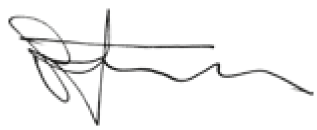
   b. as stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and

   c. giving a true and fair view of the financial position of the consolidated entity as at 30 June 2017 and of its performance for the year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that Stokes Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2017.

This declaration is made in accordance with a resolution of the directors.



Peter Jinks

Director

Melbourne

31 August 2017

PITCHER PARTNERS

STOKES LIMITED

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF STOKES LIMITED

In relation to the independent audit for the year ended 30 June 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 year.

D A KNOWLES
Partner

31st August 2017

PITCHER PARTNERS
Melbourne

INDEPENDENT AUDITOR'S REPORT

To the members of Stokes Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Stokes Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(e) in the financial report, which indicates that the Group incurred a net loss of $458,062 and produced negative cash flows from operating activities of $3,303,037 during the year ended 30 June 2017. As stated in Note 1(e), these events or conditions, along with other matters as set forth in Note 1 (e), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition Refer to note 1(n) and Note 5	
The Group's revenue is primarily derived from the sale of products and provision of services in relation to audio-visual and lighting projects. Some of the revenue is based on the stage of completion of individual contracts, calculated on the proportion of total costs incurred at the reporting date compared to management's estimation of total costs of the contract. The accurate recording of the revenue related to these contracts is dependent on management estimates of the stage of completion of the contract activity. Revenue from the provision of services and sales of products to customers is recognised upon performance of the service or delivery to the customer. We consider revenue is a key audit matter because of its significance to profit, the high volume of revenue transactions associated with revenue and for certain contracts the estimation that is required in recognising revenue based on the proportion of total costs incurred at the reporting date compared to management's estimation of total costs of the contract.	Our procedures included, amongst others: • Reviewing journals impacting revenue • Testing a sample of revenue transactions, which were recognised on a proportion of total costs incurred basis, that the calculations of costs to complete and costs incurred were based on supportable estimates by: - assessing the Group's ability to deliver contracts within budgeted costs by analysing the historical accuracy of forecasting costs and the relationship of cost versus billing status on contracts; and - assessing management's estimates of total contract costs and recalculating the stage of completion based on actual costs incurred to date. • Agreeing a sample of revenue transactions to supporting documentation including sales invoices and receipt in the bank statements including assessing whether revenue has been recognised in the correct period.

Key Audit Matter	How our audit addressed the key audit matter
Impairment of Goodwill *Refer to note 11*	
At 30 June 2017 the Group's statement of financial position includes goodwill amounting to $773,327 relating to two cash generating units (CGU). The appropriate identification of the CGU is considered a key audit matter because of the assumption and estimation required by management to make this assessment. The assessment of impairment of goodwill balances incorporated significant assumption and estimation in respect of factors such as: • Forecast revenue • Forecast expenses • Forecast capital expenditure • Economic assumptions such as, discount rates and terminal growth. A key audit matter for us was whether the Group's value-in-use models for impairment included appropriate consideration and support for significant estimates and judgements and the selection of key external and internal inputs.	Our procedures included, amongst others: • Assessing management's determination of the Group's CGUs based on our understanding of the nature of the Group's business and the economic environment in which it operates. Also reviewing the internal reporting of the Group to assess how earnings streams are monitored and reported; • Evaluating management's process regarding valuation of CGUs to determine any impairment including the procedures around the preparation and review of forecasts; • Challenging the Group's assumptions and estimates used to determine the recoverable value of its assets, including those relating to forecast revenue, expenses and capital expenditure; • Checking the mathematical accuracy of the cash flow models; • Agreeing relevant data in the cash flow models to the latest forecasts; • Assessing the historical accuracy of forecasting by the Group; • Performing a sensitivity analysis in respect of the discount rate and terminal growth assumptions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 19 of the directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of Stokes Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

D A KNOWLES

PITCHER PARTNERS

Melbourne, 31st August 2017

SHAREHOLDER ANALYSIS AND OTHER STOCK EXCHANGE REQUIREMENTS

Statement of security holders as at 30 August 2017

(a) Distribution of shareholders by sizes of holdings

1 – 1,000	170
1,001 – 5,000	54
5,001 – 10,000	16
10,001 – 100,000	72
100,001 and over	51
Total	363

Holding less than a marketable parcel	187

Voting rights – Each ordinary share carries one vote.

(b) Twenty Largest Shareholders

Shareholder	**Number**	**Percentage**
Sandhurst Trustees Ltd <JMFG CONSOL A/C>	6,934,637	16.70
Vollanter Superannuation Fund Pty Ltd < Vollanter Superannuation Fund>	4,362,500	10.51
Boom Capital Pty Ltd	4,143,333	9.98
Mr Gregory Jinks + Mrs Dorothy Jinks <THE GD SUPER FUND A/C>	3,500,000	8.43
Prima Growth Fund Pty Ltd	1,488,668	3.59
Miss Kristie Jinks + Mr Matthew Jinks + Miss Lisa Jinks <PV Super Fund A/C>	1,086,000	2.62
Kinship Nominees Pty Ltd <Malek Super Fund A/C>	955,714	2.30
Loto Superannuation Nominees Pty Ltd <Loto Superannuation Fund A/C>	910,000	2.19
Greg Electrical Contractors Pty Ltd	875,000	2.11
Green Family Pty Ltd <Green Family Super Fund2 A/C>	833,333	2.01
Incentive Entertainment Partners Pty Ltd	833,333	2.01
Mr Matthew Peter Jinks <M & A PROPERTY A/C>	824,667	1.99
Ligon 205 Pty Ltd <Summit Road Investment A/C>	716,000	1.73
Skycar Investments Pty Ltd <SKYCAR SUPER FUND A/C>	701,000	1.69
Bond Street Custodians Limited <Bkohn – V05589 A/C>	666,666	1.61
Aust Executor Trustees Ltd <Cyan C3G Fund>	500,000	1.20
Mrs Milly Elkington	494,830	1.19
Pinely Pty Ltd <Peer Family Super Fund A/C>	487,428	1.17
Fudosan Pty Ltd <Kingston Family A/C>	416,000	1.00
NCN Investments Pty Ltd <The Nathan Cher Family A/C>	367,666	0.89
Total for top 20	**31,097,441**	**74.91**
Total Other investor	10,416,439	25.09
Grand Total	**41,513,880**	**100.00**

(c) Substantial shareholders as per substantial shareholder advices held at 30 August 2017

Name	Number of Ordinary Shares to which Person Entitled
JM Financial Group Ltd	6,421,914
Boom Capital	4,214,083
Peter Jinks	4,732,500
Greg Jinks	4,732,500

(d) Securities subject to voluntary escrow

None

(e) Unquoted equity securities

None

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