

## 2011 Report to Shareholders

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### DIRECTORS

IAN P. ALEXANDER  
WILLIAM R. STOKES  
GORDON B. ELKINGTON  
DAVID G. M. WELSH  
MICHAEL COX

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### SECRETARY

GORDON B. ELKINGTON

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### AUDITOR

UHY HAINES NORTON

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### SOLICITORS

BLAKE DAWSON WALDRON  
AUGHTERSONS

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### REGISTERED OFFICE

24 PALMERSTON ROAD  
RINGWOOD, VICTORIA 3134  
TEL: (03) 9845 8300  
FAX: (03) 9874 1077  
WEB SITE: [www.stokes-us.com.au](http://www.stokes-us.com.au)  
EMAIL: [info@stokes-us.com.au](mailto:info@stokes-us.com.au)

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### SHARE REGISTRY

COMPUTERSHARE INVESTOR SERVICES PTY. LIMITED  
452 JOHNSTON STREET  
ABBOTSFORD, VICTORIA 3067  
G.P.O. BOX 2975  
MELBOURNE, VICTORIA 3001  
INVESTOR ENQUIRIES: 1300 850 505  
TEL: (03) 9415 4000  
FAX: (03) 9473 2500

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### AUSTRALIAN BUSINESS NUMBER

24 004 554 929

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## **Directors' Report**

Your directors present their report together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2011.

### **(a) 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.

*William R. Stokes, B. Comm., Age 67*

Mr. Stokes has been a director since 1967 and was the managing director from 1974 until 2004. He is also a director of Stokes (New Zealand) Limited and Stokes Investments Pty. Limited, a former director of The Australian Electrical and Electronics Manufacturers Association, and a former General Councillor of the Victorian Branch of the Australian Industry Group.

*Gordon B. Elkington, B.Sc., M.Sc., Ph.D., LL.M., Age 65*

Mr. Elkington has been a director and the company secretary since 2003. He trained in science, engineering and law at the University of Sydney. He is a barrister of the Supreme Court of New South Wales and a former senior lecturer in law at the University of Sydney. He is a director of each of Winpar Holdings Limited, Pritchard Equity Limited and Hamilton Securities Limited.

*David Welsh, Age 43*

Mr. Welsh was appointed as a director at the Annual general meeting 16 November 2007. He is a medical practitioner who has had considerable experience in the establishment of medical centres and other businesses.

*Ian Alexander, Age 57*

Mr. Alexander was appointed as a director at the Annual general meeting 16 November 2007. He is a Chartered Accountant who has had considerable business experience in manufacturing, distribution and transport.

### **(b) Stokes Mission**

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

- Satisfying the needs of customers through the provision of goods and services on a competitive and professional basis in its core business.
- Empowering our employees and rewarding good performance.
- Acting with integrity and honesty in dealings both inside and outside the company.

### **(c) Stokes Core Business**

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

### **(d) Short Term Strategy**

#### **Appliance Parts**

Continue to take steps to improve the effectiveness of the business unit by:

- Sourcing the products in the most economical manner whether by way of importing or by manufacturing where it adds value
- Investing in technology to improve the efficiency of the warehouse
- Seeking opportunities with other complimentary suppliers so as to offer a wider range of products within our distribution network. This will result in improved service and improved cost structure.

## **Directors' Report**

- Sourcing other products which are complimentary to the existing range being supplied to our customers.
- Being customer focused by developing relationships with customers along with developing a service culture.
- Continuing to focus on margin management.

### **Industrial (Stokes Synertec)**

Continue to service the existing customer base in the most effective manner and sourcing products either by way of importing from existing external manufacturers or by manufacturing internally.

### **Manufacturing**

- Continue to manufacture items where this adds value to the group.
- The relative importance of this activity is reducing and will continue to reduce with surplus resources being redeployed to other areas of the group.

### **Badges**

- Continue to maintain a service culture in meeting the needs of customers.
- Be innovative in meeting the changing needs of customers.

## **(e) Operating results**

The consolidated group made a loss of \$525,260 for the year ended 30 June 2011. (2010 profit of \$738,563). Sales for the year were \$15.2 million (2010: \$16.2 million).

The decline in the trading result for the year ended 30 June 2011 as compared to the previous corresponding period is attributable to a number of factors.

- Decline in sales but the rate of decline has been decreasing as the year progressed during the second half.
- Reduction in margins in relation to the volume product mix.
- Increase in labour costs as from 1 July 2010 following the wage freeze implemented during the 2010 financial year.
- Significant and material legal and other costs incurred associated with the company's trade mark and brand name.
- Costs associated with the increased investment in marketing and sales resources following the resignation of a major Stokes distributor in Victoria as from 1 January 2011.

## **(f) Future Expectations**

The Directors expect continued challenging trading conditions for 2012 financial year and this will be compounded following the resignation of a Stokes distributor in Victoria from 1 January 2011. Stokes management have been taking steps in recent months to:

- (i) Broaden the current customer base.
- (ii) Broaden the current product offering in regard to both branded and generic products.
- (iii) Improve customer service.
- (iv) Broaden the sourcing arrangements.
- (v) Increase resourcing in regard to customer representation.
- (vi) Pursue acquisition opportunities as they arise.

The results for the 2012 year will depend very much on the state of the economic conditions and consumer sentiment in the markets in which the company operates.

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

## Directors' Report

### (g) Debt and Capital Management

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

Debt and capital management is a focus of the Board and following its announcement on 9 August 2011 the Board has introduced a Share Purchase Plan which will allow shareholders to take up additional shares to a maximum value of \$10,000. The funds will be used as additional working capital and to take advantage of any opportunities as they arise.

### (h) Dividends

No dividends have been paid or are payable by Stokes (Australasia) Limited in respect of the year ended 30 June 2011 or the year ended 30 June 2010.

### (i) Significant events after balance date

On the 8<sup>th</sup> August 2011 the company arranged a variation to the General Business Factoring Agreement of 30<sup>th</sup> November 2009 with Oxford Funding Pty Ltd for a temporary increase to the advance rate from 80% to 90% until 29<sup>th</sup> February 2012. The subsidiary company, Edis Pty Ltd, provided a guarantee and indemnity as additional security to Oxford Funding Pty Ltd with all other terms and conditions remaining unchanged.

On the 31<sup>st</sup> August 2011 the directors resolved to proceed with a Share Purchase Plan which will allow shareholders to take up additional shares to a maximum value of \$10,000 at an issue price of \$0.20. The funds raised will be used as additional working capital and to take advantage of any opportunities as they arise.

There has not been any other matter or circumstance, other than as referred to in the financial statements, notes thereto, or elsewhere in this report, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### (j) Future developments and expected results

The company will continue to increase the focus on servicing our customers more effectively. Trading conditions continue to be challenging since balance date.

### (k) Directors' equity holdings

At the date of this report, directors had relevant interests in ordinary shares in Stokes (Australasia) Limited as follows:

Director	Shares held directly	Shares held indirectly	Total
William R. Stokes	795,226	383,932	1,179,158
Gordon B. Elkington	208,696	-	208,696
David Welsh	452,958	131,282	584,240
Ian Alexander	1,215,554	-	1,215,554

Winpar Holdings Limited, a public investment company of which Mr. Elkington is a director, holds 144,552 shares in Stokes (Australasia) Limited. Winpar Holdings Limited holds these shares beneficially.

Mrs. Milly Elkington, the wife of Mr. Elkington, holds 354,725 shares in Stokes (Australasia) Limited. Mrs. Elkington holds these shares beneficially.

None of the directors has any interest in options in Stokes (Australasia) Limited.

## Directors' Report

### (l) Directors' meetings

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

Director	Directors Meetings		Audit and Risk Management Committee Meetings	
	Held	Attended	Held	Attended
William R. Stokes	10	9	10	9
Gordon B. Elkington	10	10	10	10
David Welsh	10	10	10	10
Ian Alexander	10	10	10	10

### (m) Indemnification and insurance of officers and auditors

The constitution of the company provides that, to the extent permitted by the Corporations Act "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, Messrs. W. R. Stokes, G. B. Elkington, D. Welsh, I. Alexander, 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, other than as required by law.

### (n) Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars where indicated.

### (o) Auditor independence and non audit services

The directors have received a declaration from the auditor of Stokes (Australasia) Limited, UHY Haines Norton, which is included on page 52 of this report. UHY Haines Norton had provided tax compliance and other accounting services to the company. The directors are satisfied that the provision of those services was compatible with the general standard of independence for auditors imposed by the *Corporation Act 2001*. The nature and scope of the non-audit services provided was not such that auditor independence was compromised.

### (p) Staff

The Board appreciates the support it continues to have from the company's staff, and acknowledges with thanks the efforts they have all made to assist the company through a difficult period.

## Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for directors and executives of Stokes (Australasia) Limited.

### Remuneration philosophy

Non-executive directors waived directors fees from the date of the Annual General Meeting, 16 November 2007, given the condition of the company. It was resolved by the directors that directors fees could be paid from 01 December 2009, payable seven months in arrears with the first payment due 30 June 2010

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

### Employment contracts

Ron Drury's employment contract stated that three months notice of employment termination must be given by either party.

### Directors' and other officers' emoluments

2011	Short-term	Long-term	Post-employment	Total
	Salary and fees	Long service leave	Superannuation	2011
	\$	\$	\$	\$
William R. Stokes	25,000	-	2,046	27,046
Gordon B. Elkington	25,000	-	2,250	27,250
Ronald J. Drury	229,359	-	19,981	249,340
Ian Alexander	35,000	-	3,150	38,150
David Welsh	25,000	-	2,250	27,250
Total	339,359	-	29,677	369,036

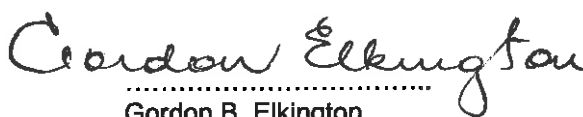
2010	Short-term	Long-term	Post-employment	Total
	Salary and fees	Long service leave	Superannuation	2010
	\$	\$	\$	\$
William R. Stokes	14,583	-	1,517	16,100
Gordon B. Elkington	14,583	-	1,313	15,896
Ronald J. Drury	201,831	-	18,165	219,996
Ian Alexander	20,417	-	1,838	22,255
David Welsh	14,583	-	1,313	15,896
Total	265,997	-	24,146	290,143

## Directors' Report

Signed on 31 August 2011 in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.



.....  
Ian Alexander  
Chairman



.....  
Gordon B. Elkington  
Director/Secretary



.....  
William Stokes  
Director



## **CORPORATE GOVERNANCE STATEMENT**

The Board of Directors of Stokes (Australasia) Limited ("Stokes" or "the Company") is responsible for the corporate governance of the economic entity. The Board guides and monitors the business and affairs of Stokes on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines and accountability as the basis for the administration of corporate governance.

### **CORPORATE GOVERNANCE DISCLOSURES**

The Board and management are committed to corporate governance and to the extent that they are applicable to the company have followed the "Principles of Good Corporate Governance and Best Practice Recommendations" issued by the Australian Stock Exchange ("ASX") Corporate Governance Council.

In summary, Stokes departs from the Guidelines in four (4) key areas:

- First, the majority of the Board is not deemed to be independent Directors. The current Board is comprised of one (1) independent Director out of a total of four (4) Directors. This is a departure from Recommendation 2.1;
- Second, Stokes does not have a separate Nomination Committee. This is a departure from Recommendation 2.4. The full Board attends to the matters normally attended to by a Nomination Committee;
- Third, Stokes does not have a separate Remuneration Committee. This is a departure from Recommendation 8.1. The full Board attends to the matters normally attended to by a Remuneration Committee. Remuneration levels are set by the company in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives; and
- Fourth, Stokes currently does not have a separate audit committee. This is a departure from Recommendation 4.1. The company is of a size and a level of current activity that enables the full Board to be able to attend to the matters normally attended to by the Audit Committee.

### **ROLE OF THE BOARD**

The key responsibilities of the Board include:

- appointing, evaluating, rewarding and if necessary the removal of senior management;
- development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the company;
- overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- satisfying itself that the financial statements of the company fairly and accurately set out the financial position and financial performance of the company for the period under review;
- satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately. Further, approving and monitoring financial and other reporting;
- assuring itself that appropriate audit arrangements are in place;
- ensuring that the company acts legally and responsibly on all matters and assuring itself that the company has adopted, and that the company's practice is consistent with, a number of guidelines, being:
  - Directors and Executive officers Code of Conduct;
  - Dealings in Securities; and
  - Reporting and Dealing with Unethical Practices.
- reporting to and advising shareholders.

## **CORPORATE GOVERNANCE STATEMENT**

### **STRUCTURE OF THE BOARD**

Directors of Stokes are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.

An independent director is a non-executive director (that is, is not a member of management) and:

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- within the last three years has not been employed in an executive capacity by the company or its subsidiaries, or been a director after ceasing to hold any such employment;
- is not a principal or employee of a professional advise to the company or its subsidiaries whose billings are a material amount of the adviser's total revenue;
- is not a significant supplier or customer of the company or its subsidiaries, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer. A significant supplier is defined as one whose revenues from the company are a material amount of the supplier's total revenue. A significant customer is one whose amounts payable to the company are a material amount of the customer's total operating costs;
- has no material contractual relationship with the company or its subsidiaries other than as a director of the company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

In accordance with the definition of independence above, the following directors of Stokes are considered to be independent:

<b>Name</b>	<b>Position</b>
Gordon Elkington	Non-Executive Director / Company Secretary

There are procedures in place, agreed by the Board, to enable the Directors in furtherance of their duties to seek independent professional advice at the company's expense.

The term in office held by each director is as follows:

<b>Name</b>	<b>Term</b>
Ian Alexander	No Contract
Gordon Elkington	No Contract
William Stokes	No Contract
David Welsh	No Contract

When a Board vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new director with particular skills, the full board will recommend a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

### *Remuneration and Nomination Committee*

The Board has not established a formal Remuneration or Nomination Committee. The full Board attends to the matters normally attended to by a Remuneration and a Nomination Committee. Remuneration levels are set by the company in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives.

## **CORPORATE GOVERNANCE STATEMENT**

### **STRUCTURE OF THE BOARD (continued)**

For full discussion of the company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period please refer to the Remuneration Report, which is contained within the Director's Report.

There is no scheme to provide retirement benefits to Non-Executive Directors other than superannuation as required by law.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves.

### *Audit and Risk Management Committee*

The board has not established an Audit and Risk Management Committee. The full Board attends to the matters normally attended to by such a Committee.

The Board acknowledges that when the size and nature of the company warrants an Audit and Risk Management Committee that the Committee will operate under a Charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of key performance indicators.

The Board will delegate responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Management Committee.

The company's policy is to appoint external auditors who clearly demonstrate independence. The performance of the external auditor is reviewed annually by the Board. The auditors have a policy of rotating the audit partner at least every 5 years.

### **RISK MANAGEMENT**

The Board recognises that the identification and management of risk, including calculated risk taking, is an essential part of creating long term shareholder value. The identification and management of risk by the Board will continue to be monitored. However, until such time as a business or project is acquired by the company, specific risks related to that business or project are currently unknown.

The company will undertake a comprehensive due diligence process, in consultation with its external legal and other advisors prior to making any acquisitions. The preparation of a comprehensive risk management matrix will be prepared once a suitable acquisition has been identified.

The equivalent of the CEO and CFO provide written assurance to the board on an annual basis that to the best of their knowledge and belief, the declaration provided by them in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

The assurances from the equivalent of the CEO and CFO can only be reasonable rather than absolute due to factors such as the need for judgement and possible weaknesses in control procedures.

Any material changes in the company's circumstances are released to the ASX and included on the company's website.

## CORPORATE GOVERNANCE STATEMENT

### BEST PRACTICE RECOMMENDATION

Outlined below are the 8 Essential Corporate Governance Principles as outlined by the ASX and the Corporate Governance Council. The company has complied with the Corporate Governance Best Practice Recommendations except as identified below:

Corporate Governance Policy	Action Taken and reasons if not adopted
<p><b>Lay solid foundation for management and oversight</b></p> <p>Principle 1: Recognise and publish the respective roles and responsibilities of the board and management</p> <p>1.1 Formalize and disclose the functions reserved to the board and those delegated to management</p> <p>1.2 Disclose the process for evaluating the performance of senior executives.</p> <p>1.3 Provide the information indicated in 'Guide to reporting on Principle 1'.</p>	<p>Adopted.</p> <p>The company's Corporate Governance Policies includes a Board Charter, which discloses the specific responsibilities of the Board</p> <p>The Board monitors the performance of senior management including measuring actual performance against planned performance.</p> <p>The company will provide details of any departures from Principle 1 in its Annual Report</p>
<p><b>Structure the board to add value</b></p> <p>Principle 2: Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties</p> <p>2.1 A majority of the Board should be independent.</p> <p>2.2 The chairperson should be an independent Director.</p> <p>2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual</p> <p>2.4 The board should establish a nomination committee.</p> <p>2.5 Disclose the process for evaluating the performance of the board, its committees and the individual directors.</p> <p>2.6 Provide the information indicated in 'Guide to Reporting on Principle 2'.</p>	<p>Adopted except as follows:</p> <p>Stokes does not comply with this recommendation as only one (1) of the four (4) Directors is independent. The other 3 directors have share holdings of more than 5%.</p> <p>The Chairperson is not an independent director of the company as the independent director is the company Secretary.</p> <p>The roles of the chairperson and chief executive officer are not exercised by the same individual.</p> <p>The company is not of a size to justify having a Nomination Committee. Matters typically dealt with by such a Committee are dealt with by the full Board.</p> <p>The Board has adopted a policy to assist of evaluating board performance.</p> <p>The company will provide details of any departures from principle 2 in its Annual Report.</p>

## CORPORATE GOVERNANCE STATEMENT

### BEST PRACTICE RECOMMENDATION (continued)

Corporate Governance Policy	Action Taken and reasons if not adopted
<p><b>Actively promote ethical and responsible decision-making</b></p> <p>Principle 3: Promote ethical and responsible decision - making</p> <p>3.1 Establish a code of conduct to disclose the code or a summary of the code as to:</p> <p>3.1.1 the practices necessary to maintain confidence in the company's integrity.</p> <p>3.1.2 the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders.</p> <p>3.1.3 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices.</p> <p>3.2 Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.</p> <p>3.3 Provide the information indicated in 'Guide to Reporting on Principle 3'</p>	<p>Adopted.</p> <p>The company's Corporate Governance Policies include a Directors' and Executive officer's Code of Conduct Policy, which provides a framework for decisions and actions in relation to ethical conduct in employment.</p> <p>The company's Corporate Governance Policies includes a Dealing in Securities Policy which provides comprehensive guidelines on trading in the company's securities.</p> <p>The company will provide details of any departures from principle 3 in its Annual Report.</p>
<p><b>Safeguard integrity in financial reporting</b></p> <p>Principle 4: Establish a structure to independently verify and safeguard integrity in financial reporting</p> <p>4.1 The Board should establish an audit committee.</p> <p>4.2 Structure the audit committee so that it consists of:</p> <ul style="list-style-type: none"> <li>• Only non-executive directors</li> <li>• A majority of independence directors</li> <li>• An independent chairperson who is not the chairperson on the Board</li> <li>• At least three members</li> </ul> <p>4.3 The audit committee should have a formal operating charter.</p> <p>4.4 Provide the information indicated in the 'Guide to reporting on Principle 4'.</p>	<p>Adopted except as follows:</p> <p>The company is not of a size to justify having a separate Audit and Risk Management Committee. However, matters typically dealt with by such a Committee are dealt with by the full Board.</p> <p>The Audit and Risk Management Committee will adopt a formal Charter.</p> <p>The company will provide details of any departures from principle 4 in its annual Report.</p>

**CORPORATE GOVERNANCE STATEMENT**

**BEST PRACTICE RECOMMENDATION (continued)**

Corporate Governance Policy	Action Taken and reasons if not adopted
<p><b>Promote timely and balanced disclosure</b></p> <p>Principle 5: Make timely and balance disclosure of all material matters concerning the company</p> <p>5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.</p> <p>5.2 Provide the information indicated in the 'Guide to reporting on Principle 5'.</p>	<p>Adopted.</p> <p>The company has a Continuous Disclosure Policy which is designed to ensure compliance with the ASX Listing Rules requirements on disclosure and to ensure accountability at a board level for compliance and factual presentation of the company's financial position.</p> <p>The company will provide details of any departures from Principle 5 in its Annual Report.</p>
<p><b>Respect the rights of shareholders</b></p> <p>Principle 6: Respect the rights of shareholders and facilitate the effective exercise of those rights</p> <p>6.1 Design and disclose a communications policy to promote effective communication with shareholders and encourage effective participation at general meetings and disclose the policy or a summary of the policy.</p> <p>6.2 Provide the information indicated in the 'Guide to reporting on Principle 6'.</p>	<p>Adopted.</p> <p>The company's Corporate Governance Policies includes a Shareholder Communications Policy which aims to ensure that the shareholders are informed of all material developments affecting the company's state of affairs.</p> <p>The company will provide details of any departures from Principle 6 in its Annual Report</p>
<p><b>Recognise and manage risk</b></p> <p>Principle 7: Establish a sound system of risk oversight and management and internal control</p> <p>7.1 The Board or appropriate Board committee should establish policies on risk oversight and management.</p>	<p>Adopted.</p> <p>The company's Corporate Governance Policies includes a Risk Management Policy which aims to ensure that all material business risks are identified and mitigated. The Board identifies the company's 'risk profile' and is responsible for overseeing and approving risk management strategies and policies, internal compliance and internal controls.</p>

**CORPORATE GOVERNANCE STATEMENT**

**BEST PRACTICE RECOMMENDATION (continued)**

Corporate Governance Policy	Action Taken and reasons if not adopted
<p>7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.</p> <p>7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks.</p> <p>7.4 Provide the information indicated in the 'Guide to reporting on Principle 7'.</p>	<p>The Board requires that the CEO designs and implements continuous risk management and internal control systems and provides reports at relevant times.</p> <p>The board seeks, at the appropriate times, these relevant assurances from the individuals appointed to perform the role of Chief Executive Officer and the Chief Financial Officer.</p> <p>The company will provide details of any departures from Principle 7 in its Annual Report</p>
<p><b>Remuneration fairly and responsibly</b></p> <p>Principle 8: Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined</p> <p>8.1 The board should establish a remuneration committee.</p> <p>8.2 Clearly distinguishes the structure of non-executive director's remuneration from that of executives.</p> <p>8.3 Provide the information indicated in the 'Guide to reporting on Principle 8'.</p>	<p>Adopted except as follows:</p> <p>The company is not of a size to justify having a separate Remuneration Committee. However, matters typically dealt with by such committee are dealt with by the full Board.</p> <p>The board 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 fixed sum by a general meeting of shareholders.</p> <p>The board is responsible for determining the remuneration of any Director or senior executive, without the participation of the affected Director</p> <p>The company will provide details of any departures from Principle 8 in its Annual Report</p>

## Statement of Comprehensive Income

Year ended 30 June 2011

	Note	CONSOLIDATED	
		2011 \$	2010 \$
Sales revenue (sale of goods)	3(a)	15,194,985	16,225,484
Cost of sales		<u>(9,786,801)</u>	<u>(9,981,441)</u>
<b>Gross Profit</b>		<b>5,408,184</b>	<b>6,244,043</b>
Other income	3(b),(c)	62,243	41,931
Distribution expenses		(1,136,451)	(1,205,853)
Selling expenses		(2,014,850)	(1,764,280)
Occupancy expenses		(631,471)	(575,702)
Administration expenses		(2,145,670)	(1,826,917)
Finance costs	3(d)	<u>(67,245)</u>	<u>(143,222)</u>
<b>Profit / (Loss) Before Income Tax</b>		<b>(525,260)</b>	<b>770,000</b>
Income tax expense	5	<u>-</u>	<u>(31,437)</u>
<b>Profit / (Loss) for the year</b>		<b><u>(525,260)</u></b>	<b><u>738,563</u></b>
Other Comprehensive Income		-	-
Other Comprehensive Income for the year net of tax		<u>-</u>	<u>-</u>
<b>Total Comprehensive Income for the year</b>		<b><u>(525,260)</u></b>	<b><u>738,563</u></b>
<b>Profit / (Loss) Attributable to: Members of the Parent Entity</b>	18	<b>(525,260)</b>	<b>738,563</b>
<b>Non – Controlling Interest</b>		<u>-</u>	<u>-</u>
		<b><u>(525,260)</u></b>	<b><u>738,563</u></b>
		<b>Cents per share</b>	<b>Cents per share</b>
Basic earnings per share (cents per share)	19	<b>(7.3)</b>	<b>10.2</b>

Notes to the financial statements are included on pages 18 to 48



**Statement of Financial Position**

As at 30 June 2011

		CONSOLIDATED	
	Note	2011	2010
<b>Current Assets</b>			
Cash and cash equivalents	24 (a)	199,255	461,322
Trade and other receivables	6	2,062,221	2,087,613
Inventories	7	3,788,378	3,207,283
Other assets	8	35,118	52,666
<b>Total Current Assets</b>		<b>6,084,972</b>	<b>5,808,884</b>
<b>Non-Current Assets</b>			
Intangible Assets	9	25,001	25,001
Plant and equipment	10	226,788	299,615
<b>Total Non-Current Assets</b>		<b>251,789</b>	<b>324,616</b>
<b>Total Assets</b>		<b>6,336,761</b>	<b>6,133,500</b>
<b>Current Liabilities</b>			
Trade and other payables	11	1,500,965	1,370,790
Borrowings	12	916,534	400,064
Current tax liabilities	13	-	31,437
Provisions	14	919,139	827,039
<b>Total Current Liabilities</b>		<b>3,336,638</b>	<b>2,629,330</b>
<b>Non-Current Liabilities</b>			
Provisions	15	72,677	51,464
<b>Total Non-Current Liabilities</b>		<b>72,677</b>	<b>51,464</b>
<b>Total Liabilities</b>		<b>3,409,315</b>	<b>2,680,794</b>
<b>Net Assets</b>		<b>2,927,446</b>	<b>3,452,706</b>
<b>Equity</b>			
Contributed equity	17	6,208,884	6,208,884
Accumulated profits/(losses)	18	(3,281,438)	(2,756,178)
Parent entity interest		2,927,446	3,452,706
Non-Controlling interest		-	-
<b>Total Equity</b>		<b>2,927,446</b>	<b>3,452,706</b>

Notes to the financial statements are included on pages 18 to 48

**Statement of Cash Flows**

For the Year ended 30 June 2011

	Note	CONSOLIDATED	
		2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		18,250,335	19,787,681
Payments to suppliers and employees		(18,905,782)	(18,456,535)
Interest received		7,438	6,123
Finance costs		(67,245)	(143,222)
Income Tax Paid		(31,436)	-
Net cash provided by/(used in) operating activities	24(d)	(746,690)	1,194,047
<b>Cash flows from investing activities</b>			
Payment for subsidiary net of cash acquired	24(c)	-	(175,000)
Payment for property, plant and equipment	10	(31,846)	(64,486)
Proceeds from sale of property, plant and equipment		-	2,277
Net cash provided by/(used in) investing activities		(31,846)	(237,209)
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		-	144,338
Dividend paid		-	-
Finance Lease Payments		(7,913)	(20,857)
Proceeds from / (Repayment) of borrowing – related parties		-	(80,464)
Proceeds from / (Repayment) of borrowings		524,382	(737,387)
Net cash provided by/(used in) financing activities		516,479	(694,370)
Net increase/(decrease) in cash held		(262,067)	262,468
Cash and cash equivalents at the beginning of the financial year		461,322	198,854
<b>Cash and cash equivalents at the end of the financial year</b>	24(a)	199,255	461,322

Notes to the financial statements are included on pages 18 to 48

## Statement of Changes in Equity

YEAR ENDED 30 JUNE 2010

Attributable to equity holders of the parent				Non-Controlling Interest	Total equity
	Contributed Equity \$	Accumulated Losses \$	Total \$	\$	\$
<b>CONSOLIDATED</b>					
<b>At 1 July 2009</b>	6,064,546	(3,493,265)	2,571,281	148,524	2,719,805
Profit/(Loss) for the year	-	738,563	738,563	-	738,563
Total other comprehensive income for the year	-	-	-	-	-
Non Controlling Interests acquired	-	(1,476)	(1,476)	(148,524)	(150,000)
Shares issued during the year	144,338	-	144,338	-	144,338
<b>At 30 June 2010</b>	<b>6,208,884</b>	<b>(2,756,178)</b>	<b>3,452,706</b>	<b>-</b>	<b>3,452,706</b>

YEAR ENDED 30 JUNE 2011

Attributable to equity holders of the parent				Non-Controlling Interest	Total equity
	Contributed Equity \$	Accumulated Losses \$	Total \$	\$	\$
<b>CONSOLIDATED</b>					
<b>At 1 July 2010</b>	6,208,884	(2,756,178)	3,452,706	-	3,452,706
Profit/(Loss) for the year	-	(525,260)	(525,260)	-	(525,260)
Total other comprehensive income for the year	-	-	-	-	-
Non Controlling Interests acquired	-	-	-	-	-
<b>At 30 June 2011</b>	<b>6,208,884</b>	<b>(3,281,438)</b>	<b>2,927,446</b>		<b>2,927,446</b>

Notes to the financial statements are included on pages 18 to 48

## Notes to the year end financial statements 30 June 2011

### 1 Corporate information

The financial report of Stokes (Australasia) Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 30 August 2011.

Stokes (Australasia) Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The principal activities of the consolidated entity were the merchandising and distribution of appliance spare parts, badges and medallions, electrical switches and controls, and the manufacture of electric elements and metal components.

These consolidated financial statements and notes represent those of Stokes (Australasia) Limited and controlled entities.

The separate financial statements of the parent entity, Stokes (Australasia) Limited have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001 effective as at 28 June 2010.

### 2 Summary of significant accounting policies

#### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards, Australian Accounting Interpretations, Other authoritative pronouncements of the Australian Accounting Standards Board. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied under otherwise stated. The financial report has also been prepared on an accruals basis and is based on historical costs. The financial report is presented in Australian dollars, which is the parent entity's functional and presentation currency.

#### (b) Basis of consolidation

##### Business combinations

##### Change in accounting policy

The Group has adopted revised AASB 3 *Business Combinations* and amended AASB 127 *Consolidated and Separate Financial Statements* for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

The Group has applied the acquisition method for the business combination disclosed in note 24 (c).

The consolidated financial statements comprise the financial statements of Stokes (Australasia) Limited and its subsidiaries, Stokes Investments Pty Ltd and Edis Pty Ltd ("the Group") as at 30 June 2011. Edis Pty Limited was acquired in June 2009. A controlled entity is any entity over which Stokes (Australasia) Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent entity owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential of voting rights are also considered.

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

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

Subsidiaries are fully consolidated from the date at which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. In the parent company's financial statements, investments are carried at cost.

## Notes to the year end financial statements (continued)

### (c) Going concern basis of accounting

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

The Group's forward budget and cash flow projections are based on projected increases in sales over the levels achieved in 2011. The projections envisage the combined effects of increasing customer numbers, price increases and revisions to product ranges will result in an increase in turnover in excess of 10%. The ability of the Group to generate cash flow from operating activities, maintain debt levels and continue as a going concern is dependent on realisation of these projections and the management of other cash flows within the Group's funding facilities.

The Group continues to have the support of its financier. The directors have reviewed and approved the Group's forward budget and cash flow projections

The directors believe that the group will continue as a going concern and consequently will realise assets and settle liabilities and commitments in the ordinary course of business and at the amounts stated in the financial report.

### (d) Financial Instruments

#### Recognition and initial measurement

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

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately

#### Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- d. less any reduction for impairment

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

## Notes to the year end financial statements (continued)

### (d) Financial Instruments (continued)

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

#### i. Loans and receivables

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

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

#### ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. All other financial assets are classified as current assets

#### iii. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdraft and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

#### Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

#### Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

#### De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### (e) Segment reporting

#### Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. The accounting policy in respect of segment operating disclosures is in accordance with the adoptive of IFRS8 Operating Segments and is presented as follows:

## Notes to the year end financial statements (continued)

### (f) Segment reporting (continued)

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire plant and equipment and intangible assets other than goodwill.

### (g) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

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 amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

#### *Impairment*

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount is the higher of an assets fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

#### *Disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

### (h) Finance costs

Finance costs are recognised as an expense when incurred.

## Notes to the year end financial statements (continued)

### (i) Investment

The investment in subsidiary is carried at cost.

### (j) Inventories

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

Costs incurred in bringing each product to its present location and condition 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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### (k) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off as incurred.

### (l) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position 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.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

### (m) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### (n) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Refer to note 23 for related party disclosures.



## Notes to the year end financial statements (continued)

### (o) Provisions and employee leave benefits

#### *Employee leave benefits*

##### (i) *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

##### (ii) *Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### (p) Leases

The determination of whether an arrangement contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

### (q) Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### *Sale of goods*

Revenue 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 passed to the buyer at the time of delivery of the goods to the customer.

#### *Interest revenue*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Dividends*

Revenue is recognised when the Group's right to receive the payment is established.

## Notes to the year end financial statements (continued)

### (r) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### Tax consolidation

Stokes (Australasia) Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from the unused tax losses and tax credits in the company are immediately transferred to the head entity. The Group has notified the Australian Taxation Office that it has formed an income tax consolidated group to apply from 30 November 2009, the date on which Edis Pty Limited became a wholly owned subsidiary. The tax consolidated group is to enter into a tax-funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the

## Notes to the year end financial statements (continued)

### (r) Income tax (continued)

Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are to be recognised as either a contribution by, or distribution to, the head entity.

### (s) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (u) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

The company does not have any dilutive equity instruments.

### (v) Significant accounting judgements, estimates and assumptions

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:

#### *Long service leave*

As discussed in note 2(p), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

#### *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 10.

## Notes to the year end financial statements (continued)

### (v) Significant accounting judgements, estimates and assumptions (continued)

#### *Change In Accounting Policy*

The Group changed its accounting policy in relation to the measurement of inventories for the financial year ended 30 June 2011. Inventories were previously recognised by the Group on the basis that a provision for inventory obsolescence was determined to occur on 100% of those items of inventory in excess of 12 months expected sales based on current sales trends.

The Group has now determined that the provision for inventory obsolescence is to be based on items of inventory in excess of 12 months expected current sales trends at the following percentages:

Inventory in excess of:

1 year and less than 2 years	nil
2 years and less than 3 years	25%
3 years and less than 4 years	50%
4 years and over	100%

This change has been implemented as management and the Board are of the opinion that this basis of measurement more accurately recognises the carrying value of inventories. The aggregate effect of the change in accounting policy on the annual report for the year ended 30 June 2011 was to increase the inventory carrying value and the result for the year by \$118,869.

### (w) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group is as follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- 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 other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

## Notes to the year end financial statements (continued)

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a “related party” to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

- AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific “RDR” disclosures.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

- AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB’s annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity’s first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity’s exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

- AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

## Notes to the year end financial statements (continued)

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets. This Standard is not expected to impact the Group.

- AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

- AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

- AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

This Standard is not expected to impact the Group.

Notes to the year end financial statements (continued)

	CONSOLIDATED	
	2011 \$	2010 \$
<b>3. INCOME AND EXPENSES</b>		
<b>(a) Sales revenue</b>		
Sales revenue – sale of goods	15,214,379	16,217,258
Provision for Bad & Doubtful Debts	(19,394)	8,226
<b>Total</b>	<b>15,194,985</b>	<b>16,225,484</b>
<b>(b) Other Revenue</b>		
Interest revenue	7,438	6,723
<b>Total other revenue</b>	<b>7,438</b>	<b>6,723</b>
<b>(c) Other Income</b>		
Net foreign exchange gain/(loss)	15,351	(16,325)
Sundry income	39,454	57,313
Net (loss) / gain on disposal of assets: -Non-current plant and machinery	-	(5,780)
<b>Total other income</b>	<b>54,805</b>	<b>35,208</b>
<b>Total other revenue &amp; income</b>	<b>62,243</b>	<b>41,931</b>
<b>(d) Expenses</b>		
Finance Costs:		
Interest - other entities	66,696	140,546
Finance leases - Finance charges	549	2,676
	<b>67,245</b>	<b>143,222</b>
Depreciation and amortisation of non-current assets:		
Plant and equipment	99,689	133,618
Leased plant and equipment	4,984	12,499
	<b>104,673</b>	<b>146,117</b>

Notes to the year end financial statements (continued)

	CONSOLIDATED	
	2011	2010
	\$	\$
<b>3. INCOME AND EXPENSES (continued)</b>		
<b>(d) Expenses (continued)</b>		
Net bad and doubtful debts	(19,394)	8,226
Inventory		
-Write-downs and other losses	(76,465)	(423,243)
Operating lease rental expenses	589,356	553,586
<b>(e) Employee Benefits</b>		
Wages and salaries	3,254,582	3,036,139
Superannuation	420,419	364,538

**4. KEY MANAGEMENT PERSONNEL DISCLOSURES**

**(a) Details of Key Management Personnel**

*(i) Directors*

G. B. Elkington	Director (non-executive) and Company Secretary
W. R. Stokes	Director (non-executive)
I. Alexander	Director (non-executive)
D. Welsh	Director (non-executive)

*(ii) Other*

R. J. Drury	Chief Executive Officer
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**(b) Remuneration by Category: Key Management Personnel**

	CONSOLIDATED	
	2011	2010
	\$	\$
Short-term employee benefits	339,359	265,997
Long-term employee benefits	-	-
Post-employment Employee benefits	26,677	24,146
<b>Total</b>	<b>369,036</b>	<b>290,143</b>

Stokes (Australasia) Limited has applied the option under *Corporations Amendments Regulation 2006* to transfer key management personnel remuneration disclosures required by *AASB 124 Related Party Disclosures* paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' report. These transferred disclosures have been audited.



Notes to the year end financial statements (continued)

4. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(c) Key Management Personnel Equity Holdings

As at 30 June 2011, the key management personnel had relevant interests in the following number of ordinary shares in Stokes (Australasia) Limited:

NAME	DIRECTLY OWNED	OTHER	TOTAL
William R. Stokes	795,226	383,932	1,179,158
Gordon B. Elkington	208,696	-	208,696
David Welsh	452,958	131,282	584,240
Ian Alexander	1,215,554	-	1,215,554

During the financial year no ordinary shares were redeemed, exercised or bought back from key management personnel.

(d) Transactions with Key Management Personnel

During the year there were no transactions with any key management personnel.

	CONSOLIDATED	
	2011	2010
	\$	\$

5. INCOME TAX

(a) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010:30%)

Accounting profit before income tax	<u>(525,260)</u>	<u>770,000</u>
Income tax expense calculated at 30%	(157,578)	231,000
Temporary differences and tax losses not brought to account as future income tax benefits (Note 5(b))	(157,578)	(199,563)
	<u>-</u>	<u>31,437</u>

(b) The following deferred tax assets have not been recognised as recovery is not considered probable:

Attributable to temporary differences	471,121	440,884
Attributable to tax losses	1,959,467	1,865,611
	<u>2,430,588</u>	<u>2,233,165</u>

(c) The major components of income tax expense are:

Current income tax expense	-	31,437
Temporary differences	-	-
Income tax expenses reported in the statement of comprehensive income	<u>-</u>	<u>31,437</u>

Notes to the year end financial statements (continued)

	CONSOLIDATED	
	2011 \$	2010 \$
<b>6. CURRENT TRADE AND OTHER RECEIVABLES</b>		
Trade debtors	2,107,420	2,122,238
Less: Provision for doubtful debts	(13,074)	(4,202)
Less: Allowance for credit claims	(32,125)	(30,423)
	2,062,221	2,087,613
<b>7. CURRENT INVENTORIES</b>		
Net Realisable value		
Raw materials	602,440	524,210
Work in progress	217,036	216,861
Finished goods	2,968,902	2,466,212
	3,788,378	3,207,283
At lower of cost and net realisable value		
<b>8. OTHER</b>		
Prepayments	35,118	52,666
<b>9. INTANGIBLE ASSETS</b>		
-Goodwill - at cost	25,001	25,001

Notes to the year end financial statements (continued)

10. PROPERTY, PLANT & EQUIPMENT

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

	CONSOLIDATED		TOTAL \$
	Plant and Equipment	Leased Equipment	
<b>Year ended 30 June 2011</b>			
Cost as at 1 July 2010	4,831,853	33,709	4,865,562
Additions	31,846	-	31,846
Disposals	-	-	-
Transfer	33,709	(33,709)	-
Balance as at 30 June 2011	4,897,408	-	4,897,408
<b>Accumulated Depreciation</b>			
Balance as at 1 July 2010	(4,543,964)	(21,983)	(4,565,947)
Depreciation expense	(99,689)	(4,984)	(104,673)
Disposals	-	-	-
Transfers	(26,967)	26,967	-
Balance as at 30 June 2011	(4,670,620)	-	(4,670,620)
Net carrying value as at 30 June 2011	226,788	-	226,788

	CONSOLIDATED		TOTAL \$
	Plant and Equipment	Leased Equipment	
<b>Year ended 30 June 2010</b>			
Cost as at 1 July 2009	4,720,369	89,809	4,810,178
Additions	64,486	-	64,486
Disposals	(9,102)	-	(9,102)
Transfer	56,100	(56,100)	-
Balance as at 30 June 2010	4,831,853	33,709	4,865,562
<b>Accumulated Depreciation</b>			
Balance as at 1 July 2009	(4,379,334)	(41,541)	(4,420,875)
Depreciation expense	(133,618)	(12,499)	(146,117)
Disposals	1,045	-	1,045
Transfers	(32,057)	32,057	-
Balance as at 30 June 2010	(4,543,964)	(21,983)	(4,565,947)
Net carrying value as at 30 June 2010	287,889	11,726	299,615

**Notes to the year end financial statements (continued)**

**10. PROPERTY, PLANT & EQUIPMENT (Continued)**

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in Note 3(d) to the financial statements.

Assumptions made in respect to recoverable amount

The recoverable amount is the higher of an assets fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

	CONSOLIDATED	
2011	2010	
\$		\$

**11. CURRENT TRADE AND OTHER PAYABLES**

Trade payables	1,374,598	1,111,738
Accruals	78,019	189,464
Goods and services tax (GST)	48,348	69,588
	<b>1,500,965</b>	<b>1,370,790</b>

**(a) Trade payables:**

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

**12. CURRENT BORROWINGS**

**Secured:**

Finance lease liability (ii) – (Note 16)	-	7,912
Bank and other loans (i) - (Note 24 (b))	916,534	392,152
	<b>916,534</b>	<b>400,064</b>

(i) Secured by a fixed and floating charge over first registered Stokes (Australasia) Limited and Stokes Investments Pty Ltd.

(ii) Effectively secured by the assets leased.

**13. CURRENT TAX LIABILITIES**

Income tax payable	-	31,437

**14. CURRENT PROVISIONS**

Employee benefits	919,139	827,039
	<b>919,139</b>	<b>827,039</b>

**Notes to the year end financial statements (continued)**

	CONSOLIDATED	
	2011	2010
	\$	\$
<b>15. NON-CURRENT PROVISIONS</b>		
Employee benefits	<u>72,677</u>	<u>51,464</u>
<b>16. FINANCE LEASE LIABILITIES</b>		
<b>Finance lease commitments:</b>		
Not later than one year	-	8,655
Later than one year and not later than two years	-	-
Later than two years and not later than five years	-	-
Minimum finance lease payments	-	8,655
<i>Deduct:</i> Future finance charges	-	(743)
<b>Finance lease liabilities</b>	<u>7,912</u>	<u>7,912</u>
Included in the financial statements as:		
Interest-Bearing Loan and Borrowings		
Current (Note 12)	-	7,912
	<u>-</u>	<u>7,912</u>
<b>17. CONTRIBUTED EQUITY</b>		
7,239,177 ordinary shares (2010: 7,239,177)	<b>6,208,884</b>	6,208,884
<b>Fully Paid Ordinary Shares</b>		
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.		
<b>18. ACCUMULATED PROFITS/(LOSSES)</b>		
Balance at beginning of year	(2,756,178)	(3,493,265)
Non-Controlling interest acquired	-	(1,476)
Net Profit / (Loss)	<u>(525,260)</u>	738,563
Balance at end of year	<u>(3,281,438)</u>	<u>(2,756,178)</u>

Notes to the year end financial statements (continued)

	CONSOLIDATED	
19. EARNINGS PER SHARE	2011	2010
	Cents	Cents
Basic earnings per share (cents per share)	(7.3)	10.2
Diluted earnings per share (cents per share)	(7.3)	10.2
Earnings used in the calculation of basic earnings per share		
Profit/(Loss)	(525,260)	738,563
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	7,239,177	7,239,177
Diluted earnings per share is not applicable because the company has no potentially dilutive ordinary shares outstanding.		
20. PARENT ENTITY DISCLOSURE	2011	2010
The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with the Accounting Standards	\$	\$
Statement of Financial Position		
a. Current assets	4,724,909	5,029,785
b. Total assets	7,358,288	7,633,222
c. Current liabilities	2,116,181	2,023,827
d. Total liabilities	3,098,945	4,462,282
e. Shareholders Equity		
i) Issued Capital	6,208,884	6,208,884
ii) Accumulated losses	(3,595,243)	(2,940,126)
Statement of Comprehensive Income		
f. Net profit / (Loss)	(655,117)	551,141
g. Total comprehensive income	(655,117)	551,141
Guarantees		
h. Guarantees provided by parent entity in relation to the debts of the subsidiaries	-	-
Contingent liabilities		
i. Contingent commitments for the acquisition of property, plant and equipment	-	-

Notes to the year end financial statements (continued)

	CONSOLIDATED	
	2011 \$	2010 \$
<b>21. COMMITMENTS FOR EXPENDITURE</b>		
<b>Operating lease commitments:</b>		
Non-cancellable operating leases		
Property: (i)		
Not later than one year	583,362	533,815
Later than one year but not later than two years	389,649	540,999
Later than two years but not later than five years	<u>20,938</u>	<u>894,000</u>
	<u>993,949</u>	<u>1,968,814</u>
Plant and equipment: (ii)		
Not later than one year	37,774	35,226
Later than one year but not later than two years	20,707	19,544
Later than two years but not later than five years	<u>17,256</u>	<u>16,287</u>
	<u>75,737</u>	<u>71,057</u>
	<u>1,069,686</u>	<u>2,039,871</u>

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.

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

Notes to the year end financial statements (continued)

22. CONTROLLED ENTITIES

Name of Company	Country of Incorporation	Investment		Ownership %	
		2011	2010	2011	2010
Parent Entity - Stokes (Australasia) Limited	Australia (Vic.)				
Controlled Entities –					
Stokes Investments Pty. Limited (1)	Australia (Vic.)	2,000,000	2,000,000	100	100
Edis Pty Limited (2)	Australia (NSW.)	425,010	425,010	100	100

(1) This controlled entity was dormant during the financial year.

(2) This controlled entity carries out business in Australia 62.5% was acquired in June 2009 with the balance being acquired during the year ended 30 June 2010.

23. OTHER RELATED PARTY INFORMATION

(a) Ownership interests in related parties

The parent entity's interest in controlled entities is shown in Note 22.

(b) Transactions with controlled entities

(i) The amount payable to Stokes Investments Pty Ltd.

(ii) A management fee of \$363,996 (2010: \$364,059) was payable to the parent entity by Edis Pty Limited.

(c) Stokes (Australasia) Limited is the ultimate parent entity in the consolidated entity.



Notes to the year end financial statements (continued)

	CONSOLIDATED	
	2011	2010
	\$	\$
<b>24. STATEMENT OF CASH FLOWS</b>		
(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:		
Cash in hand	2,448	9,768
Cash at bank	126,034	373,708
Deposits	70,773	77,846
	<u>199,255</u>	<u>461,322</u>
(b) Financing Facilities		
(i) Available at the end of the financial year		
Bank and other loans (ii)	2,500,000	2,500,000
(ii) Overdraft	-	-
	<u>2,500,000</u>	<u>2,500,000</u>
Facilities in use at the end of the financial year (i)		
Bank and other loans	916,534	392,152
Overdraft	-	-
	<u>916,534</u>	<u>392,152</u>
(i) At the date of this report, the financier continues to provide financing facilities.		
(ii) The amount which is able to be used for the facility in general terms is 80% of Accounts Receivable, less ineligibles such as Debtors 90 days & over. Subsequent to balance date this advance rate was increased to 90%. Refer Note 28.		
(iii) Facilities are all secured and subject to periodic review (note 12).		
(c) Acquisition of Subsidiary		
During the year ended 30 June 2010 the group acquired the remaining issued share capital of Edis Pty Ltd. Total purchase consideration consisting of cash consideration	-	175,000
The value of assets and liabilities held at acquisition:		
Receivables	-	227,440
Inventories	-	372,137
Property, plant and equipment	-	34,539
Other assets	-	54,242
Payables	-	(222,496)
Staff leave entitlements	-	(67,074)
	<u>-</u>	<u>398,788</u>
Fair value of previously held interest in Subsidiary	-	279,000
	<u>-</u>	<u>119,788</u>
Goodwill / (Discount) on consolidation	-	55,212
Minority interests in acquisition	-	-
	<u>-</u>	<u>175,000</u>

Notes to the year end financial statements (continued)

24. STATEMENT OF CASH FLOWS (continued)

	CONSOLIDATED	
	2011	2010
	\$	\$
(d) Reconciliation of net cash provided by operating activities to net profit after income tax.		
Net profit / (Loss) after income tax	(525,260)	738,563
Profit on disposal of non-current assets	-	5,780
Depreciation and amortisation of non-current assets	104,673	146,117
Inventory Provisions	(76,465)	(423,243)
Change in net assets and liabilities		
(Increase)/decrease in assets:		
Current receivables	25,392	296,447
Current inventories	(504,630)	230,961
Other current assets	17,548	102,944
Increase/(decrease) in liabilities:		
Current trade payables	130,175	149,796
Current tax liability	(31,436)	31,437
Provisions	113,313	(84,755)
Net cash provided by/(used in) operating activities	(746,690)	1,194,047

## Notes to the year end financial statements (continued)

### 25. FINANCIAL INSTRUMENTS

(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 (2010: Nil).

*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.

*Liquidity risk*

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases and managing Credit risk related to Financial assets.

*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 demonstrates that there is not likely to be a material impact on the current or future year results and equity which could result from a change in these risks.

**Notes to the year end financial statements (continued)**

**25. FINANCIAL INSTRUMENTS (continued)**

(c) Financial Risk Management

*Financial Liability and Financial Asset Maturity Analysis*

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Consolidated Group	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial liabilities due for payment</b>								
Bank loans	(916,534)	(392,152)	-	-	-	-	(916,534)	(392,152)
Trade and other payables	(1,374,598)	(1,111,738)	-	-	-	-	(1,374,598)	(1,111,738)
Accruals	(78,019)	(189,465)	-	-	-	-	(78,019)	(189,465)
Finance lease liability	-	(7,912)	-	-	-	-	-	(7,912)
Total contractual outflows	(2,369,151)	(1,701,267)	-	-	-	-	(2,369,151)	(1,701,267)
<b>Financial assets — cash flows realisable</b>								
Cash and cash equivalents	199,255	454,249	-	7,073	-	-	199,255	461,322
Trade, term and loans receivables	2,107,420	2,122,238	-	-	-	-	2,107,420	2,122,238
Total anticipated inflows	2,306,675	2,576,487	-	7,073	-	-	2,306,675	2,583,560
Net (outflow)/inflow on financial instruments	(62,476)	875,220	-	7,073	-	-	(62,476)	882,293

Notes to the year end financial statements (continued)

(d) Interest Rate Risk

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2011:

	Weighted average interest rate	Variable interest rate	CONSOLIDATED Fixed Interest Rate Maturity		Non-interest bearing	Total
			Less than 1 year	2 to 5 years		
	%					\$
<b>Year ended 30 June 2011</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	2.45	130,482	68,773	-	-	199,255
Current receivables		-	-	-	2,107,420	2,107,420
		<u>130,482</u>	<u>68,773</u>	<u>-</u>	<u>2,107,420</u>	<u>2,306,675</u>
<b>Financial Liabilities</b>						
Trade and other payables		-	-	-	1,374,598	1,374,598
Accruals		-	-	-	78,019	78,019
Bank and other loans - Interest rate payable to Oxford Funding	10.05	916,534	-	-	-	916,534
		<u>916,534</u>	<u>-</u>	<u>-</u>	<u>1,452,617</u>	<u>2,369,151</u>
Net Financial Asset / (Liabilities)		<u>(786,052)</u>	<u>68,773</u>	<u>-</u>	<u>654,803</u>	<u>(62,476)</u>
<b>Year ended 30 June 2010</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	2.45	373,703	68,778	7,073	11,768	461,322
Current receivables	-	-	-	-	2,122,238	2,122,238
		<u>373,703</u>	<u>68,778</u>	<u>7,073</u>	<u>2,134,006</u>	<u>2,583,560</u>
<b>Financial Liabilities</b>						
Trade and other payables		-	-	-	1,111,738	1,111,738
Accruals		-	-	-	189,465	189,465
Bank and other loans - Interest rate payable to Oxford Funding	10.05	392,152	-	-	-	392,152
Finance lease liability	7.3	-	7,912	-	-	7,912
		<u>392,152</u>	<u>7,912</u>	<u>-</u>	<u>1,301,203</u>	<u>1,701,267</u>
Net Financial Asset / (Liabilities)		<u>(18,449)</u>	<u>60,866</u>	<u>7,073</u>	<u>832,803</u>	<u>882,293</u>

## Notes to the year end financial statements (continued)

### 25. FINANCIAL INSTRUMENTS (continued)

#### (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.

### 26. REMUNERATION OF AUDITORS

	2011 \$	CONSOLIDATED 2010 \$
<i>Auditors of the Parent Entity and Group entities Amounts received or due and receivable by auditors for:</i>		
Audit or review of the financial report of the entity	73,500	70,000
Tax compliance & other services	19,900	25,150
	<u>93,400</u>	<u>95,150</u>

### 27. CONTINGENT ASSETS AND LIABILITIES

#### Contingent Liabilities

The directors are not aware of any contingent liabilities as at 30 June 2011.

#### Contingent Assets

##### *Infringement of Trademark*

Stokes (Australasia) Ltd has instigated litigation against a distributor for infringing various patents and further matters. The information usually required by Accounting Standard AASB 137 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of this litigation. The directors are of the opinion that the claim can be successfully proven.

The directors are not aware of any other contingent assets or any contingent liabilities as at 30 June 2011 (2010: nil).

### 28. EVENTS AFTER THE BALANCE SHEET DATE

On the 8<sup>th</sup> August 2011 the company arranged a variation to the General Business Factoring Agreement of 30<sup>th</sup> November 2009 with Oxford Funding Pty Ltd for a temporary increase to the advance rate from 80% to 90% until 29<sup>th</sup> February 2012. The subsidiary company, Edis Pty Ltd, provided a guarantee and indemnity as additional security to Oxford Funding Pty Ltd with all other terms and conditions remaining unchanged.

On the 31<sup>st</sup> August 2011 the directors resolved to proceed with a Share Purchase Plan which will allow shareholders to take up additional shares to a maximum value of \$10,000 at an issue price of \$0.20. The funds raised will be used as additional working capital and to take advantage of any opportunities as they arise.

No other significant events have occurred after balance date.

### 29. OPERATING SEGMENT

#### (a) SEGMENT INFORMATION

##### Identification of reportable segments

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

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

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

**Notes to the year end financial statements (continued)**

**29. OPERATING SEGMENT (Continued)**

- The products sold and/or services provided by the segment;
- The manufacturing process;
- The type or class of customers for the products or services;
- The distribution method; and
- Any external regulatory requirements.

**Types of products and services**

Merchandising and distribution of appliance parts, badges, medallions, electrical switches and controls are primarily for the domestic market.

The manufacturing segment manufactures electric elements and metal components for industrial and household products.

**(b) SEGMENTS PERFORMANCE**

	Manufacturing \$	Merchandising /Distribution \$	All other segments \$	Total \$
<b>2011</b>				
<b>Revenue</b>				
External sales	3,079,097	12,108,450	-	15,187,547
Inter-segment sales	297,989	261,061	-	559,050
Interest Revenue	771	6,667	-	7,438
<b>Total segment revenue</b>	<b>3,377,857</b>	<b>12,376,178</b>	<b>-</b>	<b>15,754,035</b>
<b>Reconciliation of segment revenue to group revenue</b>				
Inter-segment elimination	(297,989)	(261,061)	-	(559,050)
<b>Total group revenue</b>	<b>3,079,868</b>	<b>12,115,117</b>	<b>-</b>	<b>15,194,985</b>
<b>Segment net profit before tax</b>	<b>199,336</b>	<b>676,309</b>	<b>-</b>	<b>875,645</b>
<b>Reconciliation of segment result to group net profit before tax</b>				
Amounts not included in segment result but reviewed by Board	-	-	(1,400,905)	(1,400,905)
- Other	-	-	-	-
<b>Net profit before tax from continuing operations</b>	<b>199,336</b>	<b>676,309</b>	<b>(1,400,905)</b>	<b>(525,260)</b>

Notes to the year end financial statements (continued)

29. OPERATING SEGMENT (Continued)

	Manufacturing	Merchandising /Distribution	All other segments	Total
	\$	\$	\$	\$
<b>2010</b>				
<b>Revenue</b>				
External sales	3,518,449	12,700,312	-	16,218,761
Inter-segment sales	263,781	134,300	-	398,081
Interest Revenue	766	5,957	-	6,723
<b>Total segment revenue</b>	<u>3,782,996</u>	<u>12,840,569</u>	-	<u>16,623,565</u>
<b>Reconciliation of segment revenue to group revenue</b>				
Inter-segment elimination	(263,781)	(134,300)	-	(398,081)
<b>Total group revenue</b>	<u>3,519,215</u>	<u>12,706,269</u>	-	<u>16,225,484</u>
	-	-	-	
<b>Segment net profit before tax</b>	<u>347,330</u>	<u>1,547,622</u>	-	<u>1,894,952</u>
<b>Reconciliation of segment result to group net profit before tax</b>				
Amounts not included in segment result but reviewed by Board				
- Other	-	-	(1,124,952)	(1,124,952)
<b>Net profit before tax from continuing operations</b>	<u>347,330</u>	<u>1,547,622</u>	<u>(1,124,952)</u>	<u>770,000</u>



Notes to the year end financial statements (continued)

29. OPERATING SEGMENT (Continued)

(c) SEGMENT ASSETS

	Manufacturing \$	Merchandising /Distribution \$	All other segments \$	Total \$
<b>2011</b>				
Segment asset increases for the period				
- Capital expenditure	-	22,335	9,511	31,846
	-	22,335	9,511	31,846
<b>Segment assets</b>	<b>1,909,508</b>	<b>4,588,270</b>	<b>-</b>	<b>6,497,778</b>
<b>Reconciliation of segment assets to group assets</b>				
Inter-segment eliminations	-	(221,390)	-	(221,390)
Unallocated assets:				
- Fixed assets	-		35,373	35,373
- Intangibles	-	25,001	-	25,001
<b>Total group assets</b>	<b>1,909,508</b>	<b>4,391,881</b>	<b>35,373</b>	<b>6,336,761</b>

	Manufacturing \$	Merchandising /Distribution \$	All other segments \$	Total \$
<b>2010</b>				
Segment asset increases for the period				
- Capital expenditure	-	7,608	56,878	64,486
- Acquisitions – Investment in Edis Pty Ltd	-	175,000	-	175,000
	-	182,608	56,878	239,486
<b>Segment assets</b>	<b>1,782,910</b>	<b>4,555,825</b>	<b>-</b>	<b>6,338,735</b>
<b>Reconciliation of segment assets to group assets</b>				
Inter-segment eliminations	-	(263,286)	-	(263,286)
Unallocated assets:				
- Fixed assets	-	-	33,050	33,050
- Intangibles	-	25,001	-	25,001
<b>Total group assets</b>	<b>1,782,910</b>	<b>4,317,540</b>	<b>33,050</b>	<b>6,133,500</b>

**Notes to the year end financial statements (continued)**

**29. OPERATING SEGMENT (Continued)**

**(d) SEGMENT LIABILITIES**

	Manufacturing \$	Merchandising /Distribution \$	All other segments \$	Total \$
<b>2011</b>				
<b>Segment liabilities</b>	772,062	1,857,751	-	2,629,813
<b>Reconciliation of segment liabilities to group liabilities</b>				
Inter-segment eliminations	-	(221,390)	-	(221,390)
Unallocated liabilities:				
- Other financial liabilities	-	-	916,534	916,534
- Current liabilities	-	-	84,360	84,360
<b>Total group liabilities</b>	<u>772,062</u>	<u>1,636,361</u>	<u>1,000,894</u>	<u>3,409,317</u>
<b>2010</b>				
<b>Segment liabilities</b>	738,297	1,706,194	-	2,444,491
<b>Reconciliation of segment liabilities to group liabilities</b>				
Inter-segment eliminations	-	(263,286)	-	(263,286)
Unallocated liabilities:				
- Other financial liabilities	-	-	392,152	392,152
- Current liabilities	-	31,437	76,000	107,437
<b>Total group liabilities</b>	<u>738,297</u>	<u>1,474,345</u>	<u>468,152</u>	<u>2,680,794</u>

**(e) GEOGRAPHICAL SEGMENTS**

The manufacturing and merchandising/distribution segments of the group operate and derive revenue in Australia.

All segments assets are located in Australia

**(f) MAJOR CUSTOMERS**

The group has not supplied a single external customer who accounts for more than 10% of external revenue for the year (2010: None).

**DIRECTORS' DECLARATION  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2011**

The directors of the company declare that:

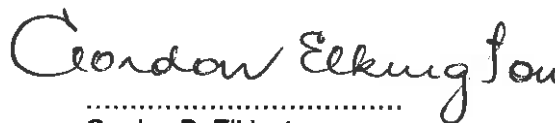
- (1) The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and the consolidated entity are in accordance with the *Corporations Act 2001*, and:
  - (a) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and their performance for the year ended on that date; and
  - (b) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and Corporations Regulations 2001; and
- (2) The Chief Executive Officer and Chief Financial Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with s286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial year comply with Accounting Standards, and
  - (c) the financial statements and notes for the financial year give a true and fair view; and
- (3) In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2011.

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



.....  
Ian Alexander  
Chairman



.....  
Gordon B. Elkington  
Director/Secretary



.....  
William Stokes  
Director

Dated at Ringwood Victoria on 31 August 2011

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF STOKES (AUSTRALASIA) LIMITED**

**Report on the financial report**

We have audited the accompanying financial report of Stokes (Australasia) Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the financial report.

*Opinion*

In our opinion:

- a. the financial report of Stokes (Australasia) Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

*Emphasis of matter*

Without qualification of the opinion expressed above, we draw attention to Note 1 (c) "Going Concern" in the financial report, which indicates the group incurred an operating loss and negative cash flows from operations during the year ended 30 June 2011. These conditions along with other matters as set forth in Note 1 (c) indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group's ability to realise its assets and settle its liabilities in the ordinary course of business.

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

*Report on the Remuneration Report*

We have audited the Remuneration Report included on page 5 of the directors' report for the year ended 30 June 2011. 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.

*Opinion*

In our opinion, the Remuneration Report of Stokes (Australasia) Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.



**UHY Haines Norton**  
**Chartered Accountants**



**R.H. Hutton**  
**Partner**

Melbourne

Dated this 31st day of August, 2011.

**Auditor's Independence Declaration**

To the Board of Directors of Stokes (Australasia) Limited

As engagement partner for the audit of Stokes (Australasia) Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

- (i) No contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

*UHY Haines Norton*

**UHY Haines Norton**  
**Chartered Accountants**



**R.H. Hutton**  
**Partner**

Melbourne

Dated this 31<sup>st</sup> day of August 2011.

## Comparative results for the years 2002 – 2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenue</b>	\$ 33,604,000	\$ 33,195,000	\$ 28,783,000	\$ 22,447,000	\$ 21,123,000	\$ 19,997,790	\$ 16,965,006	\$ 14,882,848	\$ 16,226,917	\$ 15,194,985
<b>Profit/(loss) before tax</b>	(146,000)	(1,208,000)	456,000	(348,326)	584,897	(30,029)	(654,000)	51,507	770,000	(525,260)
<b>Income tax</b>	65,000	111,000	133,000	123,989	99,491	126,369	-	-	31,437	-
<b>Profit/(loss) after tax</b>	(211,000)	(1,319,000)	323,000	(472,315)	485,406	(156,398)	(654,700)	51,507	738,563	(525,260)
<b>Current assets</b>	11,351,000	13,316,000	11,081,000	9,100,587	8,249,182	7,568,180	5,528,467	5,753,525	5,808,884	6,084,972
<b>Non-current assets</b>	5,687,000	2,025,000	1,687,000	1,097,851	932,874	796,477	589,646	389,303	324,616	251,789
<b>Total assets</b>	17,038,000	15,341,000	12,768,000	10,198,438	9,182,056	8,364,657	6,118,113	6,142,828	6,133,500	6,336,761
<b>Current liabilities</b>	10,961,000	10,683,000	4,725,000	3,730,798	3,062,866	3,070,698	3,676,655	3,377,104	2,629,330	3,336,638
<b>Non-current liabilities</b>	1,035,000	919,000	3,968,000	3,025,327	2,331,069	1,721,848	92,706	45,919	51,464	72,677
<b>Total liabilities</b>	11,996,000	11,602,000	8,693,000	6,756,125	5,393,935	4,792,546	3,769,361	3,423,023	2,680,794	3,409,315
<b>Total net assets</b>	5,042,000	3,739,000	4,075,000	3,442,313	3,788,121	3,572,111	2,348,752	2,719,805	3,452,706	2,927,446
<b>Issued capital</b>	5,895,000	5,895,000	5,895,000	5,895,000	5,895,000	5,895,000	5,895,000	6,064,546	6,208,884	6,208,884
<b>Retained profits/(losses)</b>	(1,028,000)	(2,403,000)	(2,125,000)	(2,671,315)	(2,314,879)	(2,472,374)	(3,546,248)	(3,493,265)	(2,756,178)	(3,281,438)
<b>Outside equity interests</b>	175,000	247,000	305,000	218,128	208,000	149,485	-	148,524	-	-
<b>Total equity</b>	5,042,000	3,739,000	4,075,000	3,442,313	3,788,121	3,572,111	2,348,752	2,719,805	3,452,706	2,927,446
<b>Total equity: kg gold</b>	278	224	221	187	140	145	75	69	74	56
<b>Number of shares</b>	5,651,250	5,651,250	5,651,250	5,651,250	5,651,250	5,651,250	5,651,250	6,498,978	7,239,177	7,239,177
<b>Dividend: cents per share</b>	0	0	0	0	0	0	0	0	0	0
<b>Net assets: cents per share</b>	89	66	72	61	67	63	42	42	48	40
<b>Number of employees</b>	198	182	178	136	121	118	97	97	101	99

## Shareholder Analysis and Other Stock Exchange Requirements

### Statement of security holders as at 31 July 2011

#### (a) Distribution of shareholders by sizes of holdings

1 - 1,000	179
1,001 - 5,000	47
5,001 - 10,000	15
10,001 - 100,000	25
100,001 and over	<u>15</u>
Total	281
Holding less than a marketable parcel	Nil

#### Voting rights - Ordinary shares

Each ordinary share carries one vote.

#### (b) Twenty Largest Shareholders

Shareholder	Number	Percentage
National Exchange Pty Ltd	1,438,201	19.87
Ian P. Alexander	1,215,554	16.79
William R. Stokes	795,226	10.99
David G.M. Welsh	452,958	6.26
Jaws Pty Ltd	383,932	5.30
Milly Elkington	354,725	4.9
Joanna M. Eccleston	278,463	3.85
Isabella F. Green	250,786	3.46
Gordon B. Elkington	208,696	2.88
Henley Underwriting & Investment Company Pty Ltd	200,000	2.76
Prudential Nominees Pty Ltd	150,000	2.07
Winpar Holdings Ltd	144,552	2.00
DMW Pty Ltd	131,282	1.81
Cheveley Pty	125,000	1.73
Peter Martin	117,848	1.63
Ricwin Investments Pty Ltd	100,000	1.38
HSBC Custody Nominees (Australia) Ltd	64,000	0.88
Rosemary Isabel Elkington	52,282	0.72
Honan Business Services Pty Ltd (Honan Superfund Account)	42,000	0.58
Lawrence Mottin	40,143	0.55
	<b>6,545,648</b>	<b>90.42</b>

#### (c) Substantial shareholders as per substantial shareholder advices held at 29 August 2011

Name	Number of Ordinary Shares to which Person Entitled
National Exchange Pty Ltd	1,438,201
Ian P. Alexander	1,215,554
William Stokes	1,179,158
David G. M. Welsh	584,240
Milly Elkington	354,725