

# STOKES (AUSTRALASIA) LIMITED

**ABN 24 004 554 929**

## PROSPECTUS

A pro rata renounceable rights issue of 2 New Shares at an issue price of 15 cents per New Share for every 1 existing Share held on the Record Date ("**Rights Issue**").

The Rights Issue closes at 5:00pm on 17 December 2012.

The Rights Issue is partially underwritten by Cygnet Capital Pty Limited and sub-underwritten by CVC Limited and Peter Jinks (a Director of Stokes (Australasia) Limited).

### IMPORTANT NOTICE

The Shares offered by this Prospectus should be considered a speculative investment and potential investors should refer to Section 7 for further details concerning the risk factors.  
This document is important. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser.  
Neither Stokes (Australasia) Limited nor any other person guarantees the performance of the New Shares offered pursuant to this Prospectus, or the performance of Stokes (Australasia) Limited, or the return of any investment.

## Corporate Directory

<b>Directors:</b>	Peter Jinks (Non-executive Chairman) Con Scrinis (Managing Director) Greg Jinks (Executive Director) William Stokes (Non-executive Director)
<b>Company Secretary:</b>	Gordon Elkington
<b>Registered Office:</b>	24 Palmerston Road West Ringwood, VIC, Australia, 3134 Telephone (03) 9845 8300 Facsimile (03) 9845 8355
<b>Share Registry:</b>	Computershare Investor Services Pty Limited* Yarra Falls, 452 Johnston Street, Abbotsford VIC, AUSTRALIA, 3067 Telephone 1300 787 272 Facsimile (03) 9473 2500
<b>Underwriter:</b>	Cygnnet Capital Pty Limited Level 10, 63 Exhibition Street, Melbourne VIC Australia 3000 Telephone +61 3 9669 1900 Fax +61 3 9669 1950
<b>Auditor:</b>	UHY Haines Norton Level 8 607 Bourke Street Melbourne VIC 3000 Telephone +61 3 9629 4700 Fax +61 3 9629 4722
<b>Lawyers:</b>	Mills Oakley Lawyers Level 6, 530 Collins Street MELBOURNE VIC 3000 Telephone (03) 9670 9111 Fax (03) 9605 0933
<b>Stock Exchange:</b>	ASX Limited * Level 4, Rialto North Tower 525 Collins Street MELBOURNE VIC 3000
<b>Company Code:</b>	SKS

*\*These entities have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus. They are named for information purposes only.*

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# 1 Summary of Important Dates and Important Notes

## 1.1 Timetable and Important Dates

Event	Date
Announcement of the Offer	Prior to the commencement of trading on 22 November 2012
Lodge Prospectus with ASIC and ASX	22 November 2012
Lodge Appendix 3B with the ASX	22 November 2012
Notice sent to shareholders containing information required by Appendix 3B	23 November 2012
Existing Shares quoted on "ex" basis – Rights trading starts	26 November 2012
Record Date to determine Entitlements under the Offer	30 November 2012 5:00pm (AEDT)
Prospectus and Entitlement and Acceptance Forms despatched to Eligible Shareholders ( <b>Opening Date</b> )	3 December 2012 9:00am (AEDT)
Rights trading ends	10 December 2012 5:00pm (AEDT)
Shares quoted on a deferred settlement basis	11 December 2012
Final date and time for receipt of acceptance and payment in full ( <b>Closing Date</b> )*	17 December 2012 5:00pm (AEDT)
Notification to ASX of under subscriptions	18 December 2012
Despatch of holding statements. Deferred settlement trading ends	19 December 2012
Date of quotation of Shares issued under the Offer*	20 December 2012

*\*The Company reserves the right to extend the Closing Date or close the Offer early without notice. As such the date the Shares are expected to commence trading on ASX may vary.*

## 1.2 Important Notices

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus ("**Prospectus**") is dated 22 November 2012 and a copy of this Prospectus was lodged with ASIC on that date. ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 13 months after the date the Prospectus was lodged with the ASIC. No New Shares will be allotted or issued on the basis of this Prospectus after the expiry date. New Shares allotted or issued pursuant to this Prospectus will be allotted or issued on the terms and conditions set out in this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

Certain terms and abbreviations used in this Prospectus have defined meanings, which are explained in Section 11 of this Prospectus.

### **1.3 Overseas Shareholders**

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. No action has been taken to register or qualify the New Shares the subject of this Prospectus or otherwise permit a public offering of the New Shares the subject of this Prospectus in any jurisdiction outside Australia or New Zealand.

This Offer is only open to Eligible Shareholders. No offer of New Shares will be made to Shareholders resident outside Australia or New Zealand. In accordance with the ASX Listing Rules, and having regard to:

- (a) the number of holders resident outside Australia and New Zealand;
- (b) the number and value of New Shares the holders of Shares resident outside of Australia and New Zealand would be offered; and
- (c) the cost of complying with the legal requirements and the requirements of regulatory authorities in places other than Australia and New Zealand,

the Directors consider that it is unreasonable to make an offer to such persons and accordingly the Company will send each Shareholder to whom it will not make the Offer details of the Rights Issue and advice that the Company will not offer New Shares to that Shareholder.

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares.

Recipients may not send or otherwise distribute this Prospectus or the Application Form to any person outside Australia or New Zealand (other than to Eligible Shareholders).

### **1.4 Risk Factors**

Eligible Shareholders should consider that an investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares pursuant to this Prospectus. For further information in relation to the risk factors of the Company please refer to Section 7 of this Prospectus.

## 2 Chairman's letter

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Dear Shareholders,

I am pleased to present this opportunity to Eligible Shareholders to participate in the Rights Issue made via this Prospectus to raise approximately \$2.3 million (less expenses).

Eligible Shareholders as at the Record Date will be offered 2 New Shares at an issue price of 15 cents per New Share, for every 1 Share held at the Record Date. The full terms of the Offer are contained in this Prospectus.

The majority of the funds raised by this Offer will be used for working capital and restructuring expenses in order to assist the Company on its planned path to return the business to profitability.

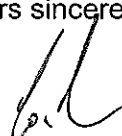
The Offer is partially underwritten by the Underwriter up to \$1,785,128 and sub-underwritten by Peter Jinks and CVC Limited. It is the current intention that Con Scrinis and Greg Jinks will collectively take up \$555,000 worth of New Shares pursuant to their Entitlements under the Rights Issue.

This Rights Issue will raise approximately \$2.34 million if the Offer is fully subscribed and with the cash on hand that the Company currently has, Stokes should then have approximately \$2.4 million at the completion of this Offer, less expenses arising from the Offer.

Eligible Shareholders should consult with their professional advisors and are encouraged to read this Prospectus in its entirety before making any investment decision pursuant to this Prospectus.

Yours sincerely,

PP



Peter Jinks

**Chairman**

### 3 Questions and Answers

Information about the Offer is summarised below. For detailed information, refer to the sections of the Prospectus listed in the right hand column.

<p><b>What is the Rights Issue Offer?</b></p>	<p>The Rights Issue is an offer by the Company of approximately 15,600,854 New Shares. Shareholders who are registered holders as at 5pm AEDT on the Record Date (Friday 30 November 2012) and whose address on the register is in Australia or New Zealand will receive an entitlement allocation (“<b>Eligible Shareholder</b>”).</p> <p>If you are an Eligible Shareholder, your Entitlement is to an allocation of 2 New Shares for every 1 Share you hold on the Record Date.</p> <p>Rights are renounceable and accordingly, Rights will be tradeable on the ASX. Details on how to sell your Rights are provided in this document.</p> <p>New Shares not subscribed for under the Offer will be made available under the Shortfall Offer and can be subscribed for by, among others, Eligible Shareholders who wish to acquire more than their Entitlement.</p> <p>The Rights Issue is partially underwritten by the Underwriter up to \$1,785,128. The Underwriter has appointed the Sub-underwriters to sub-underwrite the Rights Issue.</p>	<p>Sections 4.1, 4.3, 4.8 and 9.1</p>
<p><b>What is the purpose of the Offers?</b></p>	<p>The purpose of the Rights Issue Offer and the Shortfall Offer are to provide capital to the business to fund general working capital requirements and restructuring expenses of the Company and to endeavour to achieve growth in sales.</p>	<p>Section 5.2</p>
<p><b>Can foreign Shareholders participate in the Rights Issue?</b></p>	<p>Only Eligible Shareholders will receive an allocation under the Rights Issue Offer. All Shareholders of the Company at the date of this Prospectus are Eligible Shareholders.</p>	<p>Important Information &amp; Section 4.11</p>
<p><b>Can Eligible Shareholders apply for more than their Entitlement?</b></p>	<p>Each Eligible Shareholder will receive an entitlement to subscribe for 2 New Shares for every 1 Share held by them at the Record Date.</p> <p>Eligible Shareholders (other than Shareholders from New Zealand) who subscribe for their full Entitlement may also apply for additional New Shares under the Shortfall Offer.</p>	<p>Sections 4.1 and 4.8</p>

<p><b>What is the Shortfall Offer?</b></p>	<p>Shortfall means the number of New Shares comprising the difference between the number of New Shares the subject of the Rights Issue and the number of New Shares for which valid Entitlement and Acceptance Forms have been received and accepted by the Company by the Closing Date.</p> <p>The Shortfall Offer is the offer of the Shortfall to Eligible Shareholders and any other persons located and receiving this Prospectus in Australia, including such persons selected by the Underwriter.</p> <p>The offer of New Shares under the Shortfall Offer is a separate offer independent from the Rights Issue Offer.</p> <p>The issue price of any New Shares issued under the Shortfall Offer will be the same as the issue price under the Rights Issue, being 15 cents per New Share.</p>	<p>Section 4.8</p>
<p><b>What rights attach to the New Shares?</b></p>	<p>New Shares have the same rights as existing Shares.</p>	<p>Section 6.1</p>
<p><b>What are the risks associated with accepting or not accepting your Entitlement?</b></p>	<p>If you choose not to accept your Entitlement in full under this Prospectus, your shareholding in the Company may be diluted. You should also be aware that subscribing for New Shares involves a number of risks. Section 7 sets out the key risk factors you should consider in determining whether to take up your Entitlements.</p> <p>In particular, some of the key risks identified in section 7 include the following:</p> <ol style="list-style-type: none"> <li>1. the Company's underperformance over the previous 2 years and the Company's ability to continue as a going concern being dependent on the realisation of its forward budget and cash flow projections and the management of cash flows;</li> <li>2. a material change in Stoke's component sourcing arrangements could have an adverse impact on the Company; and</li> <li>3. if Stokes requires access to further funding in the future, Stokes may be adversely affected in a material way, if access to that capital is not available.</li> </ol> <p>Please carefully consider whether to accept</p>	<p>Section 7</p>



	your Entitlement and, if you are in doubt as to whether to accept, you should consult your independent professional investment advisor.	
<b>Is the Rights Issue underwritten?</b>	The Rights Issue will be underwritten by the Underwriter up to \$1,785,128 and Sub-underwritten by Peter Jinks and CVC Limited. Peter Jinks is a related party of the Company on the basis that he is a Director of the Company. Whilst Peter Jinks may acquire a relevant interest in the Company exceeding 19.9%, it is the current intention of the Company and the Underwriter that no sub-underwriter will exceed a relevant interest of 19.9% as a result of sub-underwriting the Rights Issue.	Section 9.1

## **4 Details of the Offer**

### **4.1 Offer**

By this Prospectus, the Company is making a renounceable offer of New Shares on the basis that for every 1 Share held by Eligible Shareholders at the Record Date, Eligible Shareholders will have the right (but not the obligation) to subscribe for 2 New Shares at an issue price of \$0.15 (15 cents) per New Share ("**Rights Issue**").

The Rights Issue is renounceable and Eligible Shareholders may sell or transfer all or any part of their Entitlement on ASX or otherwise.

As at the date of this Prospectus, the Company currently has 7,800,427 Shares on issue. The number of New Shares offered under this Prospectus is 15,600,854.

Eligible Shareholders may accept their Entitlement in whole or in part, or may decide not to accept their Entitlement at all. Shareholders who do not accept their Entitlement in full will, as a result of the Rights Issue, have their percentage shareholding in the Company diluted. It is the current intention that Con Scrinis and Greg Jinks will collectively take up \$555,000 worth of New Shares pursuant to their Entitlements under the Rights Issue. Eligible Shareholders wishing to take up all or part of their Entitlement under the Rights Issue can only do so by completing the Entitlement and Acceptance Form which accompanies this Prospectus.

### **4.2 Opening and Closing Dates of the Rights Issue Offer**

The Opening Date of the Rights Issue Offer will be 3 December 2012 at 9.00am AEDT and the Closing Date will be 17 December 2012 at 5.00pm AEDT. The Directors (in collaboration with the Underwriter) reserve the right to close the Rights Issue Offer early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so. Entitlement and Acceptance Forms received after the Closing Date will be rejected and Application Moneys will be returned without interest.

### **4.3 Underwriting**

The Rights Issue is partially underwritten by the Underwriter. The Underwriter has also appointed the Sub-underwriters to sub-underwrite the Rights Issue Offer.

Further details of the terms of the Underwriting Agreement and Sub-underwriting Agreements are set out in section 9.1 of this Prospectus.

#### **4.4 What is the effect of the Offer on shareholder dilution and control of Stokes**

If you exercise your full Entitlement under the Rights Issue Offer you will not be diluted. If you do not exercise your full Entitlement under the Rights Issue Offer you will be diluted. Ineligible Shareholders will have their holdings diluted by the Rights Issue Offer. The extent of any dilution will depend on the level of participation in the Rights Issue Offer and the Shortfall Offer and the extent to which the underwriting is called on.

The effect of the offer on the control of Stokes will depend upon a number of factors including:

- the level of shareholder participation (including both the taking up of Entitlements and applications for additional New Shares);
- the level of participation in the Shortfall Offer by Shareholders;
- the extent to which the underwriting is called upon; and
- the level of dispersion of Shortfall Shares (if any) to the Underwriter and Sub-underwriters.

If every Shareholder was to take up their full Entitlement, there would be no effect on the control of Stokes, as the Rights Issue Offer is made pro-rata and in that case there would not be any scope for any Shareholder to apply for additional New Shares under the Shortfall Offer and there would be no Shortfall for the Underwriter.

The Underwriter has agreed to underwrite the Rights Issue Offer up to \$1,785,128. In the unlikely event that no Shareholder was to take up any of their Entitlements, no Rights were exercised and no New Shares were applied for under the Shortfall Offer (**Lack of Shareholder Subscription**), the Underwriter intends to call on the Sub-underwriters to fulfil their obligations under their respective Sub-underwriting Agreements.

The Underwriter has advised the Company that CVC Limited and Mr Peter Jinks intend to participate in the Offer as sub-underwriters by subscribing for Shortfall Shares (if any) worth up to \$500,000 and \$1,000,000, respectively.

Whilst Peter Jinks may acquire a relevant interest in the Company exceeding 19.9% if he was called upon to fulfil his obligations (as set out in the table below), it is the current intention of the Company and the Underwriter that no person, entity or Shareholder (including any of the Directors) will acquire a holding of, or (in the case of existing Shareholders) increase their holding to, an amount in excess of 19.9% of all the Shares on issue as a consequence of sub-underwriting the Rights Issue Offer. If Peter Jinks were to acquire a relevant interest in the Company exceeding 19.9%, the two exceptions to the takeover prohibitions under section 611 of the Corporations Act, namely items 10 (relating to interests acquired via rights issues) and 13 (relating to interests acquired via the underwriting or sub-underwriting of a public capital raising) will apply to Peter Jinks' holding.

Accordingly, set out below is a table of the allocation of New Shares to the Underwriter and Sub-underwriter assuming no Shareholder was to take up any of their Entitlements (other than Peter Jinks who intends to exercise his full Entitlement and Con Scrinis and Greg Jinks who will collectively take up \$555,000 worth of New Shares under their respective Entitlements), and no New Shares were applied for under the Shortfall Offer:

Underwriter/Sub-underwriter	Proposed underwriting amount	New Shares to be issued	Total Shares held post the Rights Issue Offer and % held in Company
Cygnnet Capital Pty Limited and/or persons identified by Cygnnet Capital Pty Ltd.	\$285,128	1,900,855	1,900,855 Shares and 8.12% <sup>1</sup>
Peter Jinks (currently holds 10,000 Shares)	\$1,000,000	6,666,666	6,696,666 Shares and 28.62% <sup>2</sup>
CVC Limited	\$500,000	3,333,333	3,333,333 Shares and 14.24%

1. The figure and percentage in this column represent the maximum number of New Shares and percentage of the Company's issued capital that may be held by the Underwriter following the Rights Issue Offer assuming no Shareholder takes up any of their Entitlements (other than Peter Jinks who intends to exercise his full Entitlement and Con Scrinis and Greg Jinks who will collectively take up \$555,000 worth of New Shares under their respective Entitlements), and no New Shares are applied for under the Shortfall Offer.
2. The figure and percentage in this column represent the maximum number of New Shares and percentage of the Company's issued capital that may be held by Peter Jinks following the Rights Issue Offer assuming no Shareholder takes up any of their Entitlements (other than Peter Jinks who intends to exercise his full Entitlement and Con Scrinis and Greg Jinks who will collectively take up \$555,000 worth of New Shares under their respective Entitlements), and no New Shares are applied for under the Shortfall Offer. Whilst Peter Jinks may acquire a relevant interest in the Company exceeding 19.9% if he was called upon to fulfil his obligations under the sub-underwriting in full, it is the current intention that Peter Jinks' relevant interest in the Company will not exceed 19.9%.

The following can be said about the effect of the Offer on the control of Stokes:

- as noted above, if every Shareholder was to take up their full Entitlement, there would be no effect on the control of Stokes following the Offer;
- the Offer, as a result of "Lack of Participation" may result in the Underwriter increasing its holding in Stokes to 8.12% as described in the table above, however it is the intention of the Underwriter to place all remaining Shortfall Shares to third parties, as determined in its and the Directors' absolute discretion. Accordingly, it is possible that the Underwriter may hold no Shares in the Company following the completion of the Rights Issue Offer;
- the Offer, as a result of "Lack of Participation" may result in CVC Limited and Peter Jinks increasing their holdings in Stokes to 14.24% and 28.62%, respectively as set out in the table above.

- in addition to the New Shares that may be issued to the Underwriter as a result of the underwriting, the Underwriter will also receive the underwriting fee as set out in section 9.1.

#### **4.5 Rights Trading**

Entitlements to New Shares pursuant to the Rights Issue Offer are renounceable and accordingly, Entitlements will be tradeable on ASX. Details on how to sell your Entitlements are set out in Section 4.6 below.

#### **4.6 Eligible Shareholders – what you need to do**

If you are an Eligible Shareholder, the number of New Shares to which you are entitled (your Entitlement) is shown on the accompanying Entitlement and Acceptance Form. Fractional entitlements will be rounded down to the nearest whole number.

##### **(a) If you want to take up your Entitlement**

If you are an Eligible Shareholder and you wish to take up all or part of your Entitlements, you must accept the Rights Issue Offer by completing the personalised Entitlement and Acceptance Form mailed to you with this Prospectus. Your personalised Entitlement and Acceptance Form will detail your entitlement to New Shares under the Rights Issue Offer. You should complete the form in accordance with the instructions set out on the reverse side of the form.

Your completed Entitlement and Acceptance Form must be accompanied by the requisite Application Moneys calculated at 15 cents for each New Share or payment must be made by following the instructions on your personalised Entitlement and Acceptance Form, by the Closing Date (or such later date as the Directors advise).

##### **(b) If you wish to sell your Rights in full on ASX**

If you wish to sell all of your Entitlements on ASX, follow the instructions on the back of the accompanying Entitlement and Acceptance Form.

You can sell your Entitlements on ASX from 26 November 2012. All sales on ASX must be effected by close of trading on 10 December 2012, when Rights trading ends on the ASX.

The Company does not accept any responsibility for any failure by your stockbroker to carry out your instructions.

##### **(c) If you wish to sell part of your Entitlements on ASX and take up the balance**

If you wish to sell part of your Entitlements on ASX and take up the balance, follow the instructions on the back of the accompanying Entitlement and Acceptance Form.

You can sell your Entitlements on ASX from 26 November 2012. All sales on ASX must be effected by close of trading on 10 December 2012, when Rights trading ends on the ASX.

To take up the remaining part of your Entitlements, your stockbroker will need to ensure that the completed Entitlement and

Acceptance Form reaches the Company by the Closing Date (or such later date as the Directors advise).

The Company does not accept any responsibility for any failure by your stockbroker to carry out your instructions.

(d) **If you wish to transfer all or part of your Entitlements to another person other than on ASX**

If you hold Shares on the issuer-sponsored register and you wish to transfer all or part of your Entitlements to another person other than on ASX, forward a completed standard renunciation form (which can be obtained from your stockbroker or the Company) signed by you (as the seller) and the buyer, together with the Entitlement and Acceptance Form completed by the buyer and the buyer's cheque or bank draft for the appropriate Application Moneys to reach the Company by no later than the Closing Date (or such later date as the Directors advise).

If you are an Eligible Shareholder holding Shares on CHESS and you wish to transfer all or part of your Rights to another person other than on ASX, you should contact your sponsoring participant.

If the Company receives both a completed renunciation form and a completed Entitlement and Acceptance Form in favour of the same Shareholder in respect of the same Entitlements, the renunciation will be given effect in priority of the acceptance.

(e) **If you do nothing**

If you are an Eligible Shareholder and you do nothing by the Closing Date, your Entitlements will form part of the Shortfall which will be dealt with in accordance with Section 4.8.

(f) **Form of payment**

All cheques must be drawn on an Australian Bank or Bank Draft and made payable in Australian currency to "Stokes (Australasia) Ltd Rights Issue Account" and crossed "not negotiable".

Your completed Entitlement and Acceptance Form, together with your cheque must be forwarded to:

**By Mail:**

P.O. Box 168, Mitcham,  
Victoria 3132

**In Person:**

24 Palmerston Road West,  
Ringwood, Victoria , 3134

Completed Entitlement and Acceptance Forms must be received by no later than 5.00pm AEDT on the Closing Date.

**4.7 Minimum subscription**

There is no minimum subscription for the Rights Issue Offer.

**4.8 Shortfall Offer**

If you do not wish to take up any part of your Entitlement or trade your Rights under the Rights Issue Offer, you are not required to take any action.

However, your percentage shareholding in the Company will be diluted. That part of your Entitlement not taken up or traded will form part of the Shortfall and be offered under the Shortfall Offer.

The Shortfall will be dealt with by the Underwriter in conjunction with the Directors. Subject to the terms of any Sub-underwriting Agreements, it is the intention of the Underwriter and the Company that no Directors will participate in the Shortfall Offer.

The offer of the Shortfall is a separate offer pursuant to this Prospectus and will remain open after the Rights issue Offer has closed to the extent permitted by the ASX Listing Rules. The issue price of any New Shares allocated pursuant to the Shortfall shall be 15 cents, being the price at which the Entitlement has been offered to Shareholders pursuant to this Prospectus.

Shortfall Shares will only be issued if the Rights Issue Offer is undersubscribed and will only be issued to the extent necessary to make up any Shortfall. If the Company receives applications for Shortfall Shares that would result in the Rights Issue Offer being oversubscribed then the Company will not accept such oversubscriptions and will reject applications in its absolute discretion.

The Directors reserve the right to reject any application for Shortfall Shares or to allot a lesser number of Shortfall Shares than applied for. Application Moneys received but not applied towards subscriptions for Shortfall Shares will be refunded as soon as practicable. No interest will be paid on Application Moneys held and returned. Furthermore, the Company will not issue Shortfall Shares where to do so would result in a breach of the Corporations Act or the ASX Listing Rules.

In addition to being able to apply for New Shares pursuant to the Rights Issue Offer, Eligible Shareholders who subscribe for their full Entitlement will also have the opportunity to apply for New Shares pursuant to the Shortfall Offer. The Directors will at their discretion allot additional New Shares to Eligible Shareholders who apply for New Shares in excess of their full Entitlement under the Shortfall Offer if there is a Shortfall. The Directors retain the right to place any other part of the Shortfall to the Underwriter or to professional and sophisticated investors at their discretion.

#### **4.9 Allotment of New Shares**

New Shares issued pursuant to the Rights Issue Offer will be allotted as soon as practicable after the Closing Date and otherwise in accordance with the ASX Listing Rules. Where the number of New Shares issued is less than the number applied for, or where no allotment is made under the Shortfall, surplus Application Moneys will be refunded without any interest to the Eligible Shareholders as soon as practicable after the Closing Date.

Until allotment and issue of the New Shares or payment of refunds pursuant to this Prospectus, the Application Moneys will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the Application Moneys will be for the benefit of the Company and will be retained by it irrespective of whether allotment and issue of the New Shares takes place.

#### **4.10 ASX Listing**

The Company will make application to ASX within 7 days following the date of this Prospectus for Official Quotation of the Shares offered pursuant to

this Prospectus. If approval is not granted by ASX within 3 months after the date of this Prospectus, the Company will not allot the Shares and will repay all Application Moneys (where applicable) as soon as practicable, without interest.

A decision by ASX to grant Official Quotation of the Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the Shares.

#### **4.11 Ineligible Shareholders**

The Company has decided that it is unreasonable to make offers under the Rights Issue Offer to Shareholders with registered addresses outside Australia and New Zealand having regard to:

- (a) the number of Shareholders in those places;
- (b) the number and value of the New Shares they would be offered; and
- (c) the cost of complying with the legal and regulatory requirements in those places.

Accordingly, the Rights Issue Offer is not being extended to, and does not qualify for distribution or sale, and no New Shares will be issued under the Rights Issue Offer to Shareholders having registered addresses outside Australia and New Zealand. This Prospectus is sent to those Shareholders for information purposes only.

#### **4.12 CHESS and Stokes Sponsorship**

The Company participates in CHESS. ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules, the ASX Settlement Operating Rules and the ASX Clear Operating Rules. Holders of New Shares will not be issued a certificate but will be issued and sent a confirmation of their allotment of their holding of Shares.

If you are a sponsored holder in CHESS, you will be sent a confirmation notice by the Share Registry which will set out the number of New Shares issued to you under this Prospectus and provide details of your HIN (holder identification number).

If you are registered on the issuer sponsored sub-register, your holding statement will contain the number of New Shares issued to you under this Prospectus and your SRN (security holder reference number).

A CHESS holding statement or issuer sponsored holding statement will otherwise be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time; however a charge may be made for additional statements.

#### **4.13 Privacy Act**

Shareholders provide personal information to the Company (directly or indirectly to the Company's Share Registry). The Company collects, holds and will use that information to service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of

takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act, the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for New Shares, the Company may not be able to accept or process your application.

#### **4.14 Taxation**

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers. Taxation consequences will depend on particular circumstances. Neither the Company nor any of its officers accept any liability or responsibility in respect of the taxation consequences connected with an investment in the Securities in the Company.

#### **4.15 Enquiries**

Any questions concerning the Offer should be directed to Con Scrinis on 0412 331 618 or alternatively Jonathan Rosham on (03) 9669-1999.

## **5 Purpose and Effect of the Offer**

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### **5.1 Background**

Stokes is the largest independent manufacturer and distributor of appliance parts in Australia. Over the past 2 years the business has underperformed and has recorded losses of \$525,000 (2011) and \$1.4 million (2012). The business continues to lose money and requires a substantial restructuring in order to return to profitability.

Since the beginning of October 2012 there have been a number of changes in substantial shareholdings and to the board of directors and management.

### **5.2 Purpose of the Offer**

The purpose of the Offer is to raise additional capital to fund working capital shortfall and restructuring expenses.

The issue of New Shares under this Prospectus will raise approximately \$2.3 million before expenses.

The effect of the Offer on the capital structure of the Company is set out below.

#### **Shares**

Shares currently on issue	7,800,427
New Shares offered pursuant to the Offer	15,600,854
<b>Total Shares on issue after the Closing Date (assuming full subscription)</b>	<b>23,401,208</b>

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### 5.3 Use of Funds

The funds raised by the issue of the New Shares pursuant to the Offer (approximately \$2.34 million if fully subscribed) will be used in the following proportions and for the following purposes:

- (a) retrenchments - \$1,100,000
- (b) expenses relating to the Offer - \$134,000
- (c) working capital shortfall - \$500,000; and
- (d) other restructuring expenses - \$600,000.

### 5.4 Financial effect

Set out below is the un-audited pro forma statement of financial position of the Company as at 31 October 2012 which presents the audited statement of financial position as at 30 June 2012, as audited by UHY Haines Norton, and the unaudited statement of financial position which has been adjusted for the impact of the proposed Rights Issue.

	Consolidated Group			
	Audited 30 June 2012	Unaudited 31 October 2012	Proforma 31 October 2012	Proforma 31 December 2012
	\$	\$	\$	\$
<b>Current Assets</b>				
Cash and cash equivalents	116,322	184,053	2,389,602	2,388,549
Trade and other receivables	1,887,260	1,685,207	1,685,207	1,732,000
Inventories	3,144,221	3,024,886	3,024,886	2,470,000
Other assets	53,437	76,199	76,199	76,199
<b>Total Current Assets</b>	<b>5,201,240</b>	<b>4,970,345</b>	<b>7,175,894</b>	<b>6,666,748</b>
<b>Non-Current Assets</b>				
Intangible assets	25,001	25,001	25,001	25,001
Plant and equipment	190,904	173,416	173,416	165,000
<b>Total Non-Current Assets</b>	<b>215,905</b>	<b>198,417</b>	<b>198,417</b>	<b>190,001</b>
<b>Total Assets</b>	<b>5,417,145</b>	<b>5,168,762</b>	<b>7,374,311</b>	<b>6,856,749</b>
<b>Current Liabilities</b>				
Trade & Other Payables	1,502,266	1,242,439	1,242,439	1,645,000
Borrowings	1,261,037	1,495,704	1,495,704	1,211,000
Current tax liabilities	-	-	-	-
Provisions	934,992	973,650	973,650	2,230,156
<b>Total Current Liabilities</b>	<b>3,698,295</b>	<b>3,711,793</b>	<b>3,711,793</b>	<b>5,086,156</b>
<b>Non-Current Liabilities</b>				
Provisions	76,933	78,325	78,325	78,235
<b>Total Non-Current Liabilities</b>	<b>76,933</b>	<b>78,325</b>	<b>78,325</b>	<b>78,235</b>
<b>Total Liabilities</b>	<b>3,775,228</b>	<b>3,790,118</b>	<b>3,790,118</b>	<b>5,164,391</b>
<b>Net Assets</b>	<b>1,641,917</b>	<b>1,378,644</b>	<b>3,584,193</b>	<b>1,692,358</b>
<b>Equity</b>				
Contributed equity	6,321,134	6,321,134	8,526,683	8,526,683
Accumulated profits/(Losses)	(4,679,217)	(4,942,490)	(4,942,490)	(6,834,325)
Parent entity interests	1,641,917	1,378,644	3,584,193	1,692,358
<b>Total Equity</b>	<b>1,641,917</b>	<b>1,378,644</b>	<b>3,584,193</b>	<b>1,692,358</b>

Also included in the above table is the impact of the restructuring expenses as forecast to December 2012. The Stokes business has been incurring losses over the past couple of years and continues to do so. The Company made a loss of \$0.5 million in 2011 and a further loss of \$1.4 million in 2012. Trading for the period July to October 2012 has been down on the previous corresponding period and forecasts for the half year to December 2012 show sales of \$6.6 million and a net loss before one off and restructuring expenses of \$547,000 which compares to sales of \$7.4 million and a loss of \$403,000 in the previous corresponding period being the half year to December 2011.

As a result of these losses the Company has a current working capital shortfall of \$500,000.

To stop the losses and endeavour to return the business to profitability, the Board has identified a number of factors that can be addressed in the short term. These include over staffing, reviewing the manufacturing business and changing the Company's pricing policies. The Board has also reviewed and reduced the Company's product ranges, which has had an impact on the carrying value of inventory.

The result of implementing the above strategies is that the Company will incur significant one-off restructuring expenses of \$1.7 million, which include redundancies of \$838,000 and an inventory write down of \$480,000.

The proforma balance sheet to 31 December 2012 has been adjusted for the impact of the Rights Issue and restructuring expenses, which have been provided for.

## **6 Rights and Liabilities attaching to New Shares**

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### **6.1 Rights attached to New Shares**

New Shares will, once issued, rank *pari passu* with existing Shares. The rights attached to Shares are:

- (a) set out in the Company's Constitution which may be examined free of charge by appointment between 9.00am and 5.00pm on normal business days at the registered office of Stokes at 24 Palmerston Road West, Ringwood, VIC, Australia, 3134; and
- (b) in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

Set out below is a summary of the principal rights attaching to Shares:

- (a) *General meetings*

Members are entitled to be present in person, or by proxy, attorney or representative to speak and vote at general meetings of the Company. Members may requisition general meetings in accordance with the Corporations Act and the Constitution of the Company.
- (b) *Ranking*

The New Shares will be ordinary shares and rank equally in all respects with the existing Shares of the Company.
- (c) *Reports and Notices*

Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the Constitution of the Company and the Corporations Act.

(d) *Voting rights*

At a general meeting of the Company every ordinary member present in person, or by proxy, attorney or representative shall on a show of hands, have one vote and upon a poll every member present in person or by proxy, attorney or representative has one vote for every Share held. A qualification to the above is that where a person is present at a meeting as proxy or representative for more than one member then on a show of hands that person shall have only one vote and not one vote for each person represented by him.

(e) *Issue of further Shares*

The allotment and issue of Shares is under the control of the Directors of the Company. Subject to restrictions on the allotment of Shares to Directors or their associates contained in the Constitution, the Corporations Act, and the ASX Listing Rules, the Directors may allot or otherwise dispose of Shares on such terms and conditions as they see fit.

(f) *Variation of rights*

The rights, privileges and restrictions attaching to Shares can be altered with the approval of a resolution passed at a separate general meeting of the holders of Shares by a three-quarters majority of those holders who, being entitled to do so, vote at that meeting or with the written consent of the holders of at least three-quarters of the Shares on issue, within two months of that general meeting.

(g) *Winding up*

Members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the Shares held by them respectively, less any amount which remains unpaid on their Shares at the time of distribution.

(h) *Dividends*

The Directors may declare and authorise the distribution, from the profits of the Company, of dividends to be distributed to members according to their rights and interests.

(i) *Transfer of Shares*

Subject to the Constitution of the Company and the Corporations Act the New Shares will be freely transferable.

(j) *Reduction of Capital*

The Company may only reduce its capital in such manner as may be permitted by the provisions of the Corporations Act from time to time.

(k) *Borrowing and Lending Powers*

The Company may borrow and lend in such manner as may be permitted by the provisions of the Corporations Act from time to time.

(l) *Directors*

The Constitution of the Company contains provisions relating to the rotation of Directors (other than Managing Director).

## **7 Risk Factors**

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### **7.1 General**

There are a number of factors, both specific to Stokes and of a general nature, which may affect the future operating and financial performance of Stokes and the value of an investment in Stokes.

Some of these factors can be mitigated by the use of safeguards and appropriate commercial action. However, many are outside the control of Stokes and cannot be mitigated.

This section describes certain risks associated with an investment in Stokes. Prior to making an investment decision, Eligible Shareholders should carefully consider the following risk factors, as well as the other information contained in this Prospectus.

### **7.2 Specific risks**

(a) *Profitability*

The Company has underperformed over the past 2 years and continues to lose money. In order for the Company to return to profitability, it will need to increase revenue, reduce costs and improve operating margins.

The ability of Stokes to continue as a going concern is dependent on the realisation of its forward budget and cash flow projections and the management of cash flows within the group's funding facilities. The impact of a number of potential operational factors on these projections indicates an existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore the Stokes group may be unable to realise its assets and discharge its liabilities in the normal course of business.

(b) *Component sourcing*

A material change in Stoke's component sourcing arrangements could have an adverse impact on the Company. Risks include:

- (i) any change in existing relationships could have an adverse impact on the ability of Stoke's ability to source appropriate components at reasonable cost;
- (ii) any change in quote arrangements may impact the sourcing of Stoke's products, thereby impacting the profitability of the Company; and
- (iii) any change in the terms and conditions of overseas supply contracts or in the political or economic environment could adversely impact overseas supplies.

(c) *On-going capital requirements for Stokes*

If Stokes requires access to further funding at any stage in the future, Stokes may be adversely affected in a material way if, for any reason, access to that capital is not available. There can be no assurance that additional funds will be available. If additional funds should be raised by issuing equity securities, this might result in dilution to the then existing Shareholders.

(d) *Ability to attract personnel*

Stokes' success depends, in part, on its ability to identify, attract, motivate and retain suitably qualified management personnel. Competition for qualified staff is strong. The inability to access and retain the services of a sufficient number of qualified staff could be disruptive to Stokes' development efforts or business development and could materially adversely affect its operating results.

(e) *Contract risks*

The Company's subsidiaries operate through a series of contractual relationships with operators and sub-contractors. All contracts carry risks associated with the performance by the parties thereto of their obligations as to time and quality of work performed. Any disruption to services or supply may have an adverse effect on the financial performance of the Company's operations.

(f) *Equipment risk*

The operations of Stokes could be adversely affected if essential equipment fails.

(g) *Litigation*

Neither the Company nor any of its subsidiaries are presently involved in litigation and the Directors are not aware of any basis on which any litigation against the Company or any of its subsidiaries may arise.

### **7.3 Securities Investment**

Eligible Shareholders should be aware that there are risks associated with investment in shares of companies listed on a stock exchange. The value of shares can be expected to fluctuate depending on various factors including general worldwide economic conditions, changes in government policies, investor perceptions, movements in interest rates and stock markets, variations in the operating costs and costs of capital replacement which Stokes may in the future require. Accordingly, assuming that the Shares are granted official quotation by ASX, they may trade on ASX at higher or lower prices than the issue price.

Each Eligible Shareholder should consider whether Shares are a suitable investment for them before deciding to invest in the Shares. Any Eligible Shareholder in doubt about investing in shares should consult their stockbroker, accountant, lawyer or other professional adviser immediately.

### **7.4 Economic risks**

(a) *Economic risk and external market factors*

Factors, such as, but not limited to, political movements, stock market trends, changing customer preferences, interest rates, inflation levels, commodity prices, exchange rates, industrial

disruption, environmental impacts, international competition, taxation changes and legislative or regulatory changes, may all have an adverse impact on Stokes' operating costs, profit margins and share price. These factors are beyond the control of Stokes and Stokes cannot, to any degree of certainty, predict how they will impact on Stokes.

(b) *War and terrorist attacks*

War or terrorist attacks anywhere in the world could result in a decline in economic conditions worldwide or in a particular region. There could also be a resultant material adverse effect on the business, financial condition and financial performance of Stokes.

(c) *Foreign exchange risk*

Revenue and expenditure in overseas jurisdictions are subject to the risk of fluctuations of international currency exchange markets. Foreign taxes, limitation on repatriation of earnings, compliance with foreign accounting and business laws, and cultural differences, carry a certain amount of risk. Fluctuations in exchange rates may adversely affect the Company and its share price. The Company does not at present have any currency hedging in place.

## 7.5 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of its Shares.

Therefore, the Shares carry no guarantee with respect to the payment of dividends, returns of capital or their market value. Eligible Shareholders should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to invest.

## 8 Continuous Disclosure Obligations

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### 8.1 Nature of this Prospectus

This Prospectus is issued under the special prospectus content rules for continuously quoted securities in section 713 of the Corporations Act. This enables listed disclosing entities to issue a prospectus with less rigorous disclosure requirements if:

- (a) the securities offered by the prospectus are in a class of securities that have been quoted securities at all times in the 3 months before the date of the prospectus; and
- (b) the company is not subject to certain exemptions or declarations prescribed by the Corporations Act.

Securities are quoted securities if:

- (a) the company is included in the official list of ASX; and
- (b) the ASX Listing Rules apply to those securities.

The information in this Prospectus principally concerns the terms and conditions of the Offer and the information necessary to make an informed assessment of:

- (a) the effect of the Offer on Stokes; and

- (b) the rights and liabilities attaching to the New Shares offered by this Prospectus.

As Stokes has been listed on ASX since 1 January 1974, a substantial amount of information concerning Stoke has previously been notified to ASX and is therefore publicly available.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to Stokes which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Eligible Shareholders should therefore also have regard to the other publicly available information in relation to Stokes before making a decision whether or not to invest in the New Shares. Information can be accessed from ASX or via Stokes' website at <http://www.stokes-us.com.au/>.

## **8.2 Regular reporting and disclosure obligations**

Stokes is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

These obligations require Stokes to notify ASX of information about specified events and matters as they arise for the purposes of ASX making that information available to the stock market conducted by ASX. In particular, Stokes has an obligation under the ASX Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information of which it becomes aware concerning Stokes which a reasonable person would expect to have a material effect on the price or value of securities in Stokes.

Stokes is also required to prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a Directors' statement and report and an auditor's report.

All announcements made by Stokes are available from ASX.

Having taken such precautions and having made such enquiries as are reasonable, Stokes believes that it has complied with the general and specific requirements of the ASX (as applicable from time to time throughout the 12 months before the issue of this Prospectus) which require Stokes to notify ASX of information about specified events or matters as they arise, for the purpose of the ASX making that information available to the market.

Stokes believes there is no other information that Shareholders or investors would reasonably require for the purposes of making an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of Stokes and the rights and obligations attaching to the New Shares under this Prospectus, which has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules.

## **8.3 Your right to obtain copies of Stokes' documents**

Copies of any documents in relation to Stokes which are lodged with ASIC may be obtained from, or inspected at, an ASIC office.

During the period that the Offer remains open, Stokes will provide copies of the following to any person on request, free of charge:

- (a) Stokes' annual financial report for the year ended 30 June 2012 being the last annual financial report that has been lodged with ASIC before lodgement of this Prospectus; and
- (b) any continuous disclosure notices used to notify ASX of information relating to Stokes between 19 October 2012 (being the date of lodgement of the financial report referred to in paragraph (a) with ASIC) and the date of lodgement of this Prospectus.

The following documents were lodged by Stokes with ASX during this period:

<b>Title of Notice as lodged with ASX</b>	<b>Lodgement Date</b>
Stokes Trading and Restructuring Update	21 November 2012
Stokes rights issue to raise \$2.34M	15 November 2012
Notice of Annual General Meeting/Proxy Form	30 October 2012
Change of Director's Interest Notice	26 October 2012
CEO Termination	22 October 2012
Reinstatement to Official Quotation (22/10/12)	19 October 2012
Request to lift suspension	19 October 2012

#### **8.4 Documents available for inspection**

The following documents are available for inspection during normal business hours at the registered office of Stokes:

- (a) this Prospectus;
- (b) the constitution of Stokes; and
- (c) the consent referred to in section 9.5 of this Prospectus.

## **9 Additional Information**

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### **9.1 Underwriting Agreements**

The Offer is partially underwritten by the Underwriter up to \$1,785,128 and sub-underwritten by Peter Jinks and CVC Limited up to an aggregate of \$1,500,000 assuming no Shareholder was to take up any of their Entitlements, no Rights were exercised and no New Shares were applied for under the Shortfall Offer.

Peter Jinks is a Director of the Company and therefore a related party of Stokes.

The Underwriter will be paid a fee of 6% of the underwritten amount, CVC will be paid a fee of 5% of the sub-underwritten amount and Peter Jinks will be paid 3.5% of the sub-underwritten amount, subject to the terms and conditions of their respective underwriting/sub-underwriting agreements, which are on arm's length commercial terms and which are considered standard for agreements of this nature. Assuming the Underwriter and Sub-underwriters are called upon to fulfil their obligations, the underwriting fee and sub-underwriting fees are as follows:

<b>Underwriter</b>	<b>Underwriting Fee</b>
Cygnnet Capital Pty Limited	\$47,108



<b>Sub-underwriter</b>	<b>Sub-underwriting Fee</b>
Peter Jinks	\$35,000
CVC Limited	\$25,000

Pursuant to the Sub-underwriting Agreements, the Underwriter will pay the sub-underwriting fee to the Sub-underwriters.

The obligations of the Underwriter to partially underwrite the Offer pursuant to the Underwriting Agreement is conditional on Stokes issuing this Prospectus, and on certain termination events including but not limited to:

- (a) **(Indices fall):** the All Ordinaries Index or the S&P/ASX Small Ordinaries Index as published by ASX is at any time after the date of the Underwriting Agreement is 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement; or
- (b) **(Share Price):** the Shares finish trading on the ASX under the ASX code of SKS on any three (3) consecutive trading days with a closing price that is below the Price; or
- (c) **(Misleading Prospectus):** it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of section 713 of the Corporations Act) or if any statement in the Prospectus becomes or misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive; or
- (d) **(Restriction on allotment):** the Company is prevented from allotting the New Shares within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority;
- (e) **(Withdrawal of consent to Prospectus):** any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent; or
- (f) **(ASIC application):** an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date has arrived, and that application has not been dismissed or withdrawn; or
- (g) **(ASIC hearing):** ASIC gives notice of its intention to hold a hearing under section 739 or any other provision of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or ASIC makes an interim or final stop order in relation to the Prospectus under section 739 or any other provision of the Corporations Act; or
- (h) **(Takeovers Panel):** the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act; or

- (i) **(Hostilities):** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, or the Peoples Republic of China or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world.

Under the Sub-underwriting Agreements, the obligations of the Sub-underwriters will terminate only if the obligations of the Underwriter under the Rights Issue Offer cease or are terminated. The offer under the Sub-underwriting Agreements cannot be assigned, transferred or in any way be dealt with without the prior written agreement of the Underwriter. The Sub-underwriters will be entitled to a fee (approximately 3.5% and 5% in respect of Peter Jinks and CVC Limited, respectively) payable by the Underwriter, unless the obligations of the Underwriter under the Underwriting Agreement cease or are terminated, or the Sub-underwriters do not fulfil their obligations arising from their accepting of the sub-underwriting offer.

## 9.2 Directors' interests and benefits

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director of Stokes, and no firm in which a Director or proposed Director of Stokes is a partner, holds, or held at any time during the last 2 years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of Stokes;
- (b) any property acquired or proposed to be acquired by Stokes in connection with its formation or promotion or in connection with the Offer, or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or proposed director of Stokes:

- (a) to induce them to become, or to qualify them as, a Director; or
- (b) for services rendered by them in connection with the formation or promotion of Stokes or in connection with the Offer.

Directors are not required under Stokes' constitution to hold any shares in Stokes.

The table below shows the interest of each Director (whether held directly or indirectly) in securities of Stokes as at the date of this Prospectus:

Director	Shares
Con Scrinis	1,553,035
Greg Jinks	1,290,554
Peter Jinks	10,000
William Stokes	1,254,158

Directors may hold the relevant interests in Shares shown above directly, or through holdings by companies, trusts or other persons with whom they are associated.

It is the current intention that Con Scrinis and Greg Jinks will collectively take up \$555,000 worth of New Shares pursuant to their Entitlements under the Rights Issue.

Furthermore, subject to the terms of any Sub-underwriting Agreements, it is the intention of the Underwriter and the Company that Directors do not participate in the Shortfall Offer.

### **9.3 Related party transactions**

There are no related party transactions entered into that have not otherwise been disclosed in this Prospectus.

### **9.4 Interests of other persons**

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, and no promoter of Stokes holds, or held at any time during the last 2 years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of Stokes;
- (b) any property acquired or proposed to be acquired by Stokes in connection with its formation or promotion or in connection with the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given to any of these persons for services rendered by them in connection with the formation or promotion of Stokes or in connection with the Offer.

### **9.5 Consents**

Each of the parties referred to in this section:

- (a) has not authorised or caused the issue of this Prospectus;
- (b) does not make, or purport to make, any statement in this Prospectus other than as specified in this section;
- (c) has not made any statement on which a statement in this Prospectus is based, other than as specified in this section; and
- (d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus other than the reference to its name and the statement (if any) included in this Prospectus with the consent of that party as specified in this section.

Mills Oakley Lawyers have given and, at the time of lodgement of this Prospectus, have not withdrawn their written consent to being named in this Prospectus as legal advisers to Stokes in respect of the Offer in the form and context in which they are named.

UHY Haines Norton have given and, at the time of lodgement of this Prospectus, have not withdrawn their written consent to being named in this Prospectus as auditors to Stokes in respect of the Offer in the form and context in which they are named.

Cygnnet Capital Pty Limited have given and, at the time of lodgement of this Prospectus, have not withdrawn their written consent to being named in this Prospectus as Underwriter in respect of the Offer in the form and context in which they are named.

#### **9.6 Market Price of Shares**

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest:	15 cents per Share	14 November 2012
Lowest:	14 cents per Share	22 June 2012

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was 15 cents on 21 October 2012.

#### **9.7 Expenses of the Rights Issue**

The estimated costs of the Offer are:

ASIC fees	\$2,171
Underwriting fees	\$107,108
ASX fees	\$7,800
Legal	\$15,000
Printing and postage	\$2,500
<b>TOTAL</b>	<b>\$134,579</b>

These expenses are payable by the Company.

#### **9.8 Litigation**

Neither the Company nor any of its subsidiaries are presently involved in litigation and the Directors are not aware of any basis on which any litigation against the Company or any of its subsidiaries may arise.

#### **9.9 Taxation implications**

The Directors do not consider that it is appropriate to give Shareholders or other potential Eligible Shareholders advice regarding the taxation consequences of applying for New Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Shareholders or other potential Eligible Shareholders. Potential Eligible Shareholders should, therefore, consult their own professional tax adviser in connection with the taxation implications of subscribing for New Shares offered pursuant to this Prospectus.

#### **9.10 Electronic Prospectus**

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic Entitlement and Acceptance Forms on the basis of a paper prospectus lodged with the ASIC, and the publication of notices

referring to an electronic prospectus or electronic Entitlement and Acceptance Form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Entitlement and Acceptance Form. If you have not, please phone the Company on +61 3 9845 8300 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The New Shares will only be issued on receipt of an Entitlement and Acceptance Form issued together with this Prospectus. The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Entitlement and Acceptance Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## 10 Director's authorisation

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This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that, in respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and, on that basis, have reasonable grounds to believe that persons making the statement or statements were competent to make such statements. Those persons have given their consent to the statements being included in this Prospectus, in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC or, to the Directors' knowledge, before any issue of Shares pursuant to this Prospectus.

Each of the Directors of the Company has consented to the lodgement of this Prospectus in accordance with section 720 of the Corporations Act and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company pursuant to a resolution of the Board.

Dated: 22 November 2012



Con Scrinis  
Director

## 11 Glossary

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<b>AEDT</b>	Australian Eastern Daylight Savings Time.
<b>Applicant</b>	An Eligible Shareholder who applies for New Shares.
<b>Application</b>	An application for New Shares.
<b>Application Moneys</b>	Money received by the Company in respect of Applications.
<b>ASX</b>	ASX Limited ABN 98 008 624 691.
<b>ASX Clear Operating Rules</b>	The official clearing rules of the ASX Clear Pty Limited ABN 48 001 314 503.
<b>ASX Listing Rules</b>	The official listing rules of the ASX.
<b>ASX Settlement</b>	ASX Settlement Pty Limited ABN 008 504 532.
<b>ASX Settlement Operating Rules</b>	The official settlement rules of ASX Settlement.
<b>Board or Board of Directors</b>	The board of directors of the Company.
<b>Business Day</b>	A day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Melbourne, Australia.
<b>CHESS</b>	Clearing House Electronic Subregister System operated by ASX Settlement.
<b>Closing Date</b>	5.00pm AEDT on 17 December 2012.
<b>Constitution</b>	means the Company's constitution as at the date of this Prospectus.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Directors</b>	The directors of the Company.
<b>Electronic Prospectus</b>	The electronic copy of this Prospectus located at Stokes' website at <a href="http://www.stokes-&lt;br/&gt;aus.com.au/">http://www.stokes- aus.com.au/</a> .
<b>Eligible Shareholders</b>	A Shareholder whose registered address is in Australia or New Zealand and who is a Shareholder at 5.00 pm (AEST) on the Record Date
<b>Entitlement or Right</b>	Entitlement of Eligible Shareholders to subscribe for 2 New Share for every 1 Share held by them as at the Record Date, and <b>Rights</b> has a corresponding meaning.
<b>Entitlement and Acceptance Form</b>	The personalised entitlement and acceptance form accompanying this Prospectus,
<b>New Shares</b>	The Shares to be issued in the Company under this Prospectus.
<b>Offer</b>	The offer of New Shares pursuant to this Prospectus.
<b>Opening Date</b>	9.00am AEDT on 3 December 2012.

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<b>Privacy Act</b>	<i>Privacy Act 1988 (Cth).</i>
<b>Prospectus</b>	This prospectus.
<b>Quotation and Official Quotation</b>	means the official quotation on ASX.
<b>Record Date</b>	5.00pm on 30 November 2012.
<b>Right</b>	means a right to subscribe for an Entitlement pursuant to this Prospectus.
<b>Rights Issue and Rights Issue Offer</b>	Has the meaning given to that term on the cover page of this Prospectus.
<b>Shares</b>	Fully paid ordinary shares in the capital of Stokes.
<b>Shareholders</b>	Registered holders of Shares.
<b>Share Registry</b>	Computershare Investor Services Pty Limited.
<b>Shortfall</b>	The difference between the total number of Shares offered to Eligible Shareholders under the Offer and the number of Shares applied for on a pro rata basis in exercising the Entitlements.
<b>Shortfall Notice Deadline Date</b>	means the day specified in section 1.1 as the date by which the Company must give the Underwriter written notice of the Shortfall Shares.
<b>Shortfall Offer</b>	The offer of the Shortfall to Eligible Shareholders or other persons located and receiving this Prospectus in Australia.
<b>Shortfall Shares</b>	means the number of New Shares comprising the Shortfall.
<b>Stokes or Company</b>	Stokes (Australasia) Limited ABN 24 004 554 929
<b>Sub-underwriters</b>	means Peter Jinks and CVC Limited.
<b>Underwriter</b>	means Cygnet Capital Pty Limited.
<b>Underwriting Agreement</b>	means the Underwriting Agreement dated 21 November 2012 entered between the Company and Cygnet Capital Pty Limited.
<b>Sub-underwriting Agreements</b>	means each of the following sub-underwriting agreements: (1) entered between the Underwriter and Peter Jinks dated 19 November 2012; and (2) entered between the Underwriter and CVC Limited dated 20 November 2012.

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