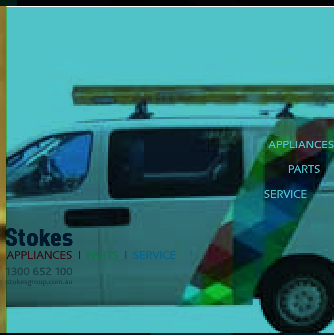


Leading provider of innovative appliance & electrical products and service.

MANUFACTURING - DISTRIBUTION - SUPPORT

ANNUAL REPORT 2013

Stokes

Appliance Parts | Technologies | Service | Industrial

Chairman's Review

Dear shareholders

I take great pleasure in reporting to you the substantial work and progress to restructure and rebuild this great company.

After many years of declining revenues and mounting losses the company has undertaken a major internally-driven transformation over the past 12 months after the change of its major shareholders and board of directors.

The new directors since their appointment in October 2012 have injected new life, enthusiasm and direction into the company. We have undertaken a complete company review that resulted in the implementation of a comprehensive re-structuring program supported by a $2.34m fully underwritten capital injection in December 2012.

Since then a number of major milestones have been achieved and the company is on track to complete this company transformation by December 2013.

These achievements include the acquisition of competitor Grimwood appliance parts in December 2012 which has resulted in the much needed consolidation of the electric elements manufacturing industry and the sale of its non-core badges & medallions business. The company has also had to make the hard but necessary decision to reduce costs by implementing a redundancy program that resulted in annualised savings of $1.4m.

In June 2013 the company acquired appliance services business Aussie Whitegoods Rescue and added LED lighting products to its existing range of appliance and electrical products. It also announced a further $1m in savings at a cost of $400k which has been provided for in the full year accounts to 30 June 2013.

These changes are part of the program to increase and diversify revenue streams and return the company to profitability. Included in the program is the upgrading of the company's enterprise resource planning systems, launch of a new e-commerce website as well as installing an experienced and motivated senior management team.

Although the company has gone through a very tough and challenging period the new directors, through their combined experience in the electrical industry, are confident of the success of the turnaround and growth strategy exploiting the company's strong brand name, excellent product range, long history and comprehensive distribution channels.

Sales for the year reached $12.7m with a reported loss of $3.2m. Included in this loss is $2m relating to one off restructuring charges that were previously announced.

We are looking forward to an exciting and challenging year ahead.

Mr Peter Jinks
Non-Executive Chairman

'These changes are part of the program to increase and diversify revenue streams and return the company to profitability'.

‘Management & the Board have established a clear direction & strategy. Our objective is to improve shareholder value through potential growth opportunities within our industry, including the superior execution, manufacturing and distribution of; appliance parts, electrical products, heating elements and services’.

Managing Directors' Review

Dear shareholders

I am pleased to report to shareholders that the company has experienced a rejuvenated and very productive period since my appointment in mid October 2012.

Although the company had been in a long period of decline, the progress that has been made in this restructuring period is ahead of internal targets.

The company's core business is the manufacture and distribution of electric heating elements and distribution of appliance parts. The company is the leading independent distributor of appliance parts in Australia and has now added appliance service via the acquisition of Aussie Whitegoods Rescue (AWR) to complement its strong position in parts distribution. It is intended that AWR will be rebranded Stokes in the coming months and that a major expansion program will be implemented that should deliver strong organic growth. This will be helped by leveraging the strong Stokes brand name in the industry as well as vertically integrating the parts business.

We have also established the Stokes Technologies Division with the addition of a comprehensive range of LED lighting that will be marketed to the high end lighting project market. This division will seek additional niche electrical products that can be distributed through our existing distribution channels. We believe that this division will diversify the company's revenue streams and lead Stokes to be a broader distributor of electrical goods and services.

As detailed in the Chairman's report we have successfully completed many projects as part of the restructuring program. These include a $2.34m capital raising, the acquisition of Grimwood appliance parts and Aussie Whitegoods Rescue as well as the sale of the Stokes badges business. We have recently upgraded the company's ERP system to enable better, quicker and more accurate information to help us manage the business. The company has also launched the Stokes e-commerce website and has re-negotiated the lease of its head office and warehousing facility in Ringwood Victoria with a resulting significant reduction in occupancy costs.

In all we expect total annual savings generated as part of the restructuring program to be in the vicinity of $2.4m which is approximately 30% of its total fixed cost base. This program is expected to be complete by December 2013 with the full benefits coming through in the 2nd half of the 2013-14 year.

This first 12 months under our management has had considerable time and resources dedicated to reducing costs and repositioning the company's product lines. We anticipate dedicating the next 12 months to adding products, including services, and growing revenues.

All of this could not have been achieved without the strong support of a fantastic senior management team that has been appointed over the past few months. Along with a number of senior long term employees that now forms the base, we expect to take this business into a long and successful future.

I take this opportunity to thank my extremely supportive fellow directors as well as all staff, customers, suppliers and shareholders and look forward to the next phase in the transformation and growth program.

Mr Con Scrinis
Managing Director

'While continuing to develop and expand core activities, Stokes is positioning itself to increase its national market share'.

'Stokes has strengthened its operating capabilities with the successful implementation of a new ERP platform enabling better, quicker and more accurate information. The company's restructuring plan is also well advanced with completion due December 2013'.

2012-2013 Key Highlights

A new life for Stokes

In November 2012, Stokes under its newly installed board and management team, embarked on a company-wide re-building program to return the company to sustainable profitability.

True to the strategic direction of the Board, the company's restructuring plan is well advanced with completion expected December 2013. The fixed cost base will have been reduced by 30% ($2.4m) on completion of the restructuring plan with full benefits in 2014.

The acquisitions and integration of both "Grimwood Appliance Parts" and "Aussie Whitegoods Rescue (AWR)" have strengthened Stokes' position as the dominant appliance parts distributor in Australia.

AWR will preserve its position as the exclusive Kleenmaid appliance parts distributor in Australia via our fully owned subsidiary Edis Pty Ltd. This vertical integration further cements the fragmented appliance parts business in Australia and makes the acquisitions highly synergistic for Stokes.

Now re-positioned for growth in 2014 with strong capabilities in appliance parts distribution, Stokes expects to generate new revenue streams from Appliance Servicing and innovative Lighting products.

Within the newly formed Technologies division, the company has added new innovative LED lighting products to its range which will generate top-line growth in 2014.

These changes have increased Stokes market strength and size in its core business. With this continued improved focus, there will be a greater degree of integration, organic growth opportunities, maximised profit margins and support for new opportunities.

Stokes is now led by an aggressive board and management team and remains in a strong position to seek further products and acquisitions to accelerate growth.

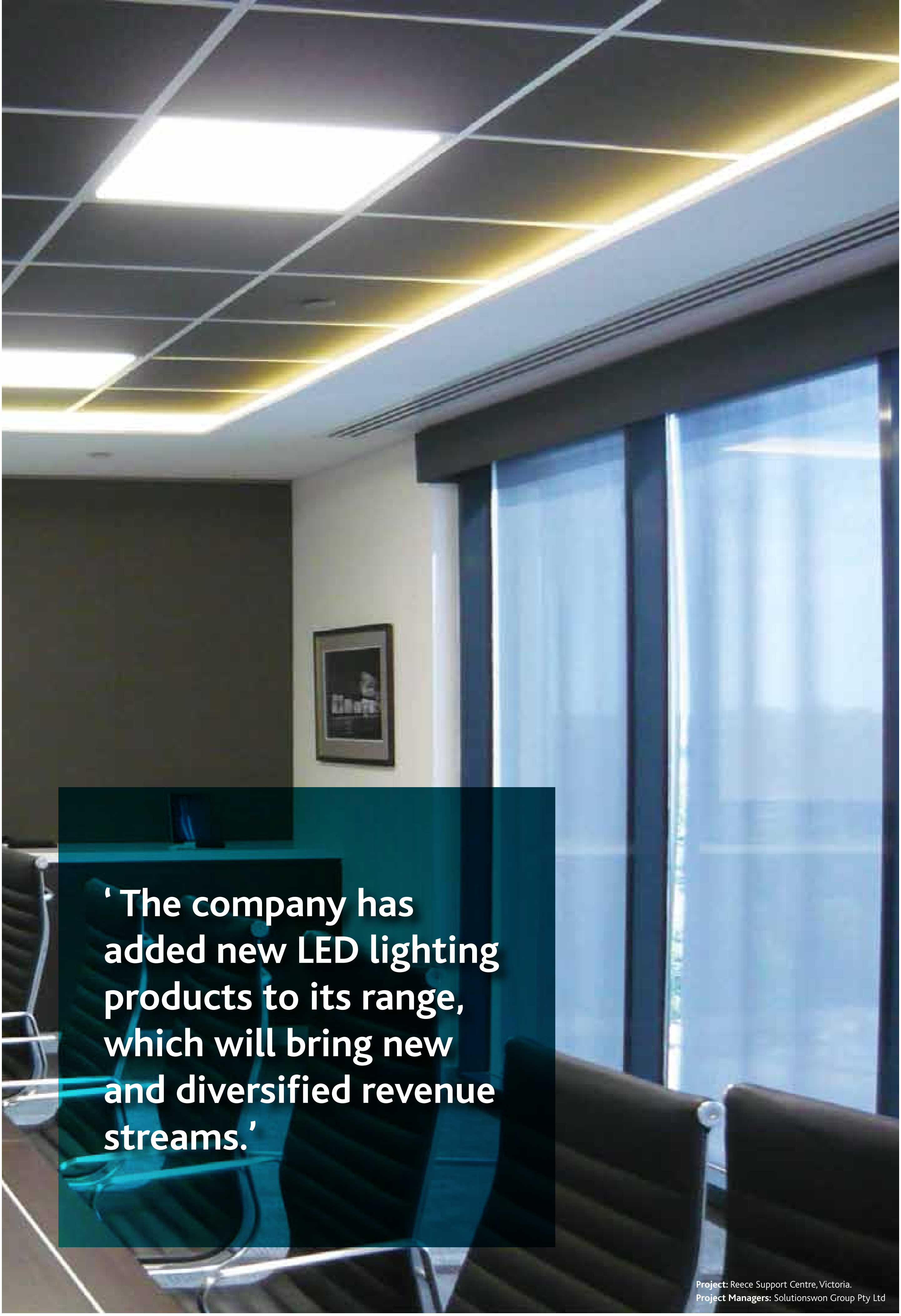
FINANCIAL SUMMARY – ANNUAL FINANCIALS

	FY 2012	FY 2013
	($'000)	($'000)
Sales	14,251	12,769
EBIT	(1,237)	(1,063)
Interest	160	120
Restructure items	-	(2,042)
PBT	(1,397)	(3,225)
Normalised PBT	(1,397)	(1,183)

FINANCIAL SUMMARY – HALF YEARLY FINANCIALS

	6 MTHS TO JUNE 12	6 MTHS TO DEC 12	6 MTHS TO JUNE 13
	($'000)	($'000)	($'000)
Sales	7,427	6,402	6,367
EBIT	(741)	(632)	(431)
Interest	69	67	53
Restructure	-	(1,642)	(400)
PBT	(810)	(2,341)	(884)
Normalised PBT	(810)	(699)	(484)

'Stokes is a leading provider of innovative appliance & electrical products and service with offices and representatives throughout Australia, Asia and the Pacific. Alongside being the country's major manufacturer of electrical elements, it has become the leading independent distributor of appliance spare parts'.



‘ The company has added new LED lighting products to its range, which will bring new and diversified revenue streams.’

Project: Reece Support Centre, Victoria.
Project Managers: Solutionswon Group Pty Ltd

Directors' Biographies

Peter Jinks *Con Scrinis* *Greg Jinks*

Peter Jinks
Non-Executive Chairman

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

Peter has been extensively involved in the industry for over fourty years' as a leader, manager, industry NECA council member, and executor of high level policy, resource, operational and strategic visions. Peter has vast experience in technical services, specifically in electrical, data, audio visual consultation and management.

Peter was crucial to the positioning of KLM Group as one of Australia's major communications and data network infrastructure contractors. KLM was established in 1981 as a small commercial electrical contracting business. By 2003 KLM had revenues of $36 million and listed on the ASX. Revenues continued to grow and by 2010 KLM had a turnover of $160 million. KLM is now a $200 million group that was acquired by ASX listed Programmed Maintenance in 2010. KLM specialises in voice & data communications, digital surveillance systems, building automation and high tech audio visual installations.

Peter was appointed Non-Executive Chairman of Stokes in October 2012.

Con Scrinis
Managing Director

Mr Scrinis was the founder and Managing Director of Moonlighting a commercial and Industrial lighting manufacturer. Established in 1991 Moonlighting went on to become the pre-eminent lighting supplier to major lighting projects throughout Australia. Projects included MCG redevelopment, Docklands Stadium, Federation Square, along with numerous hospitals, schools and multi story buildings.

Moonlighting had sales offices in all states of Australia and manufacturing facilities in Victoria and South Australia. Moonlighting employed over 200 staff with annual sales exceeding $30m. In 1997 Moonlighting developed the first LED traffic light to receive Australian standard approval.

LED traffic lights have now been retrofitted to approximately 60% of all intersections around Australia. Moonlighting was sold to ASX listed Gerard Lighting in February 2004.

Mr Scrinis then established and was joint Managing Director of ASX listed Traffic Technologies Limited. Con played a dominant role in building up the Company and was the key driver behind the formation and growth of the business. He implemented and effected the Company's initial acquisition of the traffic management business Traffic Services Australia in August 2004 and was instrumental in completing the reinstatement of the Company on the ASX in January 2005.

Mr Scrinis completed fifteen further acquisitions creating a business with revenues of over $100M and in the process creating Australia's largest traffic products and services company.

Mr Scrinis is an experienced business builder, manager and company director. Founded and operated large businesses covering manufacturing, electrical, technology and services over a period of 20 years. Mr. Scrinis has strong leadership skills and has successfully completed over 40 business acquisitions/ disposals with a proven track record in delivering stakeholder returns.

'Stokes Board of Directors is responsible for corporate governance of the Company. The Board supports management with the development of the strategic direction of the Company, reviews strategic objectives, and monitors performance against those objectives. The Board of Directors is ultimately accountable to the company's shareholders.

Greg Jinks
Executive Director

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

Greg was also the entrepreneurial co-founder of KLM Group and, with his brother, was a key driver of a national service business with 800+ employees that has become one of Australia's major communications and data network infrastructure contractors.

The duo brothers established KLM Group in 1981 as a small commercial electrical contracting business. By 2003 KLM had revenues of $36 million and listed on the ASX. Revenues continued to grow and by 2010 KLM had a turnover of $160 million. KLM is now a $200 million group that was acquired by ASX listed Programmed Maintenance in 2010. KLM specialises in voice & data communications, digital surveillance systems, building automation and high tech audio visual installations.

Greg played a pivotal role with his involvement in company's industry and government accreditations including vendor relationship management for the majority of industry Vendors. His involvement in both the current and emerging technologies also complemented the company's growth strategy focusing on building business in core service offerings whilst integrating superior technological products, providing KLM Group with a key differentiator in the marketplace.

Greg has more than thirty-five years' experience in the telecommunications sector particularly in the area of electrical, data cabling networks, voice, laser, microwave wireless products and the supply of high tech audio visual installations.

Corporate Directory

DIRECTORS	PETER JINKS CON SCRINIS GREG JINKS
SECRETARY	HEMANT AMIN
AUDITOR	UHY HAINES NORTON
SOLICITORS	K&L GATES 525 COLLINS ST MELBOURNE, VICTORIA 3000 **TEL** (03) 9640 4354 **FAX** (03) 9205 2055 **WEBSITE** www.klgates.com
REGISTERED OFFICE	24 PALMERSTON ROAD RINGWOOD, VICTORIA 3134 **TEL** (03) 9845 8300 **FAX** (03) 9874 1077 **WEBSITE** www.stokes-aus.com.au **EMAIL** info@stokes-aus.com.au
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
AUSTRALIAN BUSINESS NUMBER	24 004 554 929

‘Stokes are a leading provider of innovative appliance & electrical products and service’.

CONTENTS

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 2013.

(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.

Peter Jinks, Age - 60 - Appointed 09 October 2012 as a non executive director and chairman
Greg Jinks, Age - 55 - Appointed 09 October 2012 as an executive director

Greg and Peter (A Grade Electrician) Jinks have extensive experience in the electrical industry; they were the co-founders and joint managing directors of electrical contractor KLM Group Limited.

KLM was established in 1981 as a small commercial electrical contracting business. By 2003 KLM had revenues of $36 million and listed on the ASX. Revenues continued to grow and by 2010 KLM had turnover of $160 million. KLM is now a $200 million group that was acquired by ASX listed Programmed Maintenance in 2010. KLM specialises in voice & data communications, digital surveillance systems, building automation and high tech audio. Neither Greg Jinks nor Peter Jinks has been a director of any other listed companies during the 3 years ending 30 June 2013.

Con Scrinis, Age - 50 - Appointed 16 October 2012

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

Mr. Scrinis was the founder and managing director of Moonlighting Pty Ltd, a commercial and industrial lighting manufacturer. Moonlighting employed over 200 staff with annual sales exceeding $30 million before being sold to ASX listed Gerard Lighting in February 2004.

Mr. Scrinis then founded and was joint Managing Director of ASX listed Traffic Technologies Limited (ASX:TTI). He spearheaded a rapid expansion consolidating the fragmented traffic services area. TTI became the leading traffic products company in Australia with revenues exceeding $100 million per annum and over 1500 employees. Mr.Scrinis is a director of ASX listed Teys Ltd and Beauty Health Group Ltd.

William R. Stokes, B. Comm., Age 70 – Retired

Mr. Stokes was a director since 1967 and was the managing director from 1974 until 2004. He was also 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. Mr William Stokes was appointed Chairman of the Company on 12 August 2012 and stepped down as chairman on 16 October 2012. Mr Stokes retired as a director on 29 November 2012.

Gordon B. Elkington, B.Sc., M.Sc., Ph.D., LL.M., Age 67 - Resigned

Mr. Elkington was 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. Mr Elkington resigned as a director on 12 October 2012 and resigned as Company secretary on 03 December 2012.

Ian Alexander, Age 59 - Resigned

Mr. Alexander was appointed as a director at the annual general meeting on 16 November 2007. He is a Chartered Accountant who has had considerable business experience in manufacturing, distribution and transport. Mr Alexander resigned as a director on 12 August 2012.

DIRECTORS' REPORT

Company Secretary

Hemant Amin

Hemant Amin is a certified practicing accountant. Hemant has over 25 years of accounting and business experience and has worked for both large multinational and public companies as well as smaller family owned operations. Hemant now works as a management consultant. His most recent role was as CFO to The Traffic Group and before that as a Group Treasurer at Primelife.

(b) Review of Operations

The company has undertaken a major transformation over the past 12 months under the leadership of a new board of directors and senior management team.

The top to bottom review has resulted in the implementation of a comprehensive re-structuring program in order to turn the business around and be put back on to the path of profitability.
In December 2012 the company raised $2.34M via a 2 for 1 rights issue, these funds have been used to restore the working capital shortfall and implement the restructuring program that was announced in November 2012.

Since then a number of key milestones have been achieved and the company is on track to complete this company transforming re-structuring by December 2013.

These achievements include the acquisition of competitor Grimwood Appliance Parts in December 2012 and the sale of it's non core Badges & Medallions business. The company has also implemented a redundancy program with 28 redundancies announced in March 2013 which resulted in annualised savings of $1.4M.

In June 2013, the company acquired appliance services business Aussie Whitegoods Rescue and added LED lighting products to its existing range of appliance and electrical products. It also announced a further $1m in savings at a one off cost of $400k which has been provided for in the full year accounts to 30 June 2013.

These changes are part of a program to increase and diversify revenue streams and return the company to profitability. Included in the program is the upgrading of the company's enterprise resource planning systems and launch of new e-commerce website as well as installing an experienced and motivated senior management team.

Sales for the year reached $12.7M with a reported loss of $3.2m. Included in this loss is $2M relating to one off restructuring charges.

(c) Stokes Principal Activities

The major business activity of Stokes is the distribution of appliance parts and industrial products including the manufacture of industrial heating elements. The company also sells and services appliances and distributes lighting and electrical products.

(d) Operating results

The consolidated group made a loss of $3,224,970 for the year ended 30 June 2013. (2012 loss of $1,397,779). Sales for the year were $12.8 million (2012: $14.3 million).

The decline in the trading result for the year ended 30 June 2013 as compared to the previous corresponding period is attributable to a number of factors, including the cost of the major restructuring the company is undergoing.

DIRECTORS' REPORT

(e) 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.

In December 2012 the company raised $2.34M via a 2 for 1 pro-rata rights issue. The funds have been used to restore the working capital shortfall and implement the restructuring program.

(f) Dividends

No dividends have paid, and no dividends have been declared or recommended but not paid by Stokes (Australasia) Limited in respect of the year ended 30 June 2013 or the year ended 30 June 2012.

(g) Options

No options were granted by Stokes (Australasia) Limited over any unissued shares or unissued interests during the years ended 30 June 2013 and 30 June 2012 and, as at the date of this report, there were no unissued shares or interest in the company under option.

(h) Outlook

The year has begun well with sales for July & August above internal budgets. We expect to receive the full benefits of the restructuring from January 2014 which will lead to a strong second half of the year.

(i) 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.

(j) 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
Peter Jinks	10,000	3,490,000	3,500,000
Greg Jinks	-	3,500,000	3,500,000
Con Scrinis	750	3,499,250	3,500,000

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

DIRECTORS' REPORT

(k) 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
Peter Jinks	6	6	6	6
Greg Jinks	6	6	6	6
Con Scrinis	5	5	5	5
William R. Stokes	6	5	6	5
Gordon B. Elkington	4	4	4	4
Ian Alexander	2	2	2	2

(l) 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, I. Alexander, Con Scrinis, Peter Jinks and Greg Jinks 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.

(m) 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. During the year ended 30 June 2013, UHY Haines Norton provided tax compliance and other accounting services to the company for which $103,996 was paid or payable to UHY Haines Norton by 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.

(n) Staff

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

REMUNERATION REPORT (AUDITED)

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

Remuneration philosophy

Remuneration levels are set by the company in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives.

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

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

Directors' and other officers' emoluments

2013	**Short-term**	**Long-term**	**Post-employment**	**Total 2013**
	Salary and fees	Long service leave	Superannuation	
	$	$	$	$
Peter Jinks	34,461	-	956	35,417
Greg Jinks	106,250	-	-	106,250
Con Scrinis	191,250	-	-	191,250
William R. Stokes	-	-	-	-
Gordon B.Elkington	-	-	-	-
Ronald J. Drury	161,537	-	11,140	172,677
Ian Alexander	-	-	-	-
Total	493,498	-	12,096	505,594

2012	**Short-term**	**Long-term**	**Post-employment**	**Total 2012**
	Salary and fees	Long service leave	Superannuation	
	$	$	$	$
William R. Stokes	25,000	-	2,250	27,250
Gordon B.Elkington	25,000	-	2,250	27,250
Ronald J. Drury	225,862	-	19,981	245,843
Ian Alexander	35,000	-	3,150	38,150
David Welsh	23,750	-	2,137	25,887
Total	334,612	-	29,768	364,380

Signed on 27 September 2013 in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

Mr Con Scrinis
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 good corporate governance and have followed the "Principles of good Corporate Governance and Best Practice Recommendations" issued by the Australian Stock Exchange ("ASX") Corporate Governance Council to the extent that they are applicable to the company.

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

- First, the majority of the Board is not deemed to be independent Directors. There are currently no independent directors on the Company's board of 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 financial and other reporting; including reporting under listing rules 3.19A and 3.19B and section 205G of the Corporations act 2001, are in place and functioning appropriately.
- assuring itself that appropriate audit arrangements are in place;

CORPORATE GOVERNANCE STATEMENT

ROLE OF THE BOARD **(continued)**

- 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.

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, there are currently no directors of Stokes who are considered to be independent:

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:

Name	Term
Peter Jinks	No Contract
Greg Jinks	No Contract
Con Scrinis	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.

CORPORATE GOVERNANCE STATEMENT

STRUCTURE OF THE BOARD (continued)

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.

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.

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
Lay solid foundation for management and oversight	Adopted.
Principle 1: Recognise and publish the respective roles and responsibilities of the board and management	
1.1 Formalize and disclose the functions reserved to the board and those delegated to management	The company's Corporate Governance Policies includes a Board Charter, which discloses the specific responsibilities of the Board
1.2 Disclose the process for evaluating the performance of senior executives.	The Board monitors the performance of senior management including measuring actual performance against planned performance.
1.3 Provide the information indicated in 'Guide to reporting on Principle 1'.	The company has provided details of any departures from Principle 1 in this Annual Report
Structure the board to add value	Adopted except as follows:
Principle 2: Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties	
2.1 A majority of the Board should be independent.	Stokes does not comply with this recommendation as none of the Directors are independent.
2.2 The chairperson should be an independent Director.	The Chairperson is not an independent director of the company.
2.3 The roles of chairperson and Managing Director should not be exercised by the same individual	The roles of the chairperson and Managing Director are not exercised by the same individual.
2.4 The board should establish a nomination committee.	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.
2.5 Disclose the process for evaluating the performance of the board, its committees and the individual directors.	The Board has adopted a policy to assist in evaluating board performance.
2.6 Provide the information indicated in 'Guide to Reporting on Principle 2'.	The specified information, including details of any departures from principle 2 has been provided in this Annual Report.

BEST PRACTICE RECOMMENDATION (continued)

Corporate Governance Policy	Action Taken and reasons if not adopted
Actively promote ethical and responsible decision-making Principle 3: Promote ethical and responsible decision - making 3.1 Establish a code of conduct to disclose the code or a summary of the code as to:	Adopted.
3.1.1 the practices necessary to maintain confidence in the company's integrity. 3.1.2 the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders. 3.1.3 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices.	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.
3.2 Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits of, and arising from, employee and Board diversity and the importance of benefiting from all available talent. The diversity policy outlines requirements for the Board to develop measurable objectives for achieving diversity and annually assess both the objectives and the progress in achieving those objectives
3.3 Disclose in each annual report measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The diversity policy outlines requirements for the Board to develop measurable objectives for achieving diversity and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board has developed the following objectives regarding gender diversity and aims to achieve these objectives over the next five years as Director and senior executive positions become vacant and appropriately qualified candidates become available:
3.4 Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Actual Number / % Women on the Board 0 0 Women in senior Management roles 0 0 Women employees in the group 23 36

CORPORATE GOVERNANCE STATEMENT

BEST PRACTICE RECOMMENDATION (continued)

Corporate Governance Policy	Action Taken and reasons if not adopted
3.5 Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy	The Company's Corporate Governance Policies includes a Dealing in Securities Policy which provides comprehensive guidelines on trading in the company's securities.
3.6 Provide the information indicated in 'Guide to Reporting on Principle 3'	The company has provided details of any departures from principle 3 in this Annual Report.
Safeguard integrity in financial reporting	
Principle 4: Establish a structure to independently verify and safeguard integrity in financial reporting	Adopted except as follows:
4.1 The Board should establish an audit committee.	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
4.2 Structure the audit committee so that it consists of: • Only non-executive directors • A majority of independence directors • An independent chairperson who is not the chairperson on the Board	Not applicable
4.3 The audit committee should have a formal operating charter.	Not applicable
4.4 Provide the information indicated in the 'Guide to reporting on Principle 4'.	The company has provided details of any departures from principle 4 in this annual Report
Promote timely and balanced disclosure	Adopted.
Principle 5: Make timely and balance disclosure of all material matters concerning the company	
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 and disclose those policies or a summary of those policies.	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.
5.2 Provide the information indicated in the 'Guide to reporting on Principle 5'.	The company will provide details of any departures from Principle 5 in its Annual Report.

CORPORATE GOVERNANCE STATEMENT

BEST PRACTICE RECOMMENDATION (continued)

Corporate Governance Policy	Action Taken and reasons if not adopted
Respect the rights of shareholders	Adopted.
Principle 6: Respect the rights of shareholders and facilitate the effective exercise of those rights	
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.	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.
6.2 Provide the information indicated in the 'Guide to reporting on Principle 6'.	The company has provided details of any departures from Principle 6 in its Annual Report
Recognise and manage risk	Adopted.
Principle 7: Establish a sound system of risk oversight and management and internal control	
7.1 The Board or appropriate Board committee should establish policies on risk oversight and management of material business risk and disclose a summary of those policies.	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. The Company's Risk Management policy is available on the company's website
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.	The Board requires that the Managing Director designs and implements continuous risk management and internal control systems and provides reports at relevant times.
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.	The board seeks, at the appropriate times, these relevant assurances from the individuals appointed to perform the role of Managing Director and the Chief Operating Officer.
7.4 Provide the information indicated in the 'Guide to reporting on Principle 7'.	The company has provided details of any departures from Principle 7 in this Annual Report.

CORPORATE GOVERNANCE STATEMENT

BEST PRACTICE RECOMMENDATION (continued)

Corporate Governance Policy	Action Taken and reasons if not adopted
Remuneration fairly and responsibly 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	Adopted except as follows:
8.1 The board should establish a remuneration committee.	The company in not of a size to justify having a separate remuneration committee. However, matters typically dealt with by such a committee are dealt with by the full Board.
8.2 The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent director; and • has at least three members.	Not applicable.
8.2 Clearly distinguishes the structure of non-executive director's remuneration from that of executive directors and senior executives.	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.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2013

	Note	CONSOLIDATED 2013 $	2012 $
Sales revenue (sale of goods)	3(a)	**12,768,787**	14,250,882
Cost of sales		**(9,119,779)**	(9,262,526)
Gross Profit		**3,649,008**	4,988,356
Other income	3(b),(c)	**285,922**	133,707
Distribution expenses		**(1,236,930)**	(1,245,722)
Selling expenses		**(2,299,724)**	(2,073,756)
Occupancy expenses		**(689,990)**	(665,468)
Administration expenses		**(2,813,182)**	(2,374,479)
Finance costs	3(d)	**(120,074)**	(160,417)
Profit / (Loss) Before Income Tax		**(3,224,970)**	(1,397,779)
Profit / (Loss) for the year		**(3,224,970)**	(1,397,779)
Other Comprehensive Income		**-**	-
Other Comprehensive Income for the year net of tax		**-**	-
Total Comprehensive Income for the year		**(3,224,970)**	(1,397,779)
Profit / (Loss) attributable to: members of the Parent Entity	17	**(3,224,970)**	(1,397,779)
Non – Controlling Interest		**-**	-
		(3,224,970)	(1,397,779)
		Cents per share	Cents per share
Earnings per share from continuing operations	18	**(20.09)**	(17.9)

Notes to the financial statements are included on pages 28 to 59

STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	CONSOLIDATED 2013	2012
Current Assets			
Cash and cash equivalents	23 (a)	**732,663**	116,322
Trade and other receivables	6	**1,789,562**	1,887,260
Inventories	7	**1,792,222**	3,144,221
Other assets	8	**61,037**	53,437
Total Current Assets		**4,375,484**	5,201,240
Non-Current Assets			
Intangible Assets	9	**199,486**	25,001
Plant and equipment	10	**231,664**	190,904
Total Non-Current Assets		**431,150**	215,905
Total Assets		**4,806,634**	5,417,145
Current Liabilities			
Trade and other payables	11	**1,520,352**	1,502,266
Borrowings	12	**1,261,984**	1,261,037
Provision for restructuring	13	**575,105**	-
Provisions – Employee benefits	14	**721,556**	934,992
Total Current Liabilities		**4,078,997**	3,698,295
Non-Current Liabilities			
Provisions – Employee benefits	15	**110,805**	76,933
Total Non-Current Liabilities		**110,805**	76,933
Total Liabilities		**4,189,802**	3,775,228
Net Assets		**616,832**	1,641,917
Equity			
Contributed equity	16	**8,521,019**	6,321,134
Accumulated profits/(losses)	17	**(7,904,187)**	(4,679,217)
Parent entity interest		**616,832**	1,641,917
Total Equity		**616,832**	1,641,917

Notes to the financial statements are included on pages 28 to 59

STATEMENT OF CASH FLOWS

For the Year ended 30 June 2013

	Note	CONSOLIDATED 2013 $	2012 $
Cash flows from operating activities			
Receipts from customers		**14,214,501**	15,928,667
Payments to suppliers and employees		**(15,414,776)**	(16,282,758)
Interest received		**3,221**	3,962
Finance costs		**(120,074)**	(160,417)
Net cash provided by/(used in) operating activities	23(d)	**(1,317,128)**	(510,546)
Cash flows from investing activities			
Payment for property, plant and equipment	10	**(107,373)**	(29,140)
Proceeds from sale of Stokes Badges	21(d)	**188,609**	-
Payment for Aussie Whitegoods Rescue	21(b)	**(20,000)**	-
Payment for Grimwood Appliance parts	21(c)	**(302,594)**	-
Net cash provided by/(used in) investing activities		**(241,358)**	(29,140)
Cash flows from financing activities			
Proceeds from issue of share capital		**2,199,885**	112,250
Proceeds from / (Repayment) of borrowings		**(87,326)**	-
Increase in borrowings		**88,273**	344,503
Payment of loan amounts to Aussie Whitegoods Rescue		**(26,005)**	-
Net cash provided by/(used in) financing activities		**2,174,827**	456,733
Net increase/(decrease) in cash held		**616,341**	(82,933)
Cash and cash equivalents at the beginning of the financial year		**116,322**	199,255
Cash and cash equivalents at the end of the financial year	23(a)	**732,663**	116,322

Notes to the financial statements are included on pages 28 to 59

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2012

Attributable to equity holders of the parent				**Non-Controlling Interest**	**Total equity**
CONSOLIDATED	**Contributed Equity $**	**Accumulated Losses $**	**Total $**	**$**	**$**
At 1 July 2011	6,208,884	(3,281,438)	2,927,446	-	2,927,446
Profit/(Loss) for the year	-	(1,397,779)	(1,397,779)	-	(1,397,779)
Total other comprehensive income for the year	-	-	-	-	-
Share issue during the period	112,250	-	112,250	-	112,250
At 30 June 2012	**6,321,134**	**(4,679,217)**	**1,641,917**	**-**	**1,641,917**

YEAR ENDED 30 JUNE 2013

Attributable to equity holders of the parent				**Non-Controlling Interest**	**Total equity**
CONSOLIDATED	**Contributed Equity $**	**Accumulated Losses $**	**Total $**	**$**	**$**
At 1 July 2012	6,321,134	(4,679,217)	1,641,917	-	1,641,917
Profit/(Loss) for the year	-	(3,224,970)	(3,224,970)	-	(3,224,970)
Capital raising costs for the share issue	(140,243)	-	(140,243)	-	(140,243)
Share issue during the period	2,340,128	-	2,340,128	-	2,340,128
At 30 June 2013	**8,521,019**	**(7,904,187)**	**616,832**	**-**	**616,832**

Notes to the financial statements are included on pages 28 to 59

NOTES TO THE YEAR END FINANCIAL STATEMENTS
30 June 2013

1 Corporate information

The financial report of Stokes (Australasia) Limited for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on xx September 2013.

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 are 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) Principles of consolidation

The consolidated financial statements comprise the financial statements of Stokes (Australasia) Limited and its subsidiaries, Stokes Investments Pty Ltd, Edis Pty Ltd and Aussie Whitegoods Rescue Pty Ltd (AWR) ("the Group") as at 30 June 2013. Edis Pty Limited was acquired in June 2009. Aussie Whitegoods Rescue Pty Ltd was acquired in June 2013. 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.

(b) Principles of consolidation (continued)

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.
A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:
(i) the consideration transferred;
(ii) any non-controlling interest; and
(iii) the acquisition date fair value of any previously held equity interest;
over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value re measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.
Refer to Note 21 for information on the goodwill policy adopted by the Group for acquisitions.
Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(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 concern

The ability of the Group continue as a going concern is reliant on generating profits, improving cash flows from operating activities, managing debt levels, and the management of other cash flows within the Group's funding facilities.

Notwithstanding the Group's total equity of $616,832 at 30 June 2013 (30 June 2012 - $1.64m), operating loss of $3.224m (2012 $1.397m loss) and negative cash flows from operating activities of $1.3m (2012 - $0.5m), the directors believe the going concern basis is appropriate due to the following factors

- The Group's forward budget and cash flow projections are based on the effects of the restructuring program and new revenues from acquisitions completed including Grimwood Appliance Parts and Aussie Whitegoods Rescue. The directors have reviewed and approved the Group's forward budget and which shows positive cash flow projections.

- The company has received approval from Bendigo Adelaide bank to temporarily increase in its debtor funding finance facilities from 80% to 85%, which will provide an additional $90K in working capital.

- The directors also believe the company is well placed to raise further capital (if required) to fund working capital and or acquisitions.

On the basis of the above the directors believe that the Group will continue as a going concern 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

(d) Financial Instruments (continued)

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.

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:

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 Managing Director 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.

(f) 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.

(g) Finance costs

Finance costs are recognised as an expense when incurred.

(h) Investment

The investment in subsidiary is carried at cost.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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 22 for related party disclosures.

(n) 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.

(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 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:

NOTES TO THE YEAR END FINANCIAL STATEMENTS *(continued)*

Long service leave
As discussed in note 2(n), 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.

Change in Accounting Policy
The company has changed the accounting policy for the provision for slow moving and obsolete inventory as a consequence of the review conducted as part of the restructuring programme announced in November 2012. The effect of this change in policy has been to increase the expense and provision for slow and obsolete inventory by $146,283 for the year to June 2013. The effect of the change in accounting policy cannot practicably be estimated for the equivalent corresponding period.

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:	New	Old
1 year and less than 2 years	50%	25%
2 years and less than 3 years	100%	50%
3 years and over	100%	100%

(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:

Standard/Interpretation	*Summary*	*Applicable for annual reporting periods beginning on*	*Impact on the Group financial statements*
AASB 9 *Financial instruments*	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (AASB 139 *Financial Instruments: Recognition and Measurement*).	1 Jan 2015	Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments and hedge accounting, details of impacts will be assessed.
AASB 10 *Consolidated Financial Statements*	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee.	1 Jan 2014	Detail of impact is still be assessed.
AASB 12 *Disclosure of Interests in Other Entities*	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 *Separate Financial Statements* and AASB 131 *Interests in Joint Ventures*.	1 Jan 2014	Detail of impact is still be assessed.
AASB 13 Fair Value Measurement	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other Australian accounting standards. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively detailed compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures required assets measured using depreciated replacement cost.
AASB 127 Separate Financial Statements	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 Jan 2014	No significant impact is expected on the Group reporting.
AASB 128 Investments in Associates and Joint Ventures	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2014	No significant impact is expected on the Group reporting.

Standard/Interpretation	*Summary*	*Applicable for annual reporting periods beginning on*	*Impact on the Group financial statements*
AASB 1053 *Application of Tiers of Australian Accounting Standards*	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	Since the Group is a for profit entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	This Standard amends disclosure requirements only.	1 Jan 2013	No significant impact is expected on the Group reporting.
AASB 2012-9 Amendments to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	This Standard amends the interpretation of standards	1 Jan 2013	No significant impact is expected on the Group reporting.
AASB 2013-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	This Standard amends Australian Accounting Standard AASB 132 Financial Instruments: Presentation	1 Jan 2014	The Group has not yet determined the extent of the impact of the amendments, if any.
AASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Reuirements	This Standard amends Australian Accounting Standard AASB 124Related Party Disclosures	1 Jan 2013	No significant impact is expected on the Group reporting.

	CONSOLIDATED 2013 $	2012 $
3. INCOME AND EXPENSES		
(a) Sales revenue		
Sales revenue – sale of goods	**12,775,689**	14,255,114
Provision for Bad & Doubtful Debts	**(6,902)**	(4,232)
Total	**12,768,787**	14,250,882
(b) Other Revenue		
Interest revenue	**3,221**	3,962
Total other revenue	**3,221**	3,962
(c) Other Income		
Net foreign exchange gain/(loss)	**(3,103)**	(9,023)
Sundry income	**151,200**	138,768
Net gain/(loss) on Disposal of Stokes Badges	**134,604**	-
Total other income	**282,701**	129,745
Total other revenue & income	**285,922**	133,707
(d) Expenses		
Finance Costs:		
Interest - other entities	**120,074**	160,417
	120,074	160,417
(e) Other Expenses		
Depreciation and amortisation of non-current assets:		
Plant and equipment	**56,866**	65,024
	56,866	65,024

	CONSOLIDATED 2013 $	2012 $
3. INCOME AND EXPENSES (continued)		
(e) Expenses (continued)		
Net bad and doubtful debts	**(6,902)**	(4,232)
Inventory		
-Write-downs and other losses	**784,385**	237,841
Operating lease rental expenses	**459,997**	447,626
Employee Benefits:		
-Wages and salaries	**3,307,997**	3,264,457
-Superannuation	**330,685**	419,335

4. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

G. B. Elkington	Director (non-executive) and Company Secretary Resigned as director 12 October 2012
W. R. Stokes	Director (non-executive) Resigned 29 November 2012
I. Alexander	Director (non-executive) Resigned 12 August 2012
D. Welsh	Director (non-executive) Resigned 13 June 2012
Peter Jinks	Director (non-executive) Appointed 09 October 2012
Greg Jinks	Director (executive) Appointed 09 October 2012
Con Scrinis	Managing Director Appointed 16 October 2012

(ii) Other

R. J. Drury	Chief Executive Officer Terminated 22 October 2012

(b) Remuneration by Category: Key Management Personnel

	CONSOLIDATED 2013 $	2012 $
Short-term employee benefits	493,498	334,612
Long-term employee benefits	-	-
Post-employment Employee benefits	8,060	29,768
Total	501,558	364,380

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.

4. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(c) Key Management Personnel Equity Holdings

As at 30 June 2013, the key management personnel had relevant interests in the following number of ordinary shares in Stokes (Australasia) Limited:

NAME	DIRECTLY OWNED	OTHER	TOTAL
Peter Jinks	10,000	3,490,000	3,500,000
Greg Jinks	-	3,500,000	3,500,000
Con Scrinis	750	3,499,250	3,500,000

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

(d) Transactions with Key Management Personnel

The directors participated in the share purchase plan. Loans from directors are disclosed in Note 12.

	CONSOLIDATED	
	2013	2012
	$	$
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% (2012:30%)		
Accounting profit /(loss)before income tax	**(3,224,970)**	(1,397,779)
Income tax expense calculated at 30%	**(967,491)**	(419,334)
Temporary differences and tax losses not brought to account as future income tax benefits (Note 5(b))	**967,491**	419,334
	-	-
(b) The following deferred tax assets have not been recognised as recovery is not considered probable:		
Attributable to temporary differences	**423,727**	916,882
Attributable to tax losses	**3,155,392**	2,334,446
	3,579,119	3,251,328
(c) The major components of income tax expense are:		
Current income tax expense	**-**	-
Temporary differences	**-**	-
Income tax expenses reported in the statement of comprehensive income	**-**	-

NOTES TO THE YEAR END FINANCIAL STATEMENTS *(continued)*

	CONSOLIDATED	
	2013	2012
	$	$
6. CURRENT TRADE AND OTHER RECEIVABLES		
Trade debtors	**1,824,890**	1,925,368
Less: Provision for doubtful debts	**(11,627)**	(14,407)
Less: Allowance for credit claims	**(23,701)**	(23,701)
	1,789,562	1,887,260
7. CURRENT INVENTORIES		
Net Realisable value		
Raw materials	**53,934**	480,330
Work in progress	**72,235**	231,261
Finished goods	**1,666,053**	2,432,630
At lower of cost and net realisable value	**1,792,222**	3,144,221
8. OTHER		
Prepayments	**61,037**	53,437
9. INTANGIBLE ASSETS		
Goodwill - at cost		
Grimwood Appliance Parts	**75,000**	-
	75,000	-
Goodwill – on consolidation		
Edis Pty Ltd	**25,001**	25,001
Aussie Whitegoods Rescue	**99,485**	-
	124,486	25,001
	199,486	25,001

10. PROPERTY, PLANT & EQUIPMENT

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

	CONSOLIDATED	
	Plant and Equipment	TOTAL $
Year ended 30 June 2013		
Cost as at 1 July 2012	4,926,548	4,926,548
Additions	107,373	107,373
Disposals	(254,560)	(254,560)
Balance as at 30 June 2013	4,779,361	4,779,361
Accumulated Depreciation		
Balance as at 1 July 2012	(4,735,644)	(4,735,644)
Depreciation expense	(56,866)	(56,866)
Disposals	244,813	244,813
Balance as at 30 June 2013	(4,547,697)	(4,547,697)
Net carrying value as at 30 June 2013	231,664	231,664

	CONSOLIDATED	
	Plant and Equipment	TOTAL $
Year ended 30 June 2012		
Cost as at 1 July 2011	4,897,408	4,897,408
Additions	29,140	29,140
Disposals	-	-
	-	-
Balance as at 30 June 2012	4,926,548	4,926,548
Accumulated Depreciation		
Balance as at 1 July 2011	(4,670,620)	(4,670,620)
Depreciation expense	(65,024)	(65,024)
Disposals	-	-
Transfers	-	-
Balance as at 30 June 2012	(4,735,644)	(4,735,644)
Net carrying value as at 30 June 2012	190,904	190,904

NOTES TO THE YEAR END FINANCIAL STATEMENTS *(continued)*

	CONSOLIDATED	
	2013	2012
	$	$
11. CURRENT TRADE AND OTHER PAYABLES		
Trade payables	**1,365,093**	1,245,588
Accruals	**136,361**	203,556
Goods and services tax (GST)	**18,898**	53,122
	1,520,352	1,502,266

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

12. CURRENT BORROWINGS		
Secured:		
Bank and other loans (i) - (Note 23 (c))	**1,261,984**	1,173,711
Unsecured:		
Loan from related parties Non Interest Bearing (ii)	**-**	87,326
	1,261,984	1,261,037

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

(ii) This was comprised of loans from former directors W.Stokes,G.Elkington I.Alexander and D.Welsh that were repaid during the year.

13. CURRENT PROVISION – RESTRUCTURING COSTS		
Restructuring costs	**575,105**	-
Balance at 1 July 2012	**-**	-
Provision for the year	**1,499,744**	-
Amounts used	**(924,639)**	-
Balance as at 30 June 2013	**575,105**	-

14. PROVISIONS – EMPLOYEE BENEFITS		
Balance at 1 July 2012	**1,011,925**	991,816
Provision on acquisition of controlled entity	**17,331**	-
Provision for the year	**157,118**	463,820
Amounts used	**(353,013)**	(443,711)
Balance as at 30 June 2013	**832,361**	1,011,925
Employee benefits - Current	**721,556**	**934,992**
Employee benefits - Non current – refer Note 15		

NOTES TO THE YEAR END FINANCIAL STATEMENTS (*continued*)

	CONSOLIDATED 2013 $	2012 $
15. NON-CURRENT PROVISIONS – EMPLOYEE BENEFITS		
Employee benefits	**110,805**	76,933

16. CONTRIBUTED EQUITY

	2013 $	2012 $
23,401,281 ordinary shares (2012: 7,800,427)	**8,521,019**	6,321,134

Fully Paid Ordinary Shares
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.

17. ACCUMULATED PROFITS/(LOSSES)

	2013 $	2012 $
Balance at beginning of year	**(4,679,217)**	(3,281,438)
Net Profit / (Loss)	**(3,224,970)**	(1,397,779)
Balance at end of year	**(7,904,187)**	(4,679,217)

18. EARNINGS PER SHARE	**2013**	2012
	Cents	Cents
Basic earnings per share (cents per share)	**(20.09)**	(17.9)
Diluted earnings per share (cents per share)	**(20.09)**	(17.9)
Earnings used in the calculation of basic earnings per share Profit /(Loss)	**(3,224,970)**	(1,397,779)
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**16,049,646**	7,800,427

Diluted earnings per share is not applicable because the company has no potentially dilutive ordinary shares outstanding.

	CONSOLIDATED	
19. PARENT ENTITY DISCLOSURE	**2013**	2012
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	**3,265,634**	3,960,569
b. Total assets	**5,985,269**	6,539,225
c. Current liabilities	**2,677,133**	2,277,538
d. Total liabilities	**5,951,099**	5,362,459
e. Shareholders Equity		
i) Issued Capital	**8,521,019**	6,321,134
ii) Accumulated losses	**(8,486,849)**	(5,144,369)
Statement of Comprehensive Income		
f. Net profit / (Loss)	**(3,342,480)**	(1,451,770)
g. Total comprehensive income	**(3,342,480)**	(1,451,770)
Guarantees		
h. Guarantees provided by parent entity in relation to the debts of the subsidiaries	**89,453**	188,421
Contingent liabilities		
i. Commitments for the acquisition of property, plant and equipment	**-**	-

	CONSOLIDATED	
	2013	2012
	$	$
20. COMMITMENTS FOR EXPENDITURE		
Operating lease commitments:		
Non-cancellable operating leases		
Property: (i)		
Not later than one year	**495,710**	557,466
Later than one year but not later than two years	**36,851**	361,037
Later than two years but not later than five years	**-**	18,426
	532,561	936,929
Plant and equipment: (ii)		
Not later than one year	**39,210**	37,662
Later than one year but not later than two years	**38,239**	36,691
Later than two years but not later than five years	**80,376**	75,863
	157,825	150,216
	690,386	1,087,145

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.

21. CONTROLLED ENTITIES

Name of Company	Country of Incorporation	Investment		Ownership %	
		2013	2012	**2013**	2012
Parent Entity - Stokes (Australasia) Limited	Australia (Vic.)				
Controlled Entities –					
Stokes Investments Pty Limited 22(b)(i)	Australia (Vic.)	2,000,000	2,000,000	**100**	100
Edis Pty Limited 22(b) (ii)	Australia (NSW.)	425,010	425,010	**100**	100
Aussie Whitegoods Rescue Pty Ltd 22(b)(iii)	Australia (NSW.)	56,374	-	**100**	-

(b) Acquisition of Controlled Entity

On 12 June 2013, the parent entity acquired 100% of the issued capital of Aussie Whitegoods Rescue Pty Ltd, an appliance sales and service business for a purchase consideration of $20,000.

The acquisition is part of the group's strategy to preserve its position as the Kleenmaid appliance parts distributor in Australia.

	Fair Value $
Purchase consideration:	
– Cash	20,000
Less:	
Cash balance	19,266
Receivables [(i)]	20,945
Inventories	2,579
Property, plant and equipment	1,380
Payables	(106,324)
Employee entitlements	(17,331)
Identifiable assets acquired and liabilities assumed	**79,485**
Goodwill	**99,485**

(i) The directors believe the receivables are fully recoverable and no provision for impairment is required.

Revenue included in the consolidated revenue of the Group since the acquisition date on 12 June 2013 amounted to $86,532. Profit included in consolidated loss of the Group since the acquisition date amounted to $3,474.

The cost relating to the acquisition included advisory, legal and professional fees and amounted to $10,369.

Acquisition and disposal of business assets

(c) Acquisition of Grimwood's Assets

On 13 December 2012, the parent entity acquired the assets and goodwill of a major competitor, Grimwood Appliance Parts.

	Fair Value
	$
Purchase consideration:	
Cash	302,594
Less:	
Inventories	218,370
Associated costs	9,225
Goodwill	**75,000**

(d) Sale of Stokes Badges

On 25 February 2013, the parent entity sold all the assets of the badges division to Perfection Plate Holdings Pty Ltd at a profit of $134,604.

	Fair Value
	$
Sale proceeds	200,000
Less:	
Professional fees	11,391
Net Proceeds	**188,609**
Assets disposed	
- Inventory	44,258
- Plant and equipment	9,747
	54,005
Profit on sale of Stokes badges	**134,604**

22. OTHER RELATED PARTY INFORMATION

(a) Ownership interests in related parties

The parent entity's interest in controlled entities is shown in Note 21.

(b) Transactions with controlled entities

(i) There were no transactions relating to Stokes Investment Pty Ltd

(ii) A management fee of $0 (2012: $364,258) was payable to the parent entity by Edis Pty Limited.

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

	CONSOLIDATED 2013 $	2012 $
23. STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:		
Cash in hand	**1,648**	2,448
Cash at bank	**684,944**	43,101
Deposits	**46,071**	70,773
	732,663	116,322
(b) Financing Facilities:		
(i) Maximum available subject to (c) (ii) below		
Bank and other loans	**2,900,000**	2,900,000
(ii) Overdraft	**-**	-
	2,900,000	2,900,000
(c) Facilities in use at the end of the financial year (i)		
Bank and other loans	**1,261,984**	1,173,711
Overdraft	**-**	-
	1,261,984	1,173,711

(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.

(iii) Facilities are all secured and subject to periodic review (note 12).

	CONSOLIDATED 2013 $	2012 $
(d) Reconciliation of net cash provided by operating activities to net profit after income tax.		
Net profit / (Loss) after income tax	**(3,224,970)**	(1,397,779)
Bad and doubtful debts	**(2,780)**	-
Profit on disposal of Stokes Badges	**(134,604)**	-
Depreciation and amortisation of non-current assets	**56,866**	65,024
Inventory Provisions	**784,385**	237,841
Change in net assets and liabilities		
(Increase)/decrease in assets:		
Current receivables	**100,478**	174,961
Current inventories	**750,950**	406,316
Other current assets	**(7,600)**	(18,319)
Increase/(decrease) in liabilities:		
Current trade payables	**539,711**	1,301
Provisions	**(179,564)**	20,109
Net cash provided by/(used in) operating activities	**(1,317,128)**	(510,546)

24. 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 (2012: 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.

24. 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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Consolidated Group	**$000**	$000	**$000**	$000	**$000**	**$000**	**$000**	$000
Financial liabilities due for payment								
Bank loans	(1,261,984)	(1,173,711)	-	-	-	-	(1,261,984)	(1,173,711)
Trade and other payables	(1,365,093)	(1,245,588)	-	-	-	-	(1,365,093)	(1,245,588)
Accruals	(136,361)	(203,556)	-	-	-	-	(136,361)	(203,556)
Other loan	-	(87,326)	-	-	-	-	-	(87,326)
Total contractual outflows	(2,763,438)	(2,710,181)	-	-	-	-	(2,763,438)	(2,710,181)
Financial assets — cash flows realisable								
Cash and cash equivalents	732,663	116,322	-	-	-	-	732,663	116,322
Trade, term and loans receivables	1,824,890	1,925,368	-	-	-	-	1,824,890	1,925,368
Total anticipated inflows	2,557,553	2,041,690	-	-	-	-	2,557,553	2,041,690
Net (outflow)/inflow on financial instruments	(205,885)	(668,491)	-	-	-	-	(205,885)	(668,491)

24. FINANCIAL INSTRUMENTS *(continued)*

(d) Interest Rate Risk

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2013:

			CONSOLIDATED			
	Weighted average interest rate	Variable interest rate	Fixed Interest Rate Maturity		Non-interest bearing	Total
			Less than 1 year	2 to 5 years		
	%					$
Year ended 30 June 2013						
Financial Assets						
Cash and cash equivalents	1.2	731,015	-	-	1,648	732,663
Current receivables		-	-	-	1,824,890	1,824,890
		731,015	-	-	1,826,538	2,557,553
Financial Liabilities						
Trade and other payables		-	-	-	1,365,093	1,365,093
Accruals		-	-	-	136,361	136,361
Bank and other loans - Interest rate payable to Oxford Funding	10.05	1,261,984	-	-		1,261,984
		1,261,984	-	-	1,501,454	2,763,438
Net Financial Asset / (Liabilities)		(530,969)	-	-	325,084	(205,885)
Year ended 30 June 2012						
Financial Assets						
Cash and cash equivalents	2.25	113,874	-	-	2,448	116,322
Current receivables		-	-	-	1,925,368	1,925,368
		113,874	-	-	1,927,816	2,041,690
Financial Liabilities						
Trade and other payables		-	-	-	1,245,588	1,245,588
Accruals		-	-	-	203,556	203,556
Bank and other loans - Interest rate payable to Oxford Funding	10.13	1,173,711	-	-	87,326	1,261,037
		1,173,711	-	-	1,536,470	2,710181
Net Financial Asset / (Liabilities)		(1,059,837)	-	-	391,346	(668,491)

24. 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.

25. REMUNERATION OF AUDITORS

	CONSOLIDATED	
	2013	2012
	$	$
Auditors of the Parent Entity and Group entities		
Amounts received or due and receivable by auditors for:		
Audit or review of the financial report of the entity	75,050	76,000
Tax compliance & other services	28,946	30,226
	103,996	106,226

26. CONTINGENT ASSETS AND LIABILITIES

The directors are not aware of any contingent assets or any contingent liabilities as at 30 June 2013 (2012: nil).

27. EVENTS AFTER THE BALANCE SHEET DATE

The lease on the Ringwood property expires in November 2013. A heads of agreement has been entered into with the lessor to extend the lease for two years with a further option of an extra two years. The new agreement will be signed shortly.

Stokes has entered into agreements to acquire two Melbourne-based appliance parts and service businesses. ANZ Appliance Parts and Janda Electric Co for a combined purchase price of $25K.

ANZ was established in 1995 and specialises in the sale of appliance parts and servicing. While Janda was established in 1973 and specialises in the sale of appliance parts. The combined businesses annual revenues are close to $500K and are both profitable.

Settlement is expected to take place in the coming weeks and the combined purchase price of $25K is subject to an additional payment based on stock valuations at the time of completion.

28. 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:

- The products sold and/or services provided by the segment;
- The manufacturing process;
- The type or class of customers for the products or services;

28. OPERATING SEGMENT *(Continued)*

- 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
	$	$	$	$
2013				
Revenue				
External sales	2,817,301	9,948,265	-	12,765,566
Inter-segment sales	185,775	312,189	-	497,964
Interest Revenue	16	3,205	-	3,221
Total segment revenue	3,003,092	10,263,659	-	13,266,751
Reconciliation of segment revenue to group revenue				
Inter-segment elimination	(185,775)	(312,189)	-	(497,964)
Total group revenue	2,817,317	9,951,470	-	12,768,787
Segment net profit before tax	(818,823)	401,218	-	(412,605)
Reconciliation of segment result to group net profit before tax				
Amounts not included in segment result but reviewed by Board	-	-	-	-
- Other	-	-	(2,812,365)	(2,812,365)
Net profit before tax from continuing operations	(813,823)	401,218	(2,812,365)	(3,224,970)

28. OPERATING SEGMENT *(Continued)*

(b) SEGMENTS PERFORMANCE *(continued)*

	Manufacturing	Merchandising /Distribution	All other segments	Total
	$	$	$	$
2012				
Revenue				
External sales	3,309,277	10,937,643	-	14,246,920
Inter-segment sales	214,975	381,014	-	595,989
Interest Revenue	393	3,569	-	3,962
Total segment revenue	3,524,645	11,322,226	-	14,846,871
Reconciliation of segment revenue to group revenue				
Inter-segment elimination	(214,975)	(381,014)	-	(595,989)
Total group revenue	3,309,670	10,941,212	-	14,250,882
Segment net profit before tax	71,331	168,482	-	239,813
Reconciliation of segment result to group net profit before tax				
Amounts not included in segment result but reviewed by Board				
- Other	-	-	(1,637,592)	(1,637,592)
Net profit before tax from continuing operations	71,331	168,482	(1,637,592)	(1,397,779)

(c) SEGMENT ASSETS

	Manufacturing	Merchandising /Distribution	All other segments	Total
	$	$	$	$
2013				
Segment asset increases for the period				
- Capital expenditure	21,357	10,631	75,385	107,373
Segment assets	709,880	3,855,118	-	4,564,998
Reconciliation of segment assets to group assets				
Inter-segment eliminations	-	(51,291)	-	(51,291)
Unallocated assets:				
- Fixed assets	-	-	93,441	93,441
- Intangibles	-	199,486	-	199,486
Total group assets	709,880	4,003,313	93,441	4,806,634

28. OPERATING SEGMENT *(Continued)*

(c) SEGMENT ASSETS *(Continued)*

	Manufacturing $	Merchandising /Distribution $	All other segments $	Total $
2012				
Segment asset increases for the period				
- Capital expenditure	-	4,029	25,111	29,140
	-	4,029	25,111	29,140
Segment assets	1,587,880	3,872,177	-	5,460,057
Reconciliation of segment assets to group assets				
Inter-segment eliminations	-	(34,483)	-	(34,483)
Unallocated assets:	-			
- Fixed assets	-	-	(33,430)	(33,430)
- Intangibles	-	25,001	-	25,001
Total group assets	1,587,880	3,862,695	(33,430)	5,417,145

(d) SEGMENT LIABILITIES

	Manufacturing $	Merchandising /Distribution $	All other segments $	Total $
2013				
Segment liabilities	673,628	1,658,542	-	2,332,170
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	-	(51,291)	-	(51,291)
Unallocated liabilities:				
- Other financial liabilities	-	-	1,908,923	1,908,923
- Current liabilities	-	-	-	-
Total group liabilities	673,628	1,607,251	1,908,923	4,189,802
2012				
Segment liabilities	831,672	1,887,210	-	2,718,882
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	-	(34,483)	-	(34,483)
Unallocated liabilities:				
- Other financial liabilities	-	-	1,043,992	1,043,992
- Current liabilities	-	-	46,837	46,837
Total group liabilities	831,672	1,852,727	1,090,829	3,775,228

28. OPERATING SEGMENT *(Continued)*

(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 (2012: None).

DIRECTORS' DECLARATION
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2013

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 2013 and their performance for the year ended on that date; and

(b) comply with Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and Corporations Regulations 2001; and

(2) The Managing Director and Chief Operating 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 2013.

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

Mr Con Scrinis
Director

Dated at Ringwood Victoria on 27 September 2013

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 2013, 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 2, 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.

Level 8, 607 Bourke Street
Melbourne, Vic 3000
GPO Box 1735
Melbourne, Vic, 3001

t + 61 3 9629 4700
f + 61 3 9629 4722
e mail@melb.uhyhn.com.au
w www.uhyhn.com.au

Chartered Accountants:
Harold Lourie
Richard J Lindner
Rodney H Hutton

ABN 48 259 373 375
Adam G Roberts
Joella F Gould

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 2013 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 2.

Report on the Remuneration Report

We have audited the Remuneration Report included on page 15 of the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

UHY Haines Norton

UHY Haines Norton
Chartered Accountants

A.G. Roberts
Partner

Melbourne

Dated this 27th day of September, 2013.

UHY Haines Norton
Chartered Accountants

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 2013, 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

Adam G Roberts
Partner

Melbourne

26 September 2013

SHAREHOLDER ANALYSIS AND OTHER STOCK EXCHANGE REQUIREMENTS

Statement of security holders as at 31 August 2013

(a) Distribution of shareholders by sizes of holdings

1 - 1,000	171
1,001 - 5,000	55
5,001 - 10,000	17
10,001 - 100,000	41
100,001 and over	22
Total	306

Holding less than a marketable parcel	184

Voting rights - Ordinary shares

Each ordinary share carries one vote.

(b) Twenty Largest Shareholders

Shareholder	Number	Percentage
Sandhurst Trustees Ltd	4,139,805	17.69
Boom Capital Pty Ltd	3,500,000	14.96
Greg Electrical Contractors Pty Ltd	3,500,000	14.96
Volantor Superannuation Fund Pty Ltd	3,490,000	14.91
PV Super Fund	1,000,000	4.27
Sandhurst Trustees Ltd	847,308	3.62
Mr. Matthew Peter Jinks	666,667	2.85
Skycar Super Fund	600,000	2.56
Dr. David George Welsh	600,000	2.56
Dr. Gordon Bradley Elkington	520,475	2.22
Mrs. Milly Elkiington	429,725	1.84
Winpar Holdings Ltd	400,000	1.71
Mrs. Isabella Frances Green	250,786	1.07
Honan Business Services Pty Ltd (Honan Superfund Account)	201,720	0.86
Henley Underwriting & Investment Company Pty Ltd	200,000	0.85
Mr. Robert & Thelma Johnston	200,000	0.85
Cheveley Pty Ltd	150,000	0.64
Mrs. Susan Barty	133,333	0.57
Biggs Super Fund	133,333	0.57
Patrick Jinks	133,333	0.57
	21,096,485	90.15

(c) Substantial shareholders as per substantial shareholder advices held at 02 September 2013

Name	**Number of Ordinary Shares to which Person Entitled**
JM Financial Group Ltd	4,477,446
Con Scrinis	3,500,000
Peter Jinks	3,500,000
Greg Jinks	3,500,000

(d) **Securities subject to voluntary escrow** None

(e) **Unquoted equity securities** None