

Stokes

Appliance Parts | Lighting & Electrical | Service | Industrial

Preliminary Final Report

Stokes (Australasia) Limited

(ABN 24 004 554 929)

for the Financial Year Ended 30 June 2013

Stokes (Australasia) Limited

Results for the Financial Year Ended 30 June 2013

Revenue and Net Profit

		Percentage Change %	Amount \$
Revenue from ordinary activities	down	(10.4)	12,768,787
Profit from ordinary activities after tax Attributable to members	down	(130.7)	(3,224,970)
Profit attributable to members	down	(130.7)	(3,224,970)

Dividends (Distributions)

	Amount per security	Franked Amount per security
Final dividend (cents)	0	0
Interim dividend(cents)	0	0
Record date for determining entitlements to the dividend:		N/A
<ul style="list-style-type: none"> • final dividend • interim dividend 		

Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

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.

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.

Stokes (Australasia) Limited

Statement of Comprehensive Income For the Financial Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Sales revenue (sale of goods)	2	12,768,787	14,250,882
Cost of sales	2	(9,119,779)	(9,262,526)
Gross Profit		3,649,008	4,988,356
Other revenue from ordinary activities		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)
Borrowing costs		(120,074)	(160,417)
Other expenses from ordinary activities			
Profit / (Loss) Before Income Tax Expense	2	(3,224,970)	(1,397,779)
Income tax expense relating to ordinary activities		-	-
Profit / (Loss) After Income Tax Expense		(3,224,970)	(1,397,779)
Net profit attributable to outside equity interests		-	-
Net Profit / (Loss) Attributable to Members of the Parent Entity		(3,224,970)	(1,397,779)
<i>Source Reference: ASX Appdx 4E.3</i>			
Basic earnings cents per share		(13.8)	(17.9)
Diluted earnings cents per share		(13.8)	(17.9)

Stokes (Australasia) Limited

Statement of Financial Position For the Financial Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Current Assets			
Cash and cash equivalents	6(a)	732,663	116,322
Trade and other receivables		1,789,562	1,887,260
Inventories		1,792,222	3,144,221
Other		61,037	53,437
Total Current Assets		4,375,484	5,201,240
Non-Current Assets			
Property, plant and equipment		231,664	190,904
Intangibles		199,486	25,001
Total Non-Current Assets		431,150	215,905
Total Assets		4,806,634	5,417,145
Current Liabilities			
Trade and other payables		1,520,352	1,502,266
Interest-bearing loans and borrowings		1,261,984	1,261,037
Provision for restructuring costs		575,105	-
Provisions - Employee benefits		721,556	934,992
Total Current Liabilities		4,078,997	3,698,295
Non-Current Liabilities			
Provisions - Employee benefits		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		8,521,019	6,321,134
Accumulated losses	5	(7,904,187)	(4,679,217)
Parent Entity Interest		616,832	1,641,917
Non-Controlling Interest		-	-
Total Equity		616,832	1,641,917

Stokes (Australasia) Limited

Cash Flow Statement For the Financial Year Ended 30 June 2013

	Note	2013 \$	2012 \$
<i>Cash Flows From Operating Activities</i>			
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
Interest and other costs of finance paid		(120,074)	(160,417)
Income tax paid		-	-
Net cash provided by/(used in) operating activities	6(c)	(1,317,128)	(510,546)
<i>Cash Flows From Investing Activities</i>			
Payment for plant and equipment		(107,373)	(29,140)
Proceeds from sale of Stokes Badges		188,609	-
Payment for Aussie Whitegoods Rescue		(20,000)	-
Payment for Grimwood Appliance Parts		(302,594)	-
Net cash provided by/(used in) investing activities		(241,358)	(29,140)
<i>Cash Flows From Financing Activities</i>			
Proceeds from issue of Share capital		2,199,885	112,250
Repayment borrowings to related parties		(87,326)	-
Increase in borrowings		88,273	344,503
Payment of loan amounts		(26,005)	-
Net cash provided by/(used in) financing activities		2,000,832	456,753
<i>Net Increase/(Decrease) In Cash Held</i>		616,341	(82,933)
<i>Cash & Cash equivalents at the Beginning of the Financial Year</i>		116,322	199,255
<i>Cash and Cash equivalents at the Beginning of the Financial Year</i>	6(a)	732,663	116,322

Source Reference: ASX Appdx 4E.5

Stokes (Australasia) Limited

Statement of Changes in Equity For the Financial Year Ended 30 June 2013

YEAR ENDED 30 JUNE 2012

parent	Notes	Attributable to equity holders of the		Non-Controlling Interest	Total equity
		Issued capital	Accumulated losses		
At 1 July 2011	6,208,884	(3,281,438)	2,927,446	-	2,927,446
Profit attributable to members of the Parent Entity	-	(1,397,779)	(1,397,779)	-	(1,397,779)
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

parent	Notes	Attributable to equity holders of the		Non-Controlling Interest	Total equity
		Issued Capital	Accumulated losses		
At 1 July 2012	6,321,134	(4,679,217)	1,641,917	-	1,641,917
Profit attributable to members of the Parent Entity	-	(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

Stokes (Australasia) Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2013

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Stokes (Australasia) Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2013

Source
Reference

1. Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the 2013 annual financial report.

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

The Group's forward budget and cash flow projections are based on the effects of the restructuring program and new revenues from acquisitions completed including Grimwood Appliance Parts and Aussie Whitegoods Rescue. The ability of the Group to generate cash flow from operating activities, maintain debt levels and continue as a going concern is dependent on realisation of these projections and the management of other cash flows within the Group's funding facilities.

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

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

Details of changes in accounting policies:

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%

Stokes (Australasia) Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2013

Source
Reference

	2013 \$	2012 \$
2. Profit/(Loss) From Ordinary Activities		
ASX Appdx 4E.3 Profit/(Loss) from ordinary activities before income tax includes the following items of revenue and expense:		
(a) Revenue		
Net increments arising from the revaluation of non-current assets:		
Investments	-	-
Property, plant and equipment	-	-
Intangibles	-	-
(b) Expenses		
Cost of sales	9,119,779	9,262,526
Movement in Bad and doubtful debts	(2,780)	(4,232)
Non-current assets write down to recoverable amount		
Property, plant and equipment		
Depreciation of non-current assets	56,866	65,024
(c) Revision of Accounting Policies		
Details of the nature and amount of revisions of accounting estimates:		

Refer to 1 above

Stokes (Australasia) Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2013

Source
Reference

3. Commentary on Results

ASX Appdx
4E.14

Net Profit/(Loss)

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).

No dividend has been paid or is payable by Stokes (Australasia) Limited

	2013	2012
	\$	\$
4. Sale of Assets		
ASX Appdx 4E.3	Sales of assets in the ordinary course of business have given rise to the following profits and losses:	
	Net Gain / (Loss)	
	Property, plant and equipment	-
		-
5. Accumulated Losses		
ASX Appdx 4E.8	Balance at beginning of financial year	
	(4,679,217)	(3,281,438)
	Non-Controlling interest acquired	
	-	-
	Net Profit / (Loss)	
	(3,224,970)	(1,397,779)
	Balance at end of financial year	
	<u>(7,904,187)</u>	<u>(4,679,217)</u>
6. Notes to the Statement of Cash Flows		
ASX Appdx 4E.5	(a) Reconciliation of Cash	
	For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:	
	Cash on hand	732,663
		116,322

Stokes (Australasia) Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2013

Source
Reference

2013 2012
\$ \$

6. Notes to the Statement of Cash Flows (continued)

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(b) *Financing Facilities*

Secured bank facility, subject to:-		
Amount used	1,261,984	1,173,711
Amount unused	1,638,016	1,726,289
	2,900,000	2,900,000
Secured overdraft facility, subject to:-		
Amount used	-	-
Amount unused	-	-
	-	-

ASX
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4E.5

(c) *Business combination*

(i) On 13th December 2013 the group acquired the assets and goodwill of a major competitor Grimwood Appliance Parts for \$302,594. The goodwill included was \$75,000.

(ii) On 12 June 2013, the group 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:	20,000
Cash	
Less:	
Assets on acquisition	140,581
Liabilities on acquisition	<u>90,834</u>
Identifiable assets acquired and liabilities assumed	<u>49,748</u>
Gain	<u>29,748</u>

Stokes (Australasia) Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2013

Source
Reference

ASX
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4E.5

(d) *Sale of Stokes Badges*

On 25 February 2013 the group sold the assets and goodwill of the badges division to Perfection Plate Holdings Pty Ltd for \$200,000. The net profit on the sale was \$134,604.

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4E.5

(e) *Reconciliation of Profit / (Loss) from Ordinary Activities after Related Income Tax to Net Cash Flows from Operating Activities*

	(3,224,970)	(1,397,779)
Profit / (Loss) from ordinary activities after related income tax		
Bad and doubtful debts	(2,780)	-
Profit of sale of Stokes Badges	(134,604)	-
Depreciation and amortisation of non-current assets	56,866	65,024
Inventory Provisions	784,385	237,841
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(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 and accruals	539,311	1,301
Current tax liability	-	-
Provisions-employee benefits	(179,564)	20,109
Net cash from operating activities	(1,317,128)	(510,546)

Stokes (Australasia) Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2013

Source
Reference

7. Details Relating to Dividends (Distributions)

			Amount per Share	Amount per security of foreign sourced Dividend
		Date dividend payable	¢	¢
Final dividend	2013	N/A	-	-
	2012	N/A	-	-
	2011	N/A	-	-
Interim dividend	2010	N/A	-	-
	2009	N/A	-	-
Total	2008	N/A	-	-
	2007	N/A	-	-
	2006	N/A	-	-
	2005	N/A	-	-

Total dividend (distribution) per security (interim plus final)

	2013 ¢	2012 ¢
Ordinary securities (each class separately)	-	-
Preference securities (each class separately)	-	-
Other equity instruments (each class separately)	-	-

Interim and final dividend (distribution) on all securities

	2013 ¢	2012 ¢
Ordinary securities (each class separately)	-	-
Preference securities (each class separately)	N/A	N/A
Other equity instruments (each class separately)	N/A	N/A
Total	-	-

Any other disclosures in relation to dividends (distributions).

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Stokes (Australasia) Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2013

Source
Reference

7. Details Relating to Dividends (Distributions) (continued)

Stokes Australasia Limited	-	-
Minority shareholders	-	-
Total	-	-

8. Earnings Per Share

	2013	2012
	¢ per share	¢ per share
Basic EPS	(13.8)	(17.9)
Diluted earnings per share	(13.8)	(17.9)
Earnings used in the calculation of the basic and diluted earnings per share.	(3,224,970)	(1,397,779)
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
	23,401,281	7,800,427
	2013	2012
Earnings used in the calculation of basic EPS	<u>(3,224,970)</u>	<u>(1,397,779)</u>
	2013	2012
Weighted average number of ordinary shares	<u>23,401,281</u>	<u>7,800,427</u>

Stokes (Australasia) Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2013

Source
Reference

9. Net Tangible Assets Per Share

	2013	2012
	<hr/>	<hr/>
ASX Appdx 4E.9	Net tangible assets per Share	0.0015 0.21

10. Contingent Liabilities and Contingent Assets

Contingent Liabilities

The directors are not aware of any contingent liabilities as at 30 June 2013.

Contingent assets

The directors are not aware of any other contingent assets as at 30 June 2013.

Stokes (Australasia) Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2013

Source
Reference

11. SEGMENT INFORMATION

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.

	External Sales	
	2013 \$	2012 \$
Manufacturing	3,003,075	3,524,252
Merchandise	10,260,455	11,318,657
Inter segment Interest	3,221	3,962
Total of all segments	13,266,751	14,846,871
Unallocated	(497,964)	(595,989)
Consolidated sales revenue	12,768,787	14,250,882

SEGMENT RESULTS

	2013 \$	2012 \$
Manufacturing	(813,823)	71,331
Merchandise	401,218	168,482
Total of all segments	(412,605)	239,813
Unallocated	(2,812,365)	(1,637,592)
Profit from ordinary activities before income tax expense	(3,224,970)	(1,397,779)
Income tax expense relating to ordinary activities	-	-
Profit from ordinary activities after related income tax expense	(3,224,970)	(1,397,779)
Net Profit	(3,224,970)	(1,397,779)

Stokes (Australasia) Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2013

Source
Reference

11. SEGMENT INFORMATION (continued)

SEGMENT ASSETS AND LIABILITIES

	Assets		Liabilities	
	2013 \$	2012 \$	2013 \$	2012 \$
Manufacturing	726,172	1,587,880	673,628	831,672
Merchandise	3,927,747	3,872,178	1,597,229	1,757,492
Total of all segments	4,653,919	5,460,058	2,270,857	2,589,164
Eliminations	(21,141)	(34,484)	21,141	95,835
Unallocated	173,856	(8,429)	1,897,804	1,090,229
Consolidated	4806,634	5,417,145	4,189,802	3,775,228

OTHER SEGMENT INFORMATION

	Acquisition of Assets		Depreciation and Amortisation	
	2013 \$	2012 \$	2013 \$	2012 \$
Manufacturing	21,356	953	(14,872)	(15,380)
Merchandise	6,573	2,076	(34,479)	(40,241)
Total of all segments	27,929	3,029	(49,351)	(55,621)
Unallocated	79,444	26,111	(7,515)	(9,403)
Consolidated	107,373	29,140	(56,866)	(65,024)

12. SUBSEQUENT EVENTS

No significant events have occurred after balance date.

Stokes (Australasia) Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2013

Source
Reference

13. Information on Audit or Review

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This preliminary final report is based on accounts to which one of the following applies:

- The accounts have been audited. The accounts have been subject to review.
- The accounts are in the process of being audited or subject to review. The accounts have not yet been audited or reviewed.

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4E.16

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

Further documentation and audit evidence to be provided and an assessment of forward estimates and going concern required. Outcome of assessment to either may require emphasis of matter or modified audit opinion.

ASX Appdx
4E.17

Description of dispute or qualification if the accounts have been audited or subjected to review.