

Chairman's address

Annual General Meeting 1 November 2017

Good morning.

I would like to welcome you all to the 2017 Annual General Meeting of Shareholders for Stokes Limited. I am pleased that you could join us here today.

My name is Peter Jinks and I am the Executive Chairman and Managing Director of Stokes.

With me here today are Executive Director Greg Jinks, Non- Executive Directors Terence Grigg and Thomas Krulis, and Company Secretary Hemant Amin.

There have been some changes to the Board and Senior Management during the 2017 financial year.

In January this year Con Scrinis resigned from his role after four years as Executive Director and I would like to thank Con for his contribution to the company, in particular his involvement in the sale of our appliance parts business and the acquisitions of Artcraft Urban Lighting and the Queensland based Forlite.

Terence Grigg joined the Board at this time and has proven to be a valuable contributor over the past ten months, in particular his knowledge of purchasing, sales, marketing, import and export logistics and finance.

Thomas Krulis joined the Board in September 2017 and brings a legal background with a real desire to assist the company grow sales.

Thomas has a vast network of business contacts and we look forward to working with him over the coming years.

The newest member of our Senior Management Team is Paul Miller, Paul started on 24th October as Chief Financial Officer and Joint Company Secretary.

Paul is a Chartered Accountant and brings more than 25 years of financial experience to the role. He was employed by the chartered accountancy firm PricewaterhouseCoopers in Australia and overseas for six years, and has worked in a variety of finance and accounting based roles in both listed and unlisted companies.

Paul brings a broad range of corporate expertise to the role, which will be invaluable as we continue our strategy to strengthen and grow the business.

I would like to take this opportunity to thank Hemant Amin who has resigned as Company Secretary, for his effort over the past five years during many changes as the Company evolved from appliance parts distribution, to a technology based Audio Visual and LED lighting business.

The past year at Stokes has seen our Company maintain a focus on continuing to develop the business as one that is able to adapt and succeed in a changing marketplace, and this process will continue into the future.

In Financial Year 2017, we achieved:

- Full year revenue of twenty-four million dollars, which was an increase of forty five percent
- An increase in Earnings Before Income Tax, Depreciation and Amortisation, or EBITDA, of one hundred and forty per cent to three hundred and seventy thousand dollars, which was a vast improvement on a loss of nearly a million dollars in the previous year

And

- Our order intake grew seventy-four per cent to more than thirty million dollars.

In addition to this, we were able to post a strong start to the Financial Year 2018, with nine million dollars worth of work in hand, which is a one hundred and thirty-seven per cent increase on the start to the previous year.

I am pleased to report we remain on track with regard to our projected revenues of thirty million dollars for the 2018 financial year.

Some of the larger projects that we completed during 2017 included a \$2 million dollar contract at Geelong's Simonds Stadium, a \$1.7 million dollar project at the Aloft Hotel in Perth, and a project worth \$1.4 million dollars that we completed as part of Melbourne Airport's Terminal Two project.



All of these large projects were completed by our audiovisual division, Stokes Technologies. This part of our business provides digital and LED screens, audiovisual control systems and sound systems including installation and rollout, as well as support and maintenance.

Our clients are across a range of sectors including retail, commercial, health, education and advertising sectors.

Part of adapting the business during 2017 was identifying opportunities to grow our business by adding to our capabilities.

We strengthened our position in the lighting sector by acquiring Artcraft Urban Group for \$1.7 million dollars in October 2016 and the Queensland-based Forlite brand for \$150,000 dollars in February 2017.

Artcraft is a street lighting and column business, and Forlite services lighting designers, electrical engineers and architects. These acquisitions together with our existing commercial lighting business allowed Stokes to create Urban Lighting Group.

This specialised lighting division has already demonstrated success in winning large projects, including the lighting supply contract for the Victorian Racing Club's new grandstand at Flemington Racecourse, a large lighting package as part of the regeneration of Melbourne's Rialto building and Dan Murphy's "Product On Shelf" lighting upgrade.

In June this year Stokes Limited raised \$2.356ml at thirty cents, in an oversubscribed share placement to sophisticated and wholesale investors.

Proceeds from the raise were used to redeem convertible notes and fund working capital requirements for our growing business.

In addition reducing debt by two point five million dollars.

Executive Directors Greg Jinks and myself along with other key employees converted over two million notes at thirty-five cents, showing faith in the long-term future of the company.

In 2017 we also grew the staff head count from forty-three staff to sixty-five. We will add to this number further in financial year 2018 as we pursue investment in the right people to help continue our business growth and change.

As mentioned earlier we have made a pleasing start to the 2018 financial year and we have a very positive outlook for the second half.



We are confident the pipeline of opportunities will produce profitable results over the coming twelve months.

The company will focus on growing organically, whilst continuing to explore potential right fit acquisitions.

I am comfortable we are continually building the right team of people to support growth and profitability over the longer term.

I would like to thank Stokes staff and management for their efforts over 2017, as well as my fellow Board members for their contributions. I would also like to thank our Shareholders for your ongoing support as we work to make Stokes the leader in its field, and

I hope that you continue to share that journey with us into 2018 and beyond.

Thank you for your time today.

Peter Jinks

Chairman and Managing Director