

## ASX Announcement

### ATO R&D Tax Credit In-Principle Agreement

**21 February 2018, Melbourne Australia:** Stokes Limited (**ASX: SKS**) provides this update to the market further to its announcement on 22 December 2017 in relation to a questionnaire received from the Australian Taxation Office (**ATO**) regarding its Research & Development (**R&D**) expenditure claims for the 2015 and 2016 financial years for which Stokes received cash refunds totalling \$2,332,682.

The claims were made on the basis of advice obtained from an independent consultant Stokes engaged for those years, including the provision of technical and legislative guidance on eligibility criteria. Broadly, the claims related to Stokes' development of a new integrated control system.

Stokes engaged Pitcher Partners (**Pitchers**) to undertake an analysis of the historic applications to enable an informed response to the ATO. Pitchers has now completed a review of the detailed project documentation, and Stokes has accepted its advice that the project was not eligible in the first instance for R&D registration.

As such, Stokes has informed the ATO that it will be making a voluntary disclosure to amend its R&D Tax Incentive claim for the 2015 and 2016 income years in full (the **Debt**) and has reached an in-principle agreement with the ATO for orderly payment of the Debt and associated interest charges. Broadly, this will comprise a 10% upfront payment of the Debt with the balance to be paid in instalments over a three (3) year timeframe. The terms of this agreement will be formalised by written agreement on or before 13 April 2018. Importantly, there is no dispute with the ATO and it is understood that no penalties will be imposed given the voluntary nature of the disclosure.

Chairman & Managing Director, Mr Peter Jinks said "the R&D finding was a great disappointment for the Board, however we greatly appreciate the support provided by the ATO to assist us in settling this Debt in a structured manner for all stakeholders. The contracted projects and pipeline of opportunities is strong and Stokes will continue to focus on delivering quality solutions for our customers. Stokes will work through resolving the issues of the past and looks forward to focusing on future performance".

The core business operations are showing good growth in contracts secured and pipeline of opportunities which reflects the growing reputation that Stokes has secured in the market through delivery of robust technical solutions and quality customer service. In the period from 1 December 2017 to now, the audio-visual business has secured in excess of \$5 million in new contracted projects and has tendered for major orders in various negotiation stages of \$10 million. The commercial lighting business is similarly in consideration for several large opportunities.

For further information contact:

Peter Jinks  
Chairman & Managing Director  
Phone 03 9289 5000