Stokes (Australasia) Limited

2005 Report to Shareholders

DIRECTORS	RONALD J. DRURY WILLIAM R. STOKES GORDON B. ELKINGTON
SECRETARY	GORDON B. ELKINGTON
AUDITOR	ERNST & YOUNG
SOLICITORS	BLAKE DAWSON WALDRON AUGHTERSONS
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AUSTRALIAN BUSINESS NUMBER	24 004 554 929

Directors' Report

The Directors submit herewith the Company's financial report for the year ended 30 June 2005. In order to comply with the provisions of the *Corporations Act*, the Directors report as follows:

(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.

William R. Stokes, B. Comm., Age 62

Managing Director from 1974 until 2 July 2004. In July Mr Stokes retired as an executive of the Company and is now a non executive Director. He is also Director of Stokes (New Zealand) Limited, Stokes Investments Pty. Limited, a former Director of The Australian Electrical and Electronics Manufacturers Association (ceased July 2004) and a former General Councillor of the Victorian Branch of the Australian Industry Group (ceased June 2004).

He has been a Director since 1967.

Gordon B. Elkington, B.Sc., M.Sc., Ph.D., LL.M., Age 59

Trained in science, engineering and law at the University of Sydney. A Barrister of the Supreme Court of New South Wales and a former Senior Lecturer in Law at the University of Sydney. Presently a Director and the Company Secretary of Winpar Holdings Limited since 1994.

He has been a Director since 2003.

He is also the Company's Secretary since 2003.

Ronald J. Drury, Age 64

Senior management experience in structural and mechanical engineering, with special emphasis during recent years in the automotive, whitegoods and associated component manufacturing industries.

He has been a Director since 2005.

Colin K. Day, Age 52

Worked in IT industry in various systems, programming and management roles: 1971-1987. Co-founded the Remington White debt collection company in 1987, which specialised in collections for major banking and financial institutions and telecommunication companies. This company was sold in July 2000. Is currently a senior executive of Collection House Limited.

He was appointed as a Director in 2001. He resigned on 30 November 2004.

Desmond G. S. Anderson, Age 71

Former Partner in an international firm of chartered accountants. Former Executive Director of The Herald and Weekly Times Limited. Former Director of Crawford Productions Group, J. C. Williamson Group and a number of other companies. Former Chairman of Newspaper Publishers Association of Victoria and The Newsagency Council of Victoria. Currently Executive Chairman of a number of his family companies.

He was appointed as a Director in 2001. He resigned on 17 January 2005.

(b) Principal Activities

The principal activities of the consolidated entity in the course of the year were the merchandising and distribution of appliance spare parts, valve and camlocks, badges and medallions, electrical switches and controls, and the manufacture of electric elements and metal components.

Directors' Report

(c) Operating Results

The Group incurred a loss for the year of $550,000, compared with a profit of $269,000 for the previous year. Sales for the year of $22.4m were 22% lower than for the previous year, mainly because of the loss of two large contracts previously reported.

Stokes (New Zealand) Limited had a pleasing result, with profits up 10% on last year before the write off of goodwill in the previous years' results. While market conditions were flat, the New Zealand results were helped by increased productivity in the factory, a strong New Zealand dollar and a reduction in fixed overhead costs.

Following some years of losses it became clear to Stokes' Board towards the end of 2004 either that the Company would require additional capital or that the Company's costs would need to be considerably reduced if it were to be able to continue to operate its existing business in the longer term.

On 28 October 2004 Stokes announced that it was entering into a Heads of Agreement with Baytree Investors Pty. Limited under which it was proposed to merge Stokes' business with certain manufacturing interests associated with Baytree, and also to raise approximately $243,000 via a placement of up to 840,000 shares at 29 cents.

Discussions with Baytree continued for a considerable period, but little progress was made. In the meantime additional funds became available to Stokes Australia from internal sources, and these funds enabled Stokes to continue with a cost cutting program aimed at improving its cash flow and its overall financial position. The funds also allowed Stokes to reduce its liabilities to its creditors and its bankers.

The principal sources of the additional funds were as follows:

• Loan from Stokes (New Zealand) Limited	$250,000
• Loan from a Director	$150,000
• Dividend from Stokes (New Zealand) Limited	$290,000
• Reduction in stocks and debtors	$500,000

The cost cutting and down sizing program implemented during the financial year included the following measures:

- Closing the Sydney warehouse and sales office and transferring the sales manager and limited stock to the premises of Stokes' New South Wales distributor.
- Down sizing and relocating the Adelaide warehouse to smaller premises.
- Reducing overhead costs throughout the Company.

The annualised savings resulting from overhead cost reductions are likely to exceed $2.7m per annum, with total cost reductions of approximately $6.0m per annum. In addition the Company is now trading with positive cash flows.

Regular external reviews have been conducted by the Company's bankers, who have noted the Company's progress and have continued to give the Company their support.

Discussions with Baytree have remained open, but no formal proposals have been made by Baytree, and no further steps have been taken with the proposed capital raising. The Board of Stokes now believes that there is little likelihood of any proposal being put to it by Baytree in the near future, and the Board is therefore continuing to conduct the Company's business without regard to any possible merger.

Directors' Report

The implementation of the cost reduction program resulted in a loss for the year ended 30 June 2005. However because of the improvement in the Company's cash position, there is no immediate need to raise funds. The Board is continuously monitoring the situation, and at some time in the future may consider raising additional capital by way of a share placement or a general issue of shares. An immediate announcement will be made if any decision is taken to increase the Company's capital.

The Company intends to seek reinstatement of its shares to the A.S.X. official list after the release of its audited accounts for the year ended 30 June 2005.

(d) Board Changes

Mr. Colin Day resigned from the Board on 30 November 2004. He had been a Director since 2001.

Mr. Desmond Anderson resigned from the Board on 17 January 2005. He had been a Director and Chairman of the Company since 2001.

The Board thanks Mr. Anderson and Mr. Day for their leadership and input in helping the Company over the last few years, which have been a very difficult period for the Company.

Mr. Ron Drury was appointed to the Board on 24 June 2005. He remains the Group General Manager. He has had many years of senior management experience in the automotive, whitegoods and associated component manufacturing industries.

The Board has not appointed a chairman for the time being, but operates with a rotating chairman. This is workable having regard to the size of the Board and the Company. There has been no increase in directors fees.

(e) Dividends

In February 2005 Stokes (New Zealand) Limited paid a dividend of NZ$0.60 cents per share on 965,000 shares. The dividend was paid to Stokes (Australasia) Limited and minority shareholders. No dividend was paid or is payable by Stokes (Australasia) Limited in respect of the year ending 30 June 2005.

(f) Significant Changes in State of Affairs

During the financial year, there was no significant change in the state of affairs of the consolidated entity other than as referred to in the financial statements, notes thereto, or elsewhere in this report.

(g) Significant Events after Balance Date

There has not been any matter or circumstance, other than as referred to in the financial statements, notes thereto, or elsewhere in this report, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

(h) Likely Developments and Expected Results

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations would be likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been included in this report.

Directors' Report

(i) Directors' equity holdings

At the date of this report, Directors had relevant interests in the following number of ordinary shares in Stokes (Australasia) Limited as follows:

Director	Shares held directly	Shares held indirectly	Total
W. R. Stokes	548,944	340,750 (1)	889,694
G. B. Elkington	80,122	59,845 (1)	139,967
R. J. Drury	-	-	-
D. G. S. Anderson	-	1,075,533 (1)	1,075,533
C. K. Day	1,228	-	1,228

(1) Held by a director related entity.

None of the Directors have any interest in options in Stokes (Australasia) Limited.

William R. Stokes also holds 10% of the issued capital of Stokes (New Zealand) Ltd via a director related entity.

(j) 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 Committee Meetings	
	Attended	Held	Attended	Held
W. R. Stokes	10	10	1	2
R. J. Drury	7	7	1	1
G. B. Elkington	10	10	2	2
D. G. S. Anderson	4	4	1	1
C. K. Day	4	4	1	1

(k) 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, namely Messrs. W. R. Stokes, R. J. Drury, G. B. Elkington, D. G. S. Anderson and C. K. Day have the benefit of the above indemnity. The indemnity also applies to executive officers of the Company, being the divisional general managers and other executives and managers who are concerned, or take part, in the management of the Company.

Directors' Report

The Company has not paid any insurance premiums in respect of any past or present Directors, other than as required by law.

(l) Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars.

(m) Auditor Independence and non audit services

The directors received a declaration from the auditor of Stokes (Australasia) Ltd which is included on pages 48. The entity's auditors, Ernst & Young, had provided tax compliance services. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporation Act. The nature and scope of non-audit service provided means that auditor independence was not compromised.

REMUNERATION REPORT

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

Remuneration philosophy

The Board is committed to remunerating its management fairly and responsibly. Executive remuneration is primarily by way of salaries, which are determined by the Board by reference to the market place and by reference also to performance, having regard to the Company's overall achievement and to its financial resources. Executive salaries do not presently include incentive payments or contractual performance bonuses, although this policy is constantly under review.

Non-executive directors are paid a directors fee which is considered appropriate by reference to the responsibility of the role as well as the financial resources of the company.

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

Employment contracts

Mr. G. B. Elkington, non-executive Director, received director's fees and 9% superannuation guarantee levy. He has no employment contract.

Mr. W. R. Stokes, non-executive Director, received director's fees and 9% superannuation guarantee levy. He has no employment contract.

Mr. R. J. Drury, Executive Director and Chief Executive Officer, received a salary together with director's fees and 9% superannuation guarantee levy. His employment contract states that three months notice must be given by either party.

Directors' Report

Directors' and other officers' emoluments

Director	**Annual Emoluments**		**Long Term Emoluments**		**Total**
	Salary and Fees	Cash Bonus	Superannuation	Options	
	$		$		$
W. R. Stokes	33,371	-	2,812	-	36,183
D. G. S. Anderson	27,115	-	2,440	-	29,555
G. B. Elkington	25,000	-	2,250	-	27,250
C. K. Day	10,416	-	938	-	11,354
R. J. Drury	148,388	-	13,050	-	161,438

Executive	**Annual Emoluments**		**Long Term Emoluments**		**Total**
	Salary and Fees	Cash Bonus	Superannuation	Options	
	$		$		$
K. Savaris	90,983	-	15,075	-	106,058
P. Stokes	87,813	-	11,000	-	98,813
W. Haller	130,260	-	-	-	130,260

The terms 'director' and 'executive' have been treated as mutually exclusive for the purposes of this disclosure. Executives are those directly responsible and accountable for the operational management and strategic direction of the company and consolidated entity. The consolidated entity only employed three executives who met this definition during the 2005 year.

Signed on 26 September 2005 in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act.*

....	....	....
Ronald J. Drury Director	Gordon B. Elkington Director/Secretary	William R. Stokes Director

Directors' Report

CORPORATE GOVERNANCE STATEMENT

Stokes (Australasia) Limited supports the A.S.X. Corporate Governance Council's *Principles of Good Corporate Governance*, and has complied with the Council's *Best Practice Recommendations* to the extent considered appropriate, given the Company's relative size and other circumstances..

The following information is provided in relation to each of the Council's 10 *Principles*.

1. Management and oversight

   The Board has the overall responsibility for the Company's operations. The Board sets the Company's direction, monitors its performance and its reporting systems, and approves capital expenditure. The General Manager is responsible for the Company's day-to-day operations, and reports regularly to the Board.

   The Board meets regularly to review the Company's performance.

2. Structure of the Board

   The Board has considered the role of each of its members and has reviewed its present composition. It is satisfied that each member of the Board brings with him individual skills which are not duplicated, and that the composite of the Board is appropriate, having regard to the size and history of the Company.

   Directors are considered independent when they are free of management and free from any business or other relationship that could materially interfere with – or could be reasonably perceived to materially interfere with – the exercise of their unfettered and independent judgement. In this context, materiality is considered from both the Company and individual director's perspective. The determination of materiality requires consideration of both quantitative and qualitative factors. An item is presumed to be immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship, the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company's loyalty.

   In accordance with the definition of independence above and the materiality thresholds set, Gordon B. Elkington is considered to be an independent director.

   The Board does not have a majority of independent directors as it considers that this would result in unreasonable cost to the Company, given its size.

   The Company's Constitution requires that directors appointed by the Board submit themselves for re-election at the first meeting of shareholders following their appointment. Under the Constitution, one third of the directors must retire by rotation each year and submit themselves for re-election by shareholders.

   A separate nomination committee has not been established, and the Board itself is responsible for succession planning and the identification of new Board members.

3. Ethical decision making

   The Board requires its members to keep it advised of any interests that might conflict with those of the Company. Where there is a conflict in relation to any matter, the director concerned does not participate at any meeting where the matter is being considered.

   The Board has adopted guidelines for dealings in the Company's shares which define periods during which dealings may normally occur and the procedures for notifying the Board prior to any dealing.

4. Integrity in financial reporting

   The Board requires the Group General Manager and the Chief Financial Officer to confirm in writing that the Company's financial reports present a true and fair view of the Company's financial position.

Directors' Report

The Board has a formally established Audit Committee which presently comprises all of the Board members. The function of the Audit Committee is to review the Company's financial reports, liaise with the external auditor, review the auditor's reports, and ensure that any necessary action is taken by management in relation to of those reports.

The Audit Committee is also responsible for monitoring compliance with the *Corporations Act* and ASX *Listing Rules* as well as monitoring any related party transactions of the Company.

In fulfilling its responsibilities, the Committee receives regular reports from management and the external auditor. It also meets with the external auditor at least twice a year.

Attendances at Audit Committee meetings by directors are set out in the Directors' Report.

5. Timely and balanced disclosure

The Secretary has the responsibility for ensuring that material matters are disclosed to the market. The Secretary has regular contact with management, who are required to report any material matters to him in relation to the Company's day-to-day operations.

6. Respect for the rights of shareholders

The Company has only one class of shareholders, and recognises them at all times as the ultimate owners of the Company in the way it conducts its affairs.

The Company encourages its shareholders to participate at general meetings.

The Company has developed a website which facilitates communication with shareholders.

7. Recognition and management of risk

The Board is provided with detailed management and financial reports on a regular basis, and reviews these with particular reference to risk management. The General Manager and the Chief Financial Officer report personally at Board meetings.

Specific procedures to recognize and manage risks include:

- consideration of and approval by the Board each year of the Company's annual budget and business plan;
- ensuring, via delegated authorities, that capital expenditure commitments exceeding certain limits are submitted to the Board for approval;
- requiring comprehensive monthly reporting to the Board on operating and financial performance; and
- requiring regular reporting by management concerning the Company's systems to ensure compliance with environmental and occupational health and safety requirements.

8. Encouragement of enhanced performance

The Board is committed to encouraging good performance, and all directors have free access to the Company's operations and to its management. Directors are expected to contribute to the Company's operations on a continuing basis, and there is free communication between the directors and the Secretary at all times.

No performance evaluation of the Board has been undertaken during the year.

With the approval of the Board, any director may seek independent professional advice at the Company's expense in the furtherance of their duties.

Directors' Report

9. Fair and responsible remuneration

   The Board is committed to remunerating its management fairly and responsibly. Executive remuneration is primarily by way of salaries, which are determined by the Board by reference to the market place and by reference also to performance, having regard to the Company's overall achievement and to its financial resources. Executive salaries do not presently include incentive payments or contractual performance bonuses, although this policy is constantly under review.

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

10. Legitimate interests of stakeholders

    The Company recognizes its legal and moral obligations to its employees, its customers and the community generally, and is committed to dealing properly and fairly with all of these stakeholders.

    The Company takes pride in the quality and reputation of its products, and the standard of its services, and is committed to maintaining and improving them.

Statement of Financial Performance for the financial year ended 30 June 2005

	Note	CONSOLIDATED 2005 $'000	2004 $'000	COMPANY 2005 $'000	2004 $'000
Sales revenue (sale of goods)	2(a)	**22,447**	28,783	**19,800**	26,204
Cost of sales		**(16,009)**	(20,999)	**(14,555)**	(19,591)
Gross Profit		**6,438**	7,784	**5,245**	6,613
Other revenue from ordinary activities	2(b)	**423**	2,852	**744**	2,768
Distribution expenses		**(1,380)**	(1,537)	**(1,313)**	(1,462)
Selling expenses		**(2,154)**	(2,865)	**(1,846)**	(2,523)
Occupancy expenses		**(477)**	(569)	**(419)**	(509)
Administration expenses		**(2,521)**	(2,313)	**(2,099)**	(1,905)
Book value of Building & Equipment sold		**(237)**	(2,293)	**(234)**	(2,293)
Borrowing costs	2(c)	**(356)**	(435)	**(352)**	(435)
Other expenses from ordinary activities		**(84)**	(168)	**(84)**	(84)
Profit/(loss) from Ordinary Activities Before Income Tax Expense		**(348)**	456	**(358)**	170
Income tax expense relating to ordinary activities	4	**124**	133	**-**	-
Profit/(loss) Ordinary Activities After Related Income Tax Expense		**(472)**	323	**(358)**	170
Extraordinary items after income			-		-
		(472)	323	**(358)**	170
Net Profit Attributable to Outside Equity Interests		**78**	54	**-**	-
Profit/(loss) Attributable to Members of the Parent Entity	24	**(550)**	269	**(358)**	170
Increase in foreign currency translation reserve arising on translation of self-sustaining foreign operations	23	**5**	9	**-**	-
Total revenue, expense and valuation adjustments attributable to members of the parent entity recognised directly in equity		**5**	9	**-**	-
Total changes in equity other than those resulting from transactions with owners as owners		**(545)**	278	**(358)**	170
			Cents per share		
Basic earnings per share	26	**(9.7)**	4.8		
Diluted earnings per share	26	**(9.7)**	4.8		

Notes to the financial statements are included on pages 14 to 46.

Stokes (Australasia) Limited

Statement of Financial Position as at 30 June 2005

	Note	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000
Current Assets					
Cash assets		**132**	696	**58**	133
Receivables	5	**3,742**	4,536	**3,420**	4,288
Inventories	6	**4,944**	5,709	**4,645**	5,389
Current tax assets	7	**-**	112	**-**	-
Other	8	**281**	28	**168**	42
Total Current Assets		**9,099**	11,081	**8,291**	9,852
Non-Current Assets					
Other financial assets	9	**-**	-	**2,192**	2,192
Property, plant and equipment	10	**1,098**	1,635	**1,008**	1,556
Intangibles	11	**-**	-	**-**	-
Other	12	**-**	52	**-**	52
Total Non-Current Assets		**1,098**	1,687	**3,200**	3,800
Total Assets		**10,197**	12,768	**11,491**	13,652
Current Liabilities					
Payables	13	**2,716**	3,441	**2,420**	3,251
Interest-bearing liabilities	14	**7**	96	**7**	96
Current tax liabilities	15	**126**	117	**-**	-
Provisions	16	**880**	1,071	**844**	1,035
Total Current Liabilities		**3,729**	4,725	**3,271**	4,382
Non-Current Liabilities					
Interest-bearing liabilities	17	**2,727**	3,787	**2,977**	3,787
Loans		**-**	-	**-**	-
Provisions	18	**149**	181	**149**	181
Other	19	**150**	-	**2,150**	2,000
Total Non-Current Liabilities		**3,026**	3,968	**5,276**	5,968
Total Liabilities		**6,755**	8,693	**8,547**	10,350
Net Assets		**3,442**	4,075	**2,944**	3,302
Equity					
Contributed equity	22	**5,895**	5,895	**5,895**	5,895
Reserves	23	**203**	198	**159**	159
Accumulated losses	24	**(2,873)**	(2,323)	**(3,110)**	(2,752)
Parent entity interest		**3,225**	3,770	**2,944**	3,302
Outside equity interest	25	**217**	305	**-**	-
Total Equity		**3,442**	4,075	**2,944**	3,302

Notes to the financial statements are included on pages 14 to 46.

Statement of Cash Flows for the financial year ended 30 June 2005

	Note	CONSOLIDATED		COMPANY	
		2005 **$'000**	2004 $'000	**2005** **$'000**	2004 $'000
Cash flows from operating activities					
Receipts from customers		**23,357**	29,241	**20,782**	26,504
Payments to suppliers and employees		**(22,474)**	(28,763)	**(20,322)**	(26,315)
Interest received		**32**	22	**3**	7
Interest and other costs of finance paid		**(356)**	(435)	**(352)**	(435)
Dividend received		**-**	-	**361**	-
Income tax paid		**(115)**	(5)	**-**	-
Net cash provided by/(used in) operating activities	31(c)	**444**	60	**472**	(239)
Cash flows from investing activities					
Payment for trade manuals		**-**	-	**-**	-
Payment for property, plant and equipment		**(90)**	(373)	**(39)**	(378)
Proceeds from sale of property, plant and equipment		**246**	2,692	**241**	2,691
Net cash provided by/(used) in investing activities		**156**	2,319	**202**	2,313
Cash flows from financing activities					
Dividend paid		**(165)**	-	**-**	-
Proceeds from borrowings – related parties		**150**	-	**400**	-
Repayment of borrowings		**(1,149)**	(2,121)	**(1,149)**	(2,151)
Net cash provided by/(used in) financing activities		**(1164)**	(2,121)	**(749)**	(2,151)
Net increase/(decrease) in cash held		**(564)**	258	**(75)**	(77)
Cash at the beginning of the financial year		**696**	425	**133**	210
Effects of exchange rate changes on the balance of cash held in foreign currencies		**-**	13	**-**	-
Cash at the end of the financial year	31(a)	**132**	696	**58**	133

Notes to the financial statements are included on pages 14 to 46.

Notes to the financial statements for the financial year ended 30 June 2005

1. SUMMARY OF ACCOUNTING POLICIES

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and, except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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 concerns.

To continue as going concerns, the company and consolidated entity must produce positive cashflow from operations and continue to be supported by their financier.

The Company successfully renegotiated a finance facility in November 2003 which expires and is due for renewal in November 2006. The facility includes a series of covenants two of which have been breached by the company during the year such that the finance facility was technically 'on demand'. At 30th June the Company was not in breach of any covenants.

The directors have liaised closely with the financier and are confident that, while the financier has retained all rights in relation to the breaches, they will continue to provide the facility so long as the operating results of the company and consolidated entity are satisfactory to the financier.

Despite the reduction in sales in the 2005 financial year caused by the loss of two major customers in the 2004 financial year, the company produced positive cash flows from operations, and expects to continue to do so during the 2006 financial year. Accordingly Directors are of the opinion there are reasonable grounds to believe financial support will continue and the company and consolidated entity can continue as going concerns.

Without the support of the financier, and/or securing alternative sources of finance, there is significant uncertainty whether the Company and consolidated entity will continue as going concerns.

If the Company and consolidated entity are unable to continue as going concerns, they may be required to realise their assets and extinguish their liabilities at amounts different to these stated in the financial report.

No adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities should the company and consolidated entity not continue as going concerns.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

Notes *(continued)*

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in AASB1024 "Consolidated Accounts". A list of controlled entities appears in Note 29. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and all unrealised profits arising from the consolidated entity, are eliminated in full.

(b) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

(c) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each class of inventory, with the majority being valued on a first in first out or average cost basis.

(d) Leases

Capitalised leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased assets are consumed.

(e) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 10 years.

(f) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount.

In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

Notes *(continued)*

(g) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(h) Interest-Bearing Liabilities

Bills payable are recorded at an amount equal to their face value, with the discount amortised over the period until maturity.

Other loans are recorded at an amount equal to the net proceeds received.

Interest expense is recognised on an accrual basis.

(i) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and long service leave expected to be settled within 12 months, are measured at their nominal values using remuneration rates expected to apply at the time of settlement

Provisions made in respect of long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

(j) Revenue Recognition

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods and other assets to the buyer.

Commission and rebate revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(k) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line or diminishing value basis as appropriate so as to write off the net cost or other revalued amount of each asset during its expected useful life.

The following are the estimated useful lives used in the calculation of depreciation:

	2005	2004
Plant and equipment	3-10 yrs	3-10 yrs
Equipment under Finance Lease	4-10 yrs	4-10 yrs

(l) Income Tax

Tax effect accounting principles have been adopted whereby income tax expense has been calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates as a provision for deferred income tax or future income tax benefit, as applicable.

Notes *(continued)*

(m) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(n) Foreign Currency

Financial statements of self-sustaining foreign controlled entities are translated at reporting date using the current rate method and exchange differences are taken directly to the foreign currency translation reserve.

All foreign currency transactions during the year have been brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at balance date are translated at the exchange rate existing at that date.

Exchange differences are brought to account in the statement of financial performance of the financial period in which they arise.

(o) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition.

(p) Investments

Investments in controlled entities are recorded at cost.
Dividend revenue is recognised on a receivable basis.

(q) Financial Instruments Issued by the Company

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and Dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments.

Notes *(continued)*

(r) Research and Development Costs

Research and development costs are recognised as an expense when incurred.

(s) Comparatives

Comparative financial information may be reclassified to ensure comparability with the current reporting period. Where there is a material amendment to the classification of comparative financial information, the nature, reason for and amount of the reclassification are disclosed.

(t) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Notes *(continued)*

	Note	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000
2. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES					
Revenue from Ordinary Activities					
(a) Operating Revenue					
Sales revenue – sale of goods		**22,447**	28,783	**19,800**	26,204
(b) Non-Operating Revenue					
Interest revenue		**32**	22	**3**	7
Net foreign exchange gain		**40**	48	**36**	26
Dividend received		**-**	-	**361**	-
Royalties received		**67**	-	**67**	-
Sundry revenue		**38**	91	**36**	44
Proceeds from the sale of assets:					
- Non-current plant and machinery		**246**	2,691	**241**	2,691
Total other revenue from ordinary activities		**423**	2,852	**744**	2,768
		22,870	31,635	**20,544**	28,972
(c) Expenses					
Borrowing Costs:					
Interest – other entities		**351**	418	**334**	418
Finance leases - finance charges		**5**	17	**5**	17
		356	435	**339**	435
Depreciation and amortisation of non-current assets in:					
Plant and equipment		**380**	450	**342**	393
Leased plant and equipment		**11**	30	**11**	30
Trade manuals (Per Asset Register)		**52**	52	**52**	52
Goodwill		**-**	113	**-**	30
Borrowing costs		**-**	20	**-**	20
Net loss/(gain) on disposal of property, plant and equipment		**(237)**	(398)	**(234)**	(398)
Impairment of plant and equipment write down		**-**	-	**-**	-

Notes *(continued)*

	Note	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000
2. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES (continued)					
(c) Expenses (continued)					
Net bad and doubtful debts		**81**	56	**84**	54
Allowance for credit claims		**0**	39	**0**	39
Inventory - Write-downs and other losses		**168**	174	**174**	177
Operating lease rental expenses		**512**	558	**457**	504
Research and development costs		**22**	32	**22**	32
Provision for restructure (write back) – Appliance Parts Division		**-**	(368)	**-**	(368)

3. REMUNERATION OF DIRECTORS AND EXECUTIVES

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

G. B. Elkington	Director (non-executive) and Company Secretary (Appointed 13 May 2004)
R. J. Drury	Director (executive)
W. R. Stokes	Director (executive until 02/07/04 and non-executive thereafter)
D. G. S. Anderson	Chairman (non-executive) – Retired
C. K. Day	Director (non-executive) – Retired

(ii) Specified executives

K. Savaris	Sales Manager of Appliance Parts
P. Stokes	Research and Development Manager
W. Haller	General Manager and Director of Stokes (New Zealand)

Notes *(continued)*

3. REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

(b) Remuneration of Specific Directors and Specified Executives

(i) Remuneration Policy

The Board has considered the role and performance of each of its members. It has concluded that it is inappropriate for the size of the Company to have a Managing Director. Each director brings with him individual skills which are not duplicated.

Having regard to the size of the Company it has been decided to continue its remuneration policy which primarily does not presently include performance bonuses or special performance payments. This matter is constantly under review.

Director	Primary			Post Employment		Equity	Other	Total
	Salary & Fees	Cash Bonus	Non Monetary	Superannuation	Retirement benefits	Options	Bonuses	
	$			$				$
W. R. Stokes								
2005	33,371	-	-	2,812	-	-	-	36,183
2004	125,596	-	-	12,421	-	-	-	138,017
R. J. Drury								
2005	148,388	-	-	13,050	-	-	-	161,438
2004	-	-	-	-	-	-	-	-
G. B. Elkington								
2005	25,000	-	-	2,250	-	-	-	27,250
2004	29,448	-	-	2,912	-	-	-	32,360
D. G. S. Anderson								
2005	27,115	-	-	2,440	-	-	-	29,555
2004	49,595	-	-	4,905	-	-	-	54,500
C. K. Day								
2005	10,416	-	-	938	-	-	-	11,354
2004	24,797	-	-	2,453	-	-	-	27,250

Total Remuneration: Specified Directors

	$			$				$
2005	244,290	-	-	21,490	-	-	-	265,780
2004	229,436	-	-	22,691	-	-	-	252,217

Notes *(continued)*

3. REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

Specified Executive	**Primary**			**Post Employment**		**Equity**	**Other**	**Total**
	Salary & Fees	Cash Bonus	Non Monetary	Superannuation	Retirement benefits	Options	Bonuses	
	$			$				$
K. Savaris								
2005	90,983	-	-	15,075	-	-	-	106,058
2004	112,816	-	-	11,158	-	-	-	123,974
P. Stokes								
2005	87,813	-	-	11,000	-	-	-	98,813
2004	89,932	-	-	8,894	-	-	-	98,826
W. Haller								
2005	130,260	-	-	-	-	-	-	130,260
2004	120,160	-	-	11,884	-	-	-	132,044
Total Remuneration: Specified Executives								
	$			$				$
2005	309,056	-	-	26,075	-	-	-	335,131
2004	398,942	-	-	39,456	-	-	-	438,398

* Group totals in respect of the financial year ended 2004 do not necessarily equal the sums of amounts disclosed for 2004 for individuals specified in 2005, as different individuals were specified in 2004.

	CONSOLIDATED		COMPANY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
4. INCOME TAX				
(a) The prima facie income tax expense/(benefit) on pre-tax accounting profit/(loss) reconciles to the income tax expense/(benefit) in the financial statements as follows:				
Profit/(loss) from ordinary activities before income tax	**(348)**	456	**(358)**	170
Income tax expense/(benefit) calculated at 30%	**(104)**	136	**(107)**	51
Tax effect of permanent differences				
Write-down of assets to recoverable amount	**-**	-	**-**	-
Amortisation of Goodwill	**-**	35	**-**	9
Other	**-**	21	**-**	(1)
Underprovision of income tax loss in prior year	**-**	-	**-**	-
Timing differences and tax losses not brought to account as future income tax benefits (Note 4(b))	**228**	(59)	**107**	(59)
	124	133	**-**	-
(b) Certain future income tax benefits have not been recognised as an asset:				
Attributable to timing differences, the benefits of which are not assured beyond any reasonable doubt	**400**	307	**400**	307
Attributable to tax losses, the benefits of which are not virtually certain of realisation	**1,651**	1,423	**1,651**	1,423
	2,051	1,730	**2,051**	1,730

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

(i) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
(ii) conditions for deductibility imposed by the law are complied with; and
(iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

4. INCOME TAX (Continued)

Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the company.

At the date of this report the directors have assessed the financial effect the legislation may have on the company and the consolidated entity and have elected not to enter into the tax consolidation regime. This is because there would be no financial effect of the implementation of the tax consolidation system on the economic entity as the company does not have any 100% owned Australian subsidiaries to form a tax consolidated group.

	CONSOLIDATED		COMPANY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
5. CURRENT RECEIVABLES				
Trade debtors	**3,825**	4,735	**3,498**	4,480
Less: Provision for doubtful debts	**(75)**	(110)	**(70)**	(103)
Less: Allowance for credit claims	**(8)**	(89)	**(8)**	(89)
	3,742	4,536	**3,420**	4,288
6. CURRENT INVENTORIES				
At cost:				
Raw materials	**831**	909	**736**	798
Work in progress	**280**	337	**280**	338
Finished goods	**4,063**	4,713	**3,859**	4,503
	5,174	5,959	**4,875**	5,639
Provision for Obsolescence	**(230)**	(250)	**(230)**	(250)
	4,944	5,709	**4,645**	5,389

Notes *(continued)*

	CONSOLIDATED		COMPANY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
7. CURRENT TAX ASSETS				
Current tax assets	**-**	112	**-**	-
8. OTHER CURRENT ASSETS				
Other debtors and prepayments	**281**	28	**168**	42
Total other current assets	**281**	28	**168**	42
9. OTHER NON-CURRENT FINANCIAL ASSETS				
-At cost Shares in controlled entities (Note 29)	**-**	-	**2,192**	2,192

Notes *(continued)*

10. PROPERTY, PLANT & EQUIPMENT

	Consolidated			
	Freehold Land & Buildings	Plant and Equipment	Equipment under Finance Lease	**TOTAL**
	$'000	$'000	$'000	$'000
Gross Carrying Amount (at cost)				
Balance at 30 June 2004	-	9,589	431	10,020
Additions	-	91	-	91
Disposals	-	(1,797)	-	(1,797)
Transfers of assets	-	131	(131)	-
Net foreign currency exchange differences arising on translation of financial statements of self sustaining foreign operations	-	-	-	-
Balance at 30 June 2005	-	8,014	300	8,314
Accumulated Depreciation/ Amortisation				
Balance at 30 June 2004	-	(8,076)	(309)	(8,385)
Disposals	-	1,560	-	1,559
Depreciation expense	-	(380)	(11)	(391)
Transfers of assets	-	(44)	44	-
Balance at 30 June 2005	-	(6,940)	(276)	(7,217)
Net Book Value				
As at 30 June 2005	-	1,074	24	1,098
As at 30 June 2004	-	1,513	122	1,635

Notes *(continued)*

10. PROPERTY, PLANT & EQUIPMENT (Continued)

	Company			
	Freehold Land & Buildings	Plant and Equipment	Equipment under Finance Lease	**TOTAL**
	$'000	$'000	$'000	$'000
Gross Carrying Amount (at cost)				
Balance at 30 June 2004	-	9,266	431	9,697
Additions	-	39	-	39
Disposals	-	(1,764)	-	(1,764)
Transfers of assets	-	131	(131)	-
Balance at 30 June 2005	-	7,672	300	7,972
Accumulated Depreciation/ Amortisation				
Balance at 30 June 2004	-	(7,832)	(309)	(8,141)
Disposals	-	1,530	-	1,530
Depreciation Expense	-	(342)	(11)	(353)
Transfers of assets	-	(44)	44	-
Balance at 30 June 2005	-	(6,688)	(276)	(6,964)
Net Book Value				
As at 30 June 2005	-	984	24	1,008
As at 30 June 2004	-	1,434	122	1,556

Notes *(continued)*

10. PROPERTY, PLANT & EQUIPMENT (Continued)

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in Note 2 to the financial statements.

	CONSOLIDATED		COMPANY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
(i) Assets written down to recoverable amount				
Plant and equipment At recoverable amount	**334**	108	**334**	108
Less: subsequent depreciation	**(69)**	(16)	**(69)**	(16)
	265	92	**265**	92
Equipment under Finance Lease – at cost	**24**	122	**24**	122
Plant and equipment – at cost	**809**	1,421	**719**	1,342
Total Plant and Equipment and Equipment under Finance Lease	**1,098**	1,635	**1,008**	1,556

Assumptions made in respect to recoverable amount

The recoverable amount of these assets has been determined by the directors based on their scrap resale value, or their potential value in the second hand market.

Notes *(continued)*

	Note	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000
11. INTANGIBLES					
Goodwill		**491**	491	**361**	361
Less: Accumulated amortisation		**(491)**	(491)	**(361)**	(361)
		-	-	-	-
12. OTHER NON-CURRENT ASSETS					
Trade manuals – at cost		**155**	155	**155**	155
Less: Accumulated amortisation		**(155)**	(103)	**(155)**	(103)
		-	52	-	52
		-	52	-	52
Aggregate amortisation allocated has been recognised as an expense as disclosed in Note 2 to the financial statements.					
13. CURRENT PAYABLES					
Trade payables		**1,891**	2,568	**1,635**	2,474
Accruals		**746**	815	**714**	727
Goods and services tax (GST)		**79**	58	**71**	50
		2,716	3,441	**2,420**	3,251
14. CURRENT INTEREST-BEARING LIABILITIES					
Secured:					
Finance lease liability – (refer Note 21) (ii)		**7**	96	**7**	96
Bank and other loans (i) (refer Notes 1 & 31(b))		-	-	-	-
		7	96	**7**	96
Unsecured:					
Loan from controlled entity (Note 30 (c))		-	-	-	-
		7	96	**7**	96

(i) Secured by a fixed and floating charge over the consolidated entity's assets.
(ii) Effectively secured by the assets leased.

	Note	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000
15. CURRENT TAX LIABILITIES					
Income tax payable		**126**	117	-	-
16. CURRENT PROVISIONS					
Employee benefits (Note 20)		**863**	1,071	**827**	1,035
Retrenchments (Note 20) (i)		**17**	-	**17**	-
		880	1,071	**844**	1,035
(i) Retrenchment Costs					
Opening balance		-	350	-	350
Additional provision recognised		**17**	-	**17**	-
Reduction arising from payments/other sacrifices of future economic benefits		-	(350)	-	(350)
Closing balance		**17**	-	**17**	-
(ii) Provision for Restructure – Appliance Parts Division					
Opening balance		-	400	-	400
Additional provision recognised			-	-	-
Reduction arising from payments/other sacrifices of future economic benefits		-	(400)	-	(400)
Closing balance		-	-	-	-

Restructure Provision
The restructure provision relates to the relocation of the Wantirna factory and associated redundancy costs.

Notes *(continued)*

	CONSOLIDATED		COMPANY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
17. NON-CURRENT INTEREST-BEARING LIABILITIES				
Secured:				
Finance lease liability – (refer Note 21) (i)	**21**	27	**21**	27
Bank and other loans (ii) (refer Note 1& 31 (b))	**2,706**	3,760	**2,706**	3,760
	2,727	3,787	**2,727**	3,787
(i) Effectively secured by the assets leased.				
(ii) Secured by a fixed and floating charge over the consolidated entity's assets				
Unsecured:				
Loan from Controlled entity (note 30(c))	**-**	-	**250**	-
	2727	3,787	**2,977**	3,787
18. NON-CURRENT PROVISIONS				
Employee benefits (Note 20)	**149**	181	**149**	181
19. OTHER NON-CURRENT LIABILITIES				
Unsecured:				
Loan non interest bearing – related party	**150**		**150**	
Loan from wholly-owned entity (Note 30(c))	**-**	-	**2,000**	2,000
	150	**-**	**2,150**	**2000**

20 EMPLOYEE BENEFITS

The aggregate employee benefits recognised and included in the financial statements is as follows:

	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Provision for employee benefits:				
Current (Note 16)	**863**	1,071	**827**	1,035
Non-Current (Note 18)	**149**	181	**149**	181
Provision for retrenchments				
Current (Note 16)	**17**	-	**17**	-
Accrued wages and salaries (i) (Note 13)	**34**	15	**24**	15
	1,063	1,267	**1,017**	1,231

	2005 No	**2004 No**	**2005 No**	**2004 No**
Number of employees at end of financial year	136	178	122	165

(i) Accrued wages and salaries are included in the accruals balance as disclosed in note 13 to the financial report.

	CONSOLIDATED		COMPANY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
21. FINANCE LEASE LIABILITIES				
Finance lease commitments:				
Not later than one year	**9**	101	**9**	101
Later than one year and not later than two years	**21**	9	**21**	9
Later than two years and not later than five years	**-**	21	**-**	21
Minimum finance lease payments	**30**	131	**30**	131
Deduct: Future finance charges	**(2)**	(8)	**(2)**	(8)
Finance lease liabilities	**28**	123	**28**	123
Included in the financial statements as:				
Interest-Bearing Liabilities				
Current (Note 14)	**7**	96	**7**	96
Non-current (Note 17)	**21**	27	**21**	27
	28	123	**28**	123

The finance leases for plant and equipment and motor vehicles have terms of between three and five years and do not include renewal options although new leases may be executed for those items previously leased.

Notes *(continued)*

	CONSOLIDATED		COMPANY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
22. CONTRIBUTED EQUITY				
5,651,250 ordinary shares (2004: 5,651,250)	**5,895**	5,895	**5,895**	5,895

Fully Paid Ordinary Shares
Fully paid ordinary shares carry one vote per share and carry the right to dividends.

23. RESERVES

	CONSOLIDATED		COMPANY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Reserves comprise:				
Asset revaluation reserve (i)	**159**	159	**159**	159
Foreign currency translation reserve (ii)	**44**	39	**-**	-
	203	198	**159**	159

(i) *Asset Revaluation Reserve*
There was no movement in the asset revaluation reserve during the year. As reported in previous financial reports, this reserve is no longer available to absorb any future writedowns of property, plant and equipment.

(ii) *Foreign Currency Translation reserve*

	CONSOLIDATED		COMPANY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Balance at beginning of financial Year	**39**	30	-	-
Translation of foreign operations	**5**	9	-	-
Balance at end of financial year	**44**	39	-	-

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation and the translation of self-sustaining foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 1(n).

Notes *(continued)*

	CONSOLIDATED		COMPANY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
24. ACCUMULATED LOSSES				
Balance at beginning of financial year	**(2,323)**	(2,592)	**(2,752)**	(2,922)
Net (loss)/profit	**(550)**	269	**(358)**	170
	(2,873)	(2,323)	**(3,110)**	(2,752)
25. OUTSIDE EQUITY INTERESTS				
Outside equity interests in controlled entity comprises:				
Issued capital	**118**	118		
Reserves	**16**	17		
Retained profits	**83**	170		
	217	305		
26. EARNINGS PER SHARE				
	Cents	Cents		
Basic earnings per share (cents per share)	**(9.7)**	4.8		
Diluted earnings per share (cents per share)	**(9.7)**	4.8		
		$'000		
Earnings used in the calculation of the basic and diluted earnings per share	**(550)**	269		
		No.		
The weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	**5,651,520**	5,651,250		
27. DIVIDENDS PAID				
Minority Shareholders	**165**	-	-	-

Notes *(continued)*

	CONSOLIDATED		COMPANY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
28. COMMITMENTS FOR EXPENDITURE				
Operating lease commitments:				
Non-cancellable operating leases				
Property: (i)				
Not later than one year	**353**	480	**298**	426
Later than one year but not later than two years	**350**	436	**295**	381
Later than two years but not later than five years	**547**	861	**419**	734
	1,250	1,777	**1,012**	1,541
Plant and equipment: (ii)				
Not later than one year	**64**	64	**64**	64
Later than one year but not later than two years	**53**	64	**53**	64
Later than two years but not later than five years	**-**	81	**-**	81
	117	209	**117**	209
	1,367	1,986	**1,129**	1,750

Leasing Arrangements

(i) The consolidated entity leases a number of premises throughout Australasia. The 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 a motor vehicle, is for a fixed period, at a fixed rate with no renewal options.

Notes *(continued)*

29. CONTROLLED ENTITIES

Name of Company	Country of Incorporation	Investment $000	Ownership % 2005	Ownership % 2004
Parent Entity - Stokes (Australasia) Limited	Australia (Vic.)			
Controlled Entities –				
Stokes Investments Pty. Limited	Australia (Vic.)	**2,000**	**100**	100
Stokes (New Zealand) (1) Zealand Limited	New	**192**	**68.9**	68.9

(1) This controlled entity carries out business in New Zealand and is audited by Ernst & Young New Zealand.

30. RELATED PARTY INFORMATION

(a) Directors' equity holdings

The Directors who held office during the financial year, and their remuneration, are set out in Note 3.

As at 30 June 2005, the Directors had relevant interests in the following number of ordinary shares in Stokes (Australasia) Limited:

NAME	DIRECTLY OWNED	OTHER	TOTAL
William R. Stokes	548,944	340,750 (1)	889,694
Ronald J. Drury	-	-	-
Gordon B. Elkington	80,122	59,845 (1)	139,967

(1) Held by director related entity.

William R. Stokes also holds 10% of the issued capital of Stokes (New Zealand) Ltd via a director related entity.

During the financial year no ordinary shares were acquired by directors or their related parties.

During the financial year no ordinary shares were redeemed, exercised or bought back (2004: nil).

(b) Ownership interests in related parties

The parent entity's interest in controlled entities is shown in Note 29.

(c) Transactions with controlled entities

(i) During the financial year a partly controlled entity of Stokes (Australasia) Limited purchased goods from this Company on normal commercial terms and conditions, totalling $125,000 (2004: $162,000).

(ii) During the financial year an unsecured loan of $250,000 was made to the parent entity by a partly owned controlled entity. This loan is not due to be repaid before July 2006. The interest rate is 9.5%.

Notes *(continued)*

30. RELATED PARTY INFORMATION (Continued)

(iii) During the financial year a partly owned controlled entity of Stokes (Australasia) Limited sold goods to the parent company on normal terms and conditions totalling $70,000 (2004: $143,000).

(iv) During the financial year a partly owned controlled entity of Stokes (Australasia) Limited declared a dividend of NZ$0.60 a share. The amount paid or payable to the parent entity was A$361,000

(v) Amounts payable to controlled entities by the parent entity are disclosed in Notes 17 and 19.

(d) During the year a director of Stokes (Australasia) Limited made an interest free loan to the Company of $150,000. This loan is not due for repayment before July 2006.

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

Notes *(continued)*

31. NOTES TO STATEMENT OF CASH FLOWS

	CONSOLIDATED		COMPANY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
(a) Reconciliation of Cash For the purposes of the statement of cash flows, cash includes cash on hand and in banks, 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	**132**	696	**58**	133

31. STATEMENT OF CASH FLOWS (continued)

	CONSOLIDATED		COMPANY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
(b) Financing Facilities (i) (iv) Available at the end of the financial year				
Bank and other loans (ii)	**6,000**	6,000	**6,000**	6,000
Overdraft	**270**	270	**-**	-
	6,270	6,270	**6,000**	6,000
Facilities in use at the end of the financial year (i)				
Bank and other loans	**2,856**	3,760	**2,706**	3,760
Overdraft	**-**	-	**-**	-
	2,856	3,760	**2,706**	3,760

(i) At the date of this report, the financier continues to provide financial facilities and has not exercised its rights (refer Note 1).

(ii) While there is a facility in place for $6,000,000, there are certain conditions outlined in the Facility Agreement which limit the use of this facility. The amount which is able to be used for the facility in general terms is 85% of Accounts Receivable, less Ineligibles such as Debtors 90 days & over, plus 50% of Inventory capped at $500,000, less Ineligible Inventory including obsolete & slow moving stock, less employee Entitlements and Bank guarantees.

(iii) The controlled entity has provided an $6,000,000 guarantee for the parent entity's financing.

(iv) Facilities are all secured and subject to periodic review.

Notes *(continued)*

	CONSOLIDATED		COMPANY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
31. STATEMENT OF CASH FLOWS (continued)				
(c) Reconciliation of net cash provided by operating activities to net profit/(loss) income tax.				
Net profit/(loss) after taxation	**(472)**	323	**(358)**	170
(Profit)/loss on disposal of non-current assets	**(9)**	(398)	**(7)**	(398)
Depreciation and amortisation of non-current assets	**443**	665	**405**	525
Net bad and doubtful debts	**-**	56	**-**	56
Amounts written off				
Plant and equipment	**-**	-	**-**	-
Increase/(decrease)		-	**-**	-
Change in net assets and liabilities				
(Increase)/decrease in assets:				
current receivables	**794**	413	**868**	370
current inventories	**765**	(211)	**744**	(182)
Tax assets	**112**	(91)	**-**	-
other current assets	**(253)**	83	**(126)**	142
Increase/(decrease) in liabilities:				
current trade payables	**(704)**	(41)	**(831)**	(57)
Current tax liability	**9**			
Current accruals	**-**	-	**-**	-
provisions	**(244)**	(856)	**(223)**	(865)
tax liabilities	**-**	117	**-**	-
Effects of exchange rate changes	**3**	-		
Net cash provided by operating activities	**444**	60	**472**	(239)

33. 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) Forward Foreign Exchange Contracts

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 (2004: Nil).

33. FINANCIAL INSTRUMENTS (continued)

(c) Interest Rate Risk

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2005:

	Average interest rate	Variable interest rate	Fixed Interest Rate Maturity		Non-interest bearing	Total
			Less than 1 year	2 to 5 years		
	%	$'000	$'000	$'000	$'000	$'000
2005						
Financial Assets						
Cash	3.75	132	-	-	-	132
Current receivables		-	-	-	3,742	3,742
		132	-	-	3,742	3,874
Financial Liabilities						
Trade payables	-	-	-	-	1,891	1,891
Accruals	-	-	-	-	825	825
Bank loans	9.5	2,706	-	-	-	2,706
Unsecured loan	-				150	150
Finance lease liability	7.3	-	7	21	-	28
Employee benefits	-	-	-	-	993	993
		2,706	7	21	3,859	6,593

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2004:

	Average interest rate	Variable interest rate	Less than 1 year	2 to 5 years	Non-interest bearing	Total
2004						
Financial Assets						
Cash	3.75	696	-	-	-	696
Current receivables	-	-	-	-	4,536	4,536
		696	-	-	4,536	5,232
Financial Liabilities						
Trade payables	-	-	-	-	2,626	2,626
Accruals	-	-	-	-	815	815
Bank loans	9.6	3,760	-	-	-	3,760
Finance lease liability	9.9	-	96	27	-	123
Employee benefits	-	-	-	-	1,252	1,252
		3,760	96	27	4,693	8,576

33. FINANCIAL INSTRUMENTS (continued)

(d) Credit Risk

Credit risk refers to the risk that a counterparty 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 measures credit risk on a fair value basis.
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.

(e) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

34. REMUNERATION OF AUDITORS

	CONSOLIDATED		COMPANY	
	2005	2004	**2005**	2004
	$	$	**$**	$
(a) Auditors of the Parent Entity				
Auditing the financial report	**67,170**	53,000	**58,000**	53,000
Other services	**8,000**	19,000	**8,000**	19,000
	75,170	72,000	**66,000**	72,000
(b) Other Auditors				
Auditing the financial report	**9,982**	8,732	**9,982**	-
Other services	**-**	-	**-**	-
	9,982	8,732	**9,982**	-
	85,152	80,732	**75,982**	72,000

Notes *(continued)*

35. SUBSEQUENT EVENTS/CONTINGENT ASSETS AND LIABILITIES

As stated in the 2004 annual report, a contingent liability existed at 30 June 2004 in relation to a purported agreement between Stokes (Australasia) Limited, Jaws Pty. Limited, a company in which Mr. William Stokes has an interest, and Mr. Walter Haller, under which Stokes (Australasia) Limited was required to purchase the shareholdings of Jaws and Walter and Ulrika Haller in Stokes (New Zealand) Limited at a valuation determined at time of purchase. The Directors other than William Stokes disputed this claim.

A new agreement has been concluded between Stokes (New Zealand) Limited and the Haller family, replacing the original purported agreement. Under the new agreement, Stokes (New Zealand) Limited will purchase and cancel the 200,000 shares held by Walter and Ulrika Haller in five equal annual installments of 40,000 shares, commencing on 30 September 2005. The price of the shares purchased each year will be determined by reference principally to the profits earned by Stokes (New Zealand) Limited during the previous financial year. Payments will be funded by current and future profits earned by Stokes (New Zealand) Limited, and there is no recourse to the parent company, Stokes (Australasia) Limited, for payment of the purchase price in the event that Stokes (New Zealand) Ltd is unable to fund the required payments. The directors of Stokes (Australasia) Limited have endorsed this new agreement.

No further matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Notes *(continued)*

36. SEGMENT INFORMATION

SEGMENT REVENUES

For management purposes, the consolidated entity is organised into two major operating divisions – manufacturing and merchandising. These divisions are the basis on which the consolidated entity reports its primary segment information. The principal products and services of each of these divisions are as follows:

Manufacturing - Represents products that are manufactured by the company. Major products consist of heating elements and spare parts.

Merchandising - Represents the distribution of products that are sourced both locally and overseas. Major products consist of appliance spare parts; valve and camlocks; badges and medallions; electrical switches and controls.

	External Sales		Total	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Manufactured	**9,161**	13,840	**9,161**	13,840
Merchandised	**13,286**	14,943	**13,286**	14,943
Total of all segments	**22,447**	28,783	**22,447**	28,783
Eliminations			-	-
Unallocated	-	2,852	-	2,852
Consolidated	**22,447**	31,635	**22,447**	31,635

SEGMENT RESULTS

	2005 $'000	2004 $'000
Manufactured	**(53)**	1,155
Merchandising	**(74)**	2,189
Total of all segments	**(127)**	3,344
Eliminations	-	-
Unallocated	**(221)**	(2,888)
Profit/(loss) from ordinary activities before income tax expense	**(348)**	456
Income tax expense relating to ordinary activities	**(124)**	(133)
Profit/(loss) from ordinary activities after related income tax expense	**(472)**	323
Net profit/(loss)	**(472)**	323

36. SEGMENT INFORMATION (continued)

SEGMENT ASSETS AND LIABILITIES

	Assets		Liabilities	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Manufactured	**4,604**	5,625	**(1,108)**	(2,285)
Merchandised	**5,537**	6,307	**(1,090)**	(2,179)
Total of all segments	**10,141**	11,932	**(2,198)**	(4,464)
Eliminations				
Unallocated	**56**	836	**(4,557)**	(4,229)
Consolidated	**10,197**	12,768	**(6,755)**	(8,693)

OTHER SEGMENT INFORMATION

	Manufactured		Merchandised	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Acquisition of segment assets	**41**	206	**49**	217
Depreciation and amortisation of segment assets	**(181)**	(265)	**(262)**	(276)
Recoverable amount write-down of segment assets	**-**	-	**-**	-

36. SEGMENT INFORMATION (continued)

INFORMATION OF GEOGRAPHICAL SEGMENTS (SECONDARY SEGMENT)

Geographical Segments	Revenue from External Customers		Segment Assets		Acquisition of Segment Assets	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**	**2005 $'000**	**2004 $'000**
Australia	**20,059**	28,834	**8,962**	11,411	**39**	378
New Zealand	**2,811**	2,801	**1,235**	1,357	**52**	45

Australia and New Zealand operate in both the Manufactured and Merchandised business segments.

37. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Stokes (Australasia) Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company has allocated internal resources to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As Stokes (Australasia) Limited has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Stokes (Australasia) Limited prepare its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Stokes (Australasia) Limited. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Impairment of Assets

Under the Australian equivalent to IAS 36 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater.

The Company has undertaken an analysis of its assets using IAS 36 and does not believe there will be a material impact on the financial statements.

Foreign Currency

Under the Australian equivalent to IAS 21 *The Effects of Changes in Foreign Exchange Rates*, the company will be required to classify certain exchange differences related to the translation of the net investment in a foreign entity as a separate component of equity – Foreign Currency Translation Reserve. On disposal of the foreign operation, the cumulative translation differences relating to that foreign operation are transferred to the income statement and treated as part of the gain or loss on disposal. The company has elected to reset its Foreign Currency Translation Reserve to zero at transition date, 1 July 2004. This will result in an amount of $39,000 being transferred to retained earnings at 1 July 2004.

Income taxes

Under the Australian equivalent to IAS 12 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The most significant impact will be the potential recognition of a deferred tax liability in relation to the asset revaluation reserve. Previously, the capital gains tax effects of asset revaluations were not recognised. The company is continuing to investigate this issue and is not yet able to reliably quantify any potential impact.

Notes *(continued)*

38. ADDITIONAL COMPANY INFORMATION

Stokes (Australasia) Ltd is a listed public company, incorporated and operating in Australia and New Zealand.

Registered Office

24 Palmerston Road
Ringwood Victoria 3134
Tel: (03) 9845 8300

Principal Place of Business

24 Palmerston Road
Ringwood Victoria 3134
Tel: (03) 9845 8300

FORMAL DECLARATIONS

DIRECTORS' DECLARATION
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2005

In accordance with a resolution of the directors of Stokes (Australasia) Limited, we state that:

(1) In the opinion of the directors:

(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) 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 financial period ending 30 June 2005.

On behalf of the Board

…………………………	…………………………	…………………………
Gordon B. Elkington	William R. Stokes	Ronald J. Drury
Director/Secretary	Director	Director

Dated at Ringwood Victoria on 26 September 2005.

ERNST & YOUNG

120 Collins Street
Melbourne VIC 3000
Australia

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DX 293 Melbourne

Auditor's Independence Declaration to the Directors of Stokes (Australasia) Limited

In relation to our audit of the financial report of **Stokes (Australasia) Limited** for the financial year ended **30 June 2005**, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

David Petersen
Partner
26 September 2005

ERNST & YOUNG

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Independent audit report to members of Stokes (Australasia) Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Stokes (Australasia) Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration. The Auditors' Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this audit report was signed. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion:

1. the financial report of Stokes (Australasia) Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of Stokes (Australasia) Limited and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1, there is significant uncertainty whether the company and consolidated entity will be able to continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity and the company not be able to continue as going concerns.

Ernst & Young

Ernst & Young

David Petersen
Partner
Melbourne
26 September 2005

Stokes (Australasia) Limited

Comparative Figures for the years 2000 - 2005

	2005	2004	2003	2002	2001
	$'000	$'000	$'000	$'000	$'000
Revenue					
Operating profit/(loss) before income tax	**(348**	456	(1,208)	(146)	(642)
Income tax	**124**	133	111	65	37
Operating profit/(loss) after income tax	**(472)**	323	(1,319)	(211)	(679)
Balance sheet					
Current assets	**9,099**	11,081	13,316	11,351	11,811
Less: Current liabilities	**3,729**	4,725	10,683	10,961	11,792
	5,370	6,356	2,633	390	19
Fixed assets	**1,098**	1,635	1,808	5,445	6,102
Other non-current assets	**-**	52	217	242	343
	6,468	8,043	4,658	6,077	6,464
Less: Non-current liabilities	**3,026**	3,968	919	1,035	1,231
Total net assets	**3,442**	4,075	3,739	5,042	5,233
Issued capital	**5,895**	5,895	5,895	5,895	5,895
Reserves and retained profits/(losses)	**(2,670)**	(2,125)	(2,403)	(1,028)	(794)
Outside equity interests	**217**	305	247	175	132
Total share capital and reserves	**3,442**	4,075	3,739	5,042	5,233

Shareholder Analysis and Other Stock Exchange Requirements

Statement of security holders as at 31 August 2005

(a) Distribution of shareholders by sizes of holdings

1 - 1,000	187
1,001 - 5,000	68
5,001 - 10,000	20
10,001 - 100,000	47
100,001 and over	11
Total	333
Holding less than a marketable parcel	219

Voting rights - Ordinary shares

Each ordinary share carries one vote.

(b) Twenty Largest Shareholders

Shareholder	Number	Percentage
Bairdos Pty Ltd	1,075,533	19.03
William R. Stokes	548,944	9.71
Jaws Pty Ltd	332,650	5.89
Advanced Education Software Pty Ltd	329,000	5.82
Joanna M. Eccleston	278,463	4.93
Isabella F. Green	250,786	4.44
G F & M J Pauley	198,395	3.51
J L & M J Pauley	198,395	3.51
Paul W. Stokes	195,364	3.46
Deuteronomy Pty Ltd	141,771	2.51
Ago Pty Ltd	140,000	2.48
McNeil Nominees Pty Ltd	100,000	1.77
Winpar Holdings Ltd	93,270	1.65
Gordon B Elkington	80,122	1.42
DMW Pty Ltd	80,000	1.13
HSBC Custody Nominees (Australia) Ltd	64,000	1.13
B J P & P L Hoff	63,350	1.12
Milly Elkington	59,845	1.06
G F & M J Pauley	55,980	0.99
Ian P. Alexander	50,000	0.88
	4,316,493	76.73

(c) Substantial shareholders as per substantial shareholder advices held at 31 August 2005

Name	**Number of Ordinary Shares to which Person Entitled**
Bairdos Pty Ltd	1,075,533
William Stokes	
- William R. Stokes	548,944
- Estate of Jennifer J. Stokes	8,100
- Jaws Pty. Ltd	332,650
Advanced Education Software Pty Ltd	329,000

Under the provisions of the Corporations Act, a person may be entitled to shares in which he/she has no beneficial interest or which are held jointly with others. As more than one person may be entitled to the same shares, the above figures should not be aggregated.