

STOKES SELLS APPLIANCE PARTS DIVISION FOR \$5M

Rapidly Expanding Technology Division is New Core Business

4 June 2015; Melbourne: Stokes Limited (ASX:SKS) has entered into a binding agreement to sell its appliance parts division that will net the company \$5 million and mark its transformation from old world manufacturer to new world technology enterprise.

The appliance parts division has undergone a major turnaround since new management implemented a restructuring program in October 2012. The business being sold has annual revenues of over \$8 million and EBITDA over \$1.2 million.

Having completed the restructure and added significant value the directors have taken the decision to sell the business to enable management to concentrate on the rapidly expanding technologies division of lighting and audio visual products and solutions.

The Stokes technologies division now employs 23 staff with offices in Melbourne, Sydney and Perth and offers a comprehensive range of products and solutions aimed at the growing commercial and industrial sector. With recent significant contract wins and a pipeline of projects underway this division is now the growth engine of Stokes.

The appliance parts sale is expected to be completed in July 2015 with a purchase price of \$4.5 million inclusive of stock and the assumption of employee entitlements with Stokes retaining the working capital of receivables and payables netting a further \$0.5 million. The transaction will be subject to stock and employee entitlement adjustments and the company expects to book a profit of approximately \$2.8 million on the sale.

Separately Stokes has also entered into an agreement (subject to final documentation) to sell its appliance services division for \$65,000. Stokes will now move to close its remaining manufacturing division and exit the premises in Ringwood Victoria by November 2015 coinciding with the end of lease. As a result the company expects to book approximately \$2.5 million in shut down provisions, which includes cash costs of \$1 million related to employee redundancies and the balance non-cash items relating to stock and equipment write-offs.

Stokes is one of Australia's very oldest companies. It was founded in 1856 by Thomas Stokes, a Diesinker and Electroplater and is an Australian icon. For most of its history the company focussed on electrical engineering and the manufacture of badges including the "Rising Sun" badge for the Australian army. The company looks forward to an exciting future in the technology sector.

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