



Stratatel Limited
Level 1
1254 Hay Street
West Perth WA 6005
PO Box 1673
West Perth WA 6872

Tel: +61 8 9212 4000
Fax: +61 8 9212 4001

Email: admin@stratatel.com.au
Website: www.stratatel.com.au

ABN: 63 088 257 729

Companies Announcement Office
Australian Stock Exchange Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

19th September 2006

By electronic lodgement

Dear Sir/Madam,

Audited Accounts

In accordance with ASX Listing Rules and the requirements of the Corporations Act 2001 we hereby present Stratatel Limited's Review of Operations and Audited Accounts for the period ended 30 June 2006.

I A MacIver
Chairman



Review of Operations

Overview

The 05-06 year saw a large increase in the number of 'units under management', up 43% from a little over 45,000 at the end of 04-05 to nearly 80,000 at 30 June 2006.

The appointment of and investment in two executive managers to fill the roles of General Manager Sales and General Manager Client Services resulted in new sales and improved client retention, the two key barometers of success for the company.

The company has an excellent sales pipeline with many opportunities which should translate into contracts in 06-07.

Of major significance was the contract (secured in conjunction with NEC) to manage the Australian Department of Defence's fleet of mobile telephones.

FleetManager[®] product development

FleetManager[®] is the company's unique asset and expenditure management solution, incorporating the functionality of the existing MobileFleet[®] system and integrating them with a more powerful and flexible database structure to include new asset types such as credit cards, fuel cards, Cabcharge expenses etc.

At the date of this report the company is deploying FleetManager[®] into clients to manage fuel cards, Cabcharge cards, laptops, and the associated expenditure.

FleetManager[®] has already been successfully deployed with Defence and NSW Police.

The market for FleetManager[®]

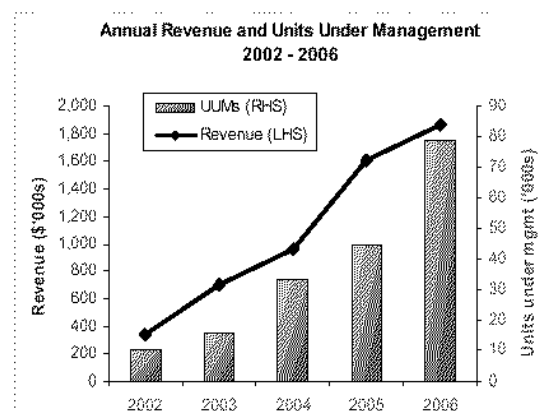
The value proposition of FleetManager[®] lies in the 'One System, One Password, For Life'[™] approach that enables an organisation to seamlessly manage all of their portable assets and expenditure (with integration to their finance system) in one system, dramatically reducing administrative and processing costs and providing corporate governance visibility on the way in which these items are used.

Feedback from sales to new and prospective customers, as well as the feedback from our existing clients, gives the company confidence that corporate and government organisations in Australia will embrace FleetManager[®]. Importantly the company can now market its' solutions on multiple fronts (Cabcharge, mobiles, fuel cards, etc) which should translate into greater numbers of sales, generating increasing recurrent revenue and earnings over time.

Financial results

Revenue for the year increased to \$1,930,823, up from \$1,652,174 the previous reporting period, an increase of 16.9%. Importantly the sales growth is more notable in the second half of the financial year with revenue of \$1,093,722 compared with \$837,101 for the first half.

The company's published results for the half-year ended 31 December 2005 stated a net loss of \$275,509, with a full year net loss after tax of \$265,678, including a research and development income tax benefit of \$120,959. The second half of the financial period generated \$9,831 net profit after tax.



In the 2006-2007 financial year the company expects units under management to continue to grow, recurrent revenue to increase and monthly profits to be sustainable and growing, followed shortly after by operating cash inflows.

In February 2006 the company raised \$500,000 through a private placement to sophisticated investors, followed shortly after by a fully underwritten renounceable rights issue to raise an additional \$1,023,049, with associated costs of \$140,610. At the end of June 2006 the company had \$1,549,023 in cash and cash equivalents and no other debt other than trade payables.

Stratatel Limited

(ABN 63 088 257 729)

Annual Financial Report

For the year ended 30 June 2006

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CORPORATE INFORMATION

ABN 63 088 257 729

Directors

Mr Ian A MacIver
Mr Michael J Fairclough
Mr James D Cullen
Mr Geoff Lambert

Company Secretary

Mr Paul K Brown

Registered office

Level 1, 1254 Hay Street
West Perth
Western Australia 6005

Principal place of business

Ground Floor
1-3 Atchison Street
St Leonards
New South Wales 2065

Share Register

Computershare Investor Services Pty Ltd
Level 2 Reserve Bank Building
45 St George's Terrace
Perth
Western Australia 6000

Solicitors

Talbot Olivier
Level 8, Wesfarmers House
40 The Esplanade
Perth
Western Australia 6000

Auditors

HLB Mann Judd
Level 2, 15 Rheola Street
West Perth
Western Australia 6005

DIRECTORS' REPORT

Your directors submit the annual financial report of the company for the financial year ended 30 June 2006.

Directors

The names, details and qualifications of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Ian Alexander MacIver B.Comm., CA, F Fin (Non-Executive Chairman)

Mr MacIver also chairs the company's Audit Committee and Remuneration Committee.

Mr MacIver joined the company in July 2000. Mr MacIver also holds the position of Managing Director of Grange Consulting Pty Ltd, a firm that provides specialist corporate advisory services to both listed and unlisted companies.

During the last three years, Mr MacIver has also served as a director of the following listed companies:

Dec 1994	current	Port Bouvard Limited
Feb 2000	current	BioProspect Limited
Feb 2001	current	Mount Gibson Iron Ore Limited
Jan 2004	current	Ottoman Energy Limited
Oct 2003	Dec 2003	Commoditel Limited

Michael James Fairclough MAICD (Managing Director)

Mr Fairclough founded the company in 1997 and has been actively involved in the communications and technology industry throughout Australia for over 10 years. Mr Fairclough is responsible for the co-ordination of all sales and marketing activities and the overall management of the company.

James Donald Cullen B.Comm., CA, F Fin, FAICD (Non-Executive Director)

Mr Cullen joined Stratatel in 2000 and sits on the Audit and Remuneration Committees. He has been Managing Director of ASX listed PCH Group Ltd since 1994. Previously he was involved in the motion picture industry in Los Angeles, California for five years in management, financial executive and company director capacities and prior to that worked for Price Waterhouse (now PricewaterhouseCoopers) in Australia, New Zealand and the USA.

Geoffrey Ernest Lambert M.Econ., SAFin, FAICD (Non-Executive Director)

Mr Lambert is a member of the remuneration committee and has had 29 years experience as a director of public companies.

During the last three years, Mr Lambert has also served as a director of the following listed companies:

Mar 2003	current	Reward Minerals Ltd
Jun 1999	current	ICS Global Ltd
Nov 1999	current	Wedgetail Exploration NL
May 2004	Aug 2006	Plantcorp Ltd
Mar 2004	Oct 2005	Prairie Downs Metals Ltd
Apr 2000	Oct 2004	Encos Ltd
Jul 2003	Sept 2004	Riversdale Mining Ltd
May 1999	Jun 2004	Asset Backed Securitisation Ltd

Company Secretary

Paul Kenneth Brown BSc, MAICD

Mr Brown was appointed to the position of company secretary shortly after joining the company in the capacity of chief financial officer in July 2003. Prior to this position Mr Brown held the role of interim chief financial officer for Jetset Travelworld Ltd after having been a finance manager and management accountant for a number of companies in the UK.

DIRECTORS' REPORT (continued)

Interests in the shares and options of the company

As at the date of this report, the interests of the directors in the shares and options of Stratatel were:

	Ordinary Shares	Options over Ordinary Shares
I Macliver	751,442	-
M Fairclough	8,697,464	-
J Cullen	952,000	-
G Lambert	625,943	-

Principal Activities

The principal activities of the company during the year were the development and marketing of asset management and cost reduction systems to corporate and government clients. Current activities include the development of similar products and solutions to manage credit cards, cab charge cards and fuel cards.

No significant change in the nature of these activities occurred during the year.

Review of operations and results

Information regarding Stratatel's operations and results can be found within the Summary of Operations. This information is to be read in conjunction with the Directors' Report.

Risk management

The Board is committed to the identification and quantification of risk. Directors receive regular reports on areas where significant business risk or exposure concentrations may exist and on the management of those risks. The Board committee structures form an important part of the risk management process.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the company to the date of this report.

Significant events after balance date

As announced to the ASX on 19 September 2006 the company secured a contract for Expense Reduction Analysts (ERA) to market the FleetManager[®] asset and expense management system. ERA has around 50 consultants throughout Australia and will significantly improve the company's distribution network.

Likely developments and expected results

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

Environmental legislation

The company is not subject to any significant environmental legislation.

Indemnification and insurance of Directors and Officers

The company has agreed to indemnify all the directors and officers for any breach of laws and regulations arising from their role as directors and officers. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Stratatel has not indemnified or agreed to indemnify an auditor of the company or any related body corporate against liability incurred as an auditor.

DIRECTORS' REPORT (continued)

Remuneration report

This report outlines the remuneration arrangements in place for directors and executives of Stratatel Limited (the "company").

Remuneration philosophy

The performance of the company depends upon the quality of the directors and executives. The philosophy of the company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration committee

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the directors, the CEO and the executive management team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 23 August 2000 when shareholders approved an aggregate remuneration of \$150,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the company. An additional fee may also be paid for each Board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more committees. Currently the board do not receive additional fees for the additional committee seats on which they serve.

The remuneration of non-executive directors for the reporting period is detailed in Table 1 of this report.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

The fixed remuneration component of the most highly remunerated company executives is detailed in Table 2 of this report.

DIRECTORS' REPORT (continued)**Remuneration report (continued)***Variable Remuneration***Short Term Incentive (STI)**

The objective of the short term incentive program is to link the achievement of the company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the company is reasonable in the circumstances.

Actual payments granted to each senior manager depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures, such as contribution to net profit after tax, customer service, revenue growth and leadership/ team contribution. Only when predetermined targets are met will any STI payment be made.

The aggregate of annual payments available for executives across the company is subject to the approval of the Remuneration Committee. Payments made are delivered as a cash bonus in the following reporting period.

The company also makes long term incentive payments to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth.

Long Term Incentive (LTI)

The LTI plan was designed to reward executives in a manner that rewards the creation of shareholder wealth over the longer term. As such LTIs are made only to executives who are able to influence the generation of shareholder wealth through company performance against the relevant long term performance hurdle.

LTI grants to executives are delivered in the form of options.

The company uses improvement in overall company performance as an indicator of prospective shareholder wealth over the longer term, reflected in earnings per share performance.

The directors are of the opinion that these results can be, in part, attributed to the previously described remuneration policy and is satisfied that this continued improvement should result in increased wealth to shareholders over the short to medium term.

Employment Contracts

The Chief Executive Officer, Mr Michael Fairclough, is employed under contract. The current contract commenced on July 1 2005 and terminates on June 30 2008, at which point the company may wish to enter into a new employment contract with Mr Fairclough.

The company may terminate this employment agreement at any time and without prior notice if serious misconduct has occurred. In this event only the fixed proportion of the remuneration is payable and only up until the date of the termination.

Directors' Options

There were no options on issue or issued to directors throughout the reporting period ended 30 June 2006.

DIRECTORS' REPORT (continued)

Remuneration of directors and named executives

Table 1: Directors' remuneration for the year ended 30 June 2006

		Primary benefits			Post employment		Equity	Total	Performance related %
		Salary & Fees \$	Bonuses \$	Allowances \$	Superannuation \$	Prescribed benefits \$	Options \$	\$	
I MacIver	2005	43,750	-	-	3,938	-	-	47,688	-
Chairman (non executive)	2006	45,000	-	-	4,050	-	-	49,050	-
M Fairclough	2005	121,115	-	139,655	14,697	-	-	275,467	-
Managing Director/ CEO	2006	275,223	-	-	24,770	-	-	299,993	-
J Cullen	2005	34,500	-	-	3,105	-	-	37,605	-
Director (non executive)	2006	36,000	-	-	3,240	-	-	39,240	-
G Lambert	2005	34,500	-	-	3,105	-	-	37,605	-
Director (non executive)	2006	36,000	-	-	3,240	-	-	39,240	-

Table 2: Remuneration of the named executives who received the highest remuneration for the year ended 30 June 2006

		Primary benefits			Post employment		Equity	Total	Performance related %
		Salary & Fees \$	Bonuses/ Commission \$	Allowances \$	Superannuation \$	Prescribed benefits \$	Options \$	\$	
P Brown	2005	111,457	-	-	10,031	-	-	121,488	-
Chief Financial Officer/Secretary	2006	127,020	-	-	11,432	-	-	138,452	-
M Parry (app. 18 July 2005)	2005	-	-	-	-	-	-	-	-
General Manager – Operations	2006	124,822	-	-	11,234	-	-	136,056	-
J Worsfold (app. 11 July 2005)	2005	-	-	-	-	-	-	-	-
General Manager – Sales	2006	127,506	1,768	-	11,635	-	-	140,909	1
V Patel (app. 8 Apr 05, res 30 Jun 06)	2005	22,655	-	-	2,039	-	-	24,694	-
Chief Information Officer	2006	91,743	-	-	8,257	-	-	100,000	-

DIRECTORS' REPORT (continued)**Directors' Meetings**

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Meetings of Committees		
	Directors' Meetings	Audit	Remuneration
Number of meetings held:	7	2	1
Number of meetings attended:			
I MacIver	7	2	1
M Fairclough	7	n/a	n/a
J Cullen	6	2	1
G Lambert	7	n/a	1

Options

There were no options over unissued shares issued during the reporting period. No options over unissued shares or interests in the Company were granted during or since the end of the financial year.

No shares have been issued by virtue of the exercise of an option during the year or to the date of this report and there are 1,150,000 unissued ordinary shares for which unlisted options are outstanding at the date of this report. Full details of the options are set out in Note 12.

Dividends Paid or Recommended

No dividends have been paid or declared since the start of the financial year.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 15 of the Directors' Report and forms part of this Directors' Report for the year ended 30 June 2006.

Non-Audit Services

There were no non-audit related activities carried out by our auditors during the year ended 30 June 2006.

Signed in accordance with a resolution of the directors.

I A MacIver

Chairman

Dated at PERTH this 19th day of September 2006

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Stratatel Limited is responsible for the corporate governance of the company. The Board guides and monitors the business and affairs of Stratatel Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Stratatel Limited's Corporate Governance Statement is structured with reference to the ASX Corporate Governance Council's principles and recommendations, which are as follows:

- Principle 1.** Lay solid foundations for management and oversight
- Principle 2.** Structure the board to add value
- Principle 3.** Promote ethical and responsible decision making
- Principle 4.** Safeguard integrity in financial reporting
- Principle 5.** Make timely and balanced disclosure
- Principle 6.** Respect the rights of shareholders
- Principle 7.** Recognise and manage risk
- Principle 8.** Encourage enhanced performance
- Principle 9.** Remunerate fairly and responsibly
- Principle 10.** Recognise the legitimate interests of stakeholders

Stratatel Limited's corporate governance practices were in place throughout the year ended 30 June 2006 and were fully compliant with the Council's best practice recommendations except where noted.

Lay solid foundations for management and oversight

The Board of Directors are accountable to the shareholders for the proper management of the business and affairs of Stratatel. The Board and executive management use their diverse skills and knowledge to work towards consistently operating in the best interests of the company.

The Board has confirmed its roles and responsibilities in a written charter.

The role of the Board is to oversee the strategic direction and management of the company and to oversee the financial position on behalf of its shareholders. The Board undertakes to serve and protect the interests of shareholders, as well as employees, customers and all other interested stakeholders.

The Board undertakes the following primary functions and responsibilities:

- oversight of the company;
- approve, monitor and modify the strategic direction of the company;
- ratify the appointment of the Chief Executive Officer, Chief Financial Officer and Company Secretary;
- monitor the performance of executive management
- ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitor and approve financial results
- approve and monitor the progress of major capital expenditure, capital management, acquisitions and divestures;
- comply with the reporting and other requirements of the law.

The Board has delegated the daily financial and operational management of the company to the executive management, who are responsible to the Board.

Structure of the Board to add value

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Stratatel Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) 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 and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the group's loyalty.

CORPORATE GOVERNANCE STATEMENT (continued)**Structure of the Board to add value (continued)**

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Stratatel Limited are considered to be independent:

Name	Position
I Macliver	Chairman, Non-Executive
G Lambert	Non-Executive Director
J Cullen	Non-Executive Director

There are procedures in place, agreed by the Board, to enable directors in the furtherance of their duties to seek independent professional advice at the company's expense.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office
I Macliver	6 years
M Fairclough	8 years
G Lambert	6 years
J Cullen	6 years

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the Chairman conducted performance evaluations that involved an assessment of each Board member's and key executive's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of Stratatel Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

Remuneration Committee

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive management by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors and executives emoluments to the company's financial and operational performance.

The expected outcomes of the remuneration structures are:

- retention and motivation of key executives;
- attraction of high quality management to the company; and
- performance incentives that allow executives to share the success of the company.

For a full discussion of the company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the Chief Executive Officer and executive team. The Board has established a Remuneration Committee, comprising 3 non-executive directors.

Members of the Remuneration Committee throughout the year were:

I Macliver (Chairman)
G Lambert
J Cullen

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to page 9 of the Directors' Report.

CORPORATE GOVERNANCE STATEMENT (continued)

Promote ethical and responsible decision making

All directors, officers, executive management and employees are expected to act with integrity and objectivity, striving at all times to enhance the performance and reputation of the company. They must always act in accordance with the interests of shareholders, employees, customers and other interested stakeholders.

Share Trading

The company's Share Trading Policy regulates dealings by the company's directors, officers, executive management, vendors, consultants and employees in shares, options and other securities issued by the company.

Consistent with the legal prohibition relating to insider trading all of the parties listed are prohibited from trading in the company's shares, options or other securities whilst in the possession of unpublished price sensitive information which concerns the company.

Price sensitive information is information that a reasonable person would expect to have a material effect on the price or value of the company's securities.

The Share Trading Policy restricts the trading of securities in the company throughout the year without express permission of the Board, except during the 21 days immediately following the release of Stratatel's half-yearly and yearly results, and then only if the individual is not in possession of price sensitive information.

Safeguard integrity in financial reporting

The company has in place policies and procedures to ensure the accuracy and factual presentation of its financial position. The Board also undertakes to monitor and assess the integrity of the financial reports.

Stratatel requires that the Chief Executive Officer and Chief Financial Officer state in writing to the Board that the company's financial reports present a true and fair view, in all material aspects, of Stratatel's financial condition and operational results and that they are in accordance with relevant accounting standards.

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are non-executive directors.

The members and qualifications of the Audit Committee during the year were:

Name	Qualifications
I MacIver	B.Comm., CA, F Fin
J Cullen	B.Comm., CA, F Fin, FAICD

Whilst the ASX Guidelines recommend that this Committee should exist with a minimum of three directors, the majority of which are independent, it is felt that the size of the Board renders this unnecessary. The company is confident that its current Committee members bring valuable knowledge, skills and experience to Committee deliberations.

The Audit Committee's Charter contains details about the Committee's roles and responsibilities, composition, structure and membership requirements. It also contains information on the procedures for the selection and appointment of the external auditor and for the rotation of external audit partners.

The meetings and attendance of the Audit Committee are detailed on page 9 of the Directors' Report.

Make timely and balanced disclosure

In compliance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules, the company is committed to the principles of timely and balanced disclosure through the adoption and adherence of a Continuous Disclosure Policy.

Stratatel's Chief Executive Officer and Company Secretary, with Board approval, carry the responsibility and accountability to ensure the principles of continuous disclosure are upheld and maintained. These principles ensure the ASX and media releases are timely, reviewed, and that they are factual and are presented in a clear and balanced way.

CORPORATE GOVERNANCE STATEMENT (continued)

Respect the rights of shareholders

Stratatel recognises the importance of this principle and will at all times strive to communicate regularly and clearly with its shareholders.

The Stratatel website includes a section for investors where all announcements released by the company to the ASX can be viewed, including general releases, meeting information, financial reports and investor presentations. This is updated as announcements are released to the ASX so that shareholders have ready access to company information.

Investors and shareholders can also subscribe to the company's electronic mailing list to receive all company announcements as they are uploaded to the Stratatel website. Interested parties are encouraged to visit the Stratatel website and complete the on-line e-mail subscription form.

Shareholders are encouraged to attend and participate at general meetings. They are encouraged to vote on resolutions presented at the Annual General Meeting including the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the Stratatel Constitution.

Stratatel will request the attendance at the Annual General Meeting of the external auditors so they are readily available to answer questions about the conduct of the audit and the preparation and content of the Auditor's Report.

Recognise and manage risk

The Board, together with executive management, continuously seek to identify, monitor and mitigate risk. The Audit Committee is responsible for adopting policies on risk oversight and management.

Currently the company has the following risk management controls embedded in the company's management and reporting system:

- a comprehensive annual insurance program;
- strategic and operational business plans; and
- annual budgeting and monthly reporting systems which enable the monitoring of performance against expected targets and the evaluation of trends.

The company requires the Chief Executive Officer and the Chief Financial Officer state to the Board, in writing, that:

- the integrity of financial statements is founded on a sound system of risk management and internal compliance and control; and
- Stratatel's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects.

Encourage enhanced performance

The Board acknowledges the work of the directors, executive management and employees can always be improved and that their performance should be examined regularly against both measurable and qualitative indicators.

Whilst the Board has not established a formal Nomination Committee due to the relatively small size of the company, the role of the Nomination Committee is adequately exercised by the Board in its entirety. The Board, in this capacity, are responsible for ensuring the effectiveness of the reviews and also that adequate induction procedures are implemented to allow new Board appointees and executive management to fully participate in Board deliberations and Stratatel operations, respectively, at the earliest opportunity.

Directors, executive management and employees have access to continuing education and training to enable them to enhance and improve their knowledge and skills.

The Company Secretary is appointed by and reports to the Board on all corporate governance issues. He is responsible for the provision of timeframes and information to enable the Board to effectively discharge its duties and responsibilities. All directors of Stratatel have access to the Company Secretary to assist them in carrying out their role.

Remunerate fairly and responsibly

Stratatel's current remuneration practices are set to enable the company to attract and retain highly talented and motivated directors, executive management, and employees.

The Remuneration Report details and discloses the annual remuneration for key management personnel.

CORPORATE GOVERNANCE STATEMENT (continued)

Remunerate fairly and responsibly (continued)

The company has established a Remuneration Committee to adopt and review remuneration policies which will:

- enable the company to attract and retain directors (executive and non-executive) and senior management who will create sustainable value for all stakeholders; and
- fairly and responsibly reward executive management and directors, having regard to the performance of the company, the performance of the individual and the market indicators.

Details of the Remuneration Committee members and meetings attended can be found earlier in this Statement.

Fees paid to non-executive directors are detailed in Table 1 on page 8 of the Directors' Report. The Board are paid their fees in cash, including statutory superannuation contributions. They do not receive any bonus payments nor are they entitled to any payment upon retirement or resignation.

Recognise the legitimate interest of stakeholders

The Board recognises the importance of this principle and continues to develop and implement procedures to ensure compliance with legal and other obligations to shareholders, employees, customers and other legitimate stakeholders.

To assist the company in meeting stakeholder expectations a formal Compliance Policy will be established. This will further detail the company's commitment to its statutory and ethical obligations for the benefit of shareholders, employees, customers and other legitimate stakeholders.

Finance and treasury committee

The role of the Finance and Treasury Committees is handled by the Board. The Board is responsible for:

- establishing and monitoring the company's capital management strategy, including dividend payment strategies, for consideration;
- assessing the company's funding requirements and assessing specific funding proposals; and
- monitoring borrowings from financial institutions and compliance with borrowing covenants;
- monitoring the financial risks and exposure from movements in interest rates and exchange rates undertaken by the board.

Due to the size of the company a formal Finance and Treasury Committee has not been established with the Board undertaking this role as part of its duties.



Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Stratatel Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Stratatel Limited.

Perth, Western Australia
19th September 2006

N G NEILL
Partner, HLB Mann Judd

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$	2005 \$
Revenue	2	1,930,823	1,652,174
Cost of goods sold		(104,432)	(153,535)
Employee benefits expense		(1,252,479)	(696,338)
Other employee related expense		(237,025)	(157,233)
Communications expense		(59,420)	(50,676)
Advertising and marketing		(10,922)	(35,254)
Professional fees		(349,180)	(206,882)
Occupation expense		(136,038)	(78,893)
Listing expense		(22,213)	(24,788)
Depreciation expense		(31,279)	(36,096)
Finance costs		(2,649)	(2,375)
Other expenses		(111,823)	(89,448)
Profit/(loss) before income tax		(386,637)	120,656
Income tax benefit		120,959	-
Profit/(loss) after income tax		(265,678)	120,656
Basic earnings per share (cents per share)	5	(0.40)	0.19
Diluted earnings per share (cents per share)	5	N/A	N/A

The accompanying notes form part of these financial statements

**BALANCE SHEET
AS AT 30 JUNE 2006**

	Notes	2006 \$	2005 \$
Assets			
Current Assets			
Cash and cash equivalents	7	1,549,290	835,392
Trade and other receivables	8	332,478	201,210
Other financial assets		20,554	16,764
Total Current Assets		1,902,322	1,053,366
Non-Current Assets			
Property, plant and equipment	9	97,334	74,125
Development	10	683,151	254,242
Intangible assets	10	54,171	54,891
Investments	7	20,662	20,533
Total Non-Current Assets		855,318	403,791
Total Assets		2,757,640	1,457,157
Liabilities			
Current Liabilities			
Trade and other payables	13	387,610	211,737
Total Current Liabilities		387,610	211,737
Non-Current Liabilities			
Provisions	14	7,849	-
Total Non-Current Liabilities		7,849	-
Total Liabilities		395,459	211,737
Net Assets		2,362,181	1,245,420
Equity			
Issued capital	15	5,758,488	4,376,049
Accumulated Losses	15	(3,396,307)	(3,130,629)
Total Equity		2,362,181	1,245,420

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		1,947,508	1,796,947
Payments to suppliers and employees		(2,308,205)	(1,868,947)
Interest received		41,453	47,141
Interest paid		(2,649)	(2,376)
Income tax benefit		120,959	-
Rebates and refunds		8,648	4,006
Net cash used in operating activities	7	(192,286)	(23,229)
Cash flows from investing activities			
Proceeds from disposal of non-current assets		8,141	1,500
Purchase of non-current assets	9	(55,487)	(42,465)
Payment for other investments		(428,909)	(20,500)
Net cash used in investing activities		(476,255)	(61,465)
Cash flows from financing activities			
Net proceeds from issue of shares	15	1,382,439	-
Net cash provided by financing activities		1,382,439	-
Net increase/(decrease) in cash and cash equivalents		713,898	(84,694)
Cash and cash equivalents at 1 July 2005		835,392	920,086
Cash and cash equivalents at 30 June 2006	7	1,549,290	835,392

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006**

	Ordinary Shares	Accumulated Losses	Total
	\$	\$	\$
As at 1 July 2004	4,376,049	(3,251,285)	1,124,764
Profit/ (loss) for the period	-	120,656	120,656
Balance at 30 June 2005	4,376,049	(3,130,629)	1,245,420

	Ordinary Shares	Accumulated Losses	Total
	\$	\$	\$
As at 1 July 2005	4,376,049	(3,130,629)	1,245,420
Profit/ (loss) for the period	-	(386,637)	(386,637)
Income tax benefit	-	120,959	120,959
Profit/ (loss) after tax for the period	-	(265,678)	(265,678)
Share issue costs	(140,610)	-	(140,610)
Shares issued	1,523,049	-	1,523,049
Balance at 30 June 2006	5,758,488	(3,396,307)	2,362,181

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

Stratatel Limited is a public listed company, registered and domiciled in Australia

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

(b) Statement of Compliance

The financial report was authorised for issue on 19th September 2006.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in Note 23.

(c) Significant accounting judgments, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill and intangibles with indefinite useful lives:

The company determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 11.

Share-based payment transactions:

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model.

(d) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Rendering of services

Revenue from the rendering of services is recognised upon delivery of the service to the customer.

(iii) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(e) Finance Costs

Finance costs are recognised as an expense when incurred.

(f) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs.

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

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(g) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand in money market instruments that are used in the day to day cash management operations of the company.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. Bad debts are written off when identified.

(i) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairments losses.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

Plant and equipment – 7.5% -40%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Property, plant and equipment (continued)

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(l) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the company's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the company at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the company's primary or the company's secondary reporting format determined in accordance with AASB 114 Segment Reporting .

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Intangible assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(n) Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

(o) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(p) Share-based payment transactions

Equity settled transactions:

The company provides benefits to employees (including executives) of the company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- the Employee Share Option Plan (ESOP), which provides benefits to directors and senior executives; and
- the Employee Share Loan Plan (ESLP), which provides benefits to all employees, excluding senior executives and directors.

The cost of these equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the company, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

	2006 \$	2005 \$
NOTE 2: PROFIT/(LOSS) FROM OPERATIONS		
Profit/(loss) from operations includes the following items of revenue, income and expense:		
(a) Revenue and income		
Operating activities		
Consultancy income	143,188	52,700
MobileFleet income	1,468,507	1,410,245
FleetManager income	112,522	-
Infratel income	108,513	117,812
Development income	17,613	16,600
Broker services income	4,833	1,512
Interest income	41,453	47,141
Non - Operating Activities		
Other income	11,243	1,600
Courier income	512	558
Rebates & refunds	8,648	4,006
Total Revenue	1,930,823	1,652,174

(b) Profit/(loss) before income tax

Profit/(loss) before income tax has been determined after crediting/(charging) the following gains and losses:

Net gain/(loss) on disposal of non-current assets:	365	(1,597)
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Profit/(loss) before income tax has been determined after charging the following expenses:

Finance costs	2,649	2,375
Depreciation of non-current assets	31,279	36,096
Operating lease rental expense: minimum lease payments	109,924	65,326

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
NOTE 3: INCOME TAX		
Income tax recognised in profit or loss		
The major components of tax expense are:		
Current tax expense/(income)	-	-
R & D tax offset	(120,959)	-
Total tax expense/(income)	(120,959)	-

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Accounting profit/(loss) before tax	(386,637)	120,656
Income tax expense calculated at 30%	(115,991)	36,196
Non-deductible expenses	12,464	4,434
Share issue expenses – deductible	(22,123)	(13,686)
Unrecognised tax losses	97,364	(31,326)
R & D tax offset	120,959	-
Other	28,286	4,382
Income tax benefit reported in the income statement	120,959	-

No income tax is payable by the company for the period since registration. The directors have considered it prudent not to bring to account the deferred tax asset arising from income tax losses for the period to 30 June 2006 until it is probable that the company will derive assessable income of a nature and amount to enable such assets to be realised.

The company has tax losses of \$3,517,675 (2005: \$3,193,127) that are available indefinitely for offset against future taxable profits of the company.

NOTE 4: SEGMENT REPORTING

Segment Information

The company operates predominantly in one business and geographical segment being the software development industry throughout Australia.

NOTE 5: EARNINGS PER SHARE

	2006 \$	2005 \$
<i>Basic Earnings per share</i>		
Earnings used in the calculation of basic earnings per share	(265,678)	120,656

	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	66,128,301	62,647,727
<i>Diluted earnings per share:</i>		

Options are considered to be potential ordinary shares. However, they are not likely to be dilutive in nature due to the poor performance of the underlying shares over recent months.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 6: DIVIDENDS

The company is not declaring a dividend for the year ended 30 June 2006

NOTE 7: CASH AND CASH EQUIVALENTS

	2006 \$	2005 \$
Cash at bank and on hand	26,692	85,392
Short-term deposits	1,522,598	750,000
	<u>1,549,290</u>	<u>835,392</u>

(i) Cash balances not available for use

The company has committed a rent bond under an operating lease for office space.

	<u>20,662</u>	<u>20,553</u>
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(ii) Reconciliation of profit for the year to net cash flows

Profit/(loss) after income tax for the year	(265,678)	120,656
Non cash flows in operating loss:		
Depreciation	31,279	36,096
Allowances	(191)	-
(Profit)/loss on disposal of non-current assets	(365)	1,597
Employee benefits	23,123	(9,793)
Changes in assets and liabilities:		
(Increase)/decrease in trade and term debtors	(130,486)	(122,702)
(Increase)/decrease in other current assets	(3,790)	(10,323)
Increase/(decrease) in payables	145,973	(38,760)
Increase/(decrease) in non-current provisions	7,849	-
Cash flows from operations	<u>(192,286)</u>	<u>(23,229)</u>

NOTE 8: CURRENT TRADE AND OTHER RECEIVABLES

Trade receivables	347,124	216,046
Allowance for doubtful debts	<u>(14,646)</u>	<u>(14,836)</u>
	<u>332,478</u>	<u>201,210</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 9: PLANT AND EQUIPMENT

	2006 \$	2005 \$
Cost	235,989	181,500
Accumulated depreciation and impairment losses	(138,655)	(107,375)
	<u>97,334</u>	<u>74,125</u>

	Cost \$	Accumulated Depreciation \$	TOTAL \$
Movements:			
Balance as at 1 July 2004	143,054	(72,201)	70,853
Additions	42,465	-	42,465
Disposals	(4,019)	922	(3,097)
Depreciation charges	-	(36,096)	(36,096)
Impairment losses	-	-	-
Balance as at 30 June 2005	181,500	(107,375)	74,125
Additions	55,487	-	55,487
Disposals	(998)	(1)	(999)
Depreciation charges	-	(31,279)	(31,279)
Impairment losses	-	-	-
Balance as at 30 June 2006	<u>235,989</u>	<u>(138,655)</u>	<u>97,334</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 10: INTANGIBLE ASSETS AND GOODWILL

	2006 \$	2005 \$
Goodwill		
Deemed Cost (i)	54,171	54,171
Accumulated impairment losses	-	-
	<u>54,171</u>	<u>54,171</u>
Formation Costs		
Cost	720	720
Accumulated amortisation and impairment losses	(720)	-
	<u>-</u>	<u>720</u>
Software Development		
Cost	683,151	254,242
Accumulated amortisation and impairment losses	-	-
	<u>683,151</u>	<u>254,242</u>
	<u>737,322</u>	<u>309,133</u>

Movements:

	Goodwill	Formation Costs	Software Development
Balance as at 1 July 2004	54,171	720	-
Additions	-	-	254,242
Disposals	-	-	-
Amortisation charges	-	-	-
Impairment losses	-	-	-
Balance as at 30 June 2005	<u>54,171</u>	<u>720</u>	<u>254,242</u>
Additions (ii)	-	-	428,909
Disposals	-	-	-
Amortisation charges	-	(720)	-
Impairment losses	-	-	-
Balance as at 30 June 2006	<u>54,171</u>	<u>-</u>	<u>683,151</u>

- (i) As from 1 July 2004, goodwill is no longer amortised but is now subject to an annual impairment test (refer Note 11).
- (ii) The cost of developing the FleetManager software totalled \$360,909 during 2006. The cost of acquiring the PoolCarManagerTM software and intellectual property acquired was \$68,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 11: IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through business combinations and intangible assets developed or acquired have been allocated to 2 individual cash generating units, which are reportable segments for impairment testing as follows:

- FleetManager®
- PoolCarManager™

FleetManager®

The recoverable amount of the FleetManager® unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a 2 year period. During this period it is expected that revenues will grow by 46% (2005: 17%) supported by the additional investment in sales and client services made by the company at the start of the 2005 financial year.

The discount rate applied to cash flow projections is 6.00% (2005: 5.25%).

PoolCarManager™

The recoverable amount of the PoolCarManager™ unit is also determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a 2 year period.

The discount rate applied to the cash flow projections is 6.00% (2005: N/A).

Senior management believes this growth rate is justified given the investment the company made in appointing additional quality senior managers to increase the sales and support activities of the company. The expected improvements have been visible from the winning of the Australian Department of Defence contract in November with NEC to the more recent sales activity that has been seen as a result of our target sales approach.

Carrying amount of goodwill, patents and licences allocated to each of the cash generating units

	FleetManager®		PoolCarManager™		Total	
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$
Carrying amount of goodwill	54,171	54,891	-	-	54,171	54,891
Carrying amount of developed software	615,151	254,242	-	-	615,151	254,242
Carrying amount of acquired intellectual property	-	-	68,000	-	68,000	-
	669,332	309,133	68,000	-	737,322	309,133

Key assumptions used in value in use calculations for the FleetManager unit for 30 June 2006 and 30 June 2005

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of the FleetManager units.

- Budgeted gross margins – the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year.

NOTE 12: SHARE BASED PAYMENT PLANS

Employee Share Option Scheme

The Employee Share Option Scheme provides for employees and executives to receive options over ordinary shares for no consideration. Each option is convertible to one ordinary share. There are no voting rights or dividend rights attached to unissued ordinary shares.

The contractual life of each option granted is 5 years. There are no cash settlement alternatives.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 12: SHARE BASED PAYMENT PLANS (continued)

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year:

No options were issued under the Employee Share Option Plan in the period ended 30 June 2006.

	2006 No.	2006 Weighted average exercise price	2005 No.	2005 Weighted average exercise price
Outstanding at the beginning of the year	3,250,000	\$0.20	3,250,000	\$0.20
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	2,100,000	\$0.20	-	-
Outstanding at the end of the year	1,150,000	\$0.20	3,250,000	\$0.20
Exercisable at the end of the year	1,150,000		3,250,000	

The outstanding balance as at 30 June 2006 is represented by:

- 900,000 options over ordinary shares with an exercise price of \$0.20 each, exercisable upon meeting the above conditions and until 19 May 2007; and
- 250,000 options over ordinary shares with an exercise price of \$0.20 each, exercisable upon meeting the above conditions and until 21 July 2008.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2006 is between 1 and 2 years (2005: <1 and 2 years).

NOTE 13: TRADE AND OTHER PAYABLES (CURRENT)

	2006 \$	2005 \$
Trade and other payables (i)	257,394	183,398
Accrued expenses	130,216	28,339
	387,610	211,737

(i) Trade and other payables are non-interest bearing and are normally settled on 60-day terms

Information regarding the effective interest rate and credit risk of current payables is set out in Note 16

NOTE 14: PROVISIONS (NON-CURRENT)

Employee benefits

Provision for long service leave	7,849	-
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 15: CONTRIBUTED EQUITY AND RESERVES

	2006 \$	2005 \$
Ordinary shares issued and fully paid	5,758,488	4,376,049

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

	No.	\$
<i>Movement in ordinary shares on issue</i>		
At 1 July 2004	62,647,727	4,376,049
Issued in the 2004-2005 financial period	-	-
At 1 July 2005	62,647,727	4,376,049
Issued on 13 March 2006 pursuant to a placement	5,555,555	500,000
Issued on 4 May 2006 pursuant to a rights issue	11,367,214	1,023,049
Share issue costs	-	(140,610)
At 30 June 2006	79,570,496	5,758,488

Share options

The company has two share based payment option schemes under which options to subscribe for the company's shares have been granted to certain executives and other employees. Refer Note 12.

NOTE 16: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income 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.

Credit risk

The company trades only with recognised, creditworthy third parties.

It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the company.

With respect to credit risk arising from the other financial assets of the company, which comprise cash and cash equivalents the company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the company trades only with recognised third parties, there is no requirement for collateral.

Liquidity Risk Management

The company manages liquidity risk maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Fair values

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 17: FINANCIAL INSTRUMENTS

Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Year ended 30 June 2006	within 1year \$	1 to 5 years \$	Total \$	Weighted average effective interest rate %
<i>Financial assets</i>				
Fixed rate				
Trade and other receivables	332,478	-	332,478	-
Bank bills	250,000	-	250,000	6.00
	582,478	-	582,478	
<i>Floating rate</i>				
Cash Assets	1,299,290	-	1,299,290	5.60
	1,299,290	-	1,299,290	
	1,881,768	-	1,881,768	
<i>Financial liabilities</i>				
Payables	387,610	-	387,610	-
Provisions	-	7,849	7,849	-
	387,610	7,849	395,459	

Year ended 30 June 2005	within 1year \$	1 to 5 years \$	Total \$	Weighted average effective interest rate %
<i>Financial Assets</i>				
Fixed rate				
Trade and other receivables	210,201	-	210,201	-
Bank bills	750,000	-	750,000	5.66
	960,201	-	750,000	
<i>Floating rate</i>				
Cash Assets	85,392	-	85,392	2.64
	85,392	-	85,392	
	1,045,593	-	1,045,593	
<i>Financial liabilities</i>				
Payables	211,737	-	211,737	-

The net fair value of term debtors and fixed interest securities are determined by discounting cash flows, at the market rates of similar securities, to their present value.

For other assets and other liabilities the net fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised forms.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the company and Parent that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 18: COMMITMENTS AND CONTINGENCIES

Remuneration Commitments

	2006 \$	2005 \$
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:		
Within one year	300,000	300,000
After one year but not more than five years	300,000	600,000

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives referred to in the Remuneration Report of the Directors' Report that are not recognised as liabilities and are not included in the directors' or executives' remuneration.

NOTE 19: RELATED PARTY DISCLOSURE

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

	<i>Sales to related parties</i>	<i>Purchases From Related Parties</i>	<i>Amounts Owed by Related parties</i>	<i>Amounts Owed to Related parties</i>
	\$	\$	\$	\$
<i>Related party</i>				
Grange Consulting Group Pty Ltd	-	33,000	-	-

Fees paid are in respect of corporate advice received from Grange Consulting Group Pty Ltd of which a director, Mr Ian MacIver, is a director.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

NOTE 20: EVENTS AFTER THE BALANCE SHEET DATE

As announced to the ASX on 19 September 2006 the company secured a contract for Expense Reduction Analysts (ERA) to market the FleetManager[®] asset and expense management system. ERA has around 50 consultants throughout Australia and will significantly improve the company's distribution network.

NOTE 21: AUDITORS' REMUNERATION

The auditor of Stratatel Limited is HLB Mann Judd.

	2006 \$	2005 \$
<i>Amounts received or due and receivable by HLB Mann Judd for:</i>		
An audit or review of the financial report of the company	18,000	16,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 22: DIRECTORS AND EXECUTIVE DISCLOSURES

Details of key management personnel remuneration are set out in the Remuneration Report which forms part of the Directors' Report.

(a) Details of Key Management Personnel

(i) Directors

Ian A MacIver	Chairman (non-executive)
Michael J Fairclough	Chief Executive Officer / Managing Director
Geoffrey E Lambert	Director (non-executive)
James D Cullen	Director (non-executive)

(ii) Executives

Paul Brown	Company Secretary / Chief Financial Officer	<i>appointed 14 Jul 2003</i>	
Vinod Patel	Chief Information Officer	<i>appointed 7 Apr 2005</i>	<i>resigned 30 Jun 2006</i>
Matthew Parry	General Manager - Operations	<i>appointed 18 Jul 2005</i>	
James Worsfold	General Manager - Sales	<i>appointed 11 Jul 2005</i>	

(b) Compensation by category: Key Management Personnel

	2006 \$	2005 \$
Short-Term	865,082	507,632
Post Employment	77,858	36,915
	<u>942,940</u>	<u>544,547</u>

(c) Compensation options: Granted and vested during the year

During the financial year there were no options granted as equity compensation benefits under the long term incentive plan to certain key management personnel. No share options have been granted to the non-executive members of the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 22: DIRECTORS AND EXECUTIVE DISCLOSURES (continued)

(d) Option holdings of Key Management Personnel

There were no options on issue to directors and key executive management throughout the reporting period ended 30 June 2006. No options have been issued to directors of key executive management under the existing executive and employee option scheme.

30 June 2005	Balance at beginning of period 1 Jul 04	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period 30 Jun 05
Directors					
I Macliver	250,000	-	-	(250,000)	-
M Fairclough	250,000	-	-	(250,000)	-
G Lambert	250,000	-	-	(250,000)	-
J Cullen	250,000	-	-	(250,000)	-
Total	1,000,000	-	-	1,000,000	-

includes forfeitures

(e) Shareholdings of Key Management Personnel

Ordinary shares held in Stratatel Limited (number)

30 June 2006	Balance 01 Jul 05	Granted as remuneration	On Exercise of Options	Net Change Other	Balance 30 June 06
Directors					
I Macliver	584,909	-	-	166,533	751,442
M Fairclough	7,816,909	-	-	880,555	8,697,464
G Lambert	596,818	-	-	29,125	625,943
J Cullen	1,489,000	-	-	(537,000)	952,000
Executives					
P Brown	10,000	-	-	-	10,000
V Patel	438,818	-	-	299,234	738,052
M Parry	-	-	-	562,566	562,566
J Worsfold	-	-	-	362,600	362,600
Total	10,936,454	-	-	1,763,613	12,700,067

There were no movements in shareholdings of directors and executives in the financial period ended 30 June 2005.

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the company would have adopted if dealing at arm's length.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 23: TRANSITION TO AIFRS

For all periods up to and including the year ended 30 June 2005, the company prepared its financial statements in accordance with Australian generally accepted accounting practice ('AGAAP'). These financial statements for the year ended 30 June 2006 are the first the company is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards ('AIFRS').

Accordingly, the company has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in Note 1. In preparing these financial statements, the company has started from an opening balance sheet as at 1 July 2004, the company's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time adoption of AIFRS*.

This note explains the principal adjustments made by the company in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Exemptions applied

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS retrospectively.

The company has taken the following exemptions:

- AASB 3 *Business Combinations* has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 July 2004.
- AASB 2 *Share-based Payment* has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005.

Explanation of material adjustments to the financial statements

There are no material differences between the balance sheet, income statement or cash flow statement presented under AIFRS and the balance sheet, income statement or cash flow statement presented under previous AGAAP except in the treatment of goodwill.

Reconciliation of total equity under previous Australian GAAP to that under AIFRS

	Note	1 July 2004	30 June 2005
		\$	\$
Total equity under previous Australian GAAP		1,124,764	1,235,420
<i>Adjustments to equity:</i>			
Write back of goodwill amortisation	(b)	10,000	10,000
Total equity under AIFRS		1,134,764	1,245,420

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 23: TRANSITION TO AIFRS (continued)

Reconciliation of profit after tax under previous Australian GAAP to that under AIFRS

	Note	Year ended 30 June 2005 \$
Profit/(loss) after tax as previously reported		110,656
<i>Adjustments to profit after tax:</i>		
Write back of goodwill amortisation	(b)	10,000
Total profit after tax under AIFRS		<u>120,656</u>

(a) Impairment of assets

In determining the recoverable amount of non-current assets under previous AGAAP, the expected net cash flows had not been discounted to their present values. No write-down is required under AIFRS at the date of transition or for the financial year ended 30 June 2006.

The company performed a value in use calculation which failed to identify an impairment loss. The discount rate applied to the cash flow projections is 6%. Cash flows were forecast over a two years period.

(b) Goodwill

The company has elected not to restate business combinations that occurred prior to the date of transition to AIFRS, and accordingly, the carrying amount of goodwill as at the date of transition has not changed.

Goodwill, which was amortised under previous AGAAP, is not amortised under AIFRS from the date of transition. The effect of the change is an increase in the carrying amount of goodwill of \$20,000 and a reduction in net loss before tax of \$10,000 for the financial year ended 30 June 2005 and \$10,000 for the financial year ended 30 June 2006. There is no tax effect as deferred taxes are not recognised for temporary differences arising from goodwill for which amortisation is not deductible for tax purposes.

(c) Revenue

Under previous AGAAP, the company recognised the gain or loss on disposal of property, plant and equipment on a 'gross basis' by recognising the proceeds from sale as revenue, and the carrying amount of the property, plant and equipment disposed of as an expense.

Under AIFRS, the gain or loss on disposal is recognised on a net basis and is classified as income rather than revenue. Accordingly, the gross amounts have been reclassified within the income statement for AIFRS reporting purposes.

(d) Income tax

Under previous AGAAP, the company adopted tax effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits adjusted for permanent differences.

The tax-effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under AIFRS, deferred tax is determined using the balance sheet method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

DIRECTORS' DECLARATION

1. In the opinion of the directors:
 - a. the financial statements and notes of the company are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2006 and of the performance for the year then ended; 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 year ended 30 June 2006.

This declaration is signed in accordance with a resolution of the Board of Directors.

I A MacIver

Chairman

Dated this 19th day of September 2006



INDEPENDENT AUDIT REPORT

**To the members of
STRATATEL LIMITED
Scope**

The financial report and directors' responsibility

The financial report comprises the balance sheet as at 30 June 2006, and the income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and the directors' declaration for the year then ended for Stratatel Limited ('the company').

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error, for the accounting policies and for the accounting estimates within the financial report.

Audit approach

We conducted an independent audit 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 that the financial report is free of material misstatement. The nature of an audit is influenced by several factors including the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of audit evidence which may be persuasive rather than conclusive. Accordingly, 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 and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of the performance as represented by the results of their operations, changes in equity 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
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When determining the nature and extent of our procedures we considered the effectiveness of management's internal controls over financial reporting. Our audit was not designed to provide assurance in relation to internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

The Directors' Report attached to the financial statements includes a copy of the Independence Declaration given to the Directors by the lead auditor for the audit. That Declaration would be on the same terms if it had been given to the Directors at the time this audit report was made.

HLB Mann Judd (WA Partnership)
15 Rheola Street West Perth 6005. PO Box 263 West Perth 6872 Western Australia. DX 238 (Perth) Telephone +61 (08) 9481 0977. Fax +61 (08) 9481 3686.
Email: hlb@hlbwa.com.au. Website: <http://www.hlb.com.au>

Partners: Ian H Barsden, Terry M Blenkinsop, Litsa Christodoulou, Wayne M Clark, Lucio Di Giallonardo, Colin D Emmott, Trevor G Hoddy, Norman G Neill, Peter J Speechley

HLB Mann Judd (WA Partnership) is a member of  International and the HLB Mann Judd National Association of independent accounting firms

INDEPENDENT AUDIT REPORT (continued)

Audit opinion

In our opinion, the financial report of Stratatel Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position at 30 June 2006 and of their performance for the year then ended; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
19th September 2006

N G NEILL
Partner

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

1: Shareholder information

(a) Distribution of shareholder numbers

Category	Ordinary
1 - 1,000	27
1,001 - 5,000	15
5,001 - 10,000	60
10,001 - 100,000	221
100,000 - and over	135
	458

There are 49 shareholdings held in less than marketable parcels

(b) Substantial shareholders

The names of the substantial shareholders listed in the company's register as at 31 August 2006 are:

Shareholder	Number ordinary
Mr Michael Fairclough	8,697,464
Topsfield Pty Ltd	7,407,820
Mr Mark Jobling	4,492,080

(c) Voting rights

At members' meetings, each eligible voter (ie eligible member, proxy, attorney or representative of an eligible member) has one vote on a show of hands; and one vote on a poll (except where a share has not been fully paid, that share will only confer that fraction of one vote which has been paid, and if the total number of votes does not constitute a whole number, the fractional part of that total will be disregarded). This is subject to the following:

- (i) Where any calls due and payable have not been paid;
- (ii) Where there is a breach of a Restriction Agreement;
- (iii) Where a member and their proxy or attorney are both present at the meeting, or if more than one proxy or attorney is present;
- (iv) Where a vote on a particular resolution is prohibited by the Corporations Act 2001, Listing Rules, ASIC or order of a Court.

(d) Company secretary

The name of the company secretary is Paul Kenneth Brown

(e) Registered office

The address of the principal registered office in Australia is:

Level 1, 1254 Hay Street
WEST PERTH
WA 6005

(f) Register of securities

The registers of securities are held at the following address:

Computershare Ltd
Level 2, 45 St Georges Terrace
PERTH
WA 6000

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (continued)**(g) Largest shareholders – ordinary shares**

	Name	Number of ordinary fully paid shares held	% held of issued ordinary capital
1.	Mr Michael Fairclough	7,646,464	9.61
2.	Mr Mark Jobling	4,492,080	5.65
3.	UBS Nominees Pty Ltd	3,152,536	3.96
4.	Topsfield Pty Ltd	2,859,238	3.59
5.	Australian Executor Trustees Limited	2,777,778	3.49
6.	Topsfield Pty Ltd	2,640,435	3.32
7.	ANZ Nominees Limited	1,942,424	2.44
8.	Topsfield Pty Ltd	1,908,147	2.40
9.	Keygrowth Trading Pty Ltd	1,726,115	2.17
10.	Jasper Hill Resources Pty Ltd	1,600,000	2.01
11.	JWS Investment Pty Ltd	1,298,042	1.63
12.	Rod Clark & Associates Pty Ltd	1,200,000	1.51
13.	Mr Theo Clark	1,100,000	1.38
14.	Nicholls Nominees Pty Ltd	1,100,000	1.38
15.	Brindle Holdings Pty Ltd	1,033,308	1.30
16.	Elinora Investments Pty Ltd	1,011,111	1.27
17.	Starlet Properties Pty Ltd	1,000,000	1.26
18.	Mr Murray McGill & Mrs Suzanne McGill	945,230	1.19
19.	Cornela Pty Ltd	751,442	0.94
20.	Mrs Eileen Lei-Ling Leiko Cullen	686,000	0.86
		40,870,350	51.36

(h) Stock exchange listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

(i) Restricted securities

As at 31 July 2006 there were no restricted securities on issue.