

**STRATATEL**

**ANNUAL REPORT 2009**



# CORPORATE INFORMATION

ABN 63 088 257 729

## DIRECTORS

Mr Ian Macliver  
Mr Michael Fairclough  
Mr Geoffrey Lambert  
Mr Graham Baillie

## COMPANY SECRETARY

Ms Emma McCormack  
Mr Paul Brown (Resigned 30 June 2009)

## REGISTERED OFFICE

Level 1, 1254 Hay Street  
West Perth  
Western Australia 6005

## PRINCIPAL PLACE OF BUSINESS

Level 4  
22 Atchison Street  
St Leonards  
New South Wales 2065

## SHARE REGISTER

Computershare Investor Services Pty Ltd  
Level 2 Reserve Bank Building  
45 St Georges 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 WA 6005

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## CHAIRMAN'S LETTER

Dear Shareholder

I am again pleased to be able to announce that despite challenging economic conditions during the year your Company has reported impressive growth in both revenue and operating profits. Revenue for the financial year increased 31% to \$8.1 million with EBITDA increasing 36% to \$1.5 million.

The Company also has continued to pay dividends to shareholders with an interim unfranked dividend of 0.25 cents per share paid in April 2009 and a recently declared final dividend of 0.25 cents per share. The decrease in NPAT was the result of a tax accounting adjustment relating to research and development expenditure in the 2009 financial year, and is not reflective of the underlying performance of the business.

The Phoneware business was successfully integrated into the Stratatel Group during the year and made a strong contribution to revenue and earnings. The "new look" Phoneware support team also made an excellent contribution to customer satisfaction and retention which is a key performance indicator for the Company.

The quality and strength of the Fleetmanager/ Phoneware client base was highlighted during the year as its larger corporate and government clients proved most resilient to the difficult economic conditions with the division generating over \$6 million in revenue for the year.

The Softlog business proved less resilient to the economic conditions with new sales of Softlog Enterprise being less than expected with a number of clients deferring their purchasing decisions. This drop in new sales is reflective of the Softlog target client base being smaller to medium sized legal firms. The Softlog association with Canon continued to generate sales opportunities for the Company during the year.

Stratatel remains committed to researching and developing new, enhanced and updated products to meet our clients' requirements. Substantial research and development was undertaken on a number of key FleetManager, CADS and Softlog products over the past year. Softlog's latest innovation softlogmobile™ was recently released to the market and the Company believes presents a significant revenue growth opportunity in the years ahead.

In July 2009 Stratatel acquired the business and assets of Resource Systems & Services, a leading IBM business partner in Western Australia with experience in Lotus, Tivoli, Rational, Websphere and Information Management. This new business which trades as Stratatel Resource represents an exciting opportunity for Stratatel to become one of IBM's premier national software partners in Australia through strategic acquisitions across the country and the roll out of IBM certification and training for our staff.

Stratatel also recently renewed its leadership team and structure with Matt Parry taking on the role as Chief Executive Officer of the newly formed Expense Management Division which comprises the Phoneware, Softlog and FleetManager divisions. Our Managing Director, Mike Fairclough is now focused on pursuing acquisitions and strategic growth opportunities for the Company.

On behalf of the Board of Directors I would like to take this opportunity to thank you for your continued support. I would like to thank Mike Fairclough, Matthew Parry and all the staff for their contribution over the last year and looked forward to their support in the year ahead.



Ian Macliver  
Chairman

## DIRECTORS' REPORT

Your directors submit the annual financial report of the consolidated entity for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act, the directors report as follows:

### DIRECTORS

The names 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.

### NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

#### Ian Alexander Macliver

*B.Comm., CA, F Fin, MAICD (Non-Executive Chairman)*

Mr Macliver joined the company in July 2000. He also is a member of the company's Audit Committee and Remuneration Committee.

Mr Macliver is the Managing Director of Grange Consulting Pty Ltd, a firm that provides specialist corporate advisory services to both listed and unlisted companies. He is also Executive Chairman of Grange's securities arm, Max Capital Pty Ltd, which specialises in capital raisings and corporate finance transactions.

During the last three years, Mr Macliver has also served as a Non-Executive Director of the following listed companies:

Dec 1994	current	Port Bouvard Limited
Feb 2001	current	Mount Gibson Iron Limited
Jan 2004	current	Otto Energy Limited
May 2006	current	Empire Beer Group Limited

Mr Macliver was also a former director of Bioprospect Limited from February 2000 to April 2007.

#### 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 12 years. Mr Fairclough is responsible for the co-ordination of all sales and marketing activities and the overall management of the company.

#### Geoffrey Ernest Lambert

*M.Econ., SAFin, FAICD (Non-Executive Director)*

Mr Lambert is a member of the company's Audit Committee and Remuneration Committee and has had 30 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	Sep 2007	Wedgetail Mining Ltd

#### Graham Baillie

*(Non-Executive Director)*

Mr Baillie joined the company in September 2007 as a non-executive Director.

In 1994, Mr Baillie established Outsource Australia Pty Ltd (OSA) to provide outsourcing services to the Australian market. In his capacity as majority shareholder and Chief Executive Officer he developed the company nationally and internationally.

Today, Outsource Australia Pty Ltd is known as Converga and has an impressive list of "blue-chip" clients in both the public and private sectors.

Prior to this, Mr Baillie was with AUSDOC during its formative years through to its ultimate ASX listing in September 1993. In this time he was not only integral to the development of the company throughout Australia but was also involved in establishing similar business operations in New Zealand, USA and United Kingdom.

### COMPANY SECRETARY

#### Emma Jane McCormack

*B.Com, CA, SA Fin*

Emma was appointed Company Secretary on 1 July 2009.

Emma is a Senior Executive at Grange Consulting, where she specialises in providing corporate and strategic advice, due diligence investigations, compliance and valuation advice. She is also currently the Company Secretary of Otto Energy Limited. Prior to joining Grange Consulting, Emma was an executive at KPMG Corporate Finance where she was involved in a range of corporate advisory engagements gaining extensive experience in financial and strategic analysis, due diligence reviews, project financing and financial modelling. Emma is a Chartered Accountant and is also a senior associate of Finsia.

## DIRECTORS' REPORT (CONTINUED)

### INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

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 A Macliver	2,500,000	–
M J Fairclough	10,235,516	1,000,000
G E Lambert	2,000,000	–
G Baillie	5,089,460	–

During the financial year 1,000,000 share options were granted to the executives listed below:

	Number of options granted	Number of options over ordinary shares held at date of this report
Director:		
M Fairclough	–	1,000,000
Executive:		
P Brown ( <i>Resigned as Company Secretary 30 June 2009</i> )	200,000	500,000
J Butchers	300,000	300,000
D Farrell	–	500,000
M Parry	500,000	1,100,000
J Worsfold ( <i>Resigned 3 October 2008</i> )	–	300,000
J Williams	–	300,000
Total	1,000,000	4,000,000

Details of unissued ordinary shares under options are as follows:

	Number of options	Executives option holdings #	Exercise price	Expiry date
Stratatel Limited	1,000,000	1,000,000	\$0.10	15 Jan 2011
Stratatel Limited	1,000,000	500,000	\$0.12	25 May 2011
Stratatel Limited	1,200,000	1,200,000	\$0.10	30 Nov 2011
Stratatel Limited	300,000	300,000	\$0.15	24 June 2013
Stratatel Limited	500,000	500,000	\$0.10	31 July 2013
Stratatel Limited	500,000	500,000	\$0.15	17 October 2013
Total	4,500,000	4,000,000		

No ordinary shares were issued during the financial year as a result of the exercise of an option.

# Allocation of Executive options holdings in table above.

### DIVIDENDS

Dividends paid to members during the financial year were as follows:

- A final ordinary dividend for the year ended 30 June 2008 of 0.25 cents per fully paid share unfranked was paid on 17 October 2008.
- An interim ordinary dividend for the year ended 30 June 2009 of 0.25 cents per fully paid share unfranked was paid on 14 April 2009.

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of 0.25 cents per fully paid share unfranked to be paid on or about 15 October 2009 out of profits for the year ended 30 June 2009.

## DIRECTORS' REPORT (CONTINUED)

### 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.

Phoneware's suite of CADS software solutions has been successfully integrated into Stratatel's asset and expense management solutions business following the acquisition of the business assets in May 2008. The revenue contribution from Phoneware Pty Ltd for the full year was \$2.8m.

### REVIEW OF OPERATIONS

The 2008–09 result for the Company was a positive one given poor global economic conditions. Two key measures for the Company's financial performance, revenue and EBITDA both increased significantly on the prior year performance.

The Company's expense management and cost recovery software solutions proved resilient to the market conditions as they assisted customers to monitor and manage expenditure at a time of economic uncertainty. The FleetManager/Phoneware business proved to be most resilient reflecting the size and quality of its client base. New sales of Softlog Enterprise in contrast were less than expected with Softlog's target client base being predominantly small to medium sized legal firms.

Whilst the Company experienced a large number of sales deferrals for new business, the business remained very focused on sales and marketing efforts and flexible in terms of product pricing. Consequently the Company has a solid sales pipeline of opportunities moving forward.

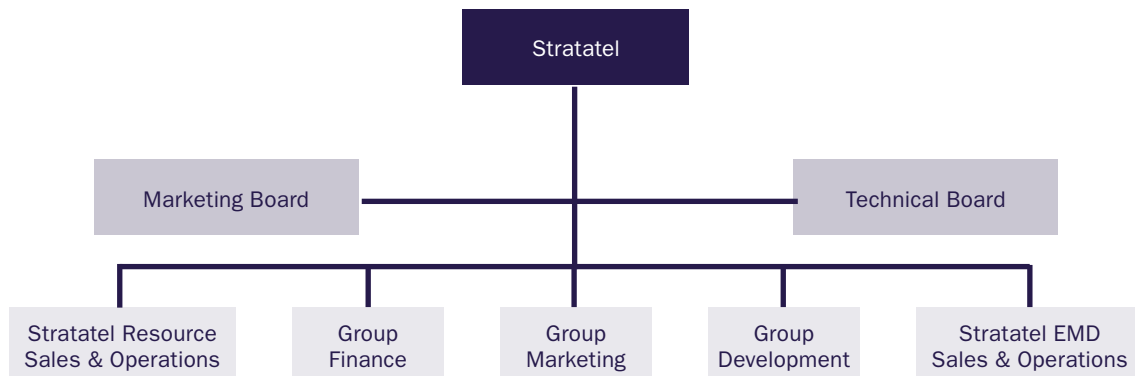
Throughout the year the Company remained focused on innovation and building new functionality into existing products and new products for future sale. This commitment to innovation and product development positions Stratatel to achieve revenue growth in future years.

### GROUP OVERVIEW

In July 2009 the Company acquired the business assets of Resource Systems Pty Ltd, an accredited IBM business partner. This acquisition has diversified the Company's operations and further developed its business structure to more effectively and efficiently support existing business activities and support revenue and earnings growth.

The Company now has two operating divisions, namely the Stratatel Expense Management Division (EMD) and Stratatel Resource as outlined below.

**Diagram 1: The new structure for Stratatel showing business divisions and shared group services**



The Company is able to provide group services to both Stratatel Resource and Stratatel EMD by way of finance, marketing and product development.

The Technical Board sets the research and product development strategy and priorities for the Company.

## DIRECTORS' REPORT (CONTINUED)

### OPERATING RESULTS FOR THE YEAR

Overall there has been steady growth in the financial performance with \$1.53m EBITDA for year ending 2009 compared to 2008 which was \$1.13m EBITDA. The net profit before tax was \$1.29m (\$1.13m net profit after tax) for the 2009 financial year against a \$1.03m net profit before tax (\$1.38m net profit after tax) the previous reporting period. The net profit after tax has been adjusted for tax accountability relating to research and development expenditure in the 2009 financial year. This is a strong financial result, despite very challenging market conditions.

### SHAREHOLDER RETURNS

Due to the company's strong financial performance a final unfranked dividend of 0.25 cents per share was paid to shareholders on 17 October 2008 for the 2007-08 financial period.

An interim unfranked dividend of 0.25 cents per share was paid to shareholders on 14 April 2009 due to continued solid financial performance.

The total unfranked dividends paid to shareholders since the start of the financial year was 0.50 cents per share held.

### 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 consolidated entity to the date of this report.

### SIGNIFICANT EVENTS AFTER BALANCE DATE

Stratatel Limited acquired the business and assets of Resource Systems & Services Pty Ltd through its wholly owned subsidiary Card Manager Pty Ltd (re-named Resource Systems Pty Ltd trading as Stratatel Resource) on 1 July 2009 for total consideration of \$500,000 to be paid in eight monthly instalments from the Company's existing cash reserves.

Resource is a leading certified IBM Business Partner in WA with experience in Domino, Rational, WebSphere and Lotus, and has developed proprietary software solutions for corporate customers using IBM software technology to address business requirements including document management and helpdesk solutions. In addition Resource provides ongoing application management services in support of these customised IBM software solutions.

Matt Parry was appointed as Chief Executive Officer (CEO) of Stratatel's Expense Management Division (EMD) incorporating Softlog, Phoneware and FleetManager on 1 July 2009. Matt Parry now has overall responsibility for the day-to-day management of this business as well as achieving the forecasted revenue and profit. Mike Fairclough will continue as Managing Director with an increased focus on business development and strategic growth opportunities for Stratatel Limited.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

### ENVIRONMENTAL LEGISLATION

The consolidated entity 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 senior 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 13 November 2008 when shareholders approved an aggregate remuneration of \$250,000 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 is also 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 sub committees.

The remuneration of non-executive directors for the period ended 30 June 2009 is detailed in Table 1 of this report.

#### *Senior executive 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.

Executives 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 Group.

The fixed remuneration component of the 5 most highly remunerated Group and company executives is detailed in Table 2 of this report.

## DIRECTORS' 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 executive to achieve the operational targets and such that the cost to the company is reasonable in the circumstances.

Actual payments granted to each executive 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 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 Managing Director, Mr. Michael Fairclough, is employed under contract. This current contract commenced on 1 January 2009 and terminates on 31 December 2011, at which point the company may wish to enter into a new employment contract with Mr. Fairclough.

This contract provides Mr. Fairclough with an annual salary of \$400,000 including superannuation.

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' REPORT (CONTINUED)

Remuneration of directors and named executives

TABLE 1: DIRECTORS' REMUNERATION FOR THE YEAR ENDED 30 JUNE 2009

		Primary benefits			Post employment		Equity		Total	Performance related %
		Salary & Fees \$	Bonuses/ Commission \$	Allowances \$	Superannuation \$	Prescribed benefits \$	Options \$			
I MacIver	2008	67,500	-	-	6,075	-	-	-	73,575	-
Chairman (non executive)	2009	85,000	-	-	7,650	-	-	-	92,650	-
M Fairclough	2008	311,922	-	-	28,073	-	-	-	339,995	-
Managing Director	2009	366,778	-	-	33,010	-	-	-	399,788	-
G Lambert	2008	55,500	-	-	4,995	-	-	-	60,495	-
Director (non executive)	2009	65,000	-	-	5,850	-	-	-	70,850	-
G Baillie	2008	36,000	-	-	3,240	-	-	-	39,240	-
Director (non executive)	2009	55,000	-	-	4,950	-	-	-	59,950	-

DIRECTORS' REPORT (CONTINUED)

Remuneration of directors and named executives

TABLE 2: REMUNERATION OF THE NAMED EXECUTIVES WHO RECEIVED THE HIGHEST REMUNERATION FOR THE YEAR ENDED 30 JUNE 2009

		Primary benefits			Post employment		Equity		Total	Performance related %
		Salary & Fees \$	Bonuses/ Commission \$	Allowances \$	Superannuation \$	Prescribed benefits \$	Options \$			
P Brown (Resigned 30 June 2009)	2008	142,565	15,596	-	14,234	-	-	-	172,395	9
Chief Information Officer/Secretary	2009	149,655	5,000	-	13,919	-	1,358	1,358	169,932	3
M Parry	2008	160,953	17,430	-	16,054	-	3,426	3,426	197,863	9
General Manager – Operations	2009	189,811	20,000	-	18,883	-	7,559	7,559	236,253	8
J Worsfold (Resigned 3 October 2008)	2008	143,910	25,174	-	15,218	-	-	-	184,302	13
General Manager – Sales	2009	55,377	11,200	-	5,992	-	-	-	72,569	15
J Butchers	2008	108,496	-	-	9,765	-	-	-	118,261	-
Chief Financial Officer	2009	192,619	5,000	-	17,786	-	2,037	2,037	217,442	2
D Fairrell	2008	130,185	-	500	11,717	-	-	-	142,402	-
Branch Manager – Sofilog Systems	2009	130,280	-	-	11,725	-	-	-	142,005	-
J Slaiman (Promoted 1 October 2008)*	2008	-	-	-	-	-	-	-	-	-
General Manager – Sales	2009	111,031	13,162	-	11,570	-	-	-	135,763	10

\* Remuneration disclosed from promotion

Remuneration of directors and named executives

TABLE 3: OPTIONS GRANTED AS PART OF REMUNERATION

	Value of options granted at date	Value of options exercised at exercise date	Value of options lapsed at time of lapse	Total value of options granted, exercised and lapsed	Value of options included in remuneration for the year	Value of options lapsed during year	% remuneration consisting of options for the year
P Brown	1,358	-	-	1,358	1,358	-	0.8
J Butchers	2,037	-	-	2,037	2,037	-	0.9
M Parry	7,559	-	-	7,559	7,559	-	3.2

For details on the valuation of the options, including models and assumptions used, please refer to Note 15. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

## 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
<b>Number of meetings held:</b>	12	2	1
<b>Number of meetings attended:</b>			
I Macliver	12	2	1
M Fairclough	12	n/a	1
G Lambert	12	2	1
G Baillie	12	2	n/a

### 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 17 and forms part of this Directors' Report for the year ended 30 June 2009.

### NON-AUDIT SERVICES

There were no non-audit related activities carried out by our auditors during the year ended 30 June 2009.

Signed in accordance with a resolution of the directors.



I Macliver  
Chairman

Dated at PERTH this 28<sup>th</sup> day of August 2009

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Stratatel Limited is responsible for the corporate governance of the consolidated entity. 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 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.** Remunerate fairly and responsibly

Stratatel Limited's corporate governance practices were in place throughout the year ended 30 June 2009 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; and
- 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

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)

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

<b>Name</b>	<b>Position</b>
I Macliver	Chairman, Non-Executive
G Lambert	Non-Executive Director
G Baillie	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:

<b>Name</b>	<b>Term in Office</b>
I Macliver	9 years
M Fairclough	11 years
G Lambert	9 years
G Baillie	2 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 and Managing Director 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.

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. She 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.

### 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 of two non-executive directors and one executive director during the period.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

*Members of the Remuneration Committee throughout the year were:*

I Macliver (Chairman)

G Lambert

M Fairclough

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to page 11 of the Directors' Report.

### 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.

The Board has established a Code of Conduct for Directors which is designed to ensure that Directors have a clear understanding of the Company's expectations of their conduct. This Code deals with the following issues:

- Fiduciary Responsibilities
- Duties
- Conflict of Interest
- Disclosure of Benefits
- Needs in Relation to Information and Advice
- Confidentiality
- Trading in Company Securities
- Responsibility for Accounts
- Obligations in Relation to Health, Safety and Environment
- Product Integrity
- Deed of Access, Indemnity and Insurance

A Code of Conduct has also been established for application to Directors, staff and consultants. This Code deals with the following issues:

- Ethics
- Treatment of Colleagues
- The Law
- Secret Commissions and Gifts
- Conflicts of Interest
- Confidentiality and Protection of Assets and Information
- Unauthorised Public Statements
- Trading in Company Securities
- Political Contributions or Donations
- Breaches of the Code of Conduct

The Code of Conduct for Directors and the Code of Conduct (for directors, staff and consultants) are posted on the Company's web site.

### 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

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 independent non-executive directors.

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

<b>Name</b>	<b>Qualifications</b>
Ian Macliver	B.Comm., CA, F Fin
Geoffrey Lambert	M.Econ., SAFin, FAICD
Graham Baillie	FAICD

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 11 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.

### 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.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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.

### 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.

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 9 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.

### 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 as 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.

### NOMINATION COMMITTEE

The Board has not formally established a Nomination Committee, with the Board performing the function of the Nomination Committee when required, including when necessary, selecting candidates for the position of director.

# AUDITOR'S INDEPENDENCE DECLARATION



Accountants | Business and Financial Advisers

## Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Stratatel Limited for the year ended 30 June 2009, 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.

A handwritten signature in black ink, appearing to read 'W M Clark'.

Perth, Western Australia  
28 August 2009

W M CLARK  
Partner, HLB Mann Judd

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HLB Mann Judd (WA Partnership) is a member of HLB International, a world-wide organisation of accounting firms and business advisers

# INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated 2009 \$	Consolidated 2008 \$	Parent 2009 \$	Parent 2008 \$
Revenue	2	8,163,796	6,224,656	2,807,091	2,857,116
Cost of goods sold		(477,565)	(457,299)	(136,524)	(168,391)
Employee benefits expense		(3,751,122)	(2,881,159)	(695,434)	(1,107,688)
Other employee related expense		(607,444)	(570,728)	(207,511)	(292,772)
Communications expense		(162,220)	(128,507)	(82,402)	(69,603)
Advertising and marketing		(33,604)	(8,324)	(20,846)	(6,249)
Professional fees		(715,917)	(389,858)	(271,786)	(248,388)
Occupation expense		(500,714)	(382,915)	(224,530)	(206,637)
Listing expense		(75,374)	(37,492)	(50,964)	(32,023)
Depreciation and amortisation expense		(298,270)	(162,397)	(269,440)	(135,192)
Finance costs		(6,288)	(3,606)	(5,800)	(3,069)
Other expenses		(249,315)	(167,519)	(125,701)	(104,686)
<b>Profit before income tax</b>		<b>1,285,963</b>	<b>1,034,852</b>	<b>716,153</b>	<b>482,418</b>
Income tax (expense)/benefit	3	(157,371)	345,933	36,122	346,744
<b>Profit after tax</b>		<b>1,128,592</b>	<b>1,380,785</b>	<b>752,275</b>	<b>829,162</b>
Basic earnings per share (cents per share)	5	1.00	1.62	0.66	0.97
Diluted earnings per share (cents per share)	5	1.00	1.62	0.66	0.97

The accompanying notes form part of these financial statements

# BALANCE SHEET

AS AT 30 JUNE 2009

	Notes	Consolidated 2009 \$	Consolidated 2008 \$	Parent 2009 \$	Parent 2008 \$
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	7	1,300,359	1,066,455	1,183,768	896,487
Trade and other receivables	8	1,310,689	1,860,687	598,550	574,852
Inventory	9	50,180	46,928	–	–
Other current assets	10	54,285	95,628	10,183	44,948
<b>Total Current Assets</b>		<b>2,715,513</b>	<b>3,069,698</b>	<b>1,792,501</b>	<b>1,516,287</b>
<b>Non-Current Assets</b>					
Property, plant and equipment	12	227,601	206,755	108,664	100,822
Development	13	2,097,445	1,558,724	1,403,624	1,260,419
Intangible assets	13	4,123,785	4,123,785	54,171	54,171
Investments in subsidiaries	23	–	–	170,204	170,204
Other receivables	8	28,118	38,061	3,114,509	3,031,796
Other financial assets	11	105,639	51,348	84,213	29,923
Deferred tax asset	3	345,487	439,036	393,979	357,857
<b>Total Non-Current Assets</b>		<b>6,928,075</b>	<b>6,417,709</b>	<b>5,329,364</b>	<b>5,005,192</b>
<b>Total Assets</b>		<b>9,643,588</b>	<b>9,487,407</b>	<b>7,121,865</b>	<b>6,521,479</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Trade and other payables	16	1,993,248	2,530,866	521,177	496,806
Current tax liabilities		70,606	81,990	–	–
<b>Total Current Liabilities</b>		<b>2,063,854</b>	<b>2,612,856</b>	<b>521,177</b>	<b>496,806</b>
<b>Non-Current Liabilities</b>					
Provisions	17	65,233	79,501	38,871	5,990
Other payables	16	–	200,000	–	–
<b>Total Non-Current Liabilities</b>		<b>65,233</b>	<b>279,501</b>	<b>38,871</b>	<b>5,990</b>
<b>Total Liabilities</b>		<b>2,129,087</b>	<b>2,892,357</b>	<b>560,048</b>	<b>502,796</b>
<b>Net Assets</b>		<b>7,514,501</b>	<b>6,595,050</b>	<b>6,561,817</b>	<b>6,018,683</b>
<b>Equity</b>					
Issued capital	18	8,568,924	8,215,208	8,568,924	8,215,208
Reserves	18	111,164	107,769	111,164	107,769
Accumulated losses		(1,165,587)	(1,727,927)	(2,118,271)	(2,304,294)
<b>Total Equity</b>		<b>7,514,501</b>	<b>6,595,050</b>	<b>6,561,817</b>	<b>6,018,683</b>

The accompanying notes form part of these financial statements

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

Notes	Consolidated 2009 Inflows/ (Outflows) \$	Consolidated 2008 Inflows/ (Outflows) \$	Parent 2009 Inflows/ (Outflows) \$	Parent 2008 Inflows/ (Outflows) \$
<b>Cash flows from operating activities</b>				
Receipts from customers	8,597,195	4,925,226	2,733,329	2,661,985
Payments to suppliers and employees	(6,500,536)	(3,762,260)	(1,601,861)	(2,020,864)
Interest received	51,648	71,628	50,064	69,102
Interest paid	(6,288)	(3,606)	(5,800)	(3,069)
Income tax (paid)/received	(75,206)	45,093	–	127,083
Net cash provided by operating activities	7 2,066,813	1,276,081	1,175,732	834,237
<b>Cash flows from investing activities</b>				
Purchase of businesses, net of cash acquired	(600,000)	(1,763,381)	–	–
Investment in subsidiaries	–	–	–	–
Loans to subsidiaries	–	–	(82,713)	(2,314,183)
Purchase of non-current assets	(92,937)	(78,423)	(61,282)	(39,771)
Payment for other investments	(754,721)	(1,205,746)	(359,205)	(338,552)
Net cash used in investing activities	(1,447,658)	(3,047,550)	(503,200)	(2,692,506)
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares	–	2,165,000	–	2,165,000
Dividends paid	(385,251)	(389,708)	(385,251)	(389,708)
Share issue costs paid	–	(133,250)	–	(133,250)
Net cash (used in)/provided by financing activities	(385,251)	1,642,042	(385,251)	1,642,042
Net increase/(decrease) in cash and cash equivalents	233,904	(129,427)	287,281	(216,227)
Cash and cash equivalents at 1 July 2008	1,066,455	1,195,882	896,487	1,112,714
<b>Cash and cash equivalents at 30 June 2009</b>	<b>1,300,359</b>	<b>1,066,455</b>	<b>1,183,768</b>	<b>896,487</b>

The accompanying notes form part of these financial statements

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

	Ordinary Shares \$	Accumulated Losses \$	Equity Benefits Reserve \$	Total \$
<b>Consolidated</b>				
<b>As at 1 July 2007</b>	5,846,808	(2,707,008)	29,891	3,169,691
Profit for the period	–	1,034,852	–	1,034,852
Income tax benefit	–	345,933	–	345,933
Dividends declared	–	(401,704)	–	(401,704)
Recognition of equity based payments	–	–	77,878	77,878
	5,846,808	(1,727,927)	107,769	4,226,650
Share issue costs	(133,250)	–	–	(133,250)
Shares issued	2,501,650	–	–	2,501,650
<b>Balance at 30 June 2008</b>	<b>8,215,208</b>	<b>(1,727,927)</b>	<b>107,769</b>	<b>6,595,050</b>
<b>As at 1 July 2008</b>	8,215,208	(1,727,927)	107,769	6,595,050
Profit for the period	–	1,285,963	–	1,285,963
Income tax (expense)/benefit	–	(157,371)	–	(157,371)
Dividends declared	–	(566,252)	–	(566,252)
Recognition of equity based payments	–	–	3,395	3,395
	8,215,208	(1,165,587)	111,164	7,160,785
Shares issued	353,716	–	–	353,716
<b>Balance at 30 June 2009</b>	<b>8,568,924</b>	<b>(1,165,587)</b>	<b>111,164</b>	<b>7,514,501</b>
<b>Parent</b>				
<b>As at 1 July 2007</b>	5,846,808	(2,731,752)	29,891	3,144,947
Profit for the period	–	482,418	–	482,418
Income tax benefit	–	346,744	–	346,744
Dividends declared	–	(401,704)	–	(401,704)
Recognition of equity based payments	–	–	77,878	77,878
	5,846,808	(2,304,294)	107,769	3,650,283
Share issue costs	(133,250)	–	–	(133,250)
Shares issued	2,501,650	–	–	2,501,650
<b>Balance at 30 June 2008</b>	<b>8,215,208</b>	<b>(2,304,294)</b>	<b>107,769</b>	<b>6,018,683</b>
<b>As at 1 July 2008</b>	8,215,208	(2,304,294)	107,769	6,018,683
Profit for the period	–	716,153	–	716,153
Income tax benefit	–	36,122	–	36,122
Dividends declared	–	(566,252)	–	(566,252)
Recognition of equity based payments	–	–	3,395	3,395
	8,215,208	(2,118,271)	111,164	6,208,101
Shares issued	353,716	–	–	353,716
<b>Balance at 30 June 2009</b>	<b>8,568,924</b>	<b>(2,118,271)</b>	<b>111,164</b>	<b>6,561,817</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### 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 Accounting Standards and Interpretations and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

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

The company is a listed public company, incorporated in Australia.

#### (b) Adoption of new and revised standards

In the year ended 30 June 2009, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2008. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

- AASB 101 'Presentation of Financial Instruments'
- AASB 7 'Financial Instruments: Disclosures'

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2009. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

#### (c) Statement of Compliance

The financial report was authorised for issue on 28 August 2009.

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).

#### (d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Stratatel Limited and its subsidiaries as at 30 June each year (the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **(e) 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:

##### *(i) Impairment of goodwill and intangibles with indefinite useful lives:*

The Group 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 14.

##### *(ii) Share-based payment transactions:*

The Group 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, using the assumptions detailed in Note 15.

#### **(f) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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.

##### *(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.

#### **(g) Borrowing Costs**

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

#### **(h) 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 – refer Note 1(g).

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.

#### **(i) Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Cash and cash equivalents (continued)

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.

#### (j) 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 the Group will not be able to collect the debts. Bad debts are written off when identified.

#### (k) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on an average cost basis; and

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### (l) 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) Income tax (continued)

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.

#### (m) 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.

#### (n) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

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.

#### (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.

An 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.

For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (o) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group'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 Group'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 Group 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 Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group'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 (or group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) 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.

#### (p) 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 Group 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,

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **(p) Intangible assets (continued)**

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.

A summary of the policies applied to the Group's intangible assets follows. These policies are consistent with those of the previous financial year unless otherwise stated.

#### **Development Costs**

##### *Useful life*

Finite

##### *Amortisation method used*

The FleetManager® system as commercialised in July 2007 has been amortised using the straight line method over the 2009 financial year based on an estimated useful life of 10 years. Additional modules in development will be amortised when commercialised. Softlog and Phoneware products will be amortised when their modules are commercialised.

##### *Internally generated or acquired*

Internally generated

##### *Impairment testing*

Annually for assets not yet available for use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

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 Group 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 Group 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.

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 depreciation 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **(q) Trade and other payables**

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

#### **(r) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

#### **(s) 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.

#### **(t) Share-based payment transactions**

##### *(i) Equity settled transactions:*

The Group provides benefits to employees (including senior executives) of the Group 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. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in Note 15.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Stratatel Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **(t) Share-based payment transactions (continued)**

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 5).

#### **(u) Issued capital**

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.

#### **(v) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the parent, 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.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (w) Foreign currency translation

Both the functional and presentation currency of Stratatel Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### (x) Reclassifications of Financial Statements and Comparative Figures

Certain reclassifications have been made to the presentation of the accompanying consolidated financial statements. The balance sheet has been presented in a format which allows for enhanced disclosure of assets and current liabilities, in particular current provisions and current tax liabilities.

As Stratatel Limited changed the presentation and classification of balance sheet line items in the financial statements for 2009, comparative amounts for 2008 were reclassified in accordance with the requirements AASB 101 Presentation of Financial Statements.

Where necessary, the following comparative figures for 2008 have been adjusted to conform with changes in presentation for 2009, namely:

- Security deposits totalling \$29,431 were reclassified in the Balance Sheet from other current (financial) assets to non current other financial assets.
- Rental bond of \$21,917 for Perth office space was reclassified from investments to other financial assets.
- Current tax liabilities of \$81,990 are disclosed separately and not included within line item trade and other payables.

These reclassifications had no effect on previously reported net income or total shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<b>Consolidated 2009 \$</b>	<b>Consolidated 2008 \$</b>	<b>Parent 2009 \$</b>	<b>Parent 2008 \$</b>
<b>NOTE 2: REVENUES AND EXPENSES</b>				
<b>(a) Revenue</b>				
Operating activities				
Consultancy income	32,893	13,007	10,500	5,726
MobileFleet® income	1,608,705	1,438,573	1,608,705	1,438,573
FleetManager® – mobiles	1,244,400	1,171,707	1,091,905	1,139,022
Infratel income	–	76,033	–	76,033
PoolCarManager income	20,792	52,915	20,792	52,915
Development income	34,494	90,680	24,250	75,745
OnTrac income	245,115	446,538	–	–
Softlog sales income	1,093,346	1,459,116	–	–
Softlog maintenance income	1,053,287	858,190	–	–
Phoneware installation income	10,278	20,390	–	–
Phoneware CADS income	2,487,306	427,523	–	–
Phoneware vendor provided income	166,589	88,679	–	–
Phoneware Octel income	111,869	9,477	–	–
Interest income	51,648	71,628	50,064	69,102
Non-Operating activities				
Other income	3,074	200	875	–
	<b>8,163,796</b>	<b>6,224,656</b>	<b>2,807,091</b>	<b>2,857,116</b>
<b>(b) Expenses</b>				
Interest expense	6,288	3,606	5,800	3,069
Depreciation of non-current assets	82,270	71,967	53,440	44,762
Operating lease rental expense: minimum lease payments	368,132	287,040	151,209	155,179

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 2009 \$	Consolidated 2008 \$	Parent 2009 \$	Parent 2008 \$
<b>NOTE 3: INCOME TAX</b>				
<b>Income tax recognised in profit or loss</b>				
The major components of tax expense are:				
Current tax expense	78,677	150,801	–	68,811
R&D tax offset	–	(147,971)	–	(127,083)
Deferred tax asset:				
Origination and reversal of temporary differences	162,951	(118,763)	38,618	(58,472)
Benefit of tax losses recognised	(542,486)	(230,000)	(484,386)	(230,000)
Recognition of other deferred tax balances not previously recognised	458,229	–	409,646	–
<b>Total tax expense/(benefit)</b>	<b>157,371</b>	<b>(345,933)</b>	<b>(36,122)</b>	<b>(346,744)</b>

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 before tax	1,285,963	1,034,852	716,153	482,418
Income tax expense calculated at 30%	385,788	310,456	214,845	144,725
Non-deductible expenses	23,857	56,397	20,226	50,566
Share issue expenses – deductible	(16,432)	(17,800)	(16,432)	(17,800)
Unrecognised tax losses	–	2,634	–	–
Utilisation of tax losses brought forward	(153,081)	(68,811)	(153,081)	(68,811)
Recognition of losses not previously recognised	(484,386)	(236,943)	(484,386)	(230,000)
Recognition of other deferred tax balances not previously recognised	458,229	–	409,646	–
R & D tax effect	(56,604)	(147,971)	(26,940)	(127,083)
Other	–	(243,895)	–	(98,341)
<b>Income tax expense/(benefit) reported in the income statement</b>	<b>157,371</b>	<b>(345,933)</b>	<b>(36,122)</b>	<b>(346,744)</b>

### Net Deferred Tax Asset

Analysis of deferred tax assets:

Tax losses available to offset against future taxable income

Accruals and provisions

751,769	230,000	693,670	230,000
205,476	209,036	99,796	127,857
<b>957,245</b>	<b>439,036</b>	<b>793,466</b>	<b>357,857</b>

Analysis of deferred tax liabilities:

Capitalised research and development

(611,758)	–	(399,487)	–
<b>(611,758)</b>	<b>–</b>	<b>(399,487)</b>	<b>–</b>

**Net Deferred Tax Asset**

<b>345,487</b>	<b>439,036</b>	<b>393,979</b>	<b>357,857</b>
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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4: SEGMENT REPORTING

#### Segment Information

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

### NOTE 5: EARNINGS PER SHARE

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>Cents</b>	<b>Cents</b>
	<b>per share</b>	<b>per share</b>
Basic earnings per share	1.00	1.62
Diluted earnings per share	1.00	1.62
	<b>\$</b>	<b>\$</b>

#### Basic Earnings per share:

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

Earnings	1,128,592	1,380,785
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	113,402,988	84,714,130
	<b>\$</b>	<b>\$</b>

#### Diluted earnings per share:

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share is as follows:

Earnings	1,128,592	1,380,785
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares for the purposes of diluted earnings per share:	113,402,988	84,714,130
	<b>2009</b>	<b>2008</b>
	<b>No.</b>	<b>No.</b>

- (i) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

Weighted average number of shares used in the calculation of basic earnings per share	113,402,988	84,714,130
Weighted average number of shares used in the calculation of diluted earnings per share	113,402,988	84,714,130

- (ii) The following potential ordinary shares are not dilutive and are therefore excluded from the calculation in (i) above:

Employee options – expiring various dates	3,917,808	3,296,849
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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6: DIVIDENDS

	<b>Consolidated 2009 \$</b>	<b>Parent 2009 \$</b>
<i>Paid dividends</i>		
On fully paid ordinary shares:		
• Final unfranked ordinary dividend of 0.25 cents per fully paid share for the year ended 30 June 2008 paid to shareholders on 17 October 2008	282,074	282,074
• Interim unfranked ordinary dividend for the 2009 financial year of 0.25 cents per fully paid share paid to shareholders on 14 April 2009	284,178	284,178
Total dividends paid in 2009 financial year	<u>566,252</u>	<u>566,252</u>

The company had no available franking credits.

	<b>Consolidated 2009 \$</b>	<b>Consolidated 2008 \$</b>	<b>Parent 2009 \$</b>	<b>Parent 2008 \$</b>
<b>NOTE 7: CASH AND CASH EQUIVALENTS</b>				
Cash at bank and on hand	1,300,359	1,066,455	1,183,768	896,487
	<u>1,300,359</u>	<u>1,066,455</u>	<u>1,183,768</u>	<u>896,487</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 7: CASH AND CASH EQUIVALENTS (CONTINUED)

	Consolidated 2009 \$	Consolidated 2008 \$	Parent 2009 \$	Parent 2008 \$
<b>(iii) Reconciliation of profit for the year to net cash flows from operating activities</b>				
Profit for the year	1,128,592	1,380,785	752,275	829,162
Non Cash flows in operating profit/(loss):				
Depreciation and amortisation	298,270	162,397	269,440	135,192
Equity settled share based payment	3,395	74,452	3,395	74,452
(Increase)/decrease in assets:				
Current receivables	549,998	(1,171,141)	(23,698)	(69,583)
Current inventories	(3,252)	(5,182)	-	-
Other current assets	41,343	(62,197)	34,765	(32,850)
Non-current receivables	9,943	9,719	9,943	9,719
Other financial assets	(54,291)	-	(54,291)	-
Deferred tax assets	93,549	(300,840)	(36,122)	(219,661)
Increase/(decrease) in liabilities:				
Current payables	24,918	1,137,155	187,144	105,947
Current tax provision	(11,384)	-	-	-
Provisions	(14,268)	50,933	32,881	1,859
Net cash from operating activities	<u>2,066,813</u>	<u>1,276,081</u>	<u>1,175,732</u>	<u>834,237</u>

### NOTE 8: TRADE AND OTHER RECEIVABLES

#### Current:

Trade receivables	1,319,799	1,869,797	607,660	583,962
Allowance for doubtful debts	(9,110)	(9,110)	(9,110)	(9,110)
	<u>1,310,689</u>	<u>1,860,687</u>	<u>598,550</u>	<u>574,852</u>

#### Non-Current:

Loans to subsidiaries	-	-	3,086,391	2,993,735
Employee share loans	28,118	38,061	28,118	38,061
	<u>28,118</u>	<u>38,061</u>	<u>3,114,509</u>	<u>3,031,796</u>

### NOTE 9: INVENTORIES

Raw materials – at cost	22,250	31,982	-	-
Finished goods – at net realisable value	27,930	14,946	-	-
	<u>50,180</u>	<u>46,928</u>	<u>-</u>	<u>-</u>

### NOTE 10: OTHER CURRENT ASSETS

Prepayments	54,285	95,628	10,183	44,948
	<u>54,285</u>	<u>95,628</u>	<u>10,183</u>	<u>44,948</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 11: OTHER FINANCIAL ASSETS

	<b>Consolidated 2009 \$</b>	<b>Consolidated 2008 \$</b>	<b>Parent 2009 \$</b>	<b>Parent 2008 \$</b>
Security Deposits	103,065	51,348	81,639	29,923
Other	2,574	–	2,574	–
	<u>105,639</u>	<u>51,348</u>	<u>84,213</u>	<u>29,923</u>

### NOTE 12: PLANT AND EQUIPMENT

Plant and equipment, at cost	578,713	499,005	376,188	328,134
Less accumulated depreciation	(369,960)	(292,250)	(277,992)	(227,312)
Net carrying amount	<u>208,753</u>	<u>206,755</u>	<u>98,196</u>	<u>100,822</u>
Leasehold improvements, at cost	23,408	–	13,228	–
Less accumulated depreciation	(4,560)	–	(2,760)	–
Net carrying amount	<u>18,848</u>	<u>–</u>	<u>10,468</u>	<u>–</u>
Total net carrying amount	<u>227,601</u>	<u>206,755</u>	<u>108,664</u>	<u>100,822</u>

### Reconciliations: Consolidated

	<b>Plant &amp; Equipment \$</b>	<b>Leasehold Improvements \$</b>	<b>Total \$</b>
Movements:			
Net carrying amounts as at 1 July 2007	230,695	–	230,695
Additions	78,433	–	78,433
Depreciation charges	(102,373)	–	(102,373)
Net carrying amounts as at 30 June 2008	<u>206,755</u>	<u>–</u>	<u>206,755</u>
Additions	79,708	23,408	103,116
Depreciation charges	(77,710)	(4,560)	(82,270)
Net carrying amounts as at 30 June 2009	<u>208,753</u>	<u>18,848</u>	<u>227,601</u>

### Reconciliations: Parent

Net carrying amounts as at 1 July 2007	106,579	–	106,579
Additions	39,771	–	39,771
Depreciation charges	(45,529)	–	(45,529)
Net carrying amounts as at 30 June 2008	<u>100,822</u>	<u>–</u>	<u>100,822</u>
Additions	48,054	13,228	61,282
Depreciation charges	(50,680)	(2,760)	(53,440)
Net carrying amounts as at 30 June 2009	<u>98,196</u>	<u>10,468</u>	<u>108,664</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 13: INTANGIBLE ASSETS AND GOODWILL

<b>Consolidated</b>	<b>Software Development \$</b>	<b>Goodwill \$</b>	<b>Total \$</b>
<b>Year ended 30 June 2008</b>			
At 1 July 2007, net of accumulated amortisation and impairment	1,055,218	997,799	2,053,017
Additions	593,936	3,125,986	3,719,922
Amortisation charge	(90,430)	–	(90,430)
At 30 June 2008, net of accumulated amortisation and impairment	1,558,724	4,123,785	5,682,509
<b>Year ended 30 June 2009</b>			
At 1 July 2008, net of accumulated amortisation and impairment	1,558,724	4,123,785	5,682,509
Additions	754,721	–	754,721
Amortisation charge	(216,000)	–	(216,000)
At 30 June 2009, net of accumulated amortisation and impairment	2,097,445	4,123,785	6,221,230

In-house developed software is expected to have an estimated useful life of ten years following commercialisation.

Goodwill is subject to annual impairment testing (see Note 14).

No impairment loss was recognised for continuing operations in the 2009 financial year.

<b>Parent</b>	<b>Software Development \$</b>	<b>Goodwill \$</b>	<b>Total \$</b>
<b>Year ended 30 June 2008</b>			
At 1 July 2007, net of accumulated amortisation and impairment	1,012,297	54,171	1,066,468
Additions	338,552	–	338,552
Amortisation charge	(90,430)	–	(90,430)
At 30 June 2008, net of accumulated amortisation and impairment	1,260,419	54,171	1,314,590
<b>Year ended 30 June 2009</b>			
At 1 July 2008, net of accumulated amortisation and impairment	1,260,419	54,171	1,314,590
Additions	359,205	–	359,205
Amortisation charge	(216,000)	–	(216,000)
At 30 June 2009, net of accumulated amortisation and impairment	1,403,624	54,171	1,457,795

Goodwill is subject to annual impairment testing (see Note 14).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 14: IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through business combinations has been allocated to 5 individual cash generating units (CGU), for impairment testing as follows:

- FleetManager®
- Phoneware
- Vircom
- Softlog
- eFleet

#### *FleetManager®*

The recoverable amount of the FleetManager CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five year period.

The discount rate applied to cash flow projections, including a factor for risk, is 12.50% (2008: 12.00%) and cash flows beyond five years have not been prepared due to the asset not being impaired.

Senior management believes this forecast is justified based on the client base and the reliance on the FleetManager® application in general. Focus is firmly locked on client retention to reduce client loss, whilst a sales team actively sources new opportunities and the FleetManager® application continues to be developed to provide a comprehensive asset and expense management product for multiple asset classes such as mobile telephones, taxi charge cards and credit cards.

Additionally the group continues to invest in sales and marketing activity to promote the FleetManager® solution throughout Australia.

#### *Phoneware*

The recoverable amount of the Phoneware 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 four year period.

The discount rate applied to cash flow projections, including a factor for risk, is 12.50% (2008: 12.00%) and cash flows beyond four years have not been prepared due to the asset not being impaired.

Senior management believes this forecast is justified based on the client base and the reliance on the Phoneware products in general.

#### *Vircom*

The recoverable amount of the Vircom 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 two year period.

The discount rate applied to cash flow projections, including a factor for risk, is 12.50% (2008: 12.00%) and cash flows beyond two years have not been prepared due to the asset not being impaired.

Senior management believes this forecast is justified based on the client base and the reliance on the Vircom products in general.

#### *Softlog*

The recoverable amount of the Softlog 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 five year period.

The discount rate applied to cash flow projections, including a factor for risk, is 12.50% (2008: 12.00%) and cash flows beyond five years have not been prepared due to the asset not being impaired.

Senior management believes this forecast is justified based on the sales activity shown since acquisition on 1 May 2007 being higher than the same time the previous year with more advanced cost recovery systems continuing to be developed for the accounting and legal markets. Softlog continue to build and enhance their softlog.onboard™ applications that reside within the operating system of the Multi-Function Device (**MFD**) in addition to new applications.

Additionally, the group has committed to investing in an additional high calibre professional sales individual to promote and market the Softlog solutions in the state of NSW, a previously under performing market due to a lack of direct sales activity.

#### *eFleet*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14: IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES (CONTINUED)

The discount rate applied to the cash flow projections, including a factor for risk, is 12.50% (2008: 12.00%).

Senior management believes this rate is justified given the reliance by the clients on the products.

**Carrying amount of intangibles allocated to each of the cash generating units**

**At 30 June 2009**

	Consolidated					
	Softlog \$	Phoneware \$	Vircom \$	eFleet \$	FleetManager \$	Total \$
Carrying amount of goodwill	1,280,585	2,618,217	170,812	-	54,171	4,123,785
Carrying amount of developed software	510,469	183,352	-	-	1,331,624	2,025,445
Carrying amount of acquired intellectual property	-	-	-	72,000	-	72,000
Total	1,791,054	2,801,569	170,812	72,000	1,385,795	6,221,230

**At 30 June 2009**

	Parent		
	eFleet \$	FleetManager \$	Total \$
Carrying amount of goodwill	-	54,171	54,171
Carrying amount of developed software	-	1,331,624	1,331,624
Carrying amount of acquired intellectual property	72,000	-	72,000
Carrying amount of goodwill	72,000	1,385,795	1,457,795

**At 30 June 2008**

	Consolidated					
	Softlog \$	Phoneware \$	Vircom \$	eFleet \$	FleetManager \$	Total \$
Carrying amount of goodwill	1,280,585	2,618,217	170,812	-	54,171	4,123,785
Carrying amount of developed software	272,301	26,004	-	-	1,152,419	1,450,724
Carrying amount of acquired intellectual property	-	-	-	108,000	108,000	108,000
Carrying amount of goodwill	1,552,886	2,644,221	170,812	108,000	1,206,590	5,682,509

**At 30 June 2008**

	Parent		
	eFleet \$	FleetManager \$	Total \$
Carrying amount of goodwill	-	54,171	54,171
Carrying amount of developed software	-	1,152,419	1,152,419
Carrying amount of acquired intellectual property	108,000	-	108,000
Carrying amount of goodwill	108,000	1,206,590	1,314,590

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 14: IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES (CONTINUED)

Key assumptions used in value in use calculations for 30 June 2009 and 30 June 2008

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of all the cash generating 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, increased for expected efficiency improvements. Thus, values assigned to gross margins reflect past experience, except for efficiency improvements.
- Cash rate – a base rate of 3% as per the Reserve Bank of Australia has been used.
- Risk factor – an additional amount of 9.5% has been factored for general business risk.

### NOTE 15: SHARE BASED PAYMENT PLANS

#### Employee Share Option Plan

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.

#### General Employee Share Ownership Plan

All other employees are entitled to a share loan once they have been in service for 1 year. The loans are interest free with recourse limited to the underlying shares. The loans are made based on the market price of the underlying shares on the grant date and are not subject to any specific vesting conditions.

The expense recognised in the income statement in relation to share-based payments is disclosed in Note 18.

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

	2009 No.	2009 Weighted average exercise price	2008 No.	2008 Weighted average exercise price
Outstanding at the beginning of the year	3,750,000	\$0.12	1,450,000	\$0.12
Granted during the year	1,000,000	\$0.12	2,300,000	\$0.12
Forfeited during the year			–	–
Exercised during the year			–	–
Expired during the year	250,000	\$0.20	–	–
Outstanding at the end of the year	4,500,000	\$0.12	3,750,000	\$0.12
Exercisable at the end of the year	4,500,000		3,750,000	

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is between 3 and 5 years (2008: 3 and 5 years).

The range of exercise prices for options outstanding at the end of the year was \$0.10 – \$0.15 (2008:\$0.10 – \$0.20)

The weighted average fair value of options granted during the year was \$0.12 (2008: \$0.12).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 15: SHARE BASED PAYMENT PLANS (CONTINUED)

The outstanding balance as at 30 June 2009 is represented by:

- 1,200,000 options over ordinary shares with an exercise price of \$0.10 each, exercisable upon meeting the above conditions and until 30 November 2011;
- 1,000,000 options over ordinary shares with an exercise price of \$0.10 each, exercisable upon meeting the above conditions and until 15 January 2011;
- 1,000,000 options over ordinary shares with an exercise price of \$0.12 each, exercisable upon meeting the above conditions and until 29 May 2011; and
- 300,000 options over ordinary shares with an exercise price of \$0.15 each, exercisable upon meeting the above conditions and until 24 June 2012
- 500,000 options over ordinary shares with an exercise price of \$0.10 each, exercisable upon meeting the above conditions and until 31 July 2013
- 500,000 options over ordinary shares with an exercise price of \$0.15 each, exercisable upon meeting the above conditions and until 17 October 2013

The following table lists the inputs to the model used for the years ended 30 June 2008 and 30 June 2009:

	<b>2009</b>	<b>2008</b>
Volatility (%)	35.15	36.78
Risk-free interest rate (%)	6.23	6.56
Expected life of option (years)	5	5
Exercise price (cents)	10.0 to 15.0	10.0 to 15.0
Weighted average share price at grant date (cents)	7.2	7.7

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The services received and a corresponding expense is recognised over the expected vesting period.

### NOTE 16: TRADE AND OTHER PAYABLES

	<b>Consolidated 2009 \$</b>	<b>Consolidated 2008 \$</b>	<b>Parent 2009 \$</b>	<b>Parent 2008 \$</b>
Current:				
Trade payables (i)	78,830	179,154	62,095	85,648
Other payables	308,133	259,340	148,984	96,821
Payables – deferred consideration	200,000	800,000	–	–
Provision for annual leave	230,954	208,374	122,168	116,542
Accrued expenses	453,675	297,381	187,930	197,795
Unearned Income	721,656	786,617	–	–
	<b>1,993,248</b>	<b>2,530,866</b>	<b>521,177</b>	<b>496,806</b>
Non-current:				
Deferred consideration	–	200,000	–	–
	<b>–</b>	<b>200,000</b>	<b>–</b>	<b>–</b>

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

Information regarding the effective interest rate and credit risk of current payables is set out in Note 19.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 17: PROVISIONS

	<b>Consolidated 2009 \$</b>	<b>Consolidated 2008 \$</b>	<b>Parent 2009 \$</b>	<b>Parent 2008 \$</b>
Current:				
Non-current:				
Provision for long service leave	65,233	79,501	38,871	5,990
	<u>65,233</u>	<u>79,501</u>	<u>38,871</u>	<u>5,990</u>

### NOTE 18: ISSUED CAPITAL AND RESERVES

Ordinary shares issued and fully paid	8,568,924	8,215,208	8,568,924	8,215,208
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Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	<b>No.</b>	<b>\$</b>
<i>Movement in ordinary shares on issue</i>		
At 1 July 2007	80,340,717	5,846,808
Issued on 9 May 2008 pursuant to a rights issue	27,062,500	2,165,000
Issued on 9 May 2008 as part consideration for acquisition of business assets	3,000,000	300,000
Issued on 24 June 2008 pursuant to the Stratatel Dividend Reinvestment Plan	426,163	36,650
Share Issue costs	–	(133,250)
At 1 July 2008	<u>110,829,380</u>	<u>8,215,208</u>
Issued on 15 September 2008 as part consideration for acquisition of business assets	2,000,000	200,000
Issued on 17 October 2008 pursuant to the Stratatel Dividend Reinvestment Plan	841,836	56,403
Issued on 16 April 2009 pursuant to the Stratatel Dividend Reinvestment Plan	1,908,093	97,313
At 30 June 2009	<u>115,579,309</u>	<u>8,568,924</u>

#### **Share options**

The company has one share based option scheme under which options to subscribe for the company's shares have been granted to certain executives and other employees. Refer Note 15.

	<b>Consolidated 2009 \$</b>	<b>Consolidated 2008 \$</b>	<b>Parent 2009 \$</b>	<b>Parent 2008 \$</b>
<b>Reserves</b>				
Movements in reserves were as follows:				
Balance 1 July 2008	107,769	29,891	107,769	29,891
Equity benefits reserve – options issued to staff	3,395	77,878	3,395	77,878
Balance 30 June 2009	<u>111,164</u>	<u>107,769</u>	<u>111,164</u>	<u>107,769</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 18: ISSUED CAPITAL AND RESERVES (CONTINUED)

#### Nature and purpose of reserves

##### Employee Equity benefits reserve

This reserve is used to record the value of equity benefits provided to employees as part of their remuneration. Refer to Note 15 for further details of these plans.

### NOTE 19: FINANCIAL INSTRUMENTS

#### (a) Capital risk management

Capital risk is managed and monitored by liaising with banks and communicating with shareholders.

Stratatel considers new government legislation and monitors the market place by canvassing information from stockbrokers and investors.

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(a) Categories of financial instruments</b>				
<b>Financial assets</b>				
Loans and receivables	1,310,689	1,860,687	598,550	574,852
Cash and cash equivalents	1,300,359	1,066,455	1,183,768	896,487

#### Financial liabilities

The Group has no derivative instruments in designated hedging relationships.

##### (i) Loans and receivables designated as at fair value through profit or loss

Carrying amount of loans and receivables designated as 'fair value through profit or loss'

1,310,689	1,860,687	598,550	574,852
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Changes in fair value attributable to changes in credit risk are recognised during the period.

#### (b) Financial Risk Management

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.

The Group's principal financial liabilities are trade payables and hire purchase contracts. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

It is, and has been throughout 2008 and 2009, the Group's policy that no trading in derivatives shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 19: FINANCIAL INSTRUMENTS (CONTINUED)

#### (c) Price risk – Equity and Commodity

The Group's exposure to commodity and equity securities price risk is minimal.

#### (d) Foreign currency risk

The Group has minimal exposure to foreign currency risk as the Group trades mainly within Australia.

#### (e) Interest rate risk

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

Year ended 30 June 2009	within 1 year \$	1 to 5 years \$	Total \$	Weighted average effective interest rate %
<b>Consolidated</b>				
<i>Financial assets</i>				
Fixed rate:				
Trade and other receivables	1,310,689	–	1,310,689	–
	1,310,689	–	1,310,689	
Floating rate:				
Cash Assets	1,300,359	–	1,300,359	4.73
	1,300,359	–	1,300,359	
	2,611,048	–	2,611,048	
<i>Financial liabilities</i>				
Payables	1,993,248	–	1,993,248	–
Other payables	–	–	–	–
	1,993,248	–	1,993,248	
<b>Year ended 30 June 2008</b>				
<b>Consolidated</b>				
<i>Financial assets</i>				
Fixed rate:				
Trade and other receivables	1,860,687	–	1,860,687	–
	1,860,687	–	1,860,687	
Floating rate:				
Cash Assets	1,066,455	–	1,066,455	7.04
	1,066,455	–	1,066,455	
	2,927,142	–	2,927,142	
<i>Financial liabilities</i>				
Payables	2,530,866	–	2,530,866	–
Other payables	–	200,000	200,000	–
	2,530,866	200,000	2,730,866	

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 19: FINANCIAL INSTRUMENTS (CONTINUED)

	within 1 year \$	1 to 5 years \$	Total \$	Weighted average effective interest rate %
<b>Year ended 30 June 2009</b>				
<b>Parent</b>				
<i>Financial assets</i>				
Fixed rate:				
Trade and other receivables	598,550	–	598,550	–
	598,550	–	598,550	
Floating rate:				
Cash Assets	1,183,768	–	1,183,768	4.73
	1,183,768	–	1,183,768	
	1,782,318	–	1,782,318	
<i>Financial liabilities</i>				
Payables	521,177	–	521,177	–
	521,177	–	521,177	
<b>Year ended 30 June 2008</b>				
<b>Parent</b>				
<i>Financial assets</i>				
Fixed rate				
Trade and other receivables	574,852	–	574,852	–
	574,852	–	574,852	
<i>Floating rate</i>				
Cash Assets	896,487	–	896,487	7.04
	896,487	–	896,487	
	1,471,339	–	1,471,339	
<i>Financial liabilities</i>				
Payables	496,806	–	496,806	–
	496,806	–	496,806	

For all financial instruments, 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 fixed at intervals of less than one year. The other financial instruments of the Group 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 (CONTINUED)

### NOTE 19: FINANCIAL INSTRUMENTS (CONTINUED)

#### Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit before tax would increase by \$5,460 and decrease by \$5,460 respectively (2008: \$5,087). This is mainly attributable to the Group's exposure to interest rates on its variable rate cash deposits.

#### (f) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

#### Accounts Receivable and Provision

##### Trade Receivables – Past Due Not Impaired

At 30 June, the ageing analysis of trade receivables is as follows:

			0–30 days	31–60 days	61–90 day	61–90 days	+91 days	+91 days
		Total			PDNI*	CI*	PDNI*	CI*
2009	Consolidated	1,310,689	468,562	52,060	84,083	–	50,896	–
	Parent	598,550	308,304	178,368	47,063	–	44,594	–
2008	Consolidated	1,860,687	1,668,360	62,597	36,059	–	93,671	–
	Parent	574,852	510,551	40,842	22,025	–	1,434	–

\* Past due not impaired ('PDNI')  
Considered impaired ('CI')

Receivables past due but not considered impaired are: Consolidated \$134,979 (2008: \$129,730); Parent \$91,657 (2008: \$23,459).

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 19: FINANCIAL INSTRUMENTS (CONTINUED)

#### Movements in Allowance for Impairment (Trade Receivables)

Movements in the allowance for impairment loss on trade receivables were as follows:

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
At 1 July 2008	9,110	9,110	9,110	9,110
Reduction in allowance	-	-	-	-
At 30 June 2009	9,110	9,110	9,110	9,110

At the reporting date there are no significant concentrations of credit risk relating to loans and receivables at fair value through profit or loss. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables.

#### (g) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### NOTE 20: COMMITMENTS AND CONTINGENCIES

	Consolidated	Consolidated	Parent	Parent
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Remuneration Commitments</b>				
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	200,000	400,000	200,000	400,000
After one year but not more than five years	-	200,000	-	200,000

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.

#### Legal claims

As at 30 June 2009 there is one current employee claim regarding post employment remuneration for which Stratatel may be required to expend funds. Stratatel is defending the claim and the case is continuing. The claim is an unquantifiable contingency. Currently it is not possible to estimate the amounts of any eventual payments, which may be required in relation to this claim.

#### Guarantees

Stratatel Limited has the following guarantees at 30 June 2009:

- that all obligations required under an operating lease for office space utilised by its wholly owned subsidiary Softlog Systems Pty Ltd are guaranteed by the parent.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 21: EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the end of the period, Stratatel Limited acquired the business and assets of Resource Systems & Services Pty Ltd through its wholly owned subsidiary Card Manager Pty Ltd (re-named Resource Systems Pty Ltd trading as Stratatel Resource) for total consideration of \$500,000 to be paid in eight monthly instalments from the Company's existing cash reserves.

Resource is a leading certified IBM Business Partner in WA with experience in Domino, Rational, WebSphere and Lotus, and has developed proprietary software solutions for corporate customers using IBM software technology to address business requirements including document management and helpdesk solutions. In addition Resource provides ongoing application management services in support of these customised IBM software solutions.

The financial effects of the above transaction have not been brought into account at 30 June 2009. The operating results and assets and liabilities of the company will be brought into account from 1 July 2009.

Stratatel Limited notes the following changes in the roles and responsibilities of Key Management Personnel, effective 1 July 2009:

- Matt Parry was appointed as Chief Executive Officer of Stratatel's Expense Management Division incorporating Softlog, Phoneware and FleetManager. Matt Parry now has overall responsibility for the day-to-day management of this business as well as achieving the forecasted revenue and profit.
- Derek Farrell reduced his work commitments and, from 1 August 2009, acts in a consultancy role to Stratatel Softlog on a part-time basis. A new Branch Manager in Queensland will be appointed.

### NOTE 22: AUDITOR'S REMUNERATION

The auditor of Stratatel Limited is  
HLB Mann Judd.

	<b>Consolidated 2009 \$</b>	<b>Consolidated 2008 \$</b>	<b>Parent 2009 \$</b>	<b>Parent 2008 \$</b>
<i>Amounts received or due and receivable by HLB Mann Judd for:</i>				
An audit or review of the financial report of the entity and any other entity in the consolidated group	55,000	61,783	33,000	37,180

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 23: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Stratatel Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest		Investment (\$)	
		2009	2008	2009	2008
Vircom Pty Limited	Australia	100	100	170,204	170,204
Softlog Systems Pty Ltd	Australia	100	100	–	–
Phoneware Pty Ltd	Australia	100	100	–	–

Stratatel Limited is an Australian entity and ultimate parent of the Group. Vircom Pty Limited, Softlog Systems Pty Ltd and Phoneware Pty Ltd are all incorporated in Australia.

The Group has no plans to dispose of any subsidiaries.

Guarantees provided or received for any related party receivables or payables have been disclosed in Note 20.

For the year ended 30 June 2009, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties due to solid payment history (2008: \$nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

#### Transactions with Directors

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

	2009	2008
	\$	\$
<i>Purchases from Related Parties</i>		
Grange Consulting Group Pty Ltd		
Corporate Consultancy	29,927	31,593
Secretarial Services	3,937	–
	<u>33,864</u>	<u>31,593</u>

Stratatel Limited Chairman Mr Ian Macliver, is the Managing Director of Grange Consulting Group Pty Ltd, which has provided corporate advisory services to the consolidated entity amounting to \$29,927 (2007 \$31,593) net of GST.

Paul Brown officially handed the Company Secretary responsibilities to Emma McCormack of Grange Consulting Group Pty Ltd in July 2009. The company secretarial services provided by Grange Consulting include providing guidance on corporate compliance requirements pursuant to the Company's constitution, ASX Listing Rules and Corporations Act, assistances in drafting notices of meeting and announcements; Board documentation, and assistance with preparation of annual and half yearly financial reports. Company secretarial service fees for transitional services for June 2009 amounted to \$3,937 net of GST.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 24: DIRECTORS AND EXECUTIVE DISCLOSURES

#### (a) Details of Key Management Personnel

##### (i) Directors

I Macliver	Chairman (non-executive)
M Fairclough	Chief Executive Officer/Managing Director
G Lambert	Director (non-executive)
G Baillie	Director (non-executive)

##### (ii) Executives

P Brown	Company Secretary/Chief Information Officer	<i>Resigned 30 June 2009</i>
M Parry	General Manager – Operations	
J Butchers	Chief Financial Officer	
J Worsfold	General Manager – Sales	<i>Resigned 3 October 2009</i>
J Slaiman	General Manager – Sales	<i>Promoted 1 October 2009</i>
D Farrell	Branch Manager – Softlog Systems	
J Williams	General Manager – Development	

Matt Parry was appointed as Chief Executive Officer of Stratatel's Expense Management Division incorporating Softlog, Phoneware and FleetManager on 1 July 2009. Matt Parry now has overall responsibility for the day-to-day management of this business as well as achieving the forecasted revenue and profit. Mike Fairclough will continue as Managing Director with an increased focus on business development and strategic growth opportunities for Stratatel Limited.

Derek Farrell resigned as Branch Manager, effective from 1st August 2009 and acts in a consultancy role to Stratatel Softlog on a part-time basis.

Paul Brown resigned as Company Secretary and Chief Information Officer (CIO) effective 30 June 2009. Emma McCormack of Grange Consulting Group Pty Ltd was appointed Company Secretary on 1 July 2009 and John Williams assumed responsibilities of the CIO function.

There are no other changes of the key management personnel after the reporting date and the date the financial report was authorised for issue.

#### (b) Compensation of Key Management Personnel

##### (i) Compensation Policy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled 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.

##### (A) Remuneration Committee

The Remuneration Committee of the Board of Directors of the Parent is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and all other key management personnel.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 24: DIRECTORS AND EXECUTIVE DISCLOSURES (CONTINUED)

The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of key management personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

#### (B) Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

#### (C) Non-executive Director Compensation

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 13 November 2008 when shareholders approved an aggregate remuneration of \$250,000 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 is also 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 sub committees.

The remuneration of non-executive directors for the year ended 30 June 2009 is detailed in Table 1 of this report.

#### *Senior executive and executive director remuneration*

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

#### *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.

Executives 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 Group.

The fixed remuneration component of the 5 most highly remunerated Group executives is detailed in Table 2 of this report.

#### *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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 24: DIRECTORS AND EXECUTIVE DISCLOSURES (CONTINUED)

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, in part, be attributed to the remuneration policy and is satisfied that this continued improvement should result in increased wealth to shareholders over the short to medium term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 24: DIRECTORS AND EXECUTIVE DISCLOSURES (CONTINUED)

**(b) Compensation of Key Management Personnel (continued)**

(ii) Compensation of Key Management Personnel for the year ended 30 June 2009

Table 1: Directors' remuneration for the year ended 30 June 2009

		Primary benefits			Post employment		Equity		Total	Performance related %
		Salary & Fees \$	Bonuses/ Commission \$	Allowances \$	Superannuation \$	Prescribed benefits \$	Options \$			
I MacIver	2008	67,500	-	-	6,075	-	-	-	73,575	-
Chairman (non executive)	2009	85,000	-	-	7,650	-	-	-	92,650	-
M Fairclough	2008	311,922	-	-	28,073	-	-	-	339,995	-
Managing Director	2009	366,778	-	-	33,010	-	-	-	399,788	-
G Lambert	2008	55,500	-	-	4,995	-	-	-	60,495	-
Director (non executive)	2009	65,000	-	-	5,850	-	-	-	70,850	-
G Baillie	2008	36,000	-	-	3,240	-	-	-	39,240	-
Director (non executive)	2009	55,000	-	-	4,950	-	-	-	59,950	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 24: DIRECTORS AND EXECUTIVE DISCLOSURES (CONTINUED)

(b) Compensation of Key Management Personnel (continued)

(ii) Compensation of Key Management Personnel for the year ended 30 June 2009 (continued)

Table 2: Remuneration of the named executives who received the highest remuneration for the year ended 30 June 2009

		Primary benefits			Post employment		Equity		Total	Performance related %
		Salary & Fees \$	Bonuses/Commission \$	Allowances \$	Superannuation \$	Prescribed benefits \$	Options \$			
P Brown (Resigned 30 June 2009)	2008	142,565	15,596	-	14,234	-	-	-	172,395	9
Chief Information Officer/Secretary	2009	149,655	5,000	-	13,919	-	1,358	-	169,932	3
M Parry	2008	160,953	17,430	-	16,054	-	3,426	-	197,863	9
General Manager – Operations	2009	189,811	20,000	-	18,883	-	7,559	-	236,253	8
J Worstfold (Resigned 3 October 2008)	2008	143,910	25,174	-	15,218	-	-	-	184,302	13
General Manager – Sales	2009	55,377	11,200	-	5,992	-	-	-	72,569	15
J Butchers	2008	108,496	-	-	9,765	-	-	-	118,261	-
Chief Financial Officers	2009	192,619	5,000	-	17,786	-	2,037	-	217,442	2
D Fairrell	2008	130,185	-	500	11,717	-	-	-	142,402	-
Branch Manager – Softlog Systems	2009	130,280	-	-	11,725	-	-	-	142,005	-
J Slaiman (Promoted 1 October 2008)*	2008	-	-	-	-	-	-	-	-	-
General Manager – Sales	2009	111,031	13,16	-	11,570	-	-	-	135,763	10

\* Remuneration disclosed from promotion

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 24: DIRECTORS AND EXECUTIVE DISCLOSURES (CONTINUED)

#### (b) Compensation of Key Management Personnel (continued)

(iii) Compensation by category: Key Management Personnel (continued)

	Consolidated 2009 \$	Consolidated 2008 \$	Parent 2009 \$	Parent 2008 \$
Short-term	1,454,913	1,215,731	1,324,633	1,085,046
Post employment	131,335	109,371	119,610	97,654
Other long-term	10,954	3,426	10,954	3,426
	1,597,202	1,328,528	1,455,197	1,186,126

(iv) Contract for Services

The Managing Director, Mr. Michael Fairclough, is employed under contract. This current contract commenced on 1 January 2009 and terminates on 31 December 2011, at which point the company may wish to enter into a new employment contract with Mr. Fairclough.

This contract, following a salary review provides Mr. Fairclough with a renegotiated annual salary package of \$400,000 which includes superannuation.

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.

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

During the financial year options were granted as equity compensation benefits under the long-term incentive plan to a key manager as disclosed below. No share options have been granted to the non-executive members of the Board of Directors under this scheme. The options were issued free of charge. For further details relating to the options, refer to Note 15.

30 June 2009	Vested No.	Granted No.	Terms and Conditions for each Grant						
			Grant Date	Fair Value per option at grant date (\$)	Exercise price per option(\$) (note 15)	Expiry Date	First Exercise Date	Last Exercise Date	
<b>Executives</b>									
P Brown	200,000	200,000	20/10/08	0.0068	0.15	17/10/13	21/10/08	17/10/13	
J Butchers	300,000	300,000	20/10/08	0.0068	0.15	17/10/13	21/10/08	17/10/13	
M Parry	500,000	500,000	14/05/09	0.0151	0.10	31/07/13	15/05/09	31/07/13	
Total	1,000,000	1,000,000							

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 24: DIRECTORS AND EXECUTIVE DISCLOSURES (CONTINUED)

(d) Option holdings of Key Management Personnel (Consolidated)

<b>30 June 2009</b>	<b>Balance 01 Jul 08</b>	<b>Granted as remuneration</b>	<b>Options exercised</b>	<b>Net change Other #</b>	<b>Balance 30 Jun 09</b>
<b>Directors</b>					
M Fairclough	1,000,000	–	–	–	1,000,000
<b>Executives</b>					
P Brown (Resigned 30 June 2009)	300,000	200,000	–	–	500,000
J Butchers	–	300,000	–	–	300,000
D Farrell	500,000	–	–	–	500,000
M Parry	600,000	500,000	–	–	1,100,000
J Worsfold (Resigned 3 October 2008)	300,000	–	–	–	300,000
J Williams	300,000	–	–	–	300,000
<b>Total</b>	<b>3,000,000</b>	<b>1,000,000</b>	<b>–</b>	<b>–</b>	<b>4,000,000</b>

# Includes forfeitures

<b>30 June 2008</b>	<b>Balance 01 Jul 07</b>	<b>Granted as remuneration</b>	<b>Options exercised</b>	<b>Net change Other #</b>	<b>Balance 30 Jun 08</b>
<b>Directors</b>					
M Fairclough	1,000,000	–	–	–	1,000,000
<b>Executives</b>					
P Brown	300,000	–	–	–	300,000
D Farrell	–	–	–	500,000	500,000
M Parry	300,000	300,000	–	–	600,000
J Worsfold	300,000	–	–	–	300,000
J Williams	300,000	–	–	–	300,000
<b>Total</b>	<b>2,200,000</b>	<b>300,000</b>	<b>–</b>	<b>500,000</b>	<b>3,000,000</b>

# Includes forfeitures

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 24: DIRECTORS AND EXECUTIVE DISCLOSURES (CONTINUED)

#### (e) Shareholdings of Key Management Personnel (Consolidated)

Ordinary shares held in Stratatel Limited (number)

<b>30 June 2009</b>	<b>Balance 01 Jul 08</b>	<b>Granted as remuneration</b>	<b>On Exercise of Options</b>	<b>Net Change Other</b>	<b>Balance 30 Jun 09</b>
<b>Directors</b>					
I Macliver	1,625,000	–	–	875,000	2,500,000
M Fairclough	9,386,064	–	–	849,452	10,235,516
G Lambert	1,563,443	–	–	436,557	2,000,000
G Baillie	4,375,000	–	–	714,460	5,089,460
<b>Executives</b>					
P Brown <i>(Resigned 30 June 2009)</i>	110,000	–	–	–	110,000
D Farrell	1,000,000	–	–	–	1,000,000
M Parry	562,566	–	–	–	562,566
J Worsfold <i>(Resigned 3 October 2008)</i>	722,800	–	–	–	722,800
J Williams	43,790	–	–	–	43,790
<b>Total</b>	<b>19,388,663</b>	<b>–</b>	<b>–</b>	<b>2,875,469</b>	<b>22,264,132</b>

<b>30 June 2008</b>	<b>Balance 01 Jul 07</b>	<b>Granted as remuneration</b>	<b>On Exercise of Options</b>	<b>Net Change Other</b>	<b>Balance 30 Jun 08</b>
<b>Directors</b>					
I Macliver	751,442	–	–	873,558	1,625,000
M Fairclough	8,761,064	–	–	625,000	9,386,064
G Lambert	625,943	–	–	937,500	1,563,443
G Baillie	–	–	–	4,375,000	4,375,000
<b>Executives</b>					
P Brown	110,000	–	–	–	110,000
D Farrell	–	–	–	1,000,000	1,000,000
M Parry	562,566	–	–	–	562,566
J Worsfold	527,800	–	–	195,000	722,800
J Williams	33,790	–	–	10,000	43,790
<b>Total</b>	<b>11,372,605</b>	<b>–</b>	<b>–</b>	<b>7,016,058</b>	<b>19,388,663</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 24: DIRECTORS AND EXECUTIVE DISCLOSURES (CONTINUED)

#### (e) Shareholdings of Key Management Personnel (Consolidated)

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.

#### (f) Loans to Key Management Personnel (Consolidated)

(i) Details of aggregates of loans to key management personnel are as follows:

	Balance at beginning of period	New loans	Interest charged	Payments/reductions	Write-off	Balance at end of period	Number in group
<b>Total</b>	\$	\$	\$	\$	\$	\$	No.
	19,500	–	–	(13,333)	–	6,167	1
<b>2009</b>	19,500	–	–	(13,333)	–	6,167	1
	Balance at beginning of period	New loans	Interest charged	Payments/reductions	Write-off	Balance at end of period	Number in group
<b>Total</b>	\$	\$	\$	\$	\$	\$	No.
	20,000	–	–	(500)	–	19,500	2
<b>2009</b>	20,000	–	–	(500)	–	19,500	2

#### Terms and conditions of loans

Loans to directors are interest free. Executives are not charged interest on Loans under the Employee Share Ownership Plan. There are no other loans to executives.

Two loans have been agreed for executives for \$10,000 each under the Stratatel Employee Share Ownership Plan, of which one loan has been fully repaid. This provides the opportunity to acquire shares in Stratatel at a 7.5% discount to the 30 day volume weighted average share price. Eligible executives (those serving longer than twelve months) are able to acquire 10% of their annual salary in ordinary shares in the parent, plus another 2% for every year of continuous service with the company, up to a maximum of \$10,000 per year.

An interest free loan over three years provides the executive with the ability to pay for the shares in three equal instalments, with the first instalment being due 12 months after the shares are issued.

## DIRECTORS' DECLARATION

1. In the opinion of the directors:
  - a. the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001 including:
    - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their 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 2009.

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



I Macliver  
Chairman

Dated this 28<sup>th</sup> day of August 2009

# INDEPENDENT AUDITOR'S REPORT



Accountants | Business and Financial Advisers

## INDEPENDENT AUDITOR'S REPORT

**To the members of  
STRATATEL LIMITED**

### **Report on the Financial Report**

We have audited the accompanying financial report of Stratatel Limited (“the company”), which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year ended on that date, and the directors’ declaration for both the company and the consolidated entity as set out on pages 18 to 59. The consolidated entity comprises the company and the entities it controlled at the year’s end or from time to time during the year.

#### *Directors’ Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor’s Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### *Auditor's Opinion*

In our opinion:

- (a) the financial report of Stratatel Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

### **Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 7 to 10 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion the Remuneration Report of Stratatel Limited for the year ended 30 June 2009 complies with section 300A of the Corporations Act 2001.



**HLB MANN JUDD**  
Chartered Accountants



**Perth, Western Australia**  
**28 August 2009**

**W M CLARK**  
Partner

# ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

## SHAREHOLDER INFORMATION

### (a) Distribution of shareholder numbers

Category	Ordinary
1 – 1,000	29
1,001 – 5,000	14
5,001 – 10,000	47
10,001 – 100,000	167
100,000 – and over	125
	<u>382</u>

There are 45 shareholdings held in less than marketable parcels

### (b) Substantial shareholders

The names of the substantial shareholders listed in the company's register as at 26 August 2009 are:

Shareholder	Number of ordinary shares held	% held of ordinary share capital
Moutier Pty Ltd	12,031,683	10.41
Mr Mark Jobling	11,690,000	10.11
Mr Michael Fairclough	10,235,516	8.85
ANZ Nominees Ltd	9,805,250	8.84

### (c) Voting rights

At members' meetings, each eligible voter (i.e 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 Emma McCormack

### (e) Registered office

The address of the principal registered office in Australia is:  
 Level 1, 1254 Hay Street  
 WEST PERTH  
 WA 6005

**ADDITIONAL INFORMATION FOR LISTED  
PUBLIC COMPANIES (CONTINUED)**

**(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

**(g) Largest shareholders – ordinary shares (as of 26 August 2009)**

	<b>Name</b>	<b>Number of ordinary fully paid shares held</b>	<b>% held of issued ordinary capital</b>
1	MOUTIER PTY LTD	12,031,683	10.41
2	MR MARK CHRISTOPHER JOBLING	11,690,000	10.11
3	MR MICHAEL FAIRCLOUGH	10,235,516	8.85
4	ANZ NOMINEES LIMITED	9,805,250	8.84
5	JDV LIMITED	5,150,845	4.46
6	GRAMELL INVESTMENTS PTY LIMITED	5,089,460	4.40
7	UBS NOMINEES PTY LTD	3,679,069	3.18
8	CORNELA PTY LTD	2,500,000	2.16
9	MR DAVID SCHWARTZ	2,231,100	1.93
10	DEPONENT SERVICES PTY LTD	2,000,000	1.73
11	TT NICHOLLS PTY LTD	1,700,000	1.47
12	GLEN ALPINE PTY LTD	1,642,258	1.42
13	TOPSFIELD PTY LTD	1,633,333	1.41
14	BRINDLE HOLDINGS PTY LTD	1,533,308	1.33
15	MR G LORD + MRS N LORD + MR R PECK	1,526,115	1.32
16	ZAP NOMINEES	1,300,000	1.12
17	JWS INVESTMENT PTY LTD	1,298,042	1.12
18	STARLET PROPERTIES PTY LTD	1,119,795	0.97
19	TRADINGWORXS	1,062,186	0.92
20	MR D FARRELL AND MS D FARRELL	1,000,000	0.87
	Top 20 Shareholders (Grouped) as at 26 August 2009	76,227,960	68.55

**(h) Stock exchange listing**

Quotation has been granted for all the ordinary shares of the Company on the Australian Securities Exchange.

**(i) Restricted securities**

Restricted securities as at 28 August 2009 are 503,555 ordinary shares held by Company employees.

**(j) Unquoted securities**

The unquoted securities of the Company as at 28 August 2009 are 4,500,000 Options are outlined below

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Number of Holders</b>
1,200,000	\$0.10	30/11/2011	4
1,000,000	\$0.10	15/01/2011	1
1,000,000	\$0.12	25/05/2011	2
500,000	\$0.10	24/06/2013	1
300,000	\$0.15	24/06/2013	1
500,000	\$0.15	17/10/2013	2

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