

27 August 2012

Manager of Company Announcements
ASX Limited
Level 6, 20 Bridge Street
SYDNEY NSW 2000

By E-Lodgement

Stratatel's Annual Financial Results

Results for Announcement to the Market

The operating results for the year to 30 June 2012 are shown with comparisons to the previous corresponding period, being the year ended 30 June 2011.

	Year ended 30 June 2012 \$	Year ended 30 June 2011 \$	Percentage increase / (decrease) over previous corresponding period
Revenue from ordinary activities	12,453,939	16,557,558	(25)%
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	10,170	1,025,535	(99)%
Profit/(loss) from ordinary activities after tax attributable to members	(2,008,515)	173,472	(1,158)%
Net profit/(loss) for the period attributable to members	(2,008,515)	173,472	(1,158)%

Dividends

No dividends were paid during the financial year. The Board advises that it does not intend to declare a final dividend for the financial year, and it will consider reinstating the dividend policy in the future, subject to performance.

Net Tangible Assets / Earnings Per Share

	30 June 2012	30 June 2011
Net tangible assets per ordinary share	127 cents	88 cents
Basic earnings per ordinary share	(1.17) cents	0.12 cents

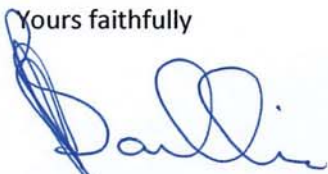
Independent Audit Report

The information outlined above is presented in accordance with ASX Listing Rule 4.3A and the *Corporations Act 2001* (**Corporations Act**). The Appendix 4E is based on the audited Annual Financial Report for the year ended 30 June 2012. The Independent Audit Report is included in the Annual Financial Report attached.

Accounting Policies, Estimation Methods and Measurements

The accounting policies, estimation methods and measurement bases used in the Appendix 4E is the same as those used in the previous annual report and half-year report.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'G. Baillie', is written over the closing text.

Graham Baillie
Chairman

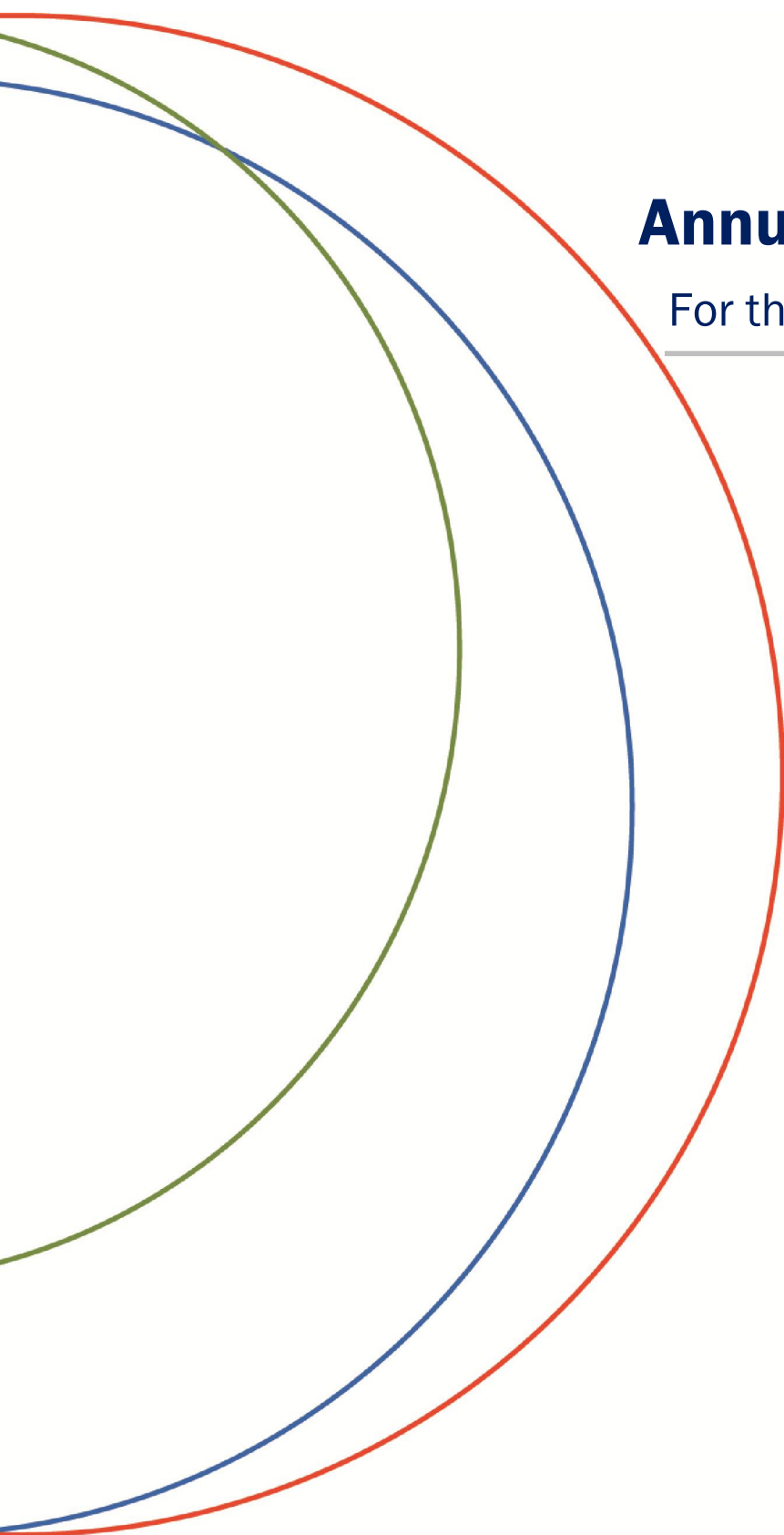
STRATATEL

Stratatel Limited

(ABN 63 088 257 729)

Annual Financial Report

For the year ended 30 June 2012



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CORPORATE INFORMATION

ABN 63 088 257 729

Directors

Mr Graham Baillie
Mr Ian Macliver
Mr Michael Fairclough
Mr John Bond

Company Secretary

Ms Sarah Smith

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 George's Terrace
Perth
Western Australia 6000

Solicitors

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

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Securities Exchange Listings

Australian Securities Exchange
ASX Code: STE

Website

www.stratatel.com.au

CHAIRMAN'S LETTER

Dear Shareholder

Whilst the consolidated financial performance for the 2012 financial year is not up to Directors' expectations, the Board of the Company is confident of a significant improvement in financial performance for 2013.

This confidence is due to a number of contributory factors, initially with the recent restructure of the Company's Board of Directors and Senior Management to both review and define the strategic direction of the Company going forward as well as to implement substantial change in the way it conducts its business operations in order to deliver the financial performance that we remain confident the Company is capable of.

The Company's investment in sales & marketing, particularly in its print and expense management software division, failed to deliver the expected results and has been scaled back substantially to focus on its core existing customers and services.

In testing economic conditions the Company's premier product FleetManager[®] has again performed strongly and is expected to increase its contribution in 2013 following a substantial product upgrade program currently being undertaken. The joint venture for FleetManager[®] in South Africa incurred establishment expense during the period but future financial contributions are encouraging.

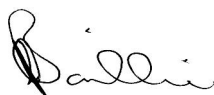
The Company's services & consulting contributions were slightly below expectation for the period with a decline in licence revenue but steady income being derived from professional services, particularly in the demand for the transitioning over to cloud based business software services, which the Company identifies as an area of substantial growth potential going forward.

Following the recent management restructure, a comprehensive review of the Company's operations is being undertaken with key areas of change already identified in the rationalisation and centralisation of services, to be further enhanced by the implementation of an underlying performance management system.

The benefits of this review, underpinned by a detailed and rigorous budget program being completed, are anticipated to have immediate impact and translate into enhanced financial performance improvement over 2012.

As the incoming Chairman of the Company, I assure all shareholders that the Company is committed in 2013 to ensure that the current business operations deliver their projected financial contributions and provide the platform on which to build further value. Actions to date reflect this commitment with further change anticipated, and coincides with a review of the future direction of the Company being undertaken.

On behalf of the Board of Directors, I would like to thank the management and staff for their dedication to the Company's cause during this time of economic uncertainty. I would also like to extend everyone's appreciation to Ian MacIver who has admirably Chaired the Company since inception and to Mike Fairclough who as founder and CEO, has guided the Company through its formative years.



Graham Baillie
Chairman

DIRECTORS' REPORT

Your directors submit the annual financial report of the consolidated entity for the financial year ended 30 June 2012. 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

Graham Baillie FAICD (Non-Executive Chairman)

Mr Baillie joined the Company in September 2007 as a non-executive Director. He also is a member of the company's Audit Committee and Remuneration Committee.

Graham is currently majority shareholder and executive chairman of JCurve Solutions Pty Ltd, which has developed and recently launched software for small business, branded JCurve, into the Australian & NZ markets.

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 OSA is known as Converga.

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.

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

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

Mr MacIver 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, Grange Capital Partners Pty Ltd, which specialises in capital raisings and corporate finance transactions.

In the three years immediately before the end of the financial year, Mr MacIver has also served as a Non-Executive Director of the following listed companies:

Feb 2011	current	Western Areas NL
Jan 2004	current	Otto Energy Limited
Sept 2010	current	Select Exploration Limited

Michael James Fairclough MAICD (Non-Executive Director)

Mr Fairclough founded the Company in 1997 and has been actively involved in the communications and technology industry throughout Australia for over 15 years. Mr Fairclough was the founding managing director of the Company until recently and continues in a non-executive director capacity.

John Bond B.Com, B.Juris, B Laws, FAICD

Mr Bond has been a Director of Primewest Management Limited since 2000 and of other companies within the group since 1994. Primewest is a commercial property syndication business with assets under management of \$1.3 billion located in all mainland states.

His background spans law, investment banking as well as property investment and development. As a professional property investor, he has over 20 years' experience in negotiating acquisitions, overseeing the development of properties and asset management.

Mr Bond is a qualified solicitor and also holds a Bachelor of Commerce degree, is a Corporate Member of the Property Council and a member of the Australian Institute of Company Directors. He is also a Director of Martu People Limited which runs a Charitable Trust for the Martu People of the Western Desert.

DIRECTORS' REPORT (continued)

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

Mr Lambert joined the Company in 20 July 2000 and retired as a director of the Company on 29 July 2011.

In the three years immediately before the end of the financial year, Mr Lambert has also served as a director of the following listed companies:

Mar 2003-May 2010	Reward Minerals Ltd
Jun 1999-July 2010	ICS Global Ltd

Company Secretary

Sarah Smith B.Com, CA

Ms Smith was appointed Company Secretary on 1 September 2011. Sarah provides corporate advisory and financial management services to clients of Grange Consulting. Sarah is a chartered accountant with significant experience in accounting and business services. Sarah specialises in corporate compliance, statutory reporting and financial accounting services for listed companies.

Shannon Robinson LLB, B.Com (Accounting), ACIS

Ms Robinson was appointed Company Secretary on 7 October 2010 and resigned 31 August 2011. Shannon was a Senior Executive at Grange Consulting, where she specialised in providing corporate advice in relation to acquisitions, takeovers, capital raisings, listing of companies on ASX, due diligence reviews and compliance and managing legal issues associated with the activities undertaken by Grange's clients. Shannon has acted as the company secretary of a number of ASX listed companies. Shannon is an associate of the Chartered Secretaries Australia and a member of AMPLA and has previously worked as a corporate lawyer at boutique law firms.

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
G Baillie	9,890,907	-
I A MacIver	6,064,020	-
M J Fairclough	14,048,877	-
J Bond	31,198,481	-
	61,202,285	-

During the financial year no share options were granted as remuneration.

	Number of options granted as remuneration	Number of options over ordinary shares held at date of this report
Director:		
G Baillie	-	-
I A MacIver	-	-
M Fairclough	-	-
J Bond	-	-
Executives:		
M Parry	-	1,550,000
J Butchers	-	800,000
J Williams	-	500,000
J Slaiman	-	500,000
	-	-
Total	-	3,350,000

Details of unissued ordinary shares under options are as follows:

	Number of options	Executives' option holdings #	Exercise price	Expiry date
Stratatel Limited	2,500,000	2,250,000	\$0.10	9 December 2012
Stratatel Limited	300,000	300,000	\$0.15	24 June 2013
Stratatel Limited	500,000	500,000	\$0.10	31 July 2013
Stratatel Limited	300,000	300,000	\$0.15	17 October 2013
Stratatel Limited	500,000	-	\$0.10	24 May 2013
Total	4,100,000	3,350,000		

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

Dividends

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

-No dividends were declared or paid during the Financial Year ended 30 June 2012.

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, namely FleetManager® and cost manager / FollowNGo (Softlog) as well as software consulting and services around IBM products.

Review of operations

Whilst the 2011/12 overall financial result was disappointing, there are some contributing factors that do not impact on the underlying performance of the business operations, that, in the main are performing reasonably well given the prevailing tough economic environment and which are sustainable through such, with growth potential going forward.

The result was negatively impacted by a number of factors including;

- i. Further investment in the Company's deal with South African Telco
- ii. Redundancies for cost reduction
- iii. Under-performance from the Print & Expense Management business unit

During the first half of 2012, a review and analysis of the operations of the Company was undertaken resulting in the appointment of a Business Unit Manager to each division with full operational and financial accountability.

As a direct result, in the second half of the year the underlying financial performance of the Telecommunications Expense Management and Services and Consulting divisions improved. Work continues on improving the Print & Expense Management business unit's operational and financial performance.

During the year and across all divisions, reduced client and revenue retention was experienced and whilst partly due to the economic climate, all Business Unit Managers now have full responsibility for customer service and retention, with service enhancement programmes in place, supported by Key Performance Indicators.

In terms of product development, a major product review of FleetManager® is near complete. This will ultimately result in the next major version release of the product or indeed a new improved product. Similarly, the compilation of a new product roadmap for the Print & Expense Management business unit is due to commence in the first quarter of 2013.

The Company is also focussed on leveraging and enhancing sales from a channel strategy for both the Telecommunications Expense Management and Print & Expense Management business units. The Company's policy is to now retain sales personnel to primarily support channel sales.

The channel strategy for Services and Consulting is embryonic with a continued direct sales approach, running in parallel with building up channel partnerships, particularly in the cloud computing space.

Operating results for the year

The financial performance of the company was \$10K EBITDA for year ended 30 June 2012 being recorded compared to 2011 which was \$1.03m EBITDA. The net loss before tax was \$2.6M (\$2.0M net loss after tax) for the 2012 financial year against a \$296k net profit before tax (\$173k net profit after tax) for the previous reporting period.

This financial result was achieved in challenging market conditions and affected by abnormal items and impairment of some Company intangible assets.

The Company wrote off as impairment of intangible assets \$2,002,633 for capitalised research and development in Softlog and Phoneware, and goodwill in Softlog and Vircom.

Other abnormal, one-off factors that affected the Company's result were redundancies & terminations (\$301,150), and the Company's net investment in the South African joint venture (\$110,108).

After setting aside the abnormal items and impairment of intangible assets that adversely affected the Company's result for 2011/2012, the Board is confident that the underlying business is solid and profitable and 2012/2013 will provide a much improved result.

DIRECTORS' REPORT (continued)**Shareholder returns**

No dividends have been paid to shareholders since the start of the financial year.

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

Mike Fairclough resigned as Managing Director on 31 July 2012. The Company has employed a new management reporting structure whereby the General Managers of each division will report directly to the Board. The Directors are of the belief that this structure is appropriate for the size and nature of the Company's activities, and will enhance the flow of communications between management and the Board.

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 role which is currently undertaken by the full 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 Company's constitution specifies 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.

The remuneration of non-executive directors for the year ended 30 June 2012 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 key management personnel and company executives is detailed in Table 1 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 currently delivered in the form of options. The LTI is under continuous review by the Company.

Employment Contracts

Former Managing Director, Mr. Michael Fairclough, was employed under contract from 1 July 2011 to 29 July 2011. The contract provided Mr. Fairclough with an annual salary of \$450,000 including superannuation and ceased on 29 July 2011 following Mr Fairclough's transition to non-executive Director on 1 August 2011. Mr Fairclough resumed full executive duties on 1 April 2012 and was paid on the basis of an annual salary of \$360,000 plus superannuation until 31 July 2012 when Mr Fairclough returned to a non-executive position.

DIRECTORS' REPORT (continued)*Remuneration of directors and named executives***Table1: Key Management Personnel remuneration for the year ended 30 June 2012**

		Short-term employee benefits			Post employment	Equity	Total	
		Salary	Bonuses / Commission	Other short term benefits	Super-annuation	Options		Performance Related
		\$	\$	\$	\$	\$	\$	%
Directors								
G Baillie	2011	62,500	-	-	5,625	-	68,125	-
<i>Chairman executive</i>	(non 2012	69,532	-	-	6,258	-	75,790	-
M Fairclough #	2011	448,341	-	-	25,000	-	473,341	-
<i>Director (non executive)</i>	2012	236,518	-	200,000	9,890	-	446,408	-
I MacIver -	2011	91,880	-	-	8,269	-	100,149	-
<i>Director (non executive)</i>	2012	89,643	-	-	8,068	-	97,711	-
J Bond ~	2011	-	-	-	-	-	-	-
<i>Director (non executive)</i>	2012	8,568	-	-	771	-	9,340	-
G Lambert *	2011	65,000	-	-	5,850	-	70,850	-
<i>Director (non executive)</i>	2012	5,417	-	-	487	-	5,904	-
Executives								
M Parry +	2011	244,743	10,000	-	22,501	-	277,244	4
<i>Chief Executive Officer</i>	2012	402,351	6,881	-	27,612	-	436,844	2
J Butchers	2011	245,989	10,000	2,525	22,273	-	280,787	4
<i>Chief Financial Officer</i>	2012	247,802	4,587	3,526	22,715	-	278,630	2
J Slaiman	2011	160,970	48,909	-	18,007	-	227,886	21
<i>General Manager TEMS</i>	2012	166,205	31,881	-	17,828	-	215,914	15
K Massey	2011	100,741	-	-	9,067	-	109,808	-
<i>TEMS Business Manager</i>	2012	135,122	-	-	12,161	-	147,283	-
J Williams	2011	120,183	-	-	11,250	-	131,433	-
<i>Development Manager</i>	2012	130,186	-	-	11,717	-	141,903	-

non-executive from 1 August 2012

* resigned 29 July 2011

- resigned as Chairman 4 May 2012

~ Appointed 8 May 2012

+ resigned 8 May 2012

DIRECTORS' REPORT (continued)*Remuneration of directors and named executives***Table2: Options granted as part of remuneration during the year ended 30 June 2012**

	Value of options granted \$	Value of options exercised \$	Value of options lapsed \$	Total value of options granted, exercised and lapsed \$	Value of options included in remuneration for the year \$	% remuneration consisting of options for the year
M Parry	-	-	-	-	-	-
J Butchers	-	-	-	-	-	-
J Slaiman	-	-	-	-	-	-
A Palmer	-	-	-	-	-	-
J Williams	-	-	-	-	-	-

For details on the valuation of the options, including models and assumptions used, please refer to Note 17. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

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:

	Directors' Meetings	Audit & Risk Management Committee
Number of meetings held:	12	2
Number of meetings attended:		
I MacIver	12	2
M Fairclough	12	n/a
G Baillie	12	2
J Bond	2	n/a

Proceedings on behalf of the company

No person has applied for leave of the 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 21 and forms part of this Directors' Report for the year ended 30 June 2012.

Non-Audit Services

There were no non-audit related activities carried out by the Company's auditors during the year ended 30 June 2012.

Signed in accordance with a resolution of the directors.



G Baillie
Chairman

Dated at PERTH this 27th day of August 2012

CORPORATE GOVERNANCE STATEMENT

In fulfilling its obligations and responsibilities to its various stakeholders, the Board is a strong advocate of corporate governance. This statement outlines the principal corporate governance procedures of Stratatel Limited (**Stratatel**). The Board supports a system of corporate governance to ensure that the management of Stratatel is conducted to maximise shareholder wealth in a proper and ethical manner.

ASX Corporate Governance Council Recommendations

The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments ("Corporate Governance Recommendations") where considered appropriate for a company of Stratatel's size and nature. Such policies include, but are not limited to the Board Charter, Board Committee Charters, Code of Conduct, Security Trading, Continuous Disclosure, Shareholder Communication and Risk Management Policies.

Further details in respect to the Company's corporate governance practises are summarised below and copies of Company's corporate governance policies are available of the Company's web site at www.stratatel.com.au.

All Corporate Governance Recommendations have been applied for the year ended 30 June 2012 unless set out below.

Board Charter

The Board considers that the essential responsibilities of the Directors are to oversee Stratatel's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value.

The Board has established a charter, which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The key responsibilities of the Board include:

- Establishing the goals (short, medium and long term) and strategy for the Company.
- Approving the annual strategic plan and major operating plans.
- Approving the annual operating budget.
- Reviewing and providing feedback on the performance of the Managing Director.
- Reviewing the performance of the Board, the individual directors and any Board committees.
- Reviewing and approving the full-year financial statements and directors' report.
- Approving the annual report and notice of annual general meeting.

Board composition

The composition of the Board shall be determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas.
- The Chairman should be non executive.
- The Board should comprise a majority of non-executive Directors.
- Directors should bring characteristics which allow a mix of qualifications, skills and experience.

The composition of the Board is reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.

In appointing new members to the Board, consideration is given to the ability of the appointee to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

The independence of the Directors should be regularly assessed by the Board in light of the interests disclosed by them. Directors are expected to bring their independent views and judgement to the Board and must declare immediately to the Board any potential or active conflicts of interest.

The Board has established procedures for the selection and appointment of new Directors to the Board in line with the requirements of the Board Charter to ensure there is a formal and transparent procedure that promotes confidence and understanding in the process.

CORPORATE GOVERNANCE STATEMENT (continued)

Director Independence

A Director is only to be regarded as independent if the Director is independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of the Director's unfettered and independent judgement.

In considering whether a Director is independent, the Board considers guidance on independence set out in Corporate Governance Recommendation 2 (Box 2.1) and other facts, information and circumstances that the Board considers material.

The Board assesses the independence of each director in light of interests disclosed by them.

The assessment of whether a Director is considered independent (both from the perspective of the Company and the Director) is based on the following materiality thresholds:

- payments made by the Company to the Director or any of his associated entities for the provision of goods and/or services does not exceed 10% of the annual gross expenditure of the Company; or
- payments received by the Director for the provision of goods and/or services to the Company does not exceed 25% of the annual income or business turnover of the Director or his associated entities.

Having regard to the criteria impacting independence as outlined in Corporate Governance Recommendation 2 and the above materiality thresholds the following directors are considered to be independent: Mr Ian MacIver, Mr Graham Baillie and Mr Geoff Lambert.

Performance Evaluation Procedures

The Board has established formal processes to review its own performance and the performance of individual directors, the Managing Director, committees of the Board and key executives, at least annually.

As part of the annual review of the performance of the Board, the appropriate size, composition and terms and conditions of appointment to and retirement from the Board are considered. The level of remuneration for non-executive directors is considered with regard to practices of other public companies, external professional advice (if considered necessary) and the aggregate amount of fees approved by shareholders and otherwise in accordance with the remuneration policies established by the Board.

Other issues examined in the review include the Board's interaction with management, the type of information provided to the Board by management and management performance in helping the Board meet its objectives.

Corporate Code of Conduct

A formal code of conduct for the Company applies to all directors and employees. The purpose of this Code of Conduct is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. The code sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from employees.

The Directors, managers and employees are expected to act with the utmost integrity and objectivity, observe the highest standards of behaviour and business ethics and strive at all times to enhance the good reputation and performance of the Group by acting in the best interests of the Group, being responsible and accountable for their actions and observing the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

The Company has developed an extensive code of conduct which is encapsulated in the corporate governance policies and the Company's terms and conditions of employment. Conduct guidelines apply to all employees which address the values and vision of the Company, business ethics and protocol, policies and procedures, employee entitlements, responsibilities and expectations of both the Group and employees and compliance with relevant legal, shareholder and stakeholder obligations.

All employees have position descriptions that reinforce their duties, rights and responsibilities and all are required to participate in performance reviews to ensure the Company expectation is aligned with employee goals and key performance indicators. Actual performance is reviewed annually and, if necessary, more frequently. The Company encourages regular feedback, review and continuous improvement so as to maintain and enhance the desired corporate culture and standard of ethical behaviour.

CORPORATE GOVERNANCE STATEMENT (continued)

Policy for Trading In Company Securities

Trading in the Company's securities by directors and employees is not permitted when they are in possession of unpublished price sensitive information. Any transactions undertaken must be notified to the Chairman or Managing Director in advance for approval before dealing in the Company's securities.

Directors, officers and employees must not buy, sell or subscribe for securities if they are in possession of 'inside information' (information that is not generally available and, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of securities). The Corporations Act 2001 provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the securities.

Subject to the insider trading restrictions above, it is the Board's policy that Directors, officers and employees will not trade in the securities during the period of preparation of the quarterly, half yearly and annual financial results for release to ASX; the period of preparation of a disclosure document offering securities in the Company for release to ASX; and whilst in negotiations in respect to material acquisitions.

The Board's policy also reinforces the Directors' and Company's statutory obligations to notify the ASX of any dealing in the securities which results in a change in the relevant interests of a Director in the securities. As contemplated in the ASX listing rules, each Director provides notice of such dealings to the Company Secretary within three business days of any such dealing to enable the Company to comply with its corresponding obligation to notify the ASX.

Audit Committee

The Board has established a separate audit committee to advise and support the Board in carrying out its duties. Matters determined by the audit & risk management committee are submitted to the full Board as recommendations for Board consideration.

The current members of the audit committee are Mr Ian MacIver and Mr Graham Baillie with the Chief Financial Officer and others invited to participate from time to time. Mr Geoff Lambert was a member and the chairman of the committee until retirement on 29 July 2011. During the financial year, the committee comprised of 3 members and currently now comprises of only 2 members. All members of the audit committee are independent non-executive directors.

Details of the qualifications of committee members and attendance at committee meetings are set out in the Directors' Report.

The audit committee operates in accordance with a written charter. The audit committee oversees risk management, accounting and reporting practices, and is also responsible for:

- co-ordination and appraisal of the quality of the audits conducted by the Company's external auditor;
- determination of the independence and effectiveness of the external auditor;
- assessment of whether non-audit services have the potential to impair the independence of the external auditor;
- reviewing the adequacy of the reporting and accounting controls of the Company;
- review the effectiveness of the compliance function in general; and
- assessment of financial risks arising from the Company's operations and considering the adequacy of measures taken to moderate those risks.

Corporate reporting

The Chief Executive Officer and Chief Financial Officer provide assurance to the Board that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks. In addition, reporting of the management of the Company's material business risks forms part of routine management reporting to the Board and review by the audit committee.

CORPORATE GOVERNANCE STATEMENT (continued)

Continuous Disclosure and Shareholder Communication

The Company has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company. The Board has also adopted a formal written policy covering arrangements to promote communications with shareholders and to encourage effective participation at general meetings.

The Managing Director, Chairman, Chief Executive Officer and the Company Secretary have been nominated as the Company's primary disclosure officers. All information released to the ASX is posted on the Company's web-site immediately after it is disclosed to the ASX. When analysts are briefed on aspects on the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's web-site.

Stratatel is committed to providing shareholders and stakeholders with extensive, transparent, accessible and timely communications on the Company's activities, strategy and performance. In addition, the Company makes all market announcements, media briefings, details of shareholders meetings, press releases and financial reports available on the Company's website www.stratatel.com.au.

Risk Management

The Company recognises the need to pro-actively manage the risks and opportunities associated with both day-to-day operations of the organisation and its longer term strategic objectives and has developed a risk management policy. The risk management policy outlines the roles and responsibilities of the Board and management in respect to risk oversight and management and the Company's process of risk management and internal compliance and controls.

The Board is responsible for the establishment, oversight and approval of the Company's risk management strategy, internal compliance and controls. The Board is also responsible for defining the "risk appetite" of the Company so that the strategic direction of the Company can be aligned with its risk management policy.

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.

Remuneration and Nomination

The Board has established a Remuneration and Nomination Committee Charter which outlines the overall strategies in respect to Director and executive remuneration and the processes surrounding new Board appointments to ensure an appropriate mix of skills and experience to properly fulfil its responsibilities.

As outlined below, given the current structure of the Board, the role of the Remuneration and Nomination Committee is undertaken by the full Board and includes reviewing and providing recommendations in respect to:

- remuneration packages of key executives and directors;
- incentive policies, incentive plans and other employee benefit programs;
- recruitment, retention and termination policies;
- procedures for senior management;
- superannuation arrangements;
- succession plans of key executives (other than executive directors) and ensuring the performance of key executives is reviewed at least annually;
- those aspects of the Company's remuneration policies and packages, including equity-based incentives, which would be subject to shareholder approval; and
- nominations for potential director candidates.

CORPORATE GOVERNANCE STATEMENT (continued)

Remuneration and Nomination (continued)

In line with Corporate Governance Recommendations the Company distinguishes between the remuneration of non-executive directors and senior executives. When determining non-executive director remuneration the Board will take into account recommendations that:

- Non-executive directors should normally be remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or salary sacrifice into equity. They should not normally participate in schemes designed for the remuneration of executives;
- Non-executive directors should not receive options or bonus payments; and
- Non-executive directors should not be provided with retirement benefits other than superannuation.

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 and fees paid to non-executive directors. Non-executive directors 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.

Corporate Governance Compliance Schedule

The table below identifies the ASX Corporate Governance Principles and Recommendations (**Principles**) and whether or not the Company has complied with the recommendations during the reporting period:

	Recommendation	Complied	Note
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✓	
1.2	Disclose the process for evaluating the performance of senior executives.	✓	
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	✓	
2.1	A majority of the board should be independent directors.	✓	
2.2	The chair should be an independent director.	✓	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	✓	
2.4	The board should establish a nomination committee.	✗	Note 1
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	✓	
2.6	Provide information indicated in the Guide to reporting on Principle 2.	✓	
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓	
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	✗	Note 2
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.	✗	Note 2
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✓	Note 2
3.5	Provide information indicated in the Guide to reporting on Principle 3.	✓	

CORPORATE GOVERNANCE STATEMENT (continued)

Corporate Governance Compliance Schedule (continued)

	Recommendation	Complied	Note
4.1	Establish an audit committee.	✓	
4.2	Structure the audit committee so that it: • consist only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members.	✓	Note 3
4.3	The audit committee to have a formal charter.	✓	
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	✓	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	✓	
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	✓	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	✓	
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	✓	
7.1	Establish policies for oversight and management of material business risks and disclose a summary of those policies.	✓	
7.2	Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. Disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓	
7.3	Disclose whether assurance has been received from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓	
7.4	Provide information indicated in the Guide to reporting on Principle 7.	✓	
8.1	Establish a remuneration committee.	✗	Note 4
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓	
8.3	Provide the information indicated in the Guide to reporting on Principle 8.	✓	

Note 1: Recommendation 2.4 – Nomination Committee

Recommendation 2.4 of the Principles states that the board should establish a nomination committee that should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent director; and
- has at least three members.

The Board does not have a separate nomination committee. The Board, as a whole, serves as a nomination committee and acts in accordance with the Nomination and Remuneration Committee Charter (**Charter**). The Board does not believe any efficiency or other benefits would currently be gained by establishing a separate nomination committee.

The responsibility for the selection of potential directors lies with the full Board of the Company. A separate nomination committee has not been constituted because the Board considers that the size of the current full Board permits it to act as the nomination committee and to regularly review membership. This includes an assessment of the necessary and desirable competencies of Board members, Board succession plans and an evaluation of the Board's performance and consideration of appointments and approvals.

CORPORATE GOVERNANCE STATEMENT (continued)

Corporate Governance Compliance Schedule (continued)

When a Board vacancy occurs, the Board acting as the nomination committee identifies the particular skills, experience and expertise that will best complement Board effectiveness, and then undertakes a process to identify candidates who can meet those criteria.

Directors are not appointed for specific terms, as their periods in office are regularly reviewed as part of annual performance evaluation processes and they are subject to re-election every three (3) years.

Note 2: The Principles recommends that companies should actively promote ethical and responsible decision-making.

(a) Recommendation 3.2 – Diversity Policy

Recommendation 3.2 states that companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people.

Under the Company's Code of Conduct, employees must not harass, discriminate or support others who harass and discriminate against colleagues or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender. Such harassment or discrimination may constitute an offence under legislation.

[The Board does not consider that at this stage it is appropriate to specifically adopt a policy specifically addressing diversity, but will consider adopting a policy as the company increases in size. Due to the small scale of the Company's operations and the limited number of employees, the Company has not yet established a Diversity Policy]. However, as the Company develops the Board will consider adopting such a policy.

(b) Recommendation 3.3 – Measurable Objectives for Achieving Gender Diversity

Recommendation 3.3 of the Principles states that the board should disclose in each annual report the measurable objective for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Given the size of the Company, the Company has not yet set measurable objectives for achieving gender diversity. In addition, the Board will review progress against any objectives identified on an annual basis.

(c) Recommendation 3.4 – Annual Report Disclosure

Recommendation 3.4 of the Principles states that the board should disclose in each annual report:

- the proportion of women employees in the whole organisation;
- women in senior executive positions; and
- women on the board.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved with Ms Sarah Smith as the Company Secretary holding a senior executive position in the Company. The proportion of women employees in the whole organisation is 27, representing 40.9% of total employees within the organisation, and there are currently 2 women in senior executive positions within the Company, representing 25% of total senior executive positions within the organisation.

Note 3: Recommendation 4.1 – Audit Committee

The Corporate Governance Recommendations recommend that companies should have a structure to independently verify and safeguard the integrity of their financial reporting. Recommendation 4.1 of the Principles states that the board should establish an audit committee.

Recommendations 4.2 of the Principles states that the audit committee be structured so that it:

- consists only of non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not chair of the board; and
- has at least three members.

CORPORATE GOVERNANCE STATEMENT (continued)

Corporate Governance Compliance Schedule (continued)

The Company has established an Audit Committee ("Committee") which operates in accordance with a written charter. The current members of the Committee are Mr Ian MacIver and Mr Graham Baillie with other board members and the Chief Financial Officer participating from time to time by invitation.

Due to the current structure of the Board, membership of the Committee does not meet all of the recommended guidelines for composition of an audit committee. The Committee does not have at least 3 non-executive members, following Mr Lambert's retirement as a director of the Company and a member of the Committee.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved by a committee of 2 non-executive, independent members reporting to the full Board. In circumstances where the size of the Board is expanded as a result of the growth of the Company, the Board will reconsider the composition of the Committee to ensure compliance with the Principles where possible.

Note 4: Recommendation 8.1 – Remuneration Committee

Recommendation 8.1 of the Principles states that the board should establish a remuneration committee that should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent director; and
- has at least three members.

The directors consider that the current size of the Board of the Company does not warrant the establishment of a separate remuneration committee. The Board considers that it is more appropriate that it set aside time at Board meetings to address matters that would normally fall to the remuneration committee. The full Board will consider the functions normally undertaken by a remuneration committee in accordance with the Charter. In addition all matters of remuneration will continue to be determined in accordance with the Corporations Act requirements, especially in relation to related party transactions. That is no director will participate in any deliberations regarding their own remuneration or related issues.

In circumstances where the size of the Board is expanded as a result of the growth or complexity of the Company, the establishment of separate Board committees will be reconsidered.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Stratatel Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Stratatel Limited.



Perth, Western Australia
27 August 2012

W M Clark
Partner, HLB Mann Judd

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Consolidated (\$)	
		2012	2011
Revenue	2	12,453,939	16,557,558
Cost of goods sold		(4,212,993)	(6,710,239)
Employee benefits expense		(4,978,049)	(5,696,134)
Other employee related expense		(728,414)	(867,957)
Communications expense		(242,919)	(222,432)
Advertising and marketing		(136,884)	(197,407)
Professional fees		(975,587)	(859,077)
Occupation expense		(718,190)	(591,701)
Listing expense		(32,010)	(39,143)
Depreciation and amortisation expense		(607,894)	(766,816)
Impairment expense	12	(2,002,633)	-
Finance costs		(14,362)	(5,580)
Other expenses		(376,921)	(305,215)
(Loss)/profit before income tax		(2,572,917)	295,857
Income tax benefit/(expense)	3	563,794	(122,385)
Net (loss)/profit for the year		(2,009,123)	173,472
Other comprehensive income		-	-
Total comprehensive result for the year		(2,009,123)	173,472
Basic earnings per share (cents per share)	5	(1.17)	0.12
Diluted earnings per share (cents per share)	5	(1.17)	0.12

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Notes	Consolidated (\$)	
		2012	2011
Assets			
Current Assets			
Cash and cash equivalents	6	2,570,530	1,279,576
Trade and other receivables	7	2,747,702	4,094,768
Inventory	8	22,664	39,875
Other current assets	9	64,467	92,552
Total Current Assets		5,405,363	5,506,771
Non-Current Assets			
Property, plant and equipment	11	146,500	187,639
Development	12	894,396	2,222,206
Intangible assets	12	4,072,052	4,877,444
Other receivables	7	-	11,422
Other financial assets	10	167,574	162,962
Deferred tax asset	3	705,109	378,822
Total Non-Current Assets		5,985,631	7,840,495
Total Assets		11,390,994	13,347,266
Liabilities			
Current Liabilities			
Trade and other payables	14	3,860,549	4,476,430
Current tax liabilities		1,104	8,990
Provisions	15	-	82,315
Total Current Liabilities		3,861,653	4,567,735
Non-Current Liabilities			
Provisions	15	128,644	179,504
Deferred tax liability	3	-	237,894
Total Non-Current Liabilities		128,644	417,398
Total Liabilities		3,990,297	4,985,133
Net Assets		7,400,697	8,362,133
Equity			
Issued capital	16	10,879,285	9,831,598
Reserves	16	150,870	150,870
Accumulated losses		(3,629,458)	(1,620,335)
Total Equity		7,400,697	8,362,133

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated (\$) Inflows / (Outflows)	
	Notes	2012	2011
Cash flows from operating activities			
Receipts from customers		14,000,132	15,468,402
Payments to suppliers and employees		(13,307,725)	(14,369,640)
Interest received		37,190	39,084
Interest paid		(14,362)	(5,578)
Income tax (paid)/ received		(8,273)	(95,858)
Net cash provided by operating activities	6	706,962	1,036,410
Cash flows from investing activities			
Purchase of non-current assets		(436,187)	(757,336)
Payment for other investments		(27,508)	(127,567)
Net cash used in investing activities		(463,695)	(884,903)
Cash flows from financing activities			
Proceeds from issue of shares		1,196,239	-
Dividends paid		-	(429,981)
Share issue costs paid		(148,552)	(3,000)
Net cash provided/(used in) by financing activities		1,047,687	(432,981)
Net increase/(decrease) in cash and cash equivalents		1,290,954	(281,474)
Cash and cash equivalents at 1 July 2011		1,279,576	1,561,050
Cash and cash equivalents at 30 June 2012		2,570,530	1,279,576

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

Consolidated	Issued Capital	Accumulated Losses	Equity Benefits Reserve	Total
	\$	\$	\$	\$
As at 1 July 2010	9,702,045	(1,230,432)	150,870	8,622,483
Profit for the year	-	295,857	-	295,857
Income tax expense	-	(122,385)	-	(122,385)
Dividends paid	-	(563,375)	-	(563,375)
	9,702,045	(1,620,335)	150,870	8,232,580
Shares issued	132,553	-	-	132,553
Share issue costs	(3,000)	-	-	(3,000)
Balance at 30 June 2011	9,831,598	(1,620,335)	150,870	8,362,133
As at 1 July 2011	9,831,598	(1,620,335)	150,870	8,362,133
Loss for the year	-	(2,572,917)	-	(2,572,917)
Income tax benefit	-	563,794	-	563,794
	9,831,598	(3,629,458)	150,870	6,353,010
Shares issued	1,196,239	-	-	1,196,239
Share issue costs	(148,552)	-	-	(148,552)
Balance at 30 June 2012	10,879,285	(3,629,458)	150,870	7,400,697

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 accounting policies detailed below have been consistently applied to all years unless otherwise stated. The financial statements are for the consolidated entity consisting of Stratatel Limited and its subsidiaries. The financial report has also been prepared on a historical cost basis.

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 and also operating in South Africa.

(b) Adoption of new and revised standards

In the year ended 30 June 2012, 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 2011. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

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 2012. 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 27 August 2012.

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)

FOR THE YEAR ENDED 30 JUNE 2012

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 13.

(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 17.

(iii) *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over future years together with future tax planning strategies.

(f) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Stratatel Limited.

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) 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 Statement of Financial Position 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 (h).

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.

(j) 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 Statement of Financial Position.

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

(k) Trade and other receivables

Trade receivables, which generally have 30-60 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.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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 date.

Deferred income tax is provided on all temporary differences at the balance 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 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 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 date.

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

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

(n) 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(p) Property, plant & equipment and depreciation & amortisation

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. Depreciation is calculated on a straight line basis over the estimated useful life of the assets.

Leasehold improvements are amortised over the period of the lease or the estimated useful life, whichever is the shorter, using the straight-line method.

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

Plant and equipment	3 – 14 years
Leasehold improvements	2 – 6 years

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 Statement of Comprehensive Income 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Property, plant & equipment and depreciation & amortisation (continued)

(ii) De-recognition 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.

(q) Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The Group's interests in assets where the Group does not have joint control are accounted for in accordance with the substance of the Group's interest. Where such arrangements give rise to an undivided interest in the individual assets and liabilities of the joint venture, the Group recognises its undivided interest in each asset and liability and classifies and presents those items according to their nature.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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 8 Operating Segments.

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.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Intangible assets (continued)

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, 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 and amortisation method used

The FleetManager[®] system as commercialised in July 2007 has been amortised using the straight line method over the 2012 financial year based on an estimated useful life of 10 years with 5 years remaining at 30 June 2012. Additional modules in development will be amortised when commercialised. The Softlog product has been amortised using the straight line method over the 2012 financial year based on an estimated useful life of 10 years with 5 years remaining at 30 June 2012. The Phoneware product has been amortised using the straight line method over the 2012 financial year based on an estimated useful life of 10 years with 6 years remaining at 30 June 2012. Additional costs that are incurred are amortised over the 10 year period of the modules, being the useful life of the projects.

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)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(u) 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. Provisions are not recognised for future operating losses.

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 Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

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 an interest expense.

(v) Employee 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.

(w) Share-based 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 18.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Share-based transactions (continued)

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).

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 Statement of Comprehensive Income 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).

(x) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(y) Earnings per share

Basic earnings per share is calculated as net profit/loss 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/loss 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.

(z) 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 date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 2: REVENUES AND EXPENSES

	Consolidated (\$)	
	2012	2011
(a) Revenue		
Telecommunications expense management	5,307,026	6,190,863
MTN South Africa	239,594	-
Print expense management	1,503,202	1,829,374
Training	2,560	57,539
IBM software licences – new sales	555,394	1,225,965
IBM software licences & maintenance renewals	3,528,447	5,138,479
Computer services & subscriptions	1,178,869	2,045,591
Interest income	41,802	42,718
Other income	97,045	27,029
	12,453,939	16,557,558
(b) Expenses		
Interest expense	14,362	5,580
Depreciation of non-current assets	90,270	119,213
Operating lease rental expense: minimum lease payments	599,295	507,823

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2012

NOTE 3: INCOME TAX

	Consolidated (\$)	
	2012	2011
Income tax recognised in profit or loss		
<i>The major components of tax expense are:</i>		
Current tax expense	387	6,064
Underprovision/(overprovision) of prior year tax	-	19,111
Origination and reversal of temporary differences	(564,181)	97,210
Total tax (benefit)/expense	(563,794)	122,385
<i>The prima facie income tax (benefit)/expense on pre-tax accounting (loss)/profit from operations reconciles to the income tax (benefit)/expense in the financial statements as follows:</i>		
Accounting (loss)/profit before tax	(2,572,917)	295,857
Income (benefit)/tax expense calculated at 30%	(771,875)	88,758
Underprovision/(overprovision) of prior year tax	(13,184)	22,012
Adjustment to benefit of tax losses previously brought to account	-	13,185
Goodwill impairment	241,618	-
Non-deductible expenses	4,832	12,630
Trademark expenses	-	1,573
Share issue expenses – deductible	(25,185)	(16,272)
Other	-	499
Income tax (benefit)/expense reported in the Statement of Comprehensive Income	(563,794)	122,385
Net Deferred Tax Asset		
<i>Analysis of deferred tax assets:</i>		
Tax losses available to offset against future taxable income	831,682	579,249
Accruals and provisions	142,428	230,517
	974,110	809,766
<i>Analysis of deferred tax liabilities:</i>		
Capitalised research and development	(268,319)	(666,661)
Prepayments	(682)	(2,176)
	(269,001)	(668,837)
Net Deferred Tax Asset	705,109	140,929

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 4: SEGMENT REPORTING

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance. The Board of Directors of Stratatel Limited reviews internal reports prepared as consolidated financial statements and strategic decisions of the company are determined upon analysis of these internal reports. The company operates predominantly in one business and geographical segment being the software development and software solutions industry providing services for corporate and government clientele throughout Australia. Accordingly, under the 'management approach' outlined only one operating segment has been identified and no further disclosure is required in the notes to the consolidated financial statements.

NOTE 5: EARNINGS PER SHARE

Consolidated

	2012	2011
	Cents per share	Cents per share
Basic earnings per share	(1.17)	0.12
Diluted earnings per share	(1.17)	0.12
	\$	\$
Earnings	(2,009,123)	173,472
	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	171,316,624	141,448,162
Weighted average number of ordinary shares for the purposes of diluted earnings per share:	171,316,624	141,448,162
	No.	No.
(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	171,316,624	141,448,162
Shares deemed to be issued for no consideration in respect of:		
• Employee options	-	-
Weighted average number of shares used in the calculation of diluted earnings per share	171,316,624	141,448,162

Consolidated (\$)

	2012	2011
<i>Paid dividends:</i> On fully paid ordinary shares:		
No Final dividend for the year ended 30 June 2011 was paid (2011 final: 0.20 cents)	-	279,894
No Interim dividend for the 2012 financial year was paid (2011 interim: 0.20 cents)	-	283,481
Total dividends paid in 2012 financial year	-	563,375

The company had no available franking credits.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated (\$)	
	2012	2011
Cash at bank and on hand	2,570,530	1,279,576
	<u>2,570,530</u>	<u>1,279,576</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

At 30 June 2012, the Group had available \$1,000,000 (2011: \$1,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Reconciliation of (loss)/profit for the year to net cash flows from operating activities

(Loss)/profit for the year	(2,009,123)	173,472
Non Cash flows in operating (loss)/profit:		
Depreciation and amortisation	607,895	766,816
Impairment	2,002,633	-
Equity settled share based payment	-	1
(Increase)/decrease in assets:		
Current receivables	1,347,066	(1,142,786)
Current inventories	17,211	(3,465)
Other current assets	28,085	(2,458)
Non-current receivables	11,422	5,284
Other financial assets	(4,612)	(58,808)
Deferred tax assets	(326,287)	62,102
Increase/(decrease) in liabilities:		
Current payables	(908,582)	1,244,093
Current tax provision	(7,886)	(70,682)
Provisions	(50,860)	62,841
Net cash from operating activities	<u>706,962</u>	<u>1,036,410</u>

NOTE 7: TRADE AND OTHER RECEIVABLES

Current:		
Trade receivables	2,557,216	3,671,895
Allowance for doubtful debts	(21,010)	(26,894)
Accrued revenue	211,496	449,767
	<u>2,747,702</u>	<u>4,094,768</u>
Non-Current:		
Employee share loans	-	11,422
	<u>-</u>	<u>11,422</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 8: INVENTORIES

	Consolidated (\$)	
	2012	2011
Raw materials – at cost	2,942	20,602
Finished goods – at net realisable value	19,722	19,273
	22,664	39,875

NOTE 9: OTHER CURRENT ASSETS

Prepayments	64,467	92,552
	64,467	92,552

NOTE 10: OTHER FINANCIAL ASSETS

Security Deposits	167,574	162,962
	167,574	162,962

NOTE 11: PLANT AND EQUIPMENT

Plant and equipment, at cost	821,707	759,695
Less accumulated depreciation	(679,004)	(588,733)
Net carrying amount	142,703	170,962
Leasehold improvements, at cost	45,119	44,519
Less accumulated depreciation	(41,322)	(27,842)
Net carrying amount	3,797	16,677
Total net carrying amount	146,500	187,639

Reconciliations: Consolidated

	Plant & Equipment \$	Leasehold Improvements \$	Total \$
Movements:			
Net carrying amounts as at 1 July 2010	185,785	12,639	198,424
Additions	104,390	15,841	120,231
Depreciation charges	(119,213)	(11,803)	(131,016)
Net carrying amounts as at 30 June 2011	170,962	16,677	187,639
Additions	62,012	600	62,612
Depreciation charges	(90,271)	(13,480)	(103,751)
Net carrying amounts as at 30 June 2012	142,703	3,797	146,500

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 12: INTANGIBLE ASSETS AND GOODWILL

Consolidated	Software Development	Goodwill	Total
	\$	\$	\$
Year ended 30 June 2011			
At 1 July 2010, net of accumulated amortisation and impairment	2,220,901	4,706,755	6,927,656
Additions	637,105	170,689	807,794
Amortisation charge	(635,800)	-	(635,800)
At 30 June 2011, net of accumulated amortisation and impairment	2,222,206	4,877,444	7,099,650
Year ended 30 June 2012			
At 1 July 2011, net of accumulated amortisation and impairment	2,222,206	4,877,444	7,099,650
Additions	373,575	-	373,575
Amortisation charge	(504,144)	-	(504,144)
Impairment charge	(1,197,241)	(805,392)	(2,002,633)
At 30 June 2012, net of accumulated amortisation and impairment	894,396	4,072,052	4,966,448

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 13).

An impairment loss of \$2,002,633 was recognised for continuing operations in the 2012 financial year.

The impairment charge of \$805,392 under goodwill is made up of \$170,812 impairment write off charge for Vircom and \$634,580 impairment write off charge for Softlog.

The Goodwill for Vircom acquired, as a result of an acquisition, is impaired as at 30 June 2012 due to only 1 customer being invoiced by Vircom. In the future this customer will transfer to FleetManager® leaving no customers and hence revenue in Vircom. The Goodwill acquired as a result of the acquisition is impaired and \$170,812 has been written off in 2012.

The goodwill for Softlog acquired, as a result of an acquisition, is impaired as at 30 June 2012 to the extent of \$634,580 after completion of net present value cash flows. The carrying value has been reduced to \$646,005 as at 30 June 2012.

The impairment charge of \$1,197,241 under software development is comprised of \$682,228 impairment write off charge for Softlog and \$515,013 impairment write off charge for Phoneware.

The Softlog software development cannot by way of net present value cash flows substantiate that the \$682,228 net R & D is recoverable. As a result, \$682,228 net software development has been written off as impaired in 2012.

The Phoneware software development cannot by way of net present value cash flows substantiate that the \$515,013 net R & D is recoverable. As a result, \$515,013 net software development has been written off as impaired in 2012.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 13: 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
- Resource

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 13.04% (2011: 14.25%) and cash flows beyond five years have not been prepared due to the asset not being impaired.

Senior management believe 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 13.04% (2011: 14.25%) and cash flows beyond four years have not been prepared due to the asset not being impaired.

Senior management believe 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 13.04% (2011: 14.25%).

The Goodwill acquired as a result of the acquisition is impaired as at 30 June 2012 due to only one customer being invoiced by Vircom.

In the near future this customer will transfer to FleetManager leaving no customers and hence revenue in Vircom.

Senior management has decided that the Goodwill in Vircom is impaired and \$170,204 of goodwill has been written off as impairment of an asset as at 30 June 2012.

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 four year period.

The discount rate applied to cash flow projections, including a factor for risk, is 13.04% (2011: 14.25%).

Senior management believe this forecast indicates that the goodwill is impaired and \$634,580 has been written off as impairment of the asset as at 30 June 2012.

The original goodwill has been written down to a carrying value of \$646,005 as at 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 13: IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES (continued)

Resource

The recoverable amount of the Resource 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.

The discount rate applied to the cash flow projections, including a factor for risk, is 13.04%.

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

	Consolidated (\$)					
	FleetManager	Phoneware	Vircom	Softlog	Resource	Total
At 30 June 2012						
Carrying amount of goodwill	100,000	2,618,217	-	646,005	707,830	4,072,052
Carrying amount of developed software	894,396	-	-	-	-	894,396
Total	994,396	2,618,217	-	646,005	707,830	4,966,448
At 30 June 2011						
Carrying amount of goodwill	100,000	2,618,217	170,812	1,280,585	707,830	4,877,444
Carrying amount of developed software	1,073,161	494,701	-	654,344	-	2,222,206
Total	1,173,161	3,112,918	170,812	1,934,929	707,830	7,099,650

Key assumptions used in value calculations for 30 June 2012 and 30 June 2011

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 3.54% (2011: 4.75%) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 14: TRADE AND OTHER PAYABLES

	Consolidated (\$)	
	2012	2011
Current:		
Trade payables (i)	2,084,823	2,141,086
Other payables	261,712	379,513
Payables – deferred consideration	-	27,508
Annual leave	190,303	285,238
Accrued expenses	219,601	774,020
Unearned Income	1,104,110	869,065
	3,860,549	4,476,430

(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 18.

NOTE 15: PROVISIONS

Current:		
Provision for long service leave	-	82,315
Non-current:		
Provision for long service leave	128,644	179,504
	128,644	261,819

NOTE 16: ISSUED CAPITAL AND RESERVES

	Consolidated (\$)	
	2012	2011
Ordinary shares issued and fully paid	10,879,285	9,831,598

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

Movement in ordinary shares on issue

	2012 No.	2012 \$
At 1 July 2010	140,478,850	9,702,045
Issued on 8 December 2010 pursuant to the Stratatel Dividend Reinvestment Plan	1,277,509	65,153
Issued on 2 May 2011 pursuant to the Stratatel Dividend Reinvestment Plan	1,531,826	67,400
Share Issue costs	-	(3,000)
At 30 June 2011	143,288,185	9,831,598
Options exercised by Shareholder 13 October 2011	20,002	2,000
Issued on 20 December 2011 pursuant to the Stratatel Rights Issue	47,769,541	1,194,239
Share issue costs	-	(148,552)
At 30 June 2012	191,077,728	10,879,285

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 16: ISSUED CAPITAL AND RESERVES (continued)

Share options

The company has a 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 18.

Reserves	2012 \$	2011 \$
Balance 1 July 2011	150,870	150,870
Equity benefits reserve – options issued to staff	-	-
Balance 30 June 2012	150,870	150,870

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 17 for further details of these plans.

NOTE 17: 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 between 3 and 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 statement of comprehensive income in relation to share-based payments is disclosed in Note 16.

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

	2012		2011	
	No.	Weighted average exercise price	No.	Weighted average exercise price
Outstanding at the beginning of the year	5,000,000	\$0.11	7,750,000	\$0.11
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(900,000)	\$0.10	(2,750,000)	\$0.11
Outstanding at the end of the year	4,100,000	\$0.11	5,000,000	\$0.11
Exercisable at the end of the year	4,100,000		5,000,000	

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 17: SHARE BASED PAYMENT PLANS (continued)

The weighted average remaining contractual life for the share options outstanding as at 30 June 2012 is between 1 and 2 years (2011: 1 and 3 years).

The range of exercise prices for options outstanding at the end of the year was \$0.10 - \$0.15 (2011: \$0.10 - \$0.15)

The average exercise price of options expired during the year was \$0.10.

The outstanding balance as at 30 June 2011 is represented by:

- 2,500,000 options over ordinary shares with an exercise price of \$0.10 each, exercisable upon meeting the above conditions and until 9 December 2012;
- 500,000 options over ordinary shares with an exercise price of \$0.10 each, exercisable upon meeting the above conditions and until 24 May 2013;
- 300,000 options over ordinary shares with an exercise price of \$0.15 each, exercisable upon meeting the above conditions and until 24 June 2013;
- 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; and
- 300,000 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 2012 and 30 June 2011:

	2012	2011
Volatility (%)	N/A	N/A
Risk-free interest rate (%)	N/A	N/A
Expected life of option (years)	N/A	N/A
Exercise price (cents)	N/A	N/A
Weighted average share price at grant date (cents)	N/A	N/A

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 18: 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.

(b) Categories of financial instruments

	Consolidated (\$)	
	2012	2011
Financial assets		
Loans and receivables	2,747,702	4,094,768
Cash and cash equivalents	2,570,530	1,279,576
Financial liabilities		
Payables	3,860,549	4,476,430

The Group has no derivative instruments in designated hedging relationships.

(c) 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 2011 and 2012, 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 in following pages.

(d) Price Risk – Equity and Commodity

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

(e) Foreign Currency Risk

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 18: FINANCIAL INSTRUMENTS (continued)

(f) 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:

	Consolidated			Weighted average effective interest rate %
	Within 1year	1 to 5 years	Total	
	\$	\$	\$	
Year ended 30 June 2012				
<i>Financial assets</i>				
Trade and other receivables	2,747,702		2,747,702	
	2,747,702		2,747,702	
Floating rate:				
Cash Assets	2,570,530	-	2,570,530	4.34
	2,570,530	-	2,570,530	
	5,318,232	-	5,318,232	
<i>Financial liabilities</i>				
Payables	3,860,549	-	3,860,549	-
Other payables	-	-	-	-
	3,860,549	-	3,860,549	
Year ended 30 June 2011				
<i>Financial assets</i>				
Trade and other receivables	4,094,768		4,094,768	
	4,094,768		4,094,768	
Floating rate:				
Cash Assets	1,279,576	-	1,279,576	4.67
	1,279,576	-	1,279,576	
	5,374,344	-	5,374,344	
<i>Financial liabilities</i>				
Payables	4,476,430	-	4,476,430	-
Other payables	-	-	-	-
	4,476,430	-	4,476,430	

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)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 18: 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 loss before tax would decrease by \$8,997 and increase by \$8,997 respectively (2011: \$4,574). This is mainly attributable to the Group's exposure to interest rates on its variable rate cash deposits.

(g) 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.

Accounts Receivable and Provision

Trade Receivables – Past Due Not Impaired

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

	Consolidated	0-30 days	31-60 days	61-90 days	61-90 days	+91 days	+91 days
	Total			PDNI*	CI*	PDNI*	CI*
2012	2,747,702	2,085,841	390,035	104,513	-	167,313	-
2011	4,094,768	3,597,866	274,786	59,247	-	162,869	-

* **PDNI** - Past due not impaired

CI - Considered impaired

Receivables past due but not considered impaired are: Consolidated \$271,826 (2011: \$222,116).

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)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 18: FINANCIAL INSTRUMENTS (continued)

(h) 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 19: COMMITMENTS AND CONTINGENCIES

Remuneration Commitments

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:

	Consolidated (\$)	
	2012	2011
Within one year	-	37,500
After one year but not more than five years	-	-

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.

Operating Lease Commitments

The Group had the following operating lease commitment for office space at balance date:

	Consolidated (\$)	
	2012	2011
Within one year	258,259	379,744
After one year but not more than five years	31,131	69,510

NOTE 20: EVENTS AFTER BALANCE DATE

Stratatel Limited notes the following changes in the roles and responsibilities of Key Management Personnel:

- Mike Fairclough resigned as Managing Director on 31 July 2012 after temporarily returning to this position on 1 April 2012. The Company has employed a new management reporting structure whereby the General Managers of each division will report directly to the Board. The Directors are of the belief that this structure is appropriate for the size and nature of the Company's activities, and will enhance the flow of communications between management and the Board.

NOTE 21: AUDITOR'S REMUNERATION

The auditor of Stratatel Limited is HLB Mann Judd.

	Consolidated (\$)	
	2012	2011
<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	56,567	54,119

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 22: INTEREST IN JOINTLY CONTROLLED OPERATION

The Group has a 50% interest in the Webhouse Software joint venture, which is involved in providing telecommunications expense management solutions in South Africa.

The share of the assets, liabilities, revenue and expenses of the jointly controlled operation, which are included in the consolidated financial statements, are as follows:

	Consolidated (\$)	
	2012	2011
Current assets		
Trade and other receivables	151,675	-
Total current assets	151,675	-
Non-current assets		
Total Non-current assets	-	-
Current liabilities		
Trade and other payables	95,552	-
Total current liabilities	95,552	-
Non-current liabilities		
Total Non-current liabilities	-	-
Operating Revenue	239,594	-
Interest Revenue	26	-
Administrative expenses	(318)	-
Finance cost	(5)	-
Profit before income tax	239,297	-
Income tax expense	-	-
Net Profit	239,297	-

There were no capital commitments and guarantees. There were no impairment losses in the jointly controlled operation.

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	
		2012	2011
Vircom Pty Limited	Australia	100	100
Softlog Systems Pty Ltd	Australia	100	100
Phoneware Pty Ltd	Australia	100	100
Resource Systems Pty Ltd	Australia	100	100

Stratatel Limited is an Australian entity and ultimate parent of the Group. Vircom Pty Limited, Softlog Systems Pty Ltd, Phoneware Pty Ltd and Resource Systems Pty Ltd are all incorporated in Australia. The Group has no plans to dispose of any subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23: RELATED PARTY DISCLOSURE (continued)

Transactions with Directors

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

	2012 \$	2011 \$
<i>Purchases from Related Parties</i>		
Grange Consulting Group Pty Ltd		
Corporate Consultancy	42,500	-
Secretarial Services	94,500	94,531
	137,000	94,531
JCurve Solutions Pty Ltd		
Software	9,375	-
	9,375	-

Stratatel Limited Director Mr Ian MacIver is the Managing Director of Grange Consulting Group Pty Ltd, which provided corporate advisory services to the consolidated entity amounting to \$42,500 net of GST in 2012.

The Company Secretary responsibilities are performed by Sarah Smith of Grange Consulting Group Pty Ltd. 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 the year ended 30 June 2012 amounted to \$94,500 (2011 \$94,531) net of GST.

Chairman Graham Baillie is currently the majority shareholder and executive chairman of JCurve Solutions Pty Ltd, which specialise in software for small business. Resource Systems Pty Ltd purchased (prepaid) software solutions for the 2012-2013 Financial Year amounting to \$9,375 net of GST in 2012.

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)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 24: PARENT ENTITY DISCLOSURES

Financial position

	30 June 2012 \$	30 June 2011 \$
Assets		
Current assets	2,556,880	1,316,560
Non-current assets	5,592,111	6,656,254
Total assets	8,148,991	7,972,814
Liabilities		
Current liabilities	822,623	609,256
Non-current liabilities	66,788	94,449
Total liabilities	889,411	703,705
Equity		
Issued capital	10,879,285	9,831,598
Accumulated losses	(3,770,575)	(2,713,359)
Reserves		
Share-based payments	150,870	150,870
Total equity	7,259,580	7,269,109

Financial performance

	Year ended 30 June 2012 \$	Year ended 30 June 2011 \$
Net (loss)/profit for the year	(1,057,216)	189,808
Other comprehensive income	-	-
Total comprehensive income	(1,057,216)	189,808

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 25: DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

G Baillie	Chairman (non-executive)	<i>Appointed Chairman 8 May 2012</i>
M Fairclough	Managing Director	<i>Became non-executive Director from 1 August 2011</i>
G Lambert	Director (non-executive)	<i>Retired 29 July 2011</i>
I MacIver	Director (non-executive)	<i>Resigned as Chairman 4 May 2012</i>
J Bond	Director (non-executive)	<i>Appointed 4 May 2012</i>

(ii) Executives

M Parry	Chief Executive Officer	<i>Resigned 8 May 2012</i>
J Butchers	Chief Financial Officer	
S Smith	Company Secretary	<i>Appointed 1 September 2011</i>
S Robinson	Company Secretary	<i>Resigned 31 August 2011</i>
J Slaiman	General Manager – TEMS	
J Williams	Development Manager	
K Massey	TEMS Business Manager	

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

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) Loans to Key Management Personnel (Consolidated)

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
	\$	\$	\$	\$	\$	\$	No.
2012	-	-	-	-	-	-	-
2011	2,809	-	-	(2,809)	-	-	1

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. 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.

The balance of the loan of \$2,809 was repaid by the employee on 2 July 2010.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 25: DIRECTORS AND EXECUTIVE DISCLOSURES (Continued)

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

During the financial year no options were granted as equity compensation benefits under the long-term incentive plan to key executives. No share options have been granted to the non-executive members of the Board of Directors under this scheme. For further details relating to the options, refer to Note 17.

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

						Vested as at end of period	
30 June 2012	Balance at beginning of period	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period	Exercisable	Not Exercisable
Directors							
G Baillie	1,148,355	-	-	(1,148,355)	-	-	
M Fairclough	2,177,568	-	-	(2,177,568)	-	-	
G Lambert	400,000	-	-	(400,000)	-	-	
I MacIver	565,233	-	-	(565,233)	-	-	
J Bond	3,130,390	-	-	(3,130,390)	-	-	
Executives							
M Parry	1,962,514	-	-	(412,514)	1,550,000	1,550,000	
J Butchers	800,000	-	-	-	800,000	800,000	
J Slaiman	500,000	-	-	-	500,000	500,000	
K Massey	-	-	-	-	-	-	
J Williams	808,758	-	-	(308,758)	500,000	500,000	
Total	11,492,818	-	-	(8,142,818)	3,350,000	3,350,000	

Includes forfeitures, rights issue and balance on resignation

						Vested as at end of period	
30 June 2011	Balance at beginning of period	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period	Exercisable	Not Exercisable
Directors							
G Baillie	1,148,355	-	-	-	1,148,355	1,148,355	
M Fairclough	3,177,568	-	-	(1,000,000)	2,177,568	2,177,568	
G Lambert	400,000	-	-	-	400,000	400,000	
I MacIver	565,233	-	-	-	565,233	565,233	
Executives							
M Parry	1,962,514	-	-	-	1,962,514	1,962,514	
J Butchers	800,000	-	-	-	800,000	800,000	
J Slaiman	500,000	-	-	-	500,000	500,000	
K Massey	-	-	-	-	-	-	
J Williams	808,758	-	-	-	808,758	808,758	
Total	9,362,428	-	-	(1,000,000)	8,362,428	8,362,428	

Includes forfeitures, rights issue and balance on resignation

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 25: DIRECTORS AND EXECUTIVE DISCLOSURES (Continued)

(e) Shareholdings of Key Management Personnel (Consolidated)

Ordinary shares held in Stratatel Limited (number)

30 June 2012	Balance 01 Jul 11	Granted as remuneration	On Exercise of Options	Net Change Other	Balance 30 Jun 12
Directors					
G Baillie	6,522,815	-	-	3,368,092	9,890,907
M Fairclough	13,248,877	-	-	800,000	14,048,877
G Lambert	2,685,000	-	-	-	2,685,000
I MacIver	3,721,735	-	-	2,342,285	6,064,020
J Bond	19,198,481	-	-	12,000,000	31,198,481
Executives					
M Parry	675,080	-	-	225,027	900,107
J Butchers	148,273	-	-	49,425	197,698
J Slaiman	100,333	-	-	-	100,333
K Massey	-	-	-	-	-
J Williams	60,548	-	-	-	60,548
Total	46,361,142	-	-	18,784,829	65,145,971

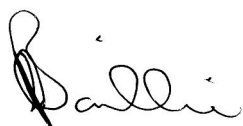
30 June 2011	Balance 01 Jul 10	Granted as remuneration	On Exercise of Options	Net Change Other	Balance 30 Jun 11
Directors					
G Baillie	6,237,815	-	-	285,000	6,522,815
M Fairclough	12,453,817	-	-	795,060	13,248,877
G Lambert	2,400,000	-	-	285,000	2,685,000
I MacIver	3,203,647	-	-	518,088	3,721,735
Executives					
M Parry	675,080	-	-	-	675,080
J Butchers	141,750	-	-	6,523	148,273
J Slaiman	100,333	-	-	-	100,333
K Massey	-	-	-	-	-
J Williams	60,548	-	-	-	60,548
Total	25,272,990	-	-	1,889,671	27,162,661

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.

DIRECTORS' DECLARATION

1. In the opinion of the directors:
 - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year then ended; and
 - ii. complying with Accounting Standards and Corporations Regulations 2001.
 - 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.
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
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 2012.

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



G Baillie

Chairman

Dated this 27th day of August 2012

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 statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report 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. Those 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 control 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 control. 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.

Independence

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

Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of Stratatel Limited for the financial year ended 30 June 2012 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

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 consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards 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 in the directors' report for the year ended 30 June 2012. 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 2012 complies with section 300A of the *Corporations Act 2001*.



HLB MANN JUDD
Chartered Accountants



W M CLARK
Partner

Perth, Western Australia
27 August 2012

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

Shareholder information

(a) Distribution of shareholder and listed option holder numbers

Category	Ordinary	Units	% of Issued Capital
1 - 1,000	52	1,713	0.00
1,001 - 5,000	10	32,643	0.02
5,001 - 10,000	42	361,113	0.19
10,001 - 100,000	155	6,560,036	3.43
100,001 - and over	148	184,122,223	96.36
	407	191,077,728	100

There are 158 shareholders that hold less than a marketable parcel as at 22 August 2012.

(b) Substantial shareholders

The names of the substantial shareholders listed in the company's register as at 22 August 2012 are:

Shareholder	Number of ordinary shares held	% held of ordinary share capital
Mr Mark Jobling + Mr Ian Jobling	35,678,200	18.67
Moutier Pty Ltd + Topsfield Pty Ltd + Two Tops Pty Ltd	31,198,185	16.33
Mr Michael Fairclough*	10,316,369	5.40

* consolidated relevant interest

(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:

Where any calls due and payable have not been paid;

Where there is a breach of a restriction agreement;

Where a member and their proxy or attorney are both present at the meeting, or if more than one proxy or attorney is present;

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 Sarah Smith.

(e) Registered office

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

(f) Register of securities

The registers of securities are held at the following address:
Computershare Ltd
Level 2, 45 St Georges Terrace
PERTH
WA 6000

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (continued)**(g) Top 20 Registered Holders – Ordinary Shares as of 22 August 2012**

	Name	Number of Ordinary Shares	% held of Ordinary Shares
1.	MR MARK CHRISTOPHER JOBLING + MR IAN HENRY THOMAS JOBLING	35,678,200	18.67
2.	MOUTIER PTY LTD	19,198,481	10.05
3.	MR MICHAEL JAMES FAIRCLOUGH <THE FAIRCLOUGH FAMILY A/C>	10,316,369	5.40
4.	TOPSFIELD PTY LTD	10,000,000	5.23
5.	GRAMELL INVESTMENTS PTY LIMITED <SUPERANNUATION FUND A/C>	9,510,907	4.98
6.	T T NICHOLLS PTY LTD <SUPERANNUATION ACCOUNT>	6,067,012	3.18
7.	CORNELA PTY LTD <IAN MACLIVER SUPER FUND A/C>	6,064,020	3.17
8.	JASPER HILL RESOURCES PTY LTD <SUPERANNUATION ACCOUNT>	4,500,000	2.36
9.	MIKE FAIRCLOUGH + MCKNIGHT HOLDINGS PTY LTD	3,722,908	1.95
10.	MR MICHAEL FRANK MANFORD <ATLO SUPER FUND A/C>	3,347,012	1.75
11.	MR DAVID SCHWARTZ <DAVID SCHWARTZ FAM HLDS A/C>	3,007,783	1.57
12.	MR PETER GRAHAM DORAN + MRS BARBARA LINDA DORAN <DORAN & SONS FAMILY A/C>	2,789,340	1.46
13.	PATEL FAMILY SUPERANNUATION PTY LTD <PATEL FAMILY SUPER FUND A/C>	2,539,013	1.33
14.	COLBERN FIDUCIARY NOMINEES PTY LTD	2,517,108	1.32
15.	DEPONENT SERVICES PTY LTD <LAMBERT SUPER FUND A/C>	2,400,000	1.26
16.	JWS INVESTMENT PTY LTD <CORPORATE A/C>	2,076,868	1.09
17.	TWO TOPS PTY LTD	2,000,000	1.05
18.	GLEN ALPINE PTY LTD <HILEY S/F A/C>	1,970,710	1.03
19.	TRADINGWORXS PTY LTD <MARK STEMMER SUPER FUND A/C>	1,778,115	0.93
20.	INVIA CUSTODIAN PTY LIMITED <THE RASMUSSEN S/F A/C>	1,733,334	0.91
TOTAL HELD BY TOP 20 HOLDERS		131,217,180	68.67

(h) Stock exchange listing– ordinary shares (as of 22 August 2012)

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

(i) Restricted securities

As at 22 August 2012 there are no restricted security classes recorded in the Company's share register.

(j) Unquoted securities

The unquoted securities of the Company as at 22 August 2012 are 4,100,000 Options are outlined below

Number of Options	Exercise Price	Expiry Date	Number of Holders
2,500,000	\$0.10	09/12/2012	5
500,000	\$0.10	24/05/2013	4
500,000	\$0.10	31/07/2013	1
300,000	\$0.15	24/06/2013	1
300,000	\$0.15	17/10/2013	1