

30 August 2010

STRATATEL'S ANNUAL FINANCIAL RESULTS

Highlights:

- Revenue of \$12.46 million (up 53% on the prior corresponding period) and EBITDA of \$1.24 million (down 19% on the prior corresponding period)
- Strong financial position with cash of \$1.56 million as at 30 June 2010 and no debt
- Final dividend proposed of 0.20 cents per ordinary share (subject to Shareholder approval*)
- Strong first year performance from the Stratatel Resource business a Premier IBM Business Partner
- Performance in line with strategy to increase revenue and grow the scale of the business
- Company well positioned for further growth and increased future earnings

Results For Announcement To The Market

The operating results for the year to 30 June 2010 are shown with comparisons to the previous corresponding period, being the year ended 30 June 2009.

	Year ended 30 June 2010 \$	Year ended 30 June 2009 \$	Percentage increase/ (decrease) over previous corresponding period
Revenue from ordinary activities	12,465,324	8,163,796	52.7%
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	1,240,513	1,538,873	(19.4%)
Profit from ordinary activities after tax attributable to members	405,770	1,128,592	(64.0%)
Net profit for the period attributable to members	405,770	1,128,592	(64.0%)

Dividends

Subject to Shareholder approval of proposed changes to the Company's Constitution to permit the payment of the final dividend in line with the amended provisions of the Corporations Act, the Company is proposing a final unfranked dividend of 0.2 cents per share. The payment of the final unfranked dividend will then be subject to the Company satisfying the new test for payment of dividends (as described below).

The Corporations Act previously required that "a dividend only be paid out of the profits of the company". The new dividend payment test under the Corporations Act allows a company to pay dividends where the company's assets exceed its liabilities and the payment of the dividend would be fair and reasonable, and not materially prejudice the company's ability to pay its creditors. The Company's constitution currently reflects the "old" profits based test and it is proposed to be amended in line with the revised legislation to permit Stratatel to pay the proposed final dividend.

Further details in respect to the proposed changes to the Constitution will be outlined in the Company's Notice of Annual General Meeting scheduled for 11 November 2010.

	Amount per Security	Franked amount per security
Interim Dividend – Half Year ended 31 December 2009	0.13 cents	Nil
Proposed Final Dividend – Year ended 30 June 2010*	0.20 cents	Nil

Record date for determining entitlement to the final dividend*	12 November 2010
Last date for receipt of election notice for the Dividend Reinvestment Plan	12 November 2010
Date final dividend payable*	29 November 2010

* Subject to shareholder approval as outlined above

Dividend Reinvestment Plan:

The Company operates a Dividend Reinvestment Plan (**DRP**) which allows eligible shareholders to elect to invest dividends in ordinary shares which will rank equally with the Company's ordinary shares currently on issue.

Shareholders participating in the DRP in respect to the proposed final dividend for the year ended 30 June 2010 will be allotted shares at a price which is equal to 95% of the daily volume weighted average market price of all shares sold on ASX during the 10 trading days after the Record Date.

Shareholder wanting to participate in the Dividend Reinvestment Plan must provide notification to the Company's share registry, Computershare, prior to 5pm (WST) on the 12 November 2010. This notification can be provided online or by requesting a DRP Notice from the share registry on 1300 557 010.

Net Tangible Assets / Earnings Per Share

	30 June 2010	30 June 2009
Net tangible assets per ordinary share	1.21 cents	1.12 cents
Basic earnings per ordinary share	0.30 cents	1.00 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 2010. The Independent Audit Report is included in the Annual Financial Report attached.

Accounting Policies, Estimation Methods and Measurements

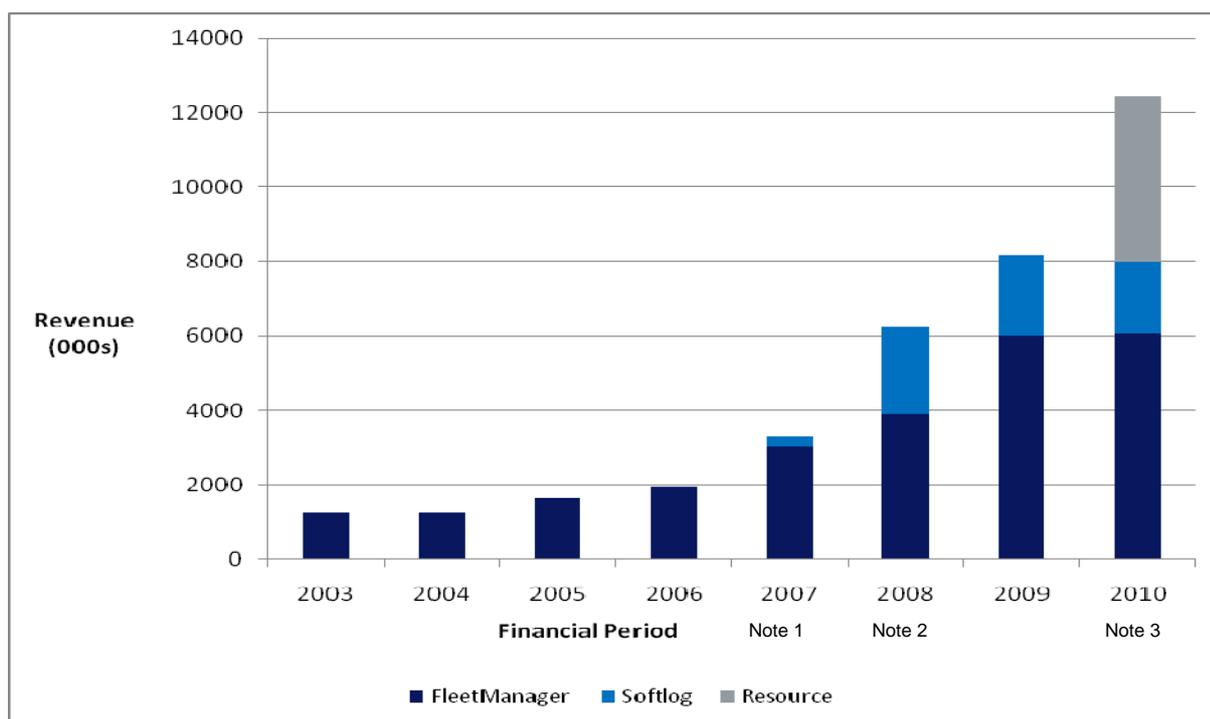
The accounting policies, estimation methods and measurement bases used in the Appendix 4E are the same as those used in the previous annual report and half-year report.

Explanation of Result

Total revenue generated by the Company for the year ended 30 June 2010 increased approximately 53% to \$12.4 million over the previous corresponding period (2009: \$8.2 million) reflecting continuing sales momentum from the Company's software solutions.

The increase in revenue has been driven from the acquisition in July 2009 of the Stratatel Resource business which provides IBM software and licensing solutions to a range of corporate clients. Revenues from the Expense Management division have been in line with expectations, underpinned by contracted and solid annuity streams.

Diagram 1: Historical Revenue by Product



Notes:

1. Stratatel acquired the business assets of Softlog Systems Pty Ltd, including the Softlog Enterprise software suite on 1 May 2007
2. Stratatel acquired the business assets of Phoneware Communications Systems Pty Ltd including the Call Accounting and Directory Services (CADS) suite on 1 May 2008. Phoneware forms part of the FleetManager division.
3. Stratatel acquired the business assets of Resource Systems Pty Ltd on 1 July 2009.

The strong growth in revenue achieved was in line with the Company's strategy to build a base of recurrent revenues from which to grow business scale. The Company has also established a solid balance sheet position from which to grow the business with no debt and cash of \$1.56 million as at 30 June 2010.

EBITDA and NPAT for the period were \$1.24 million and \$406k respectively. The decrease in EBITDA from the prior period has been a result of the Company's continued investment in sales and marketing resources to grow revenue. During the year the Company invested significant resources into its newly acquired IBM Resource business in order to establish and grow its IBM product and software solutions sales throughout Australia. A new marketing division was also established to generate new customer leads for the sales team to increase the size of the sales pipeline, and sales. The Company expects the benefits from these investments to result in improved revenue and earnings performance in the medium term.

Net profit after tax for the year ended 30 June 2010 was negatively impacted by a non-cash depreciation and amortisation charge of \$693k compared to the previous period depreciation and amortisation charge of \$298k.

Commenting of the full year results Managing Director, Mr Mike Fairclough said:

"I am extremely pleased with the performance of the Company for the year ended 30 June 2010 with revenue growth achieved being in line with our strategy to grow the scale of the business. Whilst earnings for the period were slightly down this has been due to the ongoing investment in our sales and marketing teams which have developed a solid pipeline of opportunities for the year ahead.

The proposed dividend and change to our Constitution reflects our commitment to delivering returns to shareholders and belief in the solid financial position of the Company with cash reserves of \$1.56 million at the end of the financial year

I am optimistic about the year ahead as we aim to capitalise on the platform for growth already established. The Stratatel Resource business and partnership with IBM represents an exciting opportunity for further growth in revenue and earnings. FleetManager is also showing increased sales momentum through our channel partners and direct sales team and provides solid annuity revenues for the business.

The Company is committed to continuing to grow the business both organically and through earning per share accretive acquisitions."



30 August 2010

Mike Fairclough
Managing Director
Stratatel Limited

Date

Stratatel Limited

(ABN 63 088 257 729)

Annual Financial Report

For the year ended 30 June 2010



STRATATEL

Contents

CORPORATE INFORMATION.....	2
DIRECTORS' REPORT.....	3
CORPORATE GOVERNANCE STATEMENT	14
AUDITOR'S INDEPENDENCE DECLARATION.....	21
STATEMENT OF COMPREHENSIVE INCOME.....	22
STATEMENT OF FINANCIAL POSITION.....	23
STATEMENT OF CASH FLOWS.....	24
STATEMENT OF CHANGES IN EQUITY.....	25
NOTES TO THE FINANCIAL STATEMENTS.....	26
DIRECTORS' DECLARATION.....	63
INDEPENDENT AUDITOR'S REPORT.....	64
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES.....	66

CORPORATE INFORMATION

ABN 63 088 257 729

Directors

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

Company Secretary

Ms Emma McCormack

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

Stock Exchange Listings

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DIRECTORS' REPORT

Your directors submit the annual financial report of the consolidated entity for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

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

Names, qualifications, experience and special responsibilities

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

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

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

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

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

Michael James Fairclough MAICD (Managing Director)

Mr Fairclough founded the company in 1997 and has been actively involved in the communications and technology industry throughout Australia for over 13 years. Mr Fairclough is responsible for the co-ordination of all sales and marketing activities and the overall management of the company.

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

Mr Lambert is a member of the company's Audit Committee and Remuneration Committee and has had 30 years experience as a director of public companies.

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

Mr Lambert was also a former director of Wedgetail Mining Ltd from November 1999 to September 2007.

Graham Baillie (Non-Executive Director)

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

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

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

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

DIRECTORS' REPORT (continued)**Company Secretary**

Emma Jane McCormack B.Com, CA, SA Fin

Emma was appointed Company Secretary Emma on 1 July 2009. Emma is a Senior Executive at Grange Consulting, where she specialises in providing corporate and strategic advice, due diligence investigations, compliance and valuation advice. Emma has advised on the listing of a number of companies on ASX as well as being involved in various secondary and seed capital raisings for public and private companies. Emma has acted as Company Secretary for a number of ASX listed companies. Emma is a Chartered Accountant and is also a senior associate of Finsia.

Interests in the shares and options of the company and related bodies corporate

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

	Ordinary Shares	Options over Ordinary Shares
I A Macliver	3,203,647	565,233
M J Fairclough	12,453,817	3,177,568
G E Lambert	2,400,000	400,000
G Baillie	6,237,815	1,148,355

During the financial year 2,500,000 share options were granted as remuneration and 4,412,428 share options were granted under the Entitlement Issue to the executives listed below:

	Number of options granted as remuneration	Number of options granted under the Entitlement Issue	Number of options over ordinary shares held at date of this report
Director:			
I A Macliver	-	565,233	565,233
M Fairclough	-	2,177,568	3,177,568
G E Lambert	-	400,000	400,000
G Baillie	-	1,148,355	1,148,355
Executives:			
M Parry	750,000	112,514	1,962,514
J Butchers	500,000	-	800,000
J Williams	500,000	8,758	808,758
J Slaiman	500,000	-	500,000
P Brown	250,000	-	750,000
Total	2,500,000	4,412,428	10,112,428

DIRECTORS' REPORT (continued)**Interests in the shares and options of the company and related bodies corporate** (continued)

Details of unissued ordinary shares under options are as follows:

	Number of options	Executives option holdings #	Exercise price	Expiry date
Stratatel Limited	23,115,843	4,412,428	\$0.10	30 September 2010
Stratatel Limited	1,000,000	1,000,000	\$0.10	15 January 2011
Stratatel Limited	1,000,000	-	\$0.12	25 May 2011
Stratatel Limited	900,000	900,000	\$0.10	30 November 2011
Stratatel Limited	2,500,000	2,500,000	\$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	500,000	500,000	\$0.15	17 October 2013
Stratatel Limited	500,000	-	\$0.10	24 May 2013
Total	30,315,843	10,112,428		

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

Allocation of Executive options holdings on page 4.

Dividends

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

- A final unfranked dividend for the year ended 30 June 2009 of 0.25 cents per fully paid ordinary share was paid on 15 October 2009.
- An interim unfranked dividend for the year ended 30 June 2010 of 0.13 cents per fully paid ordinary share was paid on 14 April 2010.

Since the end of the financial year the directors have recommended the payment of a final unfranked dividend of 0.20 cents per fully paid ordinary share. The final dividend declaration and payment is subject to shareholders approving proposed changes to the Company's Constitution to permit the payment of the final dividend in line with the amended provisions of s254T of the Corporations Act at the Company's Annual General Meeting (scheduled for 11 November 2010). The payment of the final unfranked dividend will then be subject to the Company satisfying the new tests for the payment of dividends outlined in s254T of the Corporations Act.

DIRECTORS' REPORT (continued)

Principal Activities

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

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

Review of operations

The 2009–10 result for the Company was a positive one given poor global economic conditions. Two key measures for the Company's financial performance, revenue and EBITDA, both increased significantly on the prior year performance.

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

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

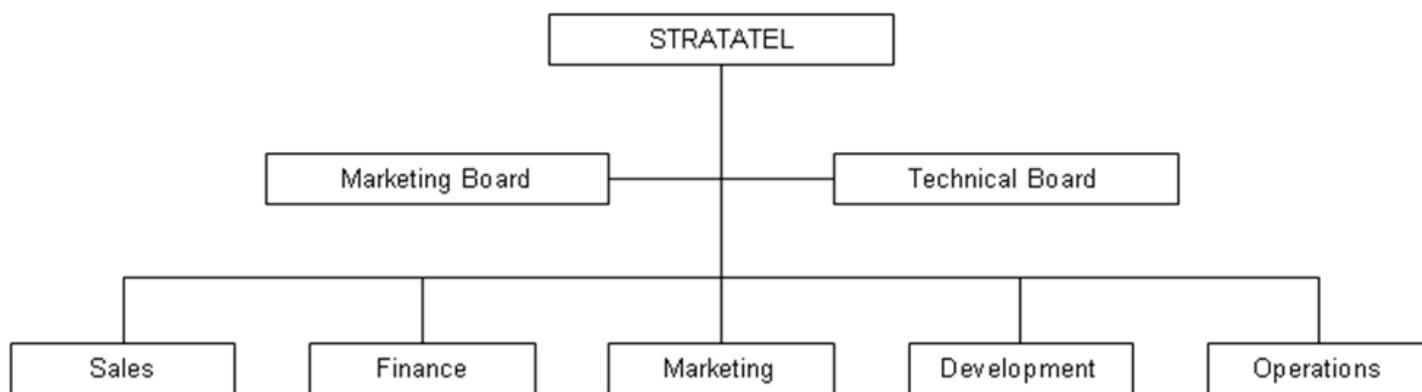
Throughout the year the Company remained focused on innovation and building new functionality into existing products and new products for future sale. This commitment to innovation and product development positions should allow Stratatel to achieve revenue growth in future years.

Group overview

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

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

Diagram 1 The new structure for Stratatel showing business divisions.



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

DIRECTORS' REPORT (continued)

Operating results for the year

Investment in the future, along with the recovery from the global financial crisis, has reduced the financial performance of the company with \$1.24m EBITDA for year ended 2010 being recorded compared to 2009 which was \$1.54m EBITDA. The net profit before tax was \$587k (\$406k net profit after tax) for the 2010 financial year against a \$1.29m net profit before tax (\$1.13m net profit after tax) for the previous reporting period. This is a sound financial result, despite very challenging market conditions.

Shareholder returns

Due to the company's strong financial performance a final unfranked dividend of 0.25 cents per **fully paid ordinary** share was paid to shareholders on 15 October 2009 for the 2008-09 financial year.

An interim unfranked dividend of 0.13 cents per **fully paid ordinary** share was paid to shareholders on 14 April 2010 due to continued solid financial performance.

The total unfranked dividends paid to shareholders since the start of the financial year was 0.38 cents per share held.

Risk management

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

Significant changes in the state of affairs

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

Significant events after balance date

Paul Brown resigned as Commercial Manager and ceased employment with Stratatel Limited on 20 July 2010.

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 ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 13 November 2008 when shareholders approved an aggregate remuneration of \$250,000 per year.

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

The remuneration of non-executive directors for the period ended 30 June 2010 is detailed in Table 1 of this report.

Senior executive and executive director remuneration

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

Fixed Remuneration

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

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

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

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

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

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

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

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

Long Term Incentive (LTI)

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

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

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

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

Employment Contracts

The Managing Director, Mr. Michael Fairclough, is employed under contract. This current contract commenced on 1 February 2010 and has a term of 3 years with an option to extend for a further 2 years.

This contract provides Mr. Fairclough with an annual salary of \$450,000 including superannuation.

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

DIRECTORS' REPORT (continued)

Remuneration of directors and named executives

Table1: Directors' remuneration for the year ended 30 June 2010

		Short-term employee benefits			Post employment		Equity	Total	Performance Related %
		Salary & Fees	Bonuses / Commission	Allowances & other short term benefits	Super- annuation	Prescribed Benefits	Options	\$	
		\$	\$	\$	\$	\$	\$	\$	
I Macliver	2009	85,000	-	-	7,650	-	-	92,650	-
<i>Chairman (non executive)</i>	2010	85,000	-	-	7,650	-	-	92,650	-
M Fairclough	2009	366,778	-	-	33,010	-	-	399,788	-
<i>Managing Director</i>	2010	396,368	-	-	15,096	-	-	411,464	-
G Lambert	2009	65,000	-	-	5,850	-	-	70,850	-
<i>Director (non executive)</i>	2010	65,000	-	-	5,850	-	-	70,850	-
G Baillie	2009	55,000	-	-	4,950	-	-	59,950	-
<i>Director (non executive)</i>	2010	55,000	-	-	4,950	-	-	59,950	-

DIRECTORS' REPORT (continued)

Remuneration of directors and named executives

Table2: Remuneration of the named executives who received the highest remuneration for the year ended 30 June 2010

		Short-term employee benefits			Post employment		Equity	Total	Performance Related %
		Salary & Fees	Bonuses / Commission	Allowances & other short term benefits	Super- annuation	Prescribed Benefits	Options	\$	
		\$	\$	\$	\$	\$	\$	\$	
M Parry (<i>Promoted 1 July 2009</i>)	2009	189,811	20,000	-	18,883	-	7,559	236,253	9
<i>Chief Executive Officer</i>	2010	218,268	-	-	19,644	-	9,000	246,912	-
J Butchers	2009	192,619	5,000	-	17,786	-	2,037	217,442	2
<i>Chief Financial Officer</i>	2010	215,025	-	3,617	19,352	-	6,000	243,995	-
J Slaiman (<i>Promoted 1 October 2008</i>)*	2009	111,031	13,162	-	11,570	-	-	135,763	10
<i>General Manager – Sales</i>	2010	148,860	22,734	19,254	15,444	-	6,000	212,292	11
P Brown (<i>Resigned 20 July 2010</i>)	2009	149,655	5,000	-	13,919	-	1,358	169,932	3
<i>Commercial Manager</i>	2010	149,682	-	94	13,480	-	3,000	166,256	-
J Williams (<i>Promoted 1 July 2009</i>)*	2009	-	-	-	-	-	-	-	-
<i>Chief Information Officer</i>	2010	122,864	-	-	11,058	-	6,000	139,922	-
D Farrell (<i>Resigned 31 July 2010</i>)	2009	130,280	-	-	11,725	-	-	142,005	-
<i>Branch Manager – Softlog Systems</i>	2010	27,355	-	-	1,127	-	-	28,482	-

* Remuneration disclosed from promotion

DIRECTORS' REPORT (continued)*Remuneration of directors and named executives***Table3: Options granted as part of remuneration during the year ended 30 June 2010**

	Value of options granted at grant date \$	Value of options exercised at exercise date \$	Value of options lapsed at time of lapse \$	Total value of options granted, exercised and lapsed \$	Value of options lapsed during year \$	Value of options included in remuneration for the year \$	% remuneration consisting of options for the year
M Parry	9,000	-	-	9,000	-	9,000	3.6
J Butchers	6,000	-	-	6,000	-	6,000	2.5
J Slaiman	6,000	-	-	6,000	-	6,000	2.8
P Brown	3,000	-	-	3,000	-	3,000	1.8
J Williams	6,000	-	-	6,000	-	6,000	4.3

For details on the valuation of the options, including models and assumptions used, please refer to Note 18. There were no alterations to the terms and conditions of options granted as remunerations since their grant date.

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

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

	Directors' Meetings	Audit & Risk Management Committee
Number of meetings held:	11	2
Number of meetings attended:		
I Macliver	10	2
M Fairclough	11	n/a
G Lambert	11	2
G Baillie	11	2

Proceedings on behalf of the company

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

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

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 21 and forms part of this Directors' Report for the year ended 30 June 2010.

Non-Audit Services

There were no non-audit related activities carried out by our auditors during the year ended 30 June 2010.

Signed in accordance with a resolution of the directors.



I Macliver
Chairman

Dated at PERTH this 27th day of August 2010

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 Principles of Good Corporate Governance and Best Practice Recommendations* ("ASX Principles and Recommendations 2nd Edition") where considered appropriate for company of Stratatel' 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 Recommendations have been applied for the year ended 30 June 2010 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 has had regard to the criteria impacting independent set out in ASX Principle 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 ASX Principle 2 and the above materiality thresholds the following directors are considered to be independent: Mr Ian Macliver, 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 document 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 and Risk Management Committee

The Board has established a separate audit & risk management 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 and risk management committee are Mr Geoff Lambert (Chairman), Mr Ian Macliver and Mr Graham Baillie with the Chief Financial Officer and others invited to participate from time to time. All members of the audit and risk management 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 & risk management committee operates in accordance with a written charter. The audit & risk management 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;
- establishment, implementation and review of the Company's risk management policies;
- update the Company's risk profile;
- ensuring that the risk management policies are aligned with the Company's strategic plan, encompassing the Company's vision and strategy which are designed to meet stakeholder's needs and manage business risks.

Corporate reporting

The Chief Executive Officer and Chief Financial Officer provide a certification to the Board on the integrity of the Company's external financial reports. The Chief Executive Officer and Chief Financial Officer also 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 & Risk Management 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 EMD 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 have developed a risk management. 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 Board has established an audit & risk management committee which is responsible for oversight of the processes whereby risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the committee. This oversight encompasses operational, financial reporting and compliance risks. Further details of the audit & risk management committee are set out above.

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;
- nominations for potential director candidates.

CORPORATE GOVERNANCE STATEMENT (continued)

Remuneration and Nomination (continued)

In line with ASX Corporate Governance Council's, Principles of Good Corporate Governance and Best Practice Recommendations (second edition) 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: <ul style="list-style-type: none"> • 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 • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	✓	
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy	✓	
3.3	Provide information indicated in the Guide to reporting on Principle 3	✓	
4.1	Establish an audit committee	✓	
4.2	Structure the audit committee so that it: <ul style="list-style-type: none"> • 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 • has at least three members 	✓	
4.3	The audit committee to have a formal charter	✓	
4.4	Provide the information indicated in the Guide to reporting on Principle 4	✓	

CORPORATE GOVERNANCE STATEMENT (continued)

Corporate Governance Compliance Schedule (continued)

	Recommendation	Complied	Note
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 communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their 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 2
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.

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.

CORPORATE GOVERNANCE STATEMENT (continued)Note2: 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 Ltd for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Stratatel Ltd.



Perth, Western Australia
27 August 2010

W M CLARK
Partner, HLB Mann Judd

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated (\$)	
		2010	2009
Revenue	2	12,465,324	8,163,796
Cost of goods sold		(3,791,463)	(477,565)
Employee benefits expense		(4,824,547)	(3,751,122)
Other employee related expense		(705,260)	(607,444)
Communications expense		(162,407)	(162,220)
Advertising and marketing		(149,339)	(33,604)
Professional fees		(673,675)	(715,917)
Occupation expense		(546,735)	(500,714)
Listing expense		(34,394)	(75,374)
Depreciation and amortisation expense		(693,039)	(298,270)
Finance costs		(455)	(6,288)
Other expenses		(296,767)	(249,315)
Profit before income tax		587,243	1,285,963
Income tax (expense)/benefit	3	(181,473)	(157,371)
Net profit for the year		405,770	1,128,592
Other comprehensive income		-	-
Total comprehensive income for the year		405,770	1,128,592
Basic earnings per share (cents per share)	5	0.30	1.00
Diluted earnings per share (cents per share)	5	0.30	1.00

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Notes	Consolidated (\$)	
		2010	2009
Assets			
Current Assets			
Cash and cash equivalents	7	1,561,050	1,300,359
Trade and other receivables	8	2,951,982	1,310,689
Inventory	9	36,410	50,180
Other current assets	10	90,094	54,285
Total Current Assets		4,639,536	2,715,513
Non-Current Assets			
Property, plant and equipment	12	198,424	227,601
Development	13	2,220,901	2,097,445
Intangible assets	13	4,706,755	4,123,785
Other receivables	8	16,706	28,118
Other financial assets	11	104,154	105,639
Deferred tax asset	3	440,924	345,487
Total Non-Current Assets		7,687,864	6,928,075
Total Assets		12,327,400	9,643,588
Liabilities			
Current Liabilities			
Trade and other payables	15	3,223,480	1,993,248
Current tax liabilities		79,672	70,606
Total Current Liabilities		3,303,152	2,063,854
Non-Current Liabilities			
Provisions	16	198,978	65,233
Deferred tax liability	3	202,787	-
Total Non-Current Liabilities		401,765	65,233
Total Liabilities		3,704,917	2,129,087
Net Assets		8,622,483	7,514,501
Equity			
Issued capital	17	9,702,045	8,568,924
Reserves	17	150,870	111,164
Accumulated losses		(1,230,432)	(1,165,587)
Total Equity		8,622,483	7,514,501

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	Consolidated (\$) Inflows / (Outflows)	
		2010	2009
Cash flows from operating activities			
Receipts from customers		10,817,083	8,597,195
Payments to suppliers and employees		(9,752,203)	(6,500,536)
Interest received		39,135	51,648
Interest paid		(455)	(6,288)
Income tax (paid)/ received		(65,057)	(75,206)
Net cash provided by operating activities	7	1,038,503	2,066,813
Cash flows from investing activities			
Purchase of businesses, net of cash acquired		-	(600,000)
Purchase of non-current assets		(833,147)	(92,937)
Payment for other investments		(608,584)	(754,721)
Net cash used in investing activities		(1,441,731)	(1,447,658)
Cash flows from financing activities			
Proceeds from issue of shares		1,155,598	-
Dividends paid		(356,737)	(385,251)
Share issue costs paid		(134,942)	-
Net cash (used in)/ provided by financing activities		663,919	(385,251)
Net increase/(decrease) in cash and cash equivalents		260,691	233,904
Cash and cash equivalents at 1 July 2009		1,300,359	1,066,455
Cash and cash equivalents at 30 June 2010		1,561,050	1,300,359

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

Consolidated	Ordinary Shares	Accumulated Losses	Equity Benefits Reserve	Total
	\$	\$	\$	\$
As at 1 July 2008	8,215,208	(1,727,927)	107,769	6,595,050
Profit for the year	-	1,285,963	-	1,285,963
Income tax (expense) / benefit	-	(157,371)	-	(157,371)
Dividends paid	-	(566,252)	-	(566,252)
Recognition of equity based payments	-	-	3,395	3,395
	8,215,208	(1,165,587)	111,164	7,160,785
Shares issued	353,716	-	-	353,716
Share issue costs	-	-	-	-
Balance at 30 June 2009	8,568,924	(1,165,587)	111,164	7,514,501
As at 1 July 2009	8,568,924	(1,165,587)	111,164	7,514,501
Profit for the year	-	587,243	-	587,243
Income tax (expense) / benefit	-	(181,473)	-	(181,473)
Dividends paid	-	(470,615)	-	(470,615)
Recognition of equity based payments	-	-	39,706	39,706
	8,568,924	(1,230,432)	150,870	7,489,362
Shares issued	1,268,063	-	-	1,268,063
Share issue costs	(134,942)	-	-	(134,942)
Balance at 30 June 2010	9,702,045	(1,230,432)	150,870	8,622,483

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

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

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

(b) Adoption of new and revised standards

In the year ended 30 June 2010, 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 2009. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

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

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2010. 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 2010.

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 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Significant accounting judgments, estimates and assumptions

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

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

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 14.

(ii) *Share-based payment transactions:*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black - Scholes model, using the assumptions detailed in Note 18.

(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 the next two 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 Managing Director of Stratatel Limited.

Change in accounting policy

The Group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in a change in the number of reportable segments presented by the Group as operating segments are reported in a manner that is consistent with internal reporting provided to the chief operating decision maker.

(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 2010

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 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(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 2010

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 2010

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.

Change in accounting policy

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the group's net profit after tax.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Impairment

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

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

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

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.

(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) 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 Reporting 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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Intangible assets

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

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

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

Research and development costs

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

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period. A summary of the policies applied to the Group's intangible assets follows. These policies are consistent with those of the previous financial year unless otherwise stated.

Development Costs

Useful life

Finite

Amortisation method used

The FleetManager[®] system as commercialised in July 2007 has been amortised using the straight line method over the 2010 financial year based on an estimated useful life of 8 years with 5 years remaining (2009: 10 years with 8 years remaining). Additional modules in development will be amortised when commercialised. The Softlog product has been amortised using the straight line method over the 2010 financial year based on an estimated useful life of 7 years with 5 years remaining (2009: 10 years with 9 years remaining) and the Phoneware product has been amortised using the straight line method over the 2010 financial year based on an estimated useful life of 10 years with 9 years remaining (2009: 10 years with 10 years remaining).

Internally generated or acquired

Internally generated

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Intangible assets (continued)

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.

(s) 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.

(t) Provisions

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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.

(v) 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.

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).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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.

(x) Earnings per share

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

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

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

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

(y) 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.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 2: REVENUES AND EXPENSES

	Consolidated (\$)	
	2010	2009
(a) Revenue		
Operating activities		
Consultancy income	25,455	32,893
MobileFleet [®] income	1,181,900	1,608,705
FleetManager [®] – mobiles	2,091,373	1,244,400
PoolCarManager income	8,932	20,792
Development income	18,500	34,494
OnTrac income	172,306	245,115
Softlog sales income	821,970	1,093,346
Softlog maintenance income	1,138,645	1,053,287
Phoneware installation income	42,375	10,278
Phoneware CADS income	2,222,721	2,487,306
Phoneware vendor provided income	150,310	166,589
Phoneware Octel income	124,796	111,869
Services Lotus	879,001	-
New Licence IBM	804,025	-
Licence Renewals IBM	2,730,136	-
Interest income	40,224	51,648
Non-Operating activities		
Other income	12,655	3,074
	12,465,324	8,163,796
(b) Expenses		
Interest expense	455	6,288
Depreciation of non-current assets	111,039	82,270
Operating lease rental expense: minimum lease payments	435,708	368,132

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 3: INCOME TAX

	Consolidated (\$)	
	2010	2009
Income tax recognised in profit or loss		
<i>The major components of tax expense are:</i>		
Current tax expense	77,589	78,677
Underprovision/(overprovision) of prior year tax	(3,466)	-
Origination and reversal of temporary differences	96,756	162,951
Underprovision/(overprovision) of prior year tax	10,594	-
Benefit of tax losses recognised	-	(542,486)
Recognition of other deferred tax balances not previously recognised	-	458,229
Total tax expense	181,473	157,371
<i>The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:</i>		
Accounting profit before tax	587,243	1,285,963
Income tax expense calculated at 30%	176,173	385,788
Underprovision/(overprovision) of prior year tax	7,128	-
Acquired long service leave	(8,469)	-
Non-deductible expenses	44,930	23,857
Share issue expenses – deductible	(24,528)	(16,432)
Utilisation of tax losses brought forward	-	(153,081)
Recognition of losses not previously recognised	-	(484,386)
Recognition of other deferred tax balances not previously recognised	-	458,229
R & D tax effect	(13,761)	(56,604)
Other	-	-
Income tax expense reported in the Statement of Comprehensive Income	181,473	157,371
Net Deferred Tax Asset		
<i>Analysis of deferred tax assets:</i>		
Tax losses available to offset against future taxable income	721,329	751,769
Accruals and provisions	185,659	205,476
	906,988	957,245
<i>Analysis of deferred tax liabilities:</i>		
Capitalised research and development	(666,270)	(611,758)
Prepayments	(2,581)	-
	(668,851)	(611,758)
Net Deferred Tax Asset	238,137	345,487

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2010

NOTE 4: SEGMENT REPORTING

The Group has adopted AASB 8 Operating Reporting Segments which 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 Managing Director 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. Stratatel Limited and controlled entities operate under the Software As A Service (SaaS) business model. 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	
	2010 Cents per share	2009 Cents per share
Basic earnings per share	0.30	1.00
Diluted earnings per share	0.30	1.00
	\$	\$
<i>Basic Earnings per share:</i>		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:		
Earnings	405,770	1,128,592
	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	133,277,781	113,402,988
	\$	\$
<i>Diluted earnings per share:</i>		
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share is as follows:		
Earnings	405,770	1,128,592
	No.	No.
Weighted average number of ordinary shares for the purposes of diluted earnings per share:	133,277,781	113,402,988
	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	133,277,781	113,402,988
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	133,277,781	113,402,988

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 6: DIVIDENDS

	Consolidated (\$)	
	2010	2009
<i>Paid dividends</i>		
On fully paid ordinary shares:		
Final unfranked ordinary dividend of 0.25 cents per fully paid share for the year ended 30 June 2009 paid to shareholders on 15 October 2009 (2008 final: 0.25 cents)	288,949	282,074
Interim unfranked ordinary dividend for the 2010 financial year of 0.13 cents per fully paid share paid to shareholders on 14 April 2010 (2009 interim: 0.25 cents)	181,666	284,178
Total dividends paid in 2010 financial year	<u>470,615</u>	<u>566,252</u>
<i>Proposed dividends (not recognised as a liability as at 30 June):</i>		
On fully paid ordinary shares:		
Final franked dividend for 2010 of 0.20 cents (for 2009 of 0.25 cents)	280,958	288,949

The company had no available franking credits.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 7: CASH AND CASH EQUIVALENTS

	Consolidated (\$)	
	2010	2009
Cash at bank and on hand	1,561,050	1,300,359
	1,561,050	1,300,359

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 2010, the Group had available \$400,000 (2009: \$500,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

	Consolidated (\$)	
	2010	2009
Reconciliation of profit for the year to net cash flows from operating activities		
Profit for the year	405,770	1,128,592
Non Cash flows in operating profit/(loss):		
Depreciation and amortisation	693,039	298,270
Equity settled share based payment	39,706	3,395
(Increase)/decrease in assets:		
Current receivables	(1,641,293)	549,998
Current inventories	13,770	(3,252)
Other current assets	(35,809)	41,343
Non-current receivables	11,412	9,943
Other financial assets	1,485	(54,291)
Deferred tax assets	107,350	93,549
Increase/(decrease) in liabilities:		
Current payables	1,300,262	24,918
Current tax provision	9,066	(11,384)
Provisions	133,745	(14,268)
Net cash from operating activities	1,038,503	2,066,813

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 8: TRADE AND OTHER RECEIVABLES

	Consolidated (\$)	
	2010	2009
Current:		
Trade receivables	2,855,573	1,319,799
Allowance for doubtful debts	(31,852)	(9,110)
Accrued Revenue	128,261	-
	2,951,982	1,310,689
Non-Current:		
Loans to subsidiaries	-	-
Employee share loans	16,706	28,118
	16,706	28,118

NOTE 9: INVENTORIES

Raw materials – at cost	19,668	22,250
Finished goods – at net realisable value	16,742	27,930
	36,410	50,180

NOTE 10: OTHER CURRENT ASSETS

Prepayments	90,094	54,285
	90,094	54,285

NOTE 11: OTHER FINANCIAL ASSETS

Security Deposits	104,154	103,065
Other	-	2,574
	104,154	105,639

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 12: PLANT AND EQUIPMENT

	Consolidated (\$)	
	2010	2009
Plant and equipment, at cost	655,305	578,713
Less accumulated depreciation	(469,520)	(369,960)
Net carrying amount	185,785	208,753
Leasehold improvements, at cost	28,678	23,408
Less accumulated depreciation	(16,039)	(4,560)
Net carrying amount	12,639	18,848
Total net carrying amount	198,424	227,601

Reconciliations: Consolidated

	Plant & Equipment	Leasehold Improvements	Total
	\$	\$	\$
Movements:			
Net carrying amounts as at 1 July 2008	206,755	-	206,755
Additions	79,708	23,408	103,116
Depreciation charges	(77,710)	(4,560)	(82,270)
Net carrying amounts as at 30 June 2009	208,753	18,848	227,601
Additions	76,592	5,270	81,862
Depreciation charges	(99,560)	(11,479)	(111,039)
Net carrying amounts as at 30 June 2010	185,785	12,639	198,424

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 13: INTANGIBLE ASSETS AND GOODWILL

Consolidated	Software Development	Goodwill	Total
	\$	\$	\$
Year ended 30 June 2009			
At 1 July 2008, net of accumulated amortisation and impairment	1,558,724	4,123,785	5,682,509
Additions	754,721	-	754,721
Amortisation charge	(216,000)	-	(216,000)
At 30 June 2009, net of accumulated amortisation and impairment	2,097,445	4,123,785	6,221,230
Year ended 30 June 2010			
At 1 July 2009, net of accumulated amortisation and impairment	2,097,445	4,123,785	6,221,230
Additions	751,285	537,141	1,288,426
Reclassification	(45,829)	45,829	-
Amortisation charge	(582,000)	-	(582,000)
At 30 June 2010, net of accumulated amortisation and impairment	2,220,901	4,706,755	6,927,656

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

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

No impairment loss was recognised for continuing operations in the 2010 financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2010

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

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

- FleetManager[®]
- Phoneware
- Vircom
- Softlog
- 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 14.00% (2009: 12.50%) and cash flows beyond five years have not been prepared due to the asset not being impaired.

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

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

Phoneware

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

The discount rate applied to cash flow projections, including a factor for risk, is 14.00% (2009: 12.50%) and cash flows beyond four years have not been prepared due to the asset not being impaired.

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

Vircom

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

The discount rate applied to cash flow projections, including a factor for risk, is 14.00% (2009: 12.50%) and cash flows beyond two years have not been prepared due to the asset not being impaired.

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

Softlog

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

The discount rate applied to cash flow projections, including a factor for risk, is 14.00% (2009: 12.50%) and cash flows beyond five years have not been prepared due to the asset not being impaired.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 14: 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 14.00%

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

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

	Consolidated (\$)						
	FleetManager	Phoneware	Vircom	Softlog	eFleet	Resource	Total
At 30 June 2010							
Carrying amount of goodwill	100,000	2,618,217	170,812	1,280,585	-	537,141	4,706,755
Carrying amount of developed software	921,621	524,740	-	774,540	-	-	2,220,901
Total	1,021,621	3,142,957	170,812	2,055,125	-	537,141	6,927,656
At 30 June 2009							
Carrying amount of goodwill	54,171	2,618,217	170,812	1,280,585	-	-	4,123,785
Carrying amount of developed software	1,331,624	183,352	-	510,469	-	-	2,025,445
Carrying amount of acquired intellectual property	-	-	-	-	72,000	-	72,000
Total	1,385,795	2,801,569	170,812	1,791,054	72,000	-	6,221,230

Key assumptions used in value calculations for 30 June 2010 and 30 June 2009

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 4.50% as per the Reserve Bank of Australia has been used.
Risk factor	an additional amount of 9.50% has been factored for general business risk.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 15: TRADE AND OTHER PAYABLES

	Consolidated (\$)	
	2010	2009
Current:		
Trade payables (i)	1,223,187	78,830
Other payables	344,041	308,133
Payables – deferred consideration	-	200,000
Provision for annual leave	242,448	230,954
Accrued expenses	636,129	453,675
Unearned Income	777,675	721,656
	3,223,480	1,993,248
	3,223,480	1,993,248

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

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

NOTE 16: PROVISIONS

	Consolidated (\$)	
	2010	2009
Non-current:		
Provision for long service leave	198,978	65,233
	198,978	65,233
	198,978	65,233

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 17: ISSUED CAPITAL AND RESERVES

	Consolidated	
	2010	2009
	\$	\$
Ordinary shares issued and fully paid	9,702,045	8,568,924

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

Movement in ordinary shares on issue

	2010	2010
	No.	\$
At 1 July 2008	110,829,380	8,215,208
Issued on 15 September 2008 as part consideration for acquisition of business assets	2,000,000	200,000
Issued on 17 October 2008 pursuant to the Stratatel Dividend Reinvestment Plan	841,836	56,403
Issued on 16 April 2009 pursuant to the Stratatel Dividend Reinvestment Plan	1,908,093	97,313
At 1 July 2009	115,579,309	8,568,924
Issued on 8 October 2009 pursuant to the Stratatel Rights Issue	20,159,145	1,092,530
Issued on 14 October 2009 pursuant to the Stratatel Rights Issue Shortfall Allotment	2,956,716	63,264
Issued on 15 October 2009 pursuant to the Stratatel Dividend Reinvestment Plan	1,048,271	71,085
Issued on 14 April 2010 pursuant to the Stratatel Dividend Reinvestment Plan	735,391	41,182
Exercise of Stratatel Rights Issue Options on 17 May 2010	18	2
Share Issue costs	-	(134,942)
At 30 June 2010	140,478,850	9,702,045

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

	2010	2009
	\$	\$
Balance 1 July 2009	111,164	107,769
Equity benefits reserve – options issued to staff	39,706	3,395
Balance 30 June 2010	150,870	111,164

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 18 for further details of these plans.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 18: 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 17.

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

	2010		2009	
	No.	Weighted average exercise price	No.	Weighted average exercise price
Outstanding at the beginning of the year	4,500,000	\$0.12	3,750,000	\$0.12
Granted during the year	3,250,000	\$0.10	1,000,000	\$0.12
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	250,000	\$0.20
Outstanding at the end of the year	7,750,000	\$0.11	4,500,000	\$0.12
Exercisable at the end of the year	7,750,000		4,500,000	

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is between 3 and 5 years (2009: 3 and 5 years).

The range of exercise prices for options outstanding at the end of the year was \$0.10 - \$0.15 (2009:\$0.10 - \$0.15)

The weighted average fair value of options granted during the year was \$0.11 (2009: \$0.12).

The outstanding balance as at 30 June 2010 is represented by:

- 1,000,000 options over ordinary shares with an exercise price of \$0.10 each, exercisable upon meeting the above conditions and until 15 January 2011;
- 1,000,000 options over ordinary shares with an exercise price of \$0.12 each, exercisable upon meeting the above conditions and until 29 May 2011;
- 1,200,000 options over ordinary shares with an exercise price of \$0.10 each, exercisable upon meeting the above conditions and until 30 November 2011;
- 2,750,000 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
- 500,000 options over ordinary shares with an exercise price of \$0.15 each, exercisable upon meeting the above conditions and until 17 October 2013.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 18: SHARE BASED PAYMENT PLANS (continued)

The following table lists the inputs to the model used for the years ended 30 June 2010 and 30 June 2009:

	2010	2009
Volatility (%)	47.46	35.15
Risk-free interest rate (%)	4.84	6.23
Expected life of option (years)	3	5
Exercise price (cents)	10.0 to 15.0	10.0 to 15.0
Weighted average share price at grant date (cents)	6.9	7.2

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

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

NOTE 19: FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

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

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

(b) Categories of financial instruments

	Consolidated (\$)	
	2010	2009
Financial assets		
Loans and receivables	2,951,982	1,310,689
Cash and cash equivalents	1,561,050	1,300,359
Financial liabilities		
Payables	3,223,480	1,993,248

The Group has no derivative instruments in designated hedging relationships.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010**NOTE 19: FINANCIAL INSTRUMENTS (continued)****(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 2009 and 2010, the Group's policy that no trading in derivatives shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

(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 2010

NOTE 19: 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 1 year	1 to 5 years	Total	
	\$	\$	\$	
Year ended 30 June 2010				
<i>Financial assets</i>				
Trade and other receivables	2,951,982	-	2,951,982	-
	2,951,982	-	2,951,982	
Floating rate:				
Cash Assets	1,561,050	-	1,561,050	3.65
	1,561,050	-	1,561,050	
	4,513,032	-	4,513,032	
<i>Financial liabilities</i>				
Payables	3,223,480	-	3,223,480	-
Other payables		-		-
	3,223,480	-	3,223,480	
Year ended 30 June 2009				
<i>Financial assets</i>				
Trade and other receivables	1,310,689	-	1,310,689	-
	1,310,689	-	1,310,689	
Floating rate:				
Cash Assets	1,300,359	-	1,300,359	4.73
	1,300,359	-	1,300,359	
	2,611,048	-	2,611,048	
<i>Financial liabilities</i>				
Payables	1,993,248	-	1,993,248	-
Other payables		-		-
	1,993,248	-	1,993,248	

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 2010

NOTE 19: FINANCIAL INSTRUMENTS (continued)

Interest rate risk sensitivity analysis

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

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit before tax would increase by \$5,510 and decrease by \$5,510 respectively (2009: \$5,460). 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:

			0-30 days	31-60 days	61-90 day	61-90 days	+91 days	+91 days
		Total			PDNI*	CI*	PDNI*	CI*
2010	Consolidated	2,951,982	2,060,016	489,279	42,723	-	359,964	-
	Parent	571,197	276,313	71,505	1,430	-	221,949	-
2009	Consolidated	1,310,689	655,088	468,562	52,060	-	134,979	-
	Parent	598,550	308,304	178,368	47,063	-	64,815	-

* **PDNI** - Past due not impaired

CI - Considered impaired

Receivables past due but not considered impaired are: Consolidated \$402,687 (2009: \$187,039); Parent \$223,379 (2009: \$111,878).

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 2010

NOTE 19: FINANCIAL INSTRUMENTS (continued)

Movements in Allowance for Impairment (Trade Receivables)

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

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
At 1 July 2009	9,110	9,110	9,110	9,110
Increase/(decrease) in allowance	22,742	-	(9,110)	-
At 30 June 2010	31,852	9,110	-	9,110

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

(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 20: BUSINESS COMBINATION

Acquisition of Resource Systems & Services Pty Ltd

Stratatel Limited acquired 100% of the business and assets of Resource Systems & Services Pty Ltd through its wholly owned subsidiary Card Manager Pty Ltd (re-named Resource Systems Pty Ltd trading as Stratatel Resource) on 1 July 2009 for total cash consideration of \$408,584 to be paid in eight monthly instalments from the Company's existing cash reserves.

The net assets acquired in the business combination at the date of acquisition, and the goodwill arising, are as follows:

Details of the acquisition are as follows:

	31 Dec 2009
	\$
Consideration	
Cash and cash equivalents paid to date	354,292
Amount payable at reporting date	54,292
Amount paid	408,584
Fair value of net assets acquired	
Prepayments	2,494
Unearned Income	(102,823)
Provisions	(28,228)
Net assets acquired	(128,557)
Goodwill arising on acquisition	537,141
	408,584

The assets and liabilities arising from the acquisition are recognised at fair value, which are equal to their carrying value at acquisition date. Acquisition related costs of \$1,898 are included in professional fees in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 21: 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		Parent	
	\$		\$	
	2010	2009	2010	2009
Within one year	450,000	200,000	450,000	200,000
After one year but not more than five years	712,500	-	712,500	-

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		Parent	
	\$		\$	
	2010	2009	2010	2009
Within one year	47,545	93,705	47,545	93,705
After one year but not more than five years	-	47,545	-	47,545

NOTE 22: EVENTS AFTER BALANCE DATE

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

- Paul Brown resigned as Commercial Manager and ceased employment with Stratatel Limited on 20 July 2010.

NOTE 23: AUDITOR'S REMUNERATION

The auditor of Stratatel Limited is HLB Mann Judd.

	Consolidated (\$)		Parent (\$)	
	2010	2009	2010	2009
<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	50,300	55,000	30,180	33,000

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 24: 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	
		2010	2009
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.

Transactions with Directors

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

	2010 \$	2009 \$
<i>Purchases from Related Parties</i>		
Grange Consulting Group Pty Ltd		
Corporate Consultancy	54,327	29,927
Secretarial Services	95,863	3,937
	150,190	33,864
Max Capital Pty Ltd		
Capital Raising Services	63,338	-
	63,338	-

Stratatel Limited Chairman Mr Ian Macliver is the Managing Director of Grange Consulting Group Pty Ltd, which has provided corporate advisory services to the consolidated entity amounting to \$54,327 (2009 \$29,927) net of GST.

The Company Secretary responsibilities are performed by Emma McCormack 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 2010 amounted to \$95,863 (2009 \$3,937) net of GST.

Max Capital is a securities firm specialising in capital raisings and corporate finance transactions. Max Capital is the securities arm of Grange Consulting Group. Stratatel Limited Chairman Mr Ian Macliver is the Executive Chairman of Max Capital, which provided Capital raising services for the Stratatel Rights Issue to the consolidated entity amounting to \$63,338 net of GST.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 24: RELATED PARTY DISCLOSURE (Continued)

Transactions with Significant Shareholders

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

<i>Purchases from Related Parties</i>	2010	2009
	\$	\$
Totally Insane Pty Ltd		
Consultancy Fees	37,567	-

Former Branch Manager and significant shareholder Derek Farrell provided consultancy services from August 2009 to December 2009 to Softlog Systems Pty Ltd amounting to \$37,567 net of GST.

Terms and conditions of transactions with related parties

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 25: PARENT ENTITY DISCLOSURES

Financial position

	30 June 2010	30 June 2009
	\$	\$
Assets		
Current assets	1,989,222	1,792,501
Non-current assets	6,219,177	5,329,364
Total assets	<u>8,208,399</u>	<u>7,121,865</u>
Liabilities		
Current liabilities	580,161	521,177
Non-current liabilities	115,114	38,871
Total liabilities	<u>695,275</u>	<u>560,048</u>
Equity		
Issued capital	9,702,045	8,568,924
Retained earnings	(2,339,792)	(2,118,271)
Reserves		
Share-based payments	150,871	111,164
Total equity	<u>7,513,124</u>	<u>6,561,817</u>

Financial performance

	Year ended	Year ended
	30 June 2010	30 June 2009
	\$	\$
Profit for the year	249,094	752,275
Other comprehensive income	-	-
Total comprehensive income	249,094	752,275

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 26: DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

I Macliver	Chairman (non-executive)
M Fairclough	Managing Director
G Lambert	Director (non-executive)
G Baillie	Director (non-executive)

(ii) Executives

M Parry	Chief Executive Officer	<i>Promoted 1 July 2009</i>
J Butchers	Chief Financial Officer	
J Williams	Chief Information Officer	<i>Promoted 1 July 2009</i>
J Slaiman	General Manager – Sales	
P Brown	Commercial Manager	<i>Resigned 20 July 2010</i>
D Farrell	Branch Manager – Softlog Systems	<i>Resigned 31 July 2009</i>

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

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

Paul Brown resigned as Commercial Manager effective 20 July 2010 and ceased employment with Stratatel Limited.

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

(b) Compensation of Key Management Personnel

Compensation by category: Key Management Personnel

	Consolidated	Consolidated
	2010	2009
	\$	\$
Short-term	1,529,121	1,454,913
Post employment	113,651	131,335
Other long-term	30,000	10,954
	1,672,772	1,597,202

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 26: DIRECTORS AND EXECUTIVE DISCLOSURES (Continued)

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

During the financial year options were granted as equity compensation benefits under the long-term incentive plan to key executives as disclosed below. No share options have been granted to the non-executive members of the Board of Directors under this scheme. The options were issued free of charge. For further details relating to the options, refer to Note 18.

30 June 2010	Vested	Granted	Terms and Conditions for each Grant					
	No.	No.	Grant Date	Fair Value per option at grant date (\$)	Exercise price per option(\$) (note 18)	Expiry Date	First Exercise Date	Last Exercise Date
Executives								
M Parry	750,000	750,000	9/12/09	0.0120	0.10	9/12/12	9/12/09	9/12/12
J Butchers	500,000	500,000	9/12/09	0.0120	0.10	9/12/12	9/12/09	9/12/12
J Williams	500,000	500,000	9/12/09	0.0120	0.10	9/12/12	9/12/09	9/12/12
J Slaiman	500,000	500,000	9/12/09	0.0120	0.10	9/12/12	9/12/09	9/12/12
P Brown	250,000	250,000	9/12/09	0.0120	0.10	9/12/12	9/12/09	9/12/12
Total	2,500,000	2,500,000						

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 26: DIRECTORS AND EXECUTIVE DISCLOSURES (Continued)

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

30 June 2010	Balance at beginning of period	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period	Vested as at end of period	
						Exercisable	Not Exercisable
Directors							
I Macliver	-	-	-	565,233	565,233	565,233	-
M Fairclough	1,000,000	-	-	2,177,568	3,177,568	3,177,568	-
G Lambert	-	-	-	400,000	400,000	400,000	-
G Baillie	-	-	-	1,148,355	1,148,355	1,148,355	-
Executives							
M Parry	1,100,000	750,000	-	112,514	1,962,514	1,962,514	-
J Butchers	300,000	500,000	-	-	800,000	800,000	-
J Slaiman	-	500,000	-	-	500,000	500,000	-
P Brown (<i>Resigned 20 July 2010</i>)	500,000	250,000	-	-	750,000	750,000	-
J Williams	300,000	500,000	-	8,758	808,758	808,758	-
D Farrell (<i>Resigned 20 July 2009</i>)	500,000	-	-	(500,000)	-	-	-
Total	3,700,000	2,500,000	-	3,912,428	10,112,428	10,112,428	-

Includes forfeitures, rights issue and balance on resignation

30 June 2009	Balance at beginning of period	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period	Vested as at end of period	
						Exercisable	Not Exercisable
Directors							
M Fairclough	1,000,000	-	-	-	1,000,000	1,000,000	-
Executives							
M Parry	600,000	500,000	-	-	1,100,000	1,100,000	-
J Butchers	-	300,000	-	-	300,000	300,000	-
P Brown	300,000	200,000	-	-	500,000	500,000	-
J Williams	300,000	-	-	-	300,000	300,000	-
D Farrell (<i>Resigned 20 July 2009</i>)	500,000	-	-	-	500,000	500,000	-
Total	2,700,000	1,000,000	-	-	3,700,000	3,700,000	-

Includes forfeitures, rights issue and balance on resignation

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 26: DIRECTORS AND EXECUTIVE DISCLOSURES (Continued)

(e) Shareholdings of Key Management Personnel (Consolidated)

Ordinary shares held in Stratatel Limited (number)

30 June 2010	Balance 01 Jul 09	Granted as remuneration	On Exercise of Options	Net Change Other	Balance 30 Jun 10
Directors					
I Macliver	2,500,000	-	-	703,647	3,203,647
M Fairclough	10,235,516	-	-	2,218,301	12,453,817
G Lambert	2,000,000	-	-	400,000	2,400,000
G Baillie	5,089,460	-	-	1,148,355	6,237,815
Executives					
M Parry	562,566	-	-	112,514	675,080
J Butchers	-	-	-	141,750	141,750
J Slaiman	100,333	-	-	-	100,333
P Brown (<i>Resigned 20 July 2010</i>)	110,000	-	-	-	110,000
J Williams	43,790	-	-	16,758	60,548
D Farrell (<i>Resigned 31 July 2009</i>)	1,000,000	-	-	-	1,000,000
Total	21,641,665	-	-	4,741,325	26,382,990
30 June 2009	Balance 01 Jul 08	Granted as remuneration	On Exercise of Options	Net Change Other	Balance 30 Jun 09
Directors					
I Macliver	1,625,000	-	-	875,000	2,500,000
M Fairclough	9,386,064	-	-	849,452	10,235,516
G Lambert	1,563,443	-	-	436,557	2,000,000
G Baillie	4,375,000	-	-	714,460	5,089,460
Executives					
M Parry	562,566	-	-	-	562,566
J Slaiman	100,333	-	-	-	100,333
P Brown	110,000	-	-	-	110,000
J Williams	43,790	-	-	-	43,790
D Farrell	1,000,000	-	-	-	1,000,000
J Worsfold (<i>Resigned 3 October 2008</i>)	722,800	-	-	-	722,800
Total	19,488,996	-	-	2,875,469	22,364,465

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 26: DIRECTORS AND EXECUTIVE DISCLOSURES (Continued)

(f) 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.
	6,167	-	-	(3,358)	-	2,809	1
2010	6,167	-	-	(3,358)	-	2,809	1
	19,500	-	-	(13,333)	-	6,167	1
2009	19,500	-	-	(13,333)	-	6,167	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.

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 2010 and of its performance for the year then ended; and
 - ii. complying with Accounting Standards and Corporations Regulations 2001; and
 - b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
 - 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 2010.

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



I Macliver
Chairman

Dated this 27th day of August 2010

INDEPENDENT AUDITOR'S REPORT**To the members of
STRATATEL LTD****Report on the Financial Report**

We have audited the accompanying financial report of Stratatel Ltd ("the company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 22 to 63.

Directors' Responsibility for the Financial Report

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

In Note 1(c), the directors also state, in accordance with Australian Accounting Standards, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company'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 company'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 opinions.

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Stratatel Ltd 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 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply 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 2010. 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 Ltd for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.



HLB MANN JUDD
Chartered Accountants



Perth, Western Australia
27 August 2010

W M CLARK
Partner

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

Shareholder information

(a) Distribution of shareholder and listed option holder numbers

Category	Ordinary	Listed Options
1 - 1,000	46	7
1,001 - 5,000	13	20
5,001 - 10,000	44	32
10,001 - 100,000	164	100
100,001 - and over	156	41
	423	200

There are 112 share holders and 145 option holders with held in less than a marketable parcel as at 20 August 2010.

(b) Substantial shareholders

The names of the substantial shareholders listed in the company's register as at 23 August 2010 are:

Shareholder	Number of ordinary shares held	% held of ordinary share capital
Moutier Pty Ltd	15,255,798	10.8
Mr Mark Jobling	15,450,000	11.0
Mr Michael Fairclough*	12,453,817	8.9

* 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 Emma McCormack

(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 23 August 2010**

	Name	Number of Ordinary Shares	% held of Ordinary Shares
1.	MR MARK CHRISTOPHER JOBLING	15,450,000	11.00
2.	MOUTIER PTY LTD	15,225,798	10.84
3.	MR MICHAEL JAMES FAIRCLOUGH	9,516,369	6.77
4.	GRAMELL INVESTMENTS PTY LIMITED <SUPERANNUATION FUND A/C>	6,237,815	4.44
5.	JDV LIMITED <ENT INVESTMENT FUND A/C>	5,736,494	4.08
6.	ANZ NOMINEES LIMITED <CASH INCOME A/C>	4,812,063	3.43
7.	CITICORP NOMINEES PTY LIMITED	3,753,882	2.67
8.	CORNELA PTY LTD <IAN MACLIVER SUPER FUND A/C>	3,203,647	2.28
9.	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,987,004	2.13
10.	MR DAVID SCHWARTZ <DAVID SCHWARTZ FAM HLDS A/C>	2,807,783	2.00
11.	TOPSFIELD PTY LTD	2,444,994	1.74
12.	DEPONENT SERVICES PTY LTD <LAMBERT SUPER FUND A/C>	2,400,000	1.71
13.	T T NICHOLLS PTY LTD <SUPERANNUATION ACCOUNT>	2,040,000	1.45
14.	GLEN ALPINE PTY LTD <HILEY S/F A/C>	1,970,710	1.40
15.	BRINDLE HOLDINGS PTY LTD <O'CONNOR S/F A/C>	1,839,970	1.31
16.	MCKNIGHT HOLDINGS PTY LTD	1,721,187	1.23
17.	JWS INVESTMENT PTY LTD <CORPORATE A/C>	1,557,651	1.11
18.	MR GEOFFREY FREDERICK LORD + MRS NANETTE KATHLEEN LORD + MR RONALD CHARLES PECK <GMR SUPER FUND A/C>	1,526,115	1.09
19.	TRADINGWORXS PTY LTD <MARK STEMMER SUPER FUND A/C>	1,444,171	1.03
20.	STARLET PROPERTIES PTY LTD	1,417,073	1.01
	TOTAL HELD BY TOP 20 HOLDERS	86,630,933	61.67

(h) Top 20 Registered Holders – Listed Option (\$0.10, 30/09/2011) as at 23 August 2010

	Name	Number of Listed Options	% held of Listed Options
1.	MOUTIER PTY LTD	2,406,337	10.41
2.	MR MARK CHRISTOPHER JOBLING	2,200,000	9.52
3.	MR SIMON ROBERT EVANS	1,989,522	8.61
4.	MR MICHAEL JAMES FAIRCLOUGH	1,586,062	6.86
5.	GRAMELL INVESTMENTS PTY LIMITED	1,148,355	4.97
6.	TRADINGWORXS PTY LTD <MARK STEMMER SUPER FUND A/C>	829,547	3.59
7.	LAYUTI PTY LTD <THE MOUATT SUPER FUND A/C>	800,000	3.46
8.	TOPSFIELD PTY LTD	724,053	3.13
9.	MR DAVID SCHWARTZ <DAVID SCHWARTZ FAM HLDS A/C>	576,683	2.49
10.	CORNELA PTY LTD <IAN MACLIVER SUPER FUND A/C>	565,233	2.45
11.	MR CARLO CHIODO	400,000	1.73
12.	DEPONENT SERVICES PTY LTD <LAMBERT SUPER FUND A/C>	400,000	1.73
13.	MCKNIGHT HOLDINGS PTY LTD	395,584	1.71
14.	T T NICHOLLS PTY LTD <SUPERANNUATION ACCOUNT>	340,000	1.47
15.	GLEN ALPINE PTY LTD <HILEY S/F A/C>	328,452	1.42
16.	BRINDLE HOLDINGS PTY LTD <O'CONNOR S/F A/C>	306,662	1.33
17.	MR CARLO CHIODO	282,907	1.22
18.	ELIZABETH HODGES + ALICE HODGES + EDWARD HODGES <SARNIA INVESTMENT A/C>	260,000	1.12
19.	JWS INVESTMENT PTY LTD <CORPORATE A/C>	259,609	1.12
20.	MRS PAMELA OATES	235,830	1.02
	TOTAL HELD BY TOP 20 HOLDERS	15,744,892	68.10

(i) Stock exchange listing– ordinary shares (as of 26 August 2010)

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

(j) Restricted securities

Restricted securities as at 26 August 2010 are 311,111 ordinary shares held by Company employees.

(k) Unquoted securities

The unquoted securities of the Company as at 26 August 2010 are 7,000,000 Options are outlined below

Number of Options	Exercise Price	Expiry Date	Number of Holders
1,000,000	\$0.10	15/01/2011	1
1,000,000	\$0.12	25/05/2011	2
900,000	\$0.10	30/11/2011	4
2,500,000	\$0.10	09/12/2012	6
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