Strathfield Group Limited

ACN 053 687 728

Appendix 4E

Annual Financial Report For the period ended 30 June 2010

The report is based on accounts which have been audited. The audit report is included within the Annual Report.

1. Details of the reporting period

Current reporting period:	29th June 2009 to 30th June 2010.
Previous corresponding period:	12th December 2008 to 28th June 2009.

2. Results for Announcement to Market

	Percentage Change		**Amount**
Revenue and Net Profit	**%**		**$'000**
Revenue from ordinary activities	**10.61%**	**to**	**58,117**
Profit from ordinary activities after tax attributable to members	**136.39%**	**to**	**2,731**
Underlying profit attributable to members	**136.39%**	**to**	**2,731**
	Year ended 30 June 2010		**Year ended 28 June 2009**
Net tangible assets per security	($0.002)		($0.004)

Dividends

	Amount per security	Franked amount per security
Final dividend	*Nil*	*Nil*
Previous corresponding period	*Nil*	*Nil*

Record date for dividend entitlement	*Not applicable*

The annual general meeting will be held as follows:

Place	*To be advised*
Date	*To be advised*
Time	*To be advised*

Explanation of Financial Results

Strathfield Group Limited (Strathfield) is pleased to advise that EBITDA before significant items ("Underlying EBITDA") for the full year is $6.541 million. Whilst there are comparatives for the previous period they are not directly comparable due to the acquisition of Strathfield Equipment Group Pty Limited ("SEG") in December 2008 which was deemed a Reverse Acquisition whereby the financial statements are prepared as if SEG is the acquirer. Given that SEG only acquired the business on 12 December 2008, the comparative period is for 6 months and 17 days as opposed to the full 12 months for the current reporting period.

Revenue for the year was up 10.61% to $58.117 million. The increase is directly attributable to the Reverse Acquisition Accounting methodology described in the above paragraph.

Strathfield is further encouraged by the NPAT result of $2.731 million for the Full Year. NPAT contains depreciation and amortisation expense of $3.935 million, one off significant items of ($1.484 million) and an income tax benefit of $1.755 million.

The results of the Consolidated Entity were impacted by movements in the application of fair value adjustments to non-current assets and liabilities carried on its balance sheet. The table below summarises the impact of these adjustments.

	30 June 2010 $'000	**28 June 2009 $'000**
Interest income relating to movement in fair value of non-current assets and liabilities	810	-
Fair value adjustment to non-current assets and liabilities	83	4,019
Interest expense relating to movement in fair value of non-current assets and liabilities	(1,563)	-
	(670)	4,019

The following table identifies the significant items impacting the consolidated entities financial performance for the current and corresponding periods.

	FY10	**FY09**
Impairment of acquisition goodwill	-	(15,347)
Impairment of plant and equipment	(309)	(3,944)
Impairment of receivables	(361)	(1,508)
Impairment of finance lease receivables	(253)	-
Impairment of inventory	(1,939)	(320)
Write back of payables	-	16,526
Onerous lease provision	(213)	-
Gain on acquisition/disposal of assets	1,508	-
Fair value adjustment to non-current loans	83	4,019
	(1,484)	**(574)**

3. Additional Information

Additional Appendix 4E disclosure requirements can be found in the attached (audited) Annual Report.

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Strathfield Group Limited

ACN 053 687 728

Financial statements for the financial year ended 30 June 2010

Annual Financial Report for the Financial Year ended 30 June 2010

Corporate Governance Statement

The Board of Strathfield Group Limited is committed to achieving and demonstrating the highest standards of corporate governance. An extensive review of the company's corporate governance framework was completed by the previous Board in 2003 in light of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003. This review has continued in recent years and the Company's corporate governance standards, where applicable, have been updated to coincide with the more recent and second edition of Corporate Governance Principles & Recommendations released by the ASX in August 2007.

The relationship between the Board and senior management is critical to the Company's long-term success. The Directors are responsible to the shareholders for the performance of the Company in both the short and the long term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the person performing the role of Chief Executive Officer and his/her management team and senior executives as set out in the Company's delegation policy. These delegations are reviewed from time to time.

On 30 June 2010, the ASX Corporate Governance Council released amendments to the 2nd edition of the Corporate Governance Principles and Recommendations in relation to diversity, remuneration, trading policies and briefings. These amendments will apply to listed entities from 1 January 2011. The Board of Strathfield Group Limited intends to review the amendments contained within the updated Corporate Governance Principles and Recommendations and update the Corporate Governance practices of Strathfield Group Limited as appropriate.

Some general comments about the charter and the practices adopted by the Board and the Company under the current circumstances are detailed below before providing a summary statement on each of the eight Principles as outlined in the August 2007 release by the ASX.

The Board of Directors

The Board operates in accordance with the broad principles set out in its charter to the extent it is practicable and applicable to a company of this size.

Board Composition

The charter requires that the majority of Board members be independent and that the Chairman be independent.

Whilst the Company has departed from its board composition charter during the period of administration and Deed of Company Arrangement entered into in early 2009 it is the intention of the Company that the Board be comprised of the right mix of executive and non-executive directors at the earliest possible time and that such Board members have the appropriate mix of backgrounds and requisite and complementary skills and experience. Non-executive directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgment and review and constructively challenge the performance of management. The Company has recently announced the appointment of Mr Zac Karlaftis to the Board as a non-Executive Director. This combined with the retirement of Mr Emil Dimitrov as Executive Finance Director has increased the level of non-Executive Director's on the Board of the Company to 50%.

The Board is required to undertake an annual Board performance and mix of skills review in order to maximise its effectiveness and its contribution to the Company. The most recent board review was at the end of November 2009 and under the circumstances as explained above and for the near future, the Board considers that the number and mix of Board members is appropriate and adequate.

Responsibilities

The responsibilities of the board include:

- Providing strategic guidance to the company including contributing to the development of and approving the corporate strategy; and
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives.

Overseeing and monitoring:

- Organisational performance and the achievement of the Company's strategic goals and objectives;
- Compliance with the Company's Code of Conduct;
- Progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
- Monitoring financial performance (including approval of the annual and half-year financial reports) and liaising with the Company's auditors;
- Appointment, performance assessment and, if necessary, removal of the Chief Executive Officer;
- Ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and the Company Secretary;
- Ensuring there are effective management processes in place and approving major corporate initiatives;
- Enhancing and protecting the reputation of the organisation; and
- Overseeing the operation of the Company's system for compliance and risk management reporting to shareholders.

Further to the comments above, this statement below sets out in summary the main corporate governance practices that the Company had in place during the financial year and notes where such practices depart from the ASX's recommendations and the Board's reasons for an alternative approach. Generally, the main reason where the Company does not comply with any recommendation is where the Board of the Company considers that the size of the Company or the cost of compliance with such recommendation does not warrant it or that it is a temporary situation resulting from the Company having recently gone through an external administration process and the establishment of a Deed of Company Arrangement and Creditors' Trust.

Principle 1: Lay a solid foundation for management and oversight

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business of the Company on behalf of shareholders by whom they are elected and to whom they are accountable. The Board is responsible for setting corporate direction, defining policies and monitoring the business of the Company to ensure that it is conducted appropriately and in the best interest of shareholders.

The Board's key objectives are to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and ensures that the group is properly managed. The Board convenes meetings with such frequency as is necessary to appropriately discharge its responsibilities.

Upon appointment Directors must provide a Letter of Consent to Act wherein they provide full details of any other current Directorships or those held in the last three years and details of any shareholdings in the Company, any conflicts or any related party issues that the Company should be aware of.

The Company also provides Directors with a letter providing Directors with certain information and outlining their obligations and disclosure requirements and in particular about restrictions on trading in the Company's securities at particular times, as detailed in the Guidance Notes to the Principles.

Principle 2: Structure the Board to add value

Except for comments made above in relation to the current but temporary situation, the board seeks to nominate persons for appointment to the Board who have suitable qualifications, experience and commercial acumen. While the Board endorses the best practice recommendations as published by the ASX Corporate Governance Council, currently the Board does not have a majority of independent directors for reasons outlined above.

The Board considers that the current composition of the Board is appropriate and adequate for the group's current circumstances, size and operations and includes an appropriate mix of skills and expertise. The Board currently comprises an executive Chairman, an executive director of Operations who is also the acting CEO and two non executive directors.

With the prior approval of the Chairman, directors may seek independent professional or legal advice at the Company's expense.

Principle 3: Promote Ethical & Responsible Decision-making

The Company does not have a formal code of conduct. However, the directors operate in accordance with the following informal policy:

- To actively promote the highest standards of ethics and integrity in carrying out their duties for the Company;
- To disclose any perceived or actual conflicts of interest;
- To respect the confidentiality of all sensitive information acquired in the course of the Company's business and not to make improper use of or disclose any such information to any person unless previously authorised or required by law to do so;
- To deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates; and
- To protect the assets of the Company to ensure availability for legitimate business purposes and to ensure that all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company.

There is currently no formal policy for trading in the Company's securities other than a restriction in trading prior to any reporting periods and no trading is permitted where directors are aware of any sensitive information not otherwise known in the market place and likely to impact the price of the Company's securities. However, any trading in Company securities proposed to be undertaken by any director is required to be disclosed and approved by the Chairman prior to the trade occurring.

The Board recognises that it has a responsibility to shareholders and the community as a whole and is committed to corporate practices that reflect these responsibilities. The Company requires that the directors act in a manner that reflects the highest standards of behaviour and professionalism. It emphasises the need for honesty and integrity in all areas and in particular, in relation to legal compliance, record keeping, conflicts of interest and confidentiality.

Principle 4: Safe guard integrity in financial reporting

The executive directors, Chief Executive Officer and Chief Financial Officer of the Company sign off an audit representation letter addressed to the auditor which states that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.

Whilst given the size and market capitalisation of the Company an Audit Committee is not required, nevertheless, the Board has established an Audit Committee whose members are Mr. Emil Dimitrov, a non-executive director, and Mr. Vaz Hovanessian who is the Chairman.

Principle 5: Make timely and balanced disclosure

The board is committed to open, prompt and regular communications with the market. Consistent with the ASX Listing Rules, the Company promptly informs the market of any information that may have a material effect on the price or value of the Company's securities.

Principle 6: Respect the rights of shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company in a timely fashion via announcements to ASX. In addition, information is communicated via the distribution of the annual report, the lodging of the half yearly report with ASX and the distribution of notices to all shareholders informing them of shareholder meetings. The Board actively encourages shareholder involvement in the Company.

Principle7: Recognise and manage risk

The Board considers that the current procedures are adequate to recognise and manage risk relative to the scale of the Company's activities but it is constantly reviewing same for any improvements that may be required.

Principle 8: Remunerate fairly and responsibly

The Company does not have any formal evaluation process for the Board or individual directors. This is not considered necessary with the Company's current level of operations.

Currently, while the Company's operations are small in size, there is no Remuneration Committee. The full Board determines the level of remuneration for directors based on the provision of services to the Company and within its financial resources and capability. Remuneration levels are set with reference to market conditions and with regard to the size, nature and volume of operations and the responsibilities and duties of the directors.

Directors' Report

The directors of Strathfield Group Limited submit herewith the annual financial statements of the Strathfield Group Limited Consolidated Entity for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors

The names and particulars of the directors of the company during and since the end of the financial year, except as otherwise noted, are:

Vaz Hovanessian - Executive Chairman and Company Secretary - Appointed on 12 December 2008.

Vaz Hovanessian (B. Bus, M. App. Fin, CPA, FCSA) has over 30 years of business experience and has run a corporate advisory services organisation for over 25 years. He has served on the Boards of several junior and emerging companies in the Resources and Technology sectors. He has interests in tourism and property and substantial experience in resurrecting companies in difficulty. He is currently a Director of ASX listed E-Com Multi Limited and Broad Investments Limited.

Skaiste Rodriguez – Executive Director of Operations/Acting CEO – Appointed on 23 November 2009.

Ms. Rodriguez (Bach Bus Mgmt & Admin, Dip. Soc. Sc., LLB.) has had extensive high level sales, marketing and administration experience in the UK and Australia in office equipment and telecommunications and was operations manager in Strathfield Group since August 2008 where she assisted in the recent restructure of the Company and its franchise model and has been instrumental in the establishment of over 25 additional franchises in a short period of time.

Emil Dimitrov –Non-executive Director – Appointed on 18 December 2008.

Emil Dimitrov (M. Sc., MBA, AGSM) has over 15 years of experience in strategic and financial corporate management and a specialist in turnarounds and strategic repositioning and operational restructures. He has served as CEO, CFO and Business Development Director of several leading telecommunications, technology and financial organisations, including public companies. He is currently a Director of ASX listed E-Com Multi Limited. Mr Dimitrov served as executive Finance Director until the 8th of June, 2010 from which time Mr Dimitrov will serve as a non-executive Director.

Zac Karlaftis – Non-executive Director – Appointed on 5 July 2010.

Zac Karlaftis (B. Eng, B. Bus). has 17 years experience in the Information Communication Technology ("ICT") Industry with specific skills in product management, sales, business development and planning and strategy development. Mr. Karlaftis has had several senior positions in ICT enterprises including over 10 years at senior levels in Telstra until 2003 where he was General Manager of Managed Services with executive accountability for P&L, strategic planning, staffing and accounts management for in excess of $300M in annual Managed Services business.

Murray Taylor –Executive Director/CEO – Appointed on 12 December 2008, Resigned on 23 November, 2009.

Murray Taylor has had 15 years experience in banking and finance including asset finance, fleet management, business banking and credit inspection and fraud control and for the last 6 years, before joining Strathfield Group, was involved as managing director in a large telecommunications hardware and office equipment sales business where he was instrumental in developing a strong compliance and service department. He assisted with the 2009 restructure of Strathfield Group. He left the Company on 23 November 2009 to pursue other business interests.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Vaz Hovanessian	Broad Investments Limited	Since 5 January 2004
Vaz Hovanessian	E-Com Multi Limited	Since 20 September 1996
Vaz Hovanessian	Fairstar Resources Limited	15 March 2008 – 18 Jan 2009
Emil Dimitrov	E-Com Multi Limited	Since 4 May 2009

Principal activities

Strathfield Group Limited's principal activities include sales of;

- In car entertainment;
- Home entertainment;
- Home office and mobile phone products;
- Telephone connection services to mobile carrier networks;
- Installation of car audio products and mobile telephones; and
- Sale of office consumables and telephony products to the Small Medium Business (SMB) market.

Review of Operations and Activities

Operational Review

Strathfield Group Limited (Strathfield) is pleased to advise that EBITDA before significant items ("Underlying EBITDA") for the full year is $6.541 million. Whilst there are comparatives for the previous period they are not directly comparable due to the acquisition of Strathfield Equipment Group Pty Limited ("SEG") in December 2008 which was deemed a Reverse Acquisition whereby the financial statements are prepared as if SEG is the acquirer. Given that SEG only acquired the business on 12 December 2008, the comparative period is for 6 months and 17 days as opposed to the full 12 months for the current reporting period.

Strathfield is further encouraged by the NPAT result of $2.731 million for the Full Year. NPAT contains depreciation and amortisation expense of $3.935 million, one off significant items of ($1.484 million) and an income tax benefit of $1.755 million. NPAT and EBITDA after significant items of $4.215 million and $8.024 million are especially encouraging.

The results of the Consolidated Entity were impacted by movements in the application of fair value adjustments to non-current assets and liabilities carried on its balance sheet. The table below summarises the impact of these adjustments

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	30 June 2010 $'000	28 June 2009 $'000
Interest income relating to movement in fair value of non-current assets and liabilities	810	-
Fair value adjustment to non-current assets and liabilities	83	4,019
Interest expense relating to movement in fair value of non-current assets and liabilities	(1,563)	-
	(670)	4,019

The following table identifies the significant items impacting the consolidated entities financial performance for the current and corresponding periods.

	FY10	FY09
Impairment of acquisition goodwill	-	(15,347)
Impairment of plant and equipment	(309)	(3,944)
Impairment of receivables	(361)	(1,508)
Impairment of finance lease receivables	(253)	-
Impairment of inventory	(1,939)	(320)
Write back of payables	-	16,526
Onerous lease provision	(213)	-
Gain on acquisition/disposal of assets	1,508	-
Fair value adjustment to non-current loans	83	4,019
	(1,484)	**(574)**

The Board is quietly confident that the recent return to profitability (the first full profitable period in a long time) is sustainable.

Summary of consolidated results

Before one-off significant items

	30 June 2010 $ million	29 June 2009 $ million
Operating Revenue	58.117	52.545
EBITDA	6.541	(4.804)
EBIT	2.605	(7.379)
NPAT	2.731	(7.505)

After one-off significant items

	30 June 2010 $ million	29 June 2009 $ million
Operating Revenue	58.117	52.545
EBITDA	8.024	(4.230)
EBIT	4.089	(6.805)
NPAT	4.215	(6.931)

Financial Position Review

The reporting period ended 30 June 2010 has seen a continuation of the improvement in the company's financial position since it exited voluntary administration in March of 2009. The accompanying table demonstrates that improvement in the key balance sheet metrics.

	Consolidated		
	Jun-10 $'000	Jun-09 $'000	% Change
Working capital	1,759	1,147	53.33%
Total assets	37,387	37,859	-1.25%
Total current liabilities	4,272	6,866	-37.78%
Total non-current liabilities	18,300	18,939	-3.38%
Total liabilities	22,572	25,805	-12.53%
Net assets	14,815	12,054	22.91%

Of particular note are the 53.3% increase in working capital, the 37.8% decline in current liabilities and most pleasing to the Board, the 22.91% improvement in net assets. The improvement in net assets in especially satisfying given the $3.622 million in amortisation charges recorded in the year. Total assets and correspondingly, net assets, were impacted by the recognition of deferred tax assets in the amount of $1.755 million. Deferred tax assets have been recognised, as required by AASB 112, to the extent that it is probable that future taxable profits will be available against which these assets can be utilised. The deferred tax assets have arisen from deductible temporary differences as well as the carry forward of previously unutilised revenue losses. For more detailed information regarding the taxation position of the Consolidated Entity please refer to note 3, Income tax, at page 49 of this annual report.

Following a review of the carrying value of inventory at the reporting date, the Consolidated Entity has recorded an impairment charge of $1.939 million for the year as a result of slower than expected movement of said inventory.

After a review of the carrying value of property, plant and equipment the Consolidated Entity has recorded an impairment charge of $309 thousand. The impairment charge relates to the shortfall in discounted cash flows generated by the underlying cash generating units when compared to the carrying value of the assets. The Consolidated Entity has also impaired its trade receivables by an amount of $361 thousand and its lease receivables by an amount of $253 thousand.

The Consolidated Entity has also recorded provisions for onerous leases in the amount of $213 thousand.

The table below represents significant items impacting the Consolidated Entity's financial position in the current and corresponding reporting periods.

	2010	2009
Impairment of receivables	(361)	(1,508)
Impairment of lease receivables	(253)	-
Impairment of inventory	(1,939)	(320)
Impairment of goodwill	-	(15,347)
Impairment of other assets	-	(244)
Impairment of property, plant and equipment	(309)	(3,944)
	(2,862)	(21,363)
Amortisation of airtime agreement	(3,622)	(2,175)
Write back of payables resulting from deed of arrangement	-	16,526
Gain on acquisition/disposal of assets	1,508	-
Fair value adjustment to non-current loans	83	4,019
Onerous lease provision	(213)	-
	(5,106)	(2,993)

Significant events during the year

(i) Outsourcing of Business to SMB Sales Function

During the year the Company has, in order to further reduce the operating expenses and any risks associated with its engagement model has elected to outsource the sales function associated with the equipment business. To that end a series of distributors have been engaged that independently target the SMB market, offering them the traditional Strathfield value proposition. SEG bears no cost of engagement other than a commission on sales to distributors.

(ii) Acquisition of Hurstville Franchised Store from Franchisee

During the year the Company has entered an agreement to acquire the Hurstville Franchised Store, inclusive of all stock and fixtures and fittings, from the Franchisee, City Car Radios Pty Ltd, for a consideration of 3 million shares to be issued to the Franchisee. The shares were issued on the 17th of February 2010. The store has since been closed as part of the rationalisation of non-performing stores and the stock and fixtures returned to the Company's warehouse for distribution to other stores.

Subsequent Events

Since the end of the Full Year there have been the following significant events that will or have affected the operations of the Strathfield Group going forward:

Renewal of Optus Master Dealer Agreement

On August 18th 2010 Strathfield Group Limited executed a new Master Dealer Agreement with Optus. The agreement affords the Strathfield Group Limited the status of Optus Premium Dealer for the period the contract remains valid. The agreement is for a fixed term of 5 years, with Optus being afforded the right to renew the agreement for a further 5 years. Through the period of the agreement Strathfield Group Limited shall be entitled to connect telephony, mobile and data services to the Optus network.

Board Structure

Since the last Annual Report the board structure has changed with the resignation of Mr Murray Taylor, the transition of Mr Dimitrov to a non-executive role and the appointments of Ms Skaiste Rodriguez to an executive role and Mr Zac Karlaftis to a non executive role. The dates of appointment, or resignation, of the relevant director are provided earlier in the section named "Information about Directors".

Changes in state of affairs

There have been no significant changes in the state of affairs since the last financial report other than those detailed above under the note "Significant events during the year" and "Subsequent events".

Future developments

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. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The Consolidated Entity's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory.

Dividends

No dividend has been paid or declared and the directors do not recommend the payment or declaration of a dividend in respect of the current or previous financial years.

Indemnification of officers and auditors

As provided under the constitution, the company indemnifies directors and senior officers for any loss arising from any claim by reason of any wrongful act committed by them in their capacity as a director or officer of the company. During the year, the company has paid a premium in respect of a contract, insuring its directors and senior employees against any liability of this nature. In accordance with normal commercial practices, under the terms of the insurance contract, the nature of the liabilities insured against and the amount of the premiums paid are confidential.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, eleven board meetings and one audit committee meetings were held.

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	Board of directors		Audit committee	
Directors	**Held**	**Attended**	**Held**	**Attended**
Vaz Hovanessian	11	11	1	1
Emil Dimitrov	11	11	1	1
Murray Taylor	4	1	-	-
Skaiste Rodriguez	7	7	-	-
Zac Karlaftis	-	-	-	-

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

Directors	Shares	Options
Vaz Hovanessian	97,000,000	-
Emil Dimitrov	-	-
Skaiste Rodriguez	5,000,000	-
Zac Karlaftis	-	-

Share options

No share options were issued or exercised during the year.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Profession and Ethical Standards Board.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 20 and forms part of the Directors' Report.

Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and have been rounded to the nearest thousand dollars.

Remuneration Report

Introduction

The Directors present the Remuneration Report for Strathfield Group Limited and its controlled entities for the year ended 30 June 2010.

The Audit Report of the Financial Report contains confirmation that the remuneration disclosures that are contained within the Remuneration Report comply with Section 300A of the Corporations Act 2001.

Details of Key Management Personnel

The following persons acted as Directors of the Company during and since the end of the financial year.

Vaz Hovanessian - Executive Chairman - Appointed on 12 December 2008.

Emil Dimitrov[1] –Non Executive Director – Appointed on 18 December 2008.

Skaiste Rodriguez – Executive Director of Operations – Appointed 23 November 2009.

Zac Karlaftis-Non Executive Director-Appointed 5th July 2010.

Murray Taylor –Executive Director/CEO – Appointed 12 December 2008, Resigned 23 November, 2009.

The highest remunerated Company and Group Executives for the 2010 financial year were:

Stavros Athanasiou[2]	Chief Financial Officer	Appointed 3 January 2010
Grandy Choi	Financial Controller	Resigned 7 April 2010
Bart Lidonni	IT Manager	Appointed 24 December 1987
Tony Ghassan	Purchasing Manager	Appointed 28 May 2004
Kelly Gort	Optus Relationship Manager	Appointed 15 September 2008

Key Management Personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling activities of SGL.

The Term KMP refers to:

- Non-executive directors
- The Chief Executive Officer
- The Chief Financial Officer
- Senior leadership executives ("Senior Executives"); and
- The five highest remunerated executives in SGL

Detailed above were the KMP of SGL during the financial year. Unless otherwise indicated they were KMP for the entire period.

Remuneration policy for directors and executives

A Principles used to determine the nature and amount of remuneration

B Key management personnel remuneration

Principles Used To Determine The Nature and Amount Of Remuneration

Remuneration packages are reviewed by the board with due regard to performance, data on remuneration paid by comparable companies and where appropriate, the committee may receive expert independent advice regarding remuneration levels required to attract and compensate directors and executives, given the nature of their work and responsibilities. The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with

[1] Mr Dimitrov resigned as Executive Finance Director on 8 June 2010. He continues to serve as a non-Executive Director.

[2] Mr Athanasiou was appointed to the role of Chief Financial Officer on 3 January 2010. Prior to his appointment he provided consulting services to the company.

achievement of strategic objectives and creation of value for the shareholders, and conforms to market best practice for delivery of reward. The Board ensures that the executive reward satisfies the following key criteria for good governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance to linkage/alignment of executive compensation;
- Transparency; and
- Capital management.

Non Executive Director Remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. The Chairman's fees, if he is a non-executive chairman, are determined independently to the fees of non-executive directors based on comparative roles in the external market.

The Chairman is not present at any discussions relating to determination of his own remuneration. None of the fees and payments paid to non-executive Directors is based upon performance criteria.

The Company's constitution sets the maximum aggregate amount of remuneration which may be paid to non-executive directors. At the 1999 Annual General Meeting members approved the maximum amount of $500,000. Increases to this sum must be approved at a general meeting of shareholders. No director receives retirement allowances outside of the amount that has been contributed to a complying superannuation fund, as required by the government. Certain non-executive directors may receive options in lieu of services and fees.

Executive Remuneration

The remuneration of Senior Executives include base salaries and superannuation and also may include:

Cash bonus (short term incentive)

Under the company's short term incentive program, Group Senior Executive's annual cash bonus payments include a performance based component in the form of a bonus payable on the achievement of annual budgets, business plans and specific goals.

Equity Options (Long term incentives)

Options issued under the Executive Share Option Plan. Management are issued options under this program as part of the company's long term incentive program. Options issued under this plan are not subject to any specific performance conditions and are issued at the direction of the board. No options have been issued, or are outstanding, in the current financial year.

Service Agreements

All Group Executives are employed under standard employment agreements, none of these agreements provide for termination conditions or payments except to the extent required or allowed under the law.

Superannuation

Some executive directors, and Senior Executives receive a superannuation guarantee contribution required under the superannuation guarantee levy legislation, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Key management personnel remuneration

Directors	Short-term employee benefits		Non-monetary benefits	Post-employment benefits		Share-based payments	Total	Performance
2010						Equity Settled Options		
	Salary & fees	Bonus		Superannuation	Retirement Benefits			
	$	$	$	$	$	$	$	%
Vaz Hovanessian	180,000	-	-	-	-	-	180,000	-
Emil Dimitrov	43,976	-	-	-	-	-	43,976	-
Murray Taylor	-	-	-	-	-	-	-	-
Skaiste Rodriguez	191,966	25,000	-	12,950	-	-	229,916	11%
Zac Karlaftis	-	-	-	-	-	-	-	-
TOTAL	415,942	25,000	-	12,950	-	-	453,892	6%

	Short-term employee benefits		Non-monetary benefits	Post-employment benefits		Share-based payments	Total	Performance
2009						Equity Settled Options		
	Salary & fees	Bonus		Superannuation	Retirement Benefits			
	$	$	$	$	$	$	$	%
Vaz Hovanessian	165,000	-	-	-	-	-	165,000	-
Emil Dimitrov	110,559	-	-	-	-	-	110,559	-
Murray Taylor	-	-	-	-	-	-	-	-
Skaiste Rodriguez	60,000	-	-	5,340	-	-	65,340	-
John Fries	3,603	-	-	-	-	-	3,603	-
Richard Poole	60,000	-	-	-	-	-	60,000	-
Warwick Mirzikinian	152,727	-	-	-	-	-	152,727	-
TOTAL	551,889	-	-	5,340	-	-	557,229	-

Senior executives

2010	Short-term employee benefits		Non-monetary benefits	Post-employment benefits		Share-based payments Equity Settled Options	Total	Performance
	Salary & fees $	Bonus $	$	Superannuation $	Retirement Benefits $	$	$	%
Stavros Athanasiou	81,455	-	-	-	-	-	81,455	-
Grandy Choi	93,519	-	-	8,368	-	-	101,887	-
Bart Lidonni	141,477	-	-	-	-	-	141,477	-
Tony Ghassan	90,846	-	-	4,362	-	-	95,208	-
Kelly Gort	75,072	-	-	6,645	-	-	81,717	-
	482,369	**-**	**-**	**19,375**	**-**	**-**	**501,744**	**-**

2009	Short-term employee benefits		Non-monetary benefits	Post-employment benefits		Share-based payments Equity Settled Options	Total	Performance
	Salary & fees $	Bonus $	$	Superannuation $	Retirement Benefits $	$	$	%
Michael Esh	185,538	-	-	12,801	-	-	198,339	-
Gerard Frack	105,806	-	-	4,786	-	-	110,592	-
Bart Lidonni	85,153	-	-	8,723	-	-	93,876	-
Darren Huston	83,449	-	-	5,815	-	-	89,264	-
Tony Ghassan	74,090	-	-	7,962	-	-	82,052	-
Richard Allen	71,654	-	-	6,096	-	-	77,750	-
Con Galliotas	70,334	-	-	6,217	-	-	76,551	-
Kelly Gort	60,281	-	-	5,405	-	-	65,686	-
Grandy Choi	34,129	-	-	3,284	-	-	37,413	-
Danny Mirzikinian	31,500	-	-	2,700	-	-	34,200	-
	801,934	**-**	**-**	**63,789**	**-**	**-**	**865,723**	**-**

Other than Skaiste Rodriguez no senior executive or director received a bonus paid on performance in either 2009 or 2010.

End of Audited Remuneration Report.

5 Year Financial Performance

In accordance with section 300A of the corporations Act 2001, the Directors report should include the five year performance history of earnings and the consequence of company performance on shareholder wealth. Because of the SEG acquisition being deemed a Reverse Acquisition where the financial statements are prepared as if SEG is the acquirer and given the acquisition occurred on 12 December 2008, this is the second occasion the newly formed Consolidated Entity has reported and hence one year's comparative financial data is available.

Strathfield Group Limited and its controlled entities

	FY09	FY10
	$000's	**$000's**
Operating Revenue	52,545	58,117
Before Significant Items		
EBITDA (Underlying)	(4,804)	6,541
EBIT (Underlying)	(7,379)	2,605
NPAT (Underlying)	(7,505)	2,731
Significant Items		
Impairment of acquisition goodwill	(15,347)	-
Impairment of plant and equipment	(3,944)	(309)
Impairment of receivables	(1,508)	(361)
Impairment of finance lease receivables	-	(253)
Impairment of inventory	(320)	(1,939)
Write back of payables	16,526	-
Onerous lease provision	-	(213)
Gain on acquisition/disposal of assets	-	1,508
Fair value adjustment to non-current loans	4,019	83
	(574)	**(1,484)**
After Significant Items		
EBITDA	(4,230)	8,024
EBIT	(6,805)	4,089
NPAT	(6,931)	4,215
Dividends Paid	-	-
Share Price at Beginning of Year ($)	0.022	0.006
Share Price at End of Year ($)	0.006	0.009
Market Cap	19,610	29,712
Enterprise Value	38,244	48,935
Basic EPS (cents)	(0.2)	0.1
Underlying EPS (cents)	(0.01)	0.1

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Vaz Hovanessian

Chairman

Sydney, Tuesday 31 August 2010

Grant Thornton

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Auditor's Independence Declaration
To the Directors of Strathfield Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Strathfield Group Limited 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

G S Layland
Director – Audit & Assurance

Sydney, 31 August 2010

Grant Thornton

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Independent Auditor's Report
To the Members of Strathfield Group Limited

Report on the financial statements

We have audited the accompanying financial report of Strathfield Group Limited, 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 to the financial report 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.

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 are 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. The directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Strathfield Group Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 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 financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the Remuneration Report included in pages 13 to 16 of 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 on the remuneration report

In our opinion, the Remuneration Report of the Strahfield Group Limited for the year ended 30 June 2010 complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

G S Layland
Director – Audit & Assurance

Sydney, 31 August 2010

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 25 to 83, are in accordance with the Corporations Act 2001 and:

(a) comply with International Financial Reporting Standards and the Corporations Regulations 2001; and

(b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Consolidated Entity.

2. The Chief Executive Officer and Chief Financial Officer have each declared that:

(a) the financial records of the Consolidated Entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

(b) the financial statements and notes for the financial year comply with the Accounting Standards; and

(c) the financial statements and notes for the financial year give a true and fair view.

3. In the Directors' opinion there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

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

Vaz Hovanessian
Chairman
Sydney, Tuesday 31 August 2010

Statement of Comprehensive Income for the year ended 30 June 2010[3]

		Consolidated	
		30 June 2010	**28 June 2009**
		$'000	**$'000**
Sales revenue	2(a)	39,779	44,996
Cost of sales	2(b)	(35,595)	(34,071)
Gross profit		4,184	10,925
Services revenue	2(a)	14,901	7,400
Other revenue	2(a)	3,437	149
Other income	2(a)	1,508	-
Selling and distribution expense		(6,006)	(10,737)
Marketing expense		(1,136)	(1,266)
Occupancy expense		(2,337)	(4,171)
Administrative expenses		(9,166)	(9,105)
Impairment expenses	2(c)	(2,862)	(21,119)
Write back of payables resulting from deed of arrangement	2(c)	-	16,526
Finance costs	2(b)	(1,629)	(126)
Fair value adjustment to non-current loans	2(c)	83	4,019
Profit/(Loss) from ordinary activities before income tax expense		977	(7,505)
Income tax benefit	3	1,755	-
Profit/(Loss) for the year		2,731	(7,505)
Profit/(Loss) attributable to the members of Strathfield Group Limited		2,731	(7,505)
Other comprehensive income for the year, net of tax		-	-
Total Comprehensive income for the year		2,731	(7,505)
Earnings per share:			
Earnings per share from continuing operations:			
Basic (cents per share)	19	0.1	(0.2)
Diluted (cents per share)	19	0.1	(0.2)

These financial statements should be read in conjunction with the accompanying notes.

[3] The comparative statement is for the period commencing 12th December 2008 and ending 28th June 2009.

Statement of Financial Position as at 30 June 2010

		Consolidated	
	Note	30 June 2010 $'000	28 June 2009 $'000
Current assets			
Cash and cash equivalents	27(a)	731	403
Trade and other receivables	7	1,805	4,260
Lease receivables	7(d)	892	98
Inventories	8	1,122	2,477
Other assets	9	1,481	775
Total current assets		6,031	8,013
Non-current assets			
Trade and other receivables	7	4,901	3,763
Lease receivables	7(d)	2,505	394
Property, plant and equipment	10	854	726
Deferred tax assets	3	1,755	-
Intangible assets	11	21,341	24,963
Total non-current assets		31,356	29,846
Total assets		37,387	37,859
Current liabilities			
Trade and other payables	12	3,671	6,283
Provisions	14	601	583
Total current liabilities		4,272	6,866
Non-current liabilities			
Borrowings	13	18,296	18,939
Provisions	14	4	-
Total non-current liabilities		18,300	18,939
Total liabilities		22,572	25,805
Net assets		14,815	12,054
Equity			
Issued capital	15	18,678	18,648
Reserves	16	911	911
Accumulated losses	17	(4,774)	(7,505)
Total equity		14,815	12,054

These financial statements should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2010[4]

	Issued capital	Accumulated losses	Reserves	Total
	$000's	**$000's**	**$000's**	**$000's**
Balance at 29 June 2008	**-**	**-**	**-**	**-**
Profit attributable to members of the parent entity	-	(7,505)	-	(7,505)
Other comprehensive income	-	-	-	-
Subtotal	-	(7,505)	-	(7,505)
Reverse acquisition capital/common control acquisition	16,518	-	911	17,429
Shares issued	2,130	-	-	2,130
Balance at 28 June 2009	**18,648**	**(7,505)**	**911**	**12,054**
Profit attributable to members of the parent entity	-	2,731	-	2,731
Other comprehensive income	**-**	-	-	-
Subtotal	-	2,731	-	2,731
Shares issued	30	-	-	30
Balance at 30 June 2010	**18,678**	**(4,774)**	**911**	**14,815**

These financial statements should be read in conjunction with the accompanying notes.

[4] The comparative statement of changes in equity is for the period commencing 12th December 2008 and ending 28th June 2009.

Statement of Cash Flows for the year ended 30 June 2010[5]

	Consolidated	
	30-Jun-10	**28-Jun-09**
	$'000	**$'000**
Cash flows from operating activities		
Receipts from customers	60,942	51,632
Payments to suppliers and employees	(59,678)	(49,543)
Interest received	387	48
Interest and other costs of finance paid	(66)	(126)
Net cash provided by operating activities	1,585	2,011
Cash flows from investing activities		
Payment for property, plant and equipment	(509)	(5)
Cash disposed via disposal of assets and liabilities	(208)	-
Cash acquired via acquisition of SGL	-	798
Cash acquired via acquisition of SEG businesses	-	225
Purchase of intangible assets	-	(17)
Net cash (used in)/provided by investing activities	(717)	1,001
Cash flows used in financing activities		
Repayment of borrowings/loans granted	(540)	(2,609)
Net cash used in financing activities	(540)	(2,609)
Net increase in cash and cash equivalents	328	403
Cash and cash equivalents at the beginning of the reporting period	403	-
Cash and cash equivalents at the end of the reporting period	731	403

These financial statements should be read in conjunction with the accompanying notes.

[4] During the 2009 year the entity acquired inventory via the issue of shares which is a non-cash transaction.

[5] The comparative statement of cash flow is for the period commencing 12th December 2008 and ending 28th June 2009.

Notes to the Financial Statements for the year ended 30 June 2010

1. Summary of accounting policies

Statement of compliance

The financial report includes the separate financial statements of Strathfield Group Limited and its controlled entities ("Consolidated Entity"). Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards ('IFRS'). The financial report was authorised for issue by the directors on 31 August 2010.

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

Going concern basis of accounting

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The Directors have prepared the financial report on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.
To continue as a going concern, the Consolidated Entity is dependent upon the generation of sufficient funds from operating activities.The generation of sufficient funds from operating activities is predicated on the continued sourcing of new ranges of products, the continued roll-out of the franchising model and cost saving initiatives. These initiatives are in the process of being implemented and will see savings and efficiencies throughout the business.

New Accounting Standards and Interpretations

Changes in accounting policy and disclosures.

The following new and amended Australian Accounting Standards and AASB Interpretations came into effect as of 1 July 2009.

AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations* effective 1 July 2009

AASB 7 *Financial Instruments: Disclosures* effective 1 July 2009

AASB 8 *Operating Segments* effective 1 July 2009

AASB 101 *Presentation of Financial Statements (revised 2007)* effective 1 July 2009

AASB 123 *Borrowing Costs (revised 2007)* effective 1 July 2009

AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* effective 1 October 2008

AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations [AASB 2]* effective 1 July 2009

AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* effective 1 July 2009

AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* effective 1 July 2009

AASB 2009-3 *Amendments to Australian Accounting Standards - Embedded Derivatives [AASB 139 and Interpretation 9]* effective 30 June 2009

AASB 2009-6 *Amendments to Australian Accounting Standards* operative for periods beginning on or after 1 July 2009 that end on or after 30 June 2009

AASB 3 *Business Combinations (revised 2008)* effective 1 July 2009

AASB 127 *Consolidated and Separate Financial Statements (revised 2008)* effective 1 July 2009

AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* effective 1 July 2009

AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]* effective 1 July 2009

AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* effective 1 July 2009

AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* effective 1 July 2010

Where the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised 2008)

AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after 1 July 2009. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results. AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively and had no impact on earnings per share.

AASB 8 Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed. Below is an overview of the key changes and the impact on the Consolidated Entity's financial statements.

Measurement impact

Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total Consolidated Entity operations, as this is how they are reviewed by the chief operating decision maker.

Impairment testing of the segment's goodwill

AASB 136: Impairment of Assets, paragraph 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or Consolidated Entity of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101 Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Consolidated Entity's financial statements.

Disclosure impact

Terminology changes — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Consolidated Entity's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

AASB 123 Borrowing Costs

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended AASB 123, the Group has adopted the Standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 July 2009. The Group did not capitalise any borrowing costs in the current year.

Annual Improvements Project

In May 2008 and April 2009 the AASB issued omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations. As a result of this amendment, the Group amended its disclosures in note 11.

AASB 8 *Operating Segments*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in note 24.

AASB 101 *Presentation of Financial Statements*: assets and liabilities classified as held for trading in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether management's expectation of the period of realisation of financial assets and liabilities is in accordance with AASB 101. This did not result in any re-classification of financial instruments between current and non-current in the statement of statement of financial position.

AASB 116 *Property, Plant and Equipment:* replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

AASB 123 *Borrowing Costs*: the definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one - the interest expense calculated using the effective interest rate method calculated in accordance with AASB 139. The Group has amended its accounting policy accordingly which did not result in any change in its statement of financial position.

AASB 128 *Investment in Associates*: an investment in an associate is a single asset for the purpose of conducting the impairment test, including any reversal of impairment. Any impairment is not separately allocated to the goodwill included in the investment balance. Any impairment is reversed if the recoverable amount of the associate increases. The Group has amended its impairment accounting policy accordingly. The amendment had no impact on the Group's financial position or performance. The Group has amended its impairment accounting policy accordingly.

AASB 136 *Impairment of Assets*: when discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use". The Group has amended its disclosures accordingly in note 11. The amendment also clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

AASB 138 *Intangible Assets*: expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

Other amendments resulting from the Annual Improvements Project to the following Standards did not have any impact on the accounting policies, financial position or performance of the Group:

AASB 2 *Share-based Payment*
AASB 108 *Accounting Policies, Change in Accounting Estimates and Error*
AASB 110 *Events after the Reporting Period*
AASB 117 *Leases*
AASB 118 *Revenue*
AASB 119 *Employee Benefits*
AASB 131 *Interests in Joint Ventures*
AASB 138 *Intangible Assets*
AASB 140 *Investment Property*

New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Consolidated Entity has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Consolidated Entity follows:

AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Consolidated Entity has not yet determined the potential impact on the financial statements.
The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
- the objective of the entity's business model for managing the financial assets; and
- the characteristics of the contractual cash flows.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Consolidated Entity.

AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Consolidated Entity.

AASB 2009–8: Amendments to Australian Accounting Standards — Consolidated Entity Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for Consolidated Entity cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Consolidated Entity.

AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Consolidated Entity.

AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Consolidated Entity.

AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Consolidated Entity.

AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Consolidated Entity.

AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Consolidated Entity.

The Consolidated Entity does not anticipate the early adoption of any of the above Australian Accounting Standards.
The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Principles of Consolidation

A subsidiary is any entity over which Strathfield Group Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered. The effect of the application of AASB 3, Business Combinations, is explained below.

A list of subsidiaries is contained in Note 23 to the financial statements.

As at reporting date, the assets and liabilities of all subsidiaries have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where subsidiaries have entered the consolidated group during the year, their operating results have been included from the date control was obtained.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Investment in subsidiaries are accounted for at cost in the individual statements of Strathfield Group Limited.

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Where equity instruments are issued in an acquisition the fair value of the instruments is the published market price at the date of exchange. Transaction costs arising from the issue of equity instruments are recognised directly in equity. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

Reverse Acquisition

In accordance with AASB 3 Business Combinations, when Strathfield Group Limited (SGL) (the legal parent) acquired Strathfield Equipment Group Pty Ltd (SEG), the acquisition was deemed to be a reverse acquisition since the substance of the transaction is that SEG had effectively acquired SGL. Under reverse acquisition accounting, the consolidated financial statements are prepared as if SEG, identified as the accounting acquirer, had acquired SGL as opposed to what is represented by the legal position. The Consolidated Entity arose from the reverse acquisition on 12 December 2008 and SEG was incorporated on 4 August 2008, therefore the comparative year is for the period 12th December 2008 to 28 June 2009.

The implications of the application of AASB 3 on each of the financial statements are as follows:

Consolidated Statement of Comprehensive Income

- The Consolidated Statement of Comprehensive Income for the year ended 30 June 2010 comprises 12 months of Strathfield Equipment Group Pty Limited, Strathfield Group Limited and the list of subsidiaries at note 23.
- The Consolidated Statement of Comprehensive Income for the year ended 28 June 2009 comprises 6 months and 17 days as the Group was formed on 12th December 2008.

Consolidated Statement of Financial Position

- The Consolidated Balance Sheet as at 30 June 2010 represents the Group.
- The Consolidated Balance Sheet as at 28 June 2009 represents the Group.

Statement of Changes in Equity

The Consolidated Statement of Changes in Equity comprises,

- The equity balance of Strathfield Equipment Group Pty Limited at the beginning of the 2009 financial year.
- The profit for the year and transactions with equity holders for the 2009 year, being 6 months and 17 days of Strathfield Equipment Group, Strathfield Group Limited and the list of subsidiaries at note 28 to determine the equity balance at the end of the 2009 financial year.
- The profit for the year and transactions with equity holders for the 2010 year, being 12 months of Strathfield Equipment Group, Strathfield Group Limited and the list of subsidiaries at note 23.

Statement of Cash Flows

The 2009 Consolidated Statement of Cash Flows comprises,

- The cash balances of Strathfield Equipment Group Pty Limited at the beginning of the year.
- The transactions for the year being 6 months and 17 days of Strathfield Equipment Group, Strathfield Group Limited and the list of subsidiaries at note 23.
- The cash balances of Strathfield Equipment Group and Strathfield Group Limited at the end of the year.

The 2010 Consolidated Statement of Cash Flows comprises,

- 12 months of Strathfield Equipment Group, Strathfield Group Limited and the list of subsidiaries at note 23.

(b) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

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

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

(c) 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 recognised in profit or loss in the year in which 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 tested 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 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 prospectively by changing the amortisation period or method, 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.

Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Airtime agreement

The airtime agreement is assessed on the basis of the discounted cash flows expected from the asset model as at the date of the relevant acquisition and amortised on a straight-line basis over their useful life to the Consolidated Entity. The agreement has a term until September 2015 with an option for renewal for a 5 year period at the discretion of the counterparty, Optus.

(d) Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(e) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

Strathfield Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Tax Office that it had formed an income tax consolidated group to apply from 7 March 2009. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity. The head entity of the consolidated tax group is Strathfield Group Limited.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

(g) Leased assets

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.

Consolidated Entity as lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.
Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

Consolidated Entity as lessee

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the statement of comprehensive income.

Finance leased assets are amortised 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.

(h) Payables

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

(i) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

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

Leasehold improvements	5 - 12.5 years
Plant and equipment	5 - 8 years
Equipment under finance lease	5 - 8 years

(j) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Onerous lease Provision

The onerous lease provision comprises lease make good costs and expected future lease payments net of any expected sub-lease receipts. The provision is discounted to a net present value for any amount expected to be paid at a time exceeding twelve months.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the cost 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.

Carrier Revenue

Carrier revenue is remuneration received by the company which arises from the connection of mobile telephone customers to mobile carriers. This revenue is earned at the time of the connection and on a percentage of subsequent call revenue billed by the various carriers to customers connected by the company.

In accounting for call based revenue, the company has only recorded revenue arising from customer calls made during the year. No account has been taken of future revenues that might arise from customers already connected to the various carriers at year end.

Carrier revenue also includes one-off lump sum revenues in support of launch, advertising and marketing, and connection bonuses. It is recognised upon confirmation from the carrier that the support will be provided.

Interest revenue

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

Franchise Fee Income

Franchise fee income is recognised as a percentage of sales made by the franchisee at the point the sale is made as this is when the transfer of significant risks and rewards to the buyer occurs.

From April 1st 2009 with the change in the business model franchise fee income is recognised as a flat weekly fee charged to the franchisees of the Group.

(l) Share-based payments

Equity-settled share-based payments granted that are unvested are measured at fair value at the date of grant. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(m) Receivables

Trade receivables are recognised and carried at the original invoice amount which approximates net fair value. Recoverability is reviewed on an ongoing basis and debts that are known to be uncollectible are written off. A provision for doubtful debts is raised when collection of the full amount is no longer probable.

Receivables from related parties are recognised and carried at the nominal amount due and no interest is charged on outstanding balances.

(n) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(o) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on expected remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefits expenses and revenues arising in respect of the following categories:

- Wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- Other types of employee benefits are recognised against profits on a net basis in their respective categories.

The Consolidated Entity participates in a number of externally managed superannuation plans under which employees or their dependents are entitled to benefits on retirement, disability or death. The Consolidated Entity makes contributions as specified in the rules of the fund which are at least equal to those required under the Superannuation Guarantee Charge legislation.

(p) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(r) Dividends

Dividends payable are recognised when a legal or constructive obligation to pay the dividend arises, typically when the dividend is declared by the directors. The carrying amount of dividends payable approximates net fair value.

(s) 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.
- 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.

(t) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:
a. the amount at which the financial asset or financial liability is measured at initial recognition;
b. less principal repayments;
c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
d. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

(u) Rounding of amounts

Amounts in the financial report have been rounded off to the nearest thousand dollar in accordance with Class Order 98/0100.

(v) Critical Accounting Judgements and Key Sources of Estimation Uncertainly

Critical Judgements in Applying the Group's accounting policies

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the financial statements:

Key estimates-*Fair value assessment on Business Combinations*
In the prior year at the time of forming a new business combination the Group undertakes the identification of identifiable intangible assets. Where an identifiable intangible exists fair value is determined by applying a multi period excess earnings model where the value of the customer contracts and relationships is calculated as the present value of the excess earnings expected to be generated by the existing customer contracts, relationships and list of customers.
In identifying intangible assets acquired via the business combination the value of the brand, "Strathfield" was considered by the director's with a view to attributing value to this intangible asset. The director's undertook a number of different valuation techniques including, market value in single brand listed entities, royalty relief and cost to reproduce. Ultimately given the uncertainty in attributing a consistent valuation owing to the subjective nature of the valuation exercise the attribution of value to the brand was abandoned.
The Consolidated Entity will make an informed assessment of fair value of other acquired assets giving weight to the age of the asset, current market conditions, expected useful life / collectability and current state of the asset.

Key estimates –*Impairment of Intangible Assets*
The Consolidated Entity assesses impairment of intangibles assets at each reporting date by evaluating conditions and events specific to each cash generating unit that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in use calculations which incorporate key assumptions.

Key estimates –*Impairment of Trade and other receivables*
The Consolidated Entity assesses impairment of receivables on a regular basis. The estimate is based on the credit history of its customers and current market conditions. If the financial conditions of customers of the Consolidated Entity were to deteriorate, resulting in an deterioration in their ability to make payments, an additional impairment charge may be required.

Key estimates –*Financial Assets and other assets*
The Consolidated Entity assesses impairment of property, plant and equipment at each reporting date by evaluating conditions and events specific to each cash generating unit that may be indicative of impairment triggers. Recoverable amounts of property, plant and equipment are reassessed depending on the outcome of this analysis.
The Consolidated Entity assesses impairment of inventory on a regular basis. The estimate is based on the aging profile of the inventory items and current market conditions.

Key estimates –*Inventory*
The net realisable value of inventories is the selling price in the ordinary course of business less estimated costs to sell. The key assumptions require the use of management judgement and are reviewed monthly. These key assumptions are the variables affecting the expected selling price. Any reassessment of the selling price in a particular year will affect the cost of goods sold.

Key estimates –*Recovery of deferred tax assets*
Deferred tax assets are recognised for deductible temporary differences, and previously unrecognised tax losses, as management considers that it is probable that future taxable 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.

Key estimates – ***Taxation***

The Consolidated Entity's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

2. Profit/(loss) from operations

(a) Revenue

	Consolidated 30 June 2010 $'000	Consolidated 28 June 2009 $'000
Revenue from the sale of goods	24,079	31,271
Goods sold via sale of receivables	15,700	13,725
Total revenue from sale of goods	39,779	44,996
Revenue from the sale of carrier revenue	12,757	5,974
Franchise revenue	2,144	1,426
Total service revenue	14,901	7,400
	54,680	52,396
Rental revenue	-	101
Gain on acquisition of inventory	2,130	-
Interest revenue		
Interest from finance leases	365	-
Interest relating to movement in fair value of non-current assets and liabilities	810	4,019
Other entities	23	5
Sundry revenue	109	43
	3,437	4,168
Fair value adjustment to non-current assets and liabilities	83	-
	83	-
Gain on acquisition/disposal of assets	1,508	-
	1,508	-

The revenue of the Consolidated Entity has been impacted by the closure during the 2009 year of 45 of the 96 stores operating as at June 30, 2008.

(b) Profit/(loss) before income tax

	30 June 2010 $'000	28 June 2009 $'000
Profit/(Loss) before income tax has been arrived at after charging the following expenses.		
Cost of sales	33,656	32,686
Write-down of inventory to net realisable value	1,939	1,385
	35,595	34,071
Finance costs:		
Interest relating to movement in fair value of non-current assets and liabilities	1,563	-
Interest due to other entities	66	126
	1,629	126

2. Profit/(loss) from operations (cont'd)

Operating lease rental (premises)		
Minimum lease payments	2,551	3,322
Sub-lease payments received	(55)	-
	2,496	3,322

	Consolidated	
	30 June 2010 $'000	28 June 2009 $'000
Depreciation of non-current assets	313	400
Amortisation of intangible assets	3,622	2,175
	3,935	2,575
Impairment of trade and other receivables	361	1,508
Impairment of finance lease receivables	253	-
	614	1,508
Employee benefits expense	5,222	10,057
Termination benefits	447	387
	5,669	10,444
Impairment of non-current assets:		
Plant and equipment	309	3,944
Goodwill arising from acquisition	-	15,347
	309	19,291

(c) Significant items

Loss after income tax includes the following significant items:		
Impairment of receivables[1]	(361)	(1,508)
Impairment of lease receivables[2]	(253)	-
Impairment of inventory[3]	(1,939)	(320)
Impairment of goodwill[4]	-	(15,347)
Impairment of other assets[5]	-	(244)
Impairment of property, plant and equipment[6]	(309)	(3,944)
	(2,862)	(21,363)
Amortisation of airtime agreements[7]	(3,622)	(2,175)
Write back of payables resulting from deed of arrangement[8]	-	16,526
Gain on acquisition of assets	1,508	-
Fair value adjustment to non-current loans[9]	83	4,019
Onerous lease provision[10]	(213)	-
	(5,106)	(2,993)

2. Profit/(loss) from operations (cont'd)

1.Receivables are recognised and carried at the original invoice amount which approximates net fair value. Recoverability is reviewed on an ongoing basis and debts that are known to be uncollectible are written off or provided for.

2.Receivables are recognised and carried at the original invoice amount which approximates net fair value. Recoverability is reviewed on an ongoing basis and debts that are known to be uncollectible are written off or provided for.

3. Inventories are assessed on their selling price in the ordinary course of business less any costs to sell. When, owing to age, obsolescence or other factors the return from sale is less that any cost to sell the value is provisioned down to the expected economic benefit arising from the sale of the item.

4. Impairment of goodwill in the company has been recognised, where the recoverable amount of the cash generating unit (being each store), is less than the carrying value of the goodwill allocated to the CGU. The goodwill in the Consolidated Entity arose on acquisition as a result of the difference between the consideration determined for the transaction and the discounted cash flows associated from the business. The goodwill was impaired upon acquisition.

5. A review of prepayments was conducted and given the uncertainty inherent in the ability to recover that asset the full value of these prepayments were impaired.

6. Property, plant and equipment is assessed on a value in use basis using the discounted cash flows of the CGU to whom the PPE is attached. Where the value of the discounted cash flows falls below the carrying value of the equipment the difference is charged as impairment to the statement of comprehensive income.

7. The airtime agreement is assessed on the basis of the discounted cash flows expected from the asset model as at the date of the relevant acquisition and amortised on a straight-line basis over its useful life to the Consolidated Entity.

8. As a result of the voluntary administration the Consolidated Entity entered into a deed of arrangement where creditors to the entity forgave the company debts payable. The amount here is the total forgiven.

9. The Consolidated Entity has the benefit of non-interest bearing loans. A fair value adjustment has been made to reflect the market rate of interest the loans would have attracted. The figure for 2010 derives from an increase in the discount rate used over the prior year as a result in increases in interest rates since the end of the prior year as well as the amortisation inherent in the receivables. The term for payables has remained at 3 years.

10. The onerous lease provision comprises lease make good costs and expected future lease payments net of any expected sub-lease receipts. The provision is discounted to a net present value for any amount expected to be paid at a time exceeding twelve months.

3. Income tax

	Consolidated	
	30-Jun-10	**28-Jun-09**
	$'000	**$'000**
(a) Tax expense comprises:		
Current tax income in respect of current year	293	(8,394)
Effect of non-temporary differences	1,189	1,507
Effect of temporary differences	156	(613)
Tax losses and temporary differences not brought to account	-	7,500
Effect of temporary differences recognised	865	-
Benefit of tax losses recognised	(1,638)	-
	890	-
Total tax benefit	1,755	-
Unrecognised deferred tax balances		
The following deferred tax assets have not been brought to account as assets:		
Tax losses – revenue	17,296	19,824
Temporary differences	22,336	21,713
	39,632	41,537

(b) the prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense as follows;	**30-Jun-10 $'000**	**28-Jun-09 $'000**
Profit/(loss) from continuing operations before income tax	977	(7,505)
Income tax calculated at 30%	293	(2,252)
Add/less		
Assets eliminated from the acquisition	-	(8,865)
Loss for the period 29 June to December 11 2008	-	(2,551)
Impairment of goodwill arising from acquisition	-	4,631
Amortisation of airtime agreement	1,087	653
Effect of other non-temporary differences	102	1,507
Effect of temporary differences	156	(623)
Effect of initial recognition of temporary differences	865	-
Benefit of tax losses recognised	(1,638)	-
Benefit of previously unrecognised tax losses	890	-
Tax losses and temporary differences not brought to account	-	7,500
	1,755	-

3. Income tax (cont'd)

(c) recognition of deferred tax assets and liabilities;	**Consolidated**		**Consolidated**	
	2010	**2010**	**2009**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
	Current income tax	**Deferred income tax**	**Current income tax**	**Deferred income tax**
Opening balance	-	-	-	-
Charged to income	(1,638)	1,755	-	-
Other, recognition of tax losses	1,638	-	-	-
Closing balance	-	1,755	-	-
Tax expense in the statement of comprehensive income		1,755		-
Amounts recognised in the statement of financial position				
Deferred tax asset		1,755		-
Deferred tax liability		-		-
		1,755		-

Deferred income tax at 30 June 2010 relates to the following;	**Statement of financial position**	
	2010	**2009**
	$'000	**$'000**
(i) Deferred tax liabilities		
Finance lease receivables	(118)	-
Gross deferred tax liabilities	(118)	-
Set off of deferred tax assets	118	-
Net deferred tax liabilities	-	-
(ii) Deferred tax assets		
Impairment of inventory	582	-
Impairment of receivables	108	
Impairment of PPE	112	-
Employee leave provisions	119	-
Onerous lease provision	62	
Tax losses recognised	890	-
Gross deferred tax assets	1,873	-
Set off of deferred tax assets	(118)	-
Net deferred tax assets	1,755	-

3. Income tax (cont'd)

(d) Tax consolidation

Strathfield Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Tax Office that it had formed an income tax consolidated group to apply from 7 March 2009. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity. The head entity of the consolidated tax group is Strathfield Group Limited.

(e) Tax losses

The benefit from tax losses, as documented in the note on the preceding page, will only be obtained if:

(ii) The Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(iii) The Consolidated Entity continues to comply with the conditions for deductibility imposed by tax legislation; and

(iiii) No changes for tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the losses.

4. Key management personnel remuneration

Directors	Short-term employee benefits		Non-monetary benefits	Post-employment benefits		Share-based payments	Total	Performance
2010						Equity Settled Options		
	Salary & fees	Bonus		Superannuation	Retirement Benefits			
	$	$	$	$	$	$	$	%
Vaz Hovanessian	180,000	-	-	-	-	-	180,000	-
Emil Dimitrov	43,976	-	-	-	-	-	43,976	-
Murray Taylor	-	-	-	-	-	-	-	-
Skaiste Rodriguez	191,966	25,000	-	12,950	-	-	229,916	11%
Zac Karlaftis	-	-	-	-	-	-	-	-
TOTAL	415,942	25,000	-	12,950	-	-	453,892	6%

2009	Short-term employee benefits		Non-monetary benefits	Post-employment benefits		Share-based payments Equity Settled Options	Total	Performance
	Salary & fees	Bonus		Superannuation	Retirement Benefits			
	$	$	$	$	$	$	$	%
Vaz Hovanessian	165,000	-	-	-	-	-	165,000	-
Emil Dimitrov	110,559	-	-	-	-	-	110,559	-
Murray Taylor	-	-	-	-	-	-	-	-
Skaiste Rodriguez	60,000	-	-	5,340	-	-	65,340	-
John Fries	3,603	-	-	-	-	-	3,603	-
Richard Poole	60,000	-	-	-	-	-	60,000	-
Warwick Mirzikinian	152,727	-	-	-	-	-	152,727	-
TOTAL	551,889	-	-	5,340	-	-	557,229	-

Senior executives 2010	Short-term employee benefits		Non-monetary benefits	Post-employment benefits		Share-based payments Equity Settled Options	Total	Performance
	Salary & fees	Bonus		Superannuation	Retirement Benefits			
	$	$	$	$	$	$	$	%
Stavros Athanasiou	81,455	-	-	-	-	-	81,455	-
Grandy Choi	93,519	-	-	8,368	-	-	101,887	-
Bart Lidonni	141,477	-	-	-	-	-	141,477	-
Tony Ghassan	90,846	-	-	4,362	-	-	95,208	-
Kelly Gort	75,072	-	-	6,645	-	-	81,717	-
	482,369	**-**	**-**	**19,375**	**-**	**-**	**501,744**	**-**

2009	Short-term employee benefits		Non-monetary benefits	Post-employment benefits		Share-based payments Equity Settled Options	Total	Performance
	Salary & fees	Bonus		Superannuation	Retirement Benefits			
	$	$	$	$	$	$	$	%
Michael Esh	185,538	-	-	12,801	-	-	198,339	-
Gerard Frack	105,806	-	-	4,786	-	-	110,592	-
Bart Lidonni	85,153	-	-	8,723	-	-	93,876	-
Darren Huston	83,449	-	-	5,815	-	-	89,264	-
Tony Ghassan	74,090	-	-	7,962	-	-	82,052	-
Richard Allen	71,654	-	-	6,096	-	-	77,750	-
Con Galliotas	70,334	-	-	6,217	-	-	76,551	-
Kelly Gort	60,281	-	-	5,405	-	-	65,686	-
Grandy Choi	34,129	-	-	3,284	-	-	37,413	-
Danny Mirzikinian	31,500	-	-	2,700	-	-	34,200	-
	801,934	**-**	**-**	**63,789**	**-**	**-**	**865,723**	**-**

No senior executive or director received a bonus paid on performance in either 2009 or 2010.

5. Share-based payment scheme

Employee share plan

An employee share plan was established to enable Strathfield Group Limited to issue ordinary shares to employees of the Consolidated Entity. The shares may be issued for nil consideration in accordance with guidelines established by the directors of Strathfield Group Limited.

No shares were issued under the plan in the current financial year and there were NIL shares on issue as at 30 June 2010 (2009: nil) which had been issued under the plan.

Executive share option plan

An Executive share option plan has been established where Senior Executives of the Consolidated Entity are issued with options over ordinary shares of Strathfield Group Limited. The options are issued for nil consideration in accordance with performance guidelines established by the directors of Strathfield Group Limited. The options cannot be transferred and will not be quoted on the ASX.
These options do not entitle the holders to dividends or voting rights. There are NIL options outstanding as at 30 June 2010 under this plan.

Key management personnel equity holdings

Details of movements during the financial year in the number of ordinary shares in the parent entity and options over ordinary shares held directly, indirectly or beneficially by each key management person including their related parties are set out below:

Fully paid ordinary shares of Strathfield Group Limited

2010	Balance@ 28/06/09 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance@ 30/06/2010 No.	Balance held nominally No.
Directors						
Vaz Hovanessian	97,000,000	-	-	-	97,000,000	-
Emil Dimitrov	-	-	-	-	-	-
Skaiste Rodriguez	5,000,000	-	-	-	5,000,000	-
Executives						
Stavros Athanasiou	50,000,000	-	-	-	50,000,000	-
	152,000,000	-	-	-	152,000,000	-

2009	Balance@ 29/06/08 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance@ 29/06/09 No.	Balance held nominally No.
Directors						
Vaz Hovanessian	-	-	-	97,000,000	97,000,000	-
Emil Dimitrov	-	-	-	-	-	-
Skaiste Rodriguez	-	-	-	5,000,000	5,000,000	-
Executives						
Gerard Frack (resigned 25/6/2007)	2,500,000	-	-	(2,500,000)	-	-
Michael Esh	376,805	-	35,000,000	(35,000,000)	376,805	-
	2,876,805	-	35,000,000	64,500,000	102,376,805	-

Share Options of Strathfield Group Limited

2009	Bal @ 28/06/08 No.	Granted as remuner-ation No.	Exercised No.	Net other change No.	Bal @ 29/06/09 No.	Bal vested @ 29/06/09 No.	Vested but not exercise-able No.	Vested and exercise-sable No.	Options vested during year No.
Directors									
Warwick Mirzikinian	26,000,000	-	26,000,000	-	-	-	-	-	-
Richard Poole	36,000,000	-	36,000,000	-	-	-	-	-	-
Executives									
Gerard Frack	-	-	-	-	-	-	-	-	-
Michael Esh	5,000,000	30,000,000	35,000,000	(35,000,000)	-	-	-	-	-

No options over ordinary shares were issued to directors or executives in 2010.

All Executive Share Options issued to Senior Executives during the financial year were made in accordance with the provisions of the Executive Share Option Plan. Refer to Executive Share Option Plan of this note.

No value has been attributable to the options issued to Michael Esh as they were exercisable at market or above market and exercised and sold immediately after being issued without any gain or benefit to Michael Esh.

6. Remuneration of auditors

	Consolidated	
	30 June 2010 $'000	**28 June 2009 $'000**
Auditor of the parent entity		
Grant Thornton Audit Pty Ltd		
Audit or review of the financial report	240	240
Other services	-	-
	240	240

7. Trade and other receivables

	Consolidated	
	30 June 2010 $'000	**28 June 2009 $'000**
Current		
Trade receivables	2,166	5,768
Allowance for doubtful debts	(361)	(1,508)
	1,805	**4,260**
Non-current		
Other non-current receivables*	4,901	3,763
	4,901	**3,763**

*These consist of loans to entities the Consolidated Entity conducts business with including its franchisees and dealer network and are non interest bearing repayment over 2 years.

(a) Terms and conditions

The average credit period on sales of goods is 30 days. No interest is charged on trade receivables. Other receivables generally have terms between 30 and 60 days. Trade receivables include carrier receivables from mobile carriers. An allowance has been made for estimated irrecoverable amounts arising from a review of individual store debtors.

(b) The Consolidated Entity has a material exposure to Optus Ltd. The Consolidated Entity's maximum exposure to Optus at 30 June 2010 was $1.855 million (2009: $1.5 million). Under the terms of the Master Dealer Agreement Optus must within 30 days of the end of each month send a report to Strathfield as to the commission due. Optus must also pay commission to Strathfield as set out in the report at the same time.

	Consolidated	
	30 June 2010	28 June 2009
	$'000	$'000
(b) Ageing of current trade receivables		
Not past due	1,267	699
Past due but not impaired		
0 - 30 days	297	3,203
31 – 60 days	36	358
61 – 90	24	-
90+	181	-
Total	**1,805**	**4,260**
Ageing of non-current trade receivables		
Not past due	4,901	3,763
Past due but not impaired	-	-
Total	**4,901**	**3,763**

	Consolidated	
	30 June 2010	28 June 2009
	$'000	$'000
(c) Movement in allowance for doubtful debts		
Balance at the beginning of the year	1,508	-
Amounts written off as uncollectible	(1,508)	-
Impairment losses recognised	361	1,508
Amounts recovered	-	-
Balance at the end of the year	**361**	**1,508**

The Group has not impaired all debts that are past due at the reporting date as the Group considers the majority of these amounts to be recoverable. The Group does not hold any collateral over trade receivables.

(d)Finance leases

The Consolidated Entity enters into leases with customers for office equipment. Where the Consolidated Entity is unable to on sell the lease receivable to an external financier it retains these leases on its own balance sheet. Collections and lease management are performed by Quikfund (Aust) Pty Ltd.

Finance leases and hire purchase commitments, Group as lessor.	Consolidated	
	30-Jun-10	28-Jun-09
	$'000	$'000
Within 1 year	1,274	188
After 1 year but not more than 5 years	3,682	588
After 5 years	-	-
Total minimum lease payments	4,956	776
Unearned finance income	(1,559)	(284)
Present value of minimum lease payments	3,397	492

8. Inventories

	Consolidated 30 June 2010 $'000	Consolidated 28 June 2009 $'000
Finished goods:	3,061	2,797
Provision for net realisable value	(1,939)	(320)
Net book value	**1,122**	**2,477**

9. Other assets

	Consolidated 30 June 2010 $'000	Consolidated 28 June 2009 $'000
Current		
Prepayments	916	119
Prepayments arising from voluntary administration	396	656
Other	169	-
	1,481	**775**

10. Plant and equipment

	Consolidated		
	Leasehold improvements at cost $'000	**Plant and equipment at cost $'000**	**Total $'000**
Gross carrying amount			
Balance at 29 June 2008	-	-	-
Acquired via business combination	3,368	1,697	5,065
Additions	-	5	5
Disposals	-	-	-
Balance at 28 June 2009	**3,368**	**1,702**	**5,070**
Additions, cash	444	65	509
Additions, non cash	248	141	389
Disposals	(147)	(1)	(148)
Balance at 30 June 2010	**3,913**	**1,907**	**5,820**
Accumulated depreciation/ amortisation and impairment			
Balance at 29 June 2008	-	-	-
Disposals	-	-	-
Depreciation expense	(202)	(198)	(400)
Impairment losses charged to profit	(2,854)	(1,090)	(3,944)
Balance at 28 Jun 2009	**(3,056)**	**(1,288)**	**(4,344)**
Disposals	-	-	-
Depreciation expense	(117)	(196)	(313)
Impairment losses charged to profit	(273)	(36)	(309)
Balance at 30 June 2010	**(3,446)**	**(1,520)**	**(4,966)**
Net book value			
As at 28 June2009	**312**	**414**	**726**
As at 30 June 2010	**467**	**387**	**854**

At the reporting date, the Consolidated Entity assessed the recoverability of the carrying value of its acquired intangible and other assets under AASB 136 Impairment of Assets. When considering the recoverability property plant and equipment was assessed at the individual store basis taking into account the impact of any store closures and the future cash flows of each store. The result of this review was an impairment charge in the statement of comprehensive income to write-off the plant and equipment at stores and head office of $309K (2009:$3.944m) for the Consolidated Entity. Refer to Note 11(c).

11. Intangible assets

(a) Goodwill

	Consolidated 30-Jun-10 $'000	Consolidated 28-Jun-09 $'000
Gross carrying amount		
Balance at beginning of financial year	-	-
Acquisitions	-	15,347
Balance at end of financial year	-	15,347
Accumulated impairment losses		
Balance at beginning of financial year	-	-
Impairment losses for the year	-	(15,347)
Balance at end of financial year	-	(15,347)
Net book value		
At the beginning of the financial year	**-**	**-**
At the end of the financial year	**-**	**-**

(b) Airtime agreement

	Consolidated 30-Jun-10 $'000	Consolidated 28-Jun-09 $'000
Gross carrying amount		
Balance at beginning of financial year	27,138	27,138
Balance at end of financial year	27,138	27,138
Amortisation		
Balance at beginning of financial year	(2,175)	-
Amortisation for the year	(3,622)	(2,175)
Balance at end of financial year	(5,797)	(2,175)
Net book value		
At the beginning of the financial year	24,963	-
At the end of the financial year	**21,341**	**24,963**

As a result of the execution of the new Optus Master Dealer Agreement the Consolidated Entity has reviewed the useful life of the airtime agreement and has correspondingly extended the amortisation period in line with the expected useful life. The useful life of the agreement is 125 months, in line with the agreement's initial term of 5 years, coupled with the option, exercisable by Optus, to extend for a further 5 years.

(c) Impairment

In the prior year the Consolidated Entity assessed the recoverability of the carrying value of its acquired intangible and other assets under AASB 136 Impairment of Assets. When considering the recoverability of these assets, the Airtime agreement was considered independently as its own cash generating unit, goodwill and property plant and equipment was assessed for recoverability at the individual store basis taking into account the impact of store closures and the future cash flows of each store. The result of this review in the 2009 year was an impairment charge in the statement of comprehensive income to write-off the entire goodwill on acquisition of $15.347m along with plant and equipment at stores and head office of $3.944m. The Airtime agreement cash flows were in accordance with the contract and the asset was not impaired at 30 June 2010.

Given the timing of the acquisition, the assessment of the Group's financial position/ performance and subsequent appointment of Administrators the directors have determined that this treatment was consistent with AASB 110 Events after the Balance Sheet Date, which requires an adjustment to be recorded where the receipt of information after the reporting date indicates that that an asset was impaired at the reporting date.

The recoverable amount of each cash generating unit (CGU) is determined based on value-in-use calculations. Value-in use is calculated based on the present value of cash flow projections over a 5 year period plus a terminal value with the exception of the Airtime agreement that is based on a fixed contract term of 5 years.

The following assumptions were used in the value-in-use calculations:

Management has based the value-in-use on forecasts extrapolated out for the testing period using a growth rate of 3%. The terminal value growth rate used after year 5 is also 3%. The pre-tax weighted average cost of capital (WACC) for the Consolidated Entity has been used as the discount rate in the discounted cash flow calculations. The average WACC used is 19.86%. Given that SGL operates in the retail sector within one geographical segment the directors believe it is appropriate to use a consistent WACC across each of its CGUs.

Based on the above assumptions the Consolidated Entity has calculated an impairment charge to the following acquired business:

	Consolidated Entity 28 June 2009 $000's
Goodwill - SGL	15,347
Plant and equipment- SGL	3,944

	Avg. revenue growth rates used	Avg. WACC used
Goodwill and Plant and equipment – SGL	3%	19.86%

12. Trade and other payables

	Consolidated 30 June 2010 $'000	Consolidated 28 June 2009 $'000
Trade payables (i)	3,621	5,713
Goods and services tax (GST) payable	50	570
	3,671	**6,283**

(i) Trade and other creditors are non-interest bearing and generally have terms between 30 and 60 days.

13. Borrowings

	Consolidated	
	30 June 2010 $'000	**28 June 2009 $'000**
Non-current		
Secured at amortised cost:		
Loans from related party	18,296	18,939
	18,296	**18,939**

The Consolidated Entity has received loans from related parties which are interest free and repayable over a three year period.

14. Provisions

	Consolidated	
	30 June 2010 $'000	**28 June 2009 $'000**
Current		
Employee benefits	388	553
Onerous lease	213	30
	601	**583**
Non-current		
Employee benefits	4	-
	4	**-**

15. Issued capital

	Consolidated	
	30 June 2010 $'000	**28 June 2009 $'000**
The company has 3,271,303,874 fully paid ordinary shares (2009: 3,268,303,874)	18,678	18,648
	18,678	**18,648**

	Consolidated 2010 No. '000	$'000
Fully paid ordinary shares of the company		
Balance at beginning of financial year	3,268,304	115,670
Issue of shares, 17th February 2010	3,000	30
Balance at end of financial year	**3,271,304**	**115,700**

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

Share options

Refer to the Remuneration Report contained in the Directors' Report for details of share options.

(a) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consisted of debt, which includes the borrowings disclosed in note 13, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 16, 17 and 18 respectively. The Group operates nationally, primarily through retail outlets in the markets which the group trades. The accounting parent Strathfield Equipment Group operates nationally through business offices located in the major capital cities. None of the group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the group's retail assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt.

16. Reserves

	Consolidated 30 June 2010 $'000	Consolidated 28 June 2009 $'000
Common control reserve	911	911
	911	911

The formation of Strathfield Equipment Group Pty Ltd was considered a common control transaction and as a result is outside the scope of AASB 3 Business Combinations. The directors, in this situation, have a choice of using the "purchase" or "pooling" method of accounting. The pooling method as stated in FRS 6 Acquisitions and Mergers issued by the Financial Reporting Council in the UK allows for no fair value adjustment on acquisition with the acquired assets and liabilities to be recognised at their book values. The difference if any between the nominal value of shares issued plus the fair value of any other consideration given, and the nominal value of the shares received in exchange is shown as a movement in other reserves.

17. Accumulated losses

	Consolidated 30 June 2010 $'000	Consolidated 28 June 2009 $'000
Balance at beginning of financial year	(7,505)	-
Net profit/(loss) attributable to members of the parent entity	2,731	(7,505)
Balance at end of financial year	**(4,774)**	**(7,505)**

18. Dividends

No dividend has been paid or proposed and the directors do not recommend the payment of a dividend in respect of the current or previous financial years.

19. Earnings per share

	Consolidated 2010 Cents per share	Consolidated 2009 Cents per share
Basic earnings/(loss) per share:	0.1	(0.2)
Diluted earnings/(loss) per share:	0.1	(0.2)

Basic earnings per share

The profit/(loss) and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2010 $'000	2009 $'000
Earnings used in the calculation of basic earnings/share	2,731	(7,505)

	2010 No.'000	2009 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,269,391	2,999,950

In calculating the weighted average number of ordinary shares outstanding (the denominator of the earnings per share calculation) during the period in which the reverse acquisition occurs:

(a) the number of ordinary shares outstanding from the beginning of that period to the acquisition date shall be computed on the basis of the weighted average number of ordinary shares of the legal acquiree (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the merger agreement; and

(b) the number of ordinary shares outstanding from the acquisition date to the end of that period shall be the actual number of ordinary shares of the legal acquirer (the accounting acquiree) outstanding during that period.

Diluted earnings per share

The profit/(loss) and weighted average number of ordinary shares used in the calculation of diluted loss per share are as follows:

	2010 $'000	2009 $'000
Earnings used in the calculation of diluted earnings per share	2,731	(7,505)

	2010 No. '000	2009 No. '000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,269,391	2,999,950

(a) All share options on issue are considered non-dilutive because they are exercisable at a price in excess of the average market price during the year.

(b) Potential ordinary shares not considered dilutive.

The following potential ordinary shares are not considered dilutive as at the reporting date, and have therefore not been included in the calculation of dilutive earnings per share:

	2010 No.	2009 No.
Unlisted options over ordinary shares	300,000,000	300,000,000

20. Commitments for expenditure

	Consolidated	
	30 June 2010 $'000	28 June 2009 $'000
(a) Capital expenditure commitments		
Plant and equipment		
Not longer than 1 year	-	-
	-	-

(b) Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 22 to the financial statements.

21. Contingent liabilities

	Consolidated	
	30 June 2010 $'000	28 June 2009 $'000
Contingent liabilities		
Bank guarantees	532	449
Total	**532**	**449**

Other contingent liabilities

The Consolidated Entity has, in the event of termination of a supplier agreement, a possible contingent liability arising from the termination of said agreement. Should the agreement be terminated prior to its term a currently indeterminable amount of revenue previously received will be repayable to the supplier. The directors feel that an event of termination is remote and as a result no further disclosure, other than this note, is required.

Claims and possible claims, indeterminable in amount, have arisen in the course of business against entities in the Consolidated Entity. The directors of the Consolidated Entity believe that any resultant liability will not materially affect the financial position of the Consolidated Entity.

22. Leases

(a) Operating leases

Operating leases relate to the lease of premises and have an average term of 5 years. Rentals escalations are contingent on movements in the Consumer Price Index for most leases.

	Consolidated	
	30 June 2010 $'000	**28 June 2009 $'000**
Non-cancellable operating lease payments		
Not longer than 1 year	2,075	1,006
Longer than 1 year and not longer than 5 years	3,982	2,336
Longer than 5 years	-	207
	6,057	3,549

23. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy set out in note 1 (a).

		Ownership Interest	
Name of entity	**Country of incorporation**	**2010 %**	**2009 %**
Legal parent entity			
Strathfield Group Limited	Australia		
Accounting parent entity			
Strathfield Equipment Group Pty Limited	Australia		
Subsidiaries			
Strathfield Car Audio Pty Ltd	Australia	100	100
Strathfield Group Wholesale Pty Ltd	Australia	100	100
Strathfield Security Pty Ltd	Australia	100	100
Strathfield Mobile Pty Ltd	Australia	100	100
Strathfield Ventures Pty Ltd	Australia	100	100
Strathfield Rentals Pty Ltd	Australia	100	100
Strathfield Finance Solutions Pty Ltd	Australia	100	100
Strathfield Installations Pty Ltd	Australia	100	100
Strathfield Office Pty Ltd	Australia	100	100
Strathfield Voice Pty Ltd	Australia	100	100
Zoom Sound and Vision Pty Ltd	Australia	100	100

24. Segment Information

The Consolidated Entity has adopted AASB 8 'Operating Segments' with effect from 1 July 2009.

AASB 8 replaces AASB 114 'Segment Reporting'. The new standard requires a 'management approach', under which operating segments are identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity's operations are organised and managed according to the nature of the products and services they provide. The retail segment is identified as the sale of retail goods and services via the Strathfield branded store network consisting of both company and franchised stores. Franchise fees deriving from services provided to franchisees are included in this segment. The business segment is recognised as the sales of office consumables and associated services to the Small and Medium Business sector. Geographically, the group operates in one segment, being Australia.

The Consolidated Entity's chief operating decision maker has been identified as the Executive Chairman.

The Executive Chairman reviews the financial and operating performance of the business primarily from an 'end user type' perspective. On this basis management has identified two main reportable segments, retail and business.

The Executive Chairman monitors the performance of these segments separately. The Executive Chairman assesses the performance of the operating segments based on a measure of revenue, gross margin, EBITDA and profit before tax.

Sales in the retail sector are seasonal with sales volumes increasing during the Christmas period. The business segment sees declining sales volumes over the same period owing to closure of many non-retail businesses at Christmas.

Basis of accounting for purposes of reporting by operating segments.

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(c) Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(d) Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(e) Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

(f) Comparative information

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

(g) Major customers

The Consolidated Entity has a number of customers to whom it provides both products and services. The Group Consolidated Entity has a single external customer in the retail segment who accounts for 30% of external revenue (2009:16%). The next most significant client accounts for less than 1% of external revenue.

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

The segment information provided to the Executive Chairman for the reportable segments for the year ended 30 June 2010 is provided overleaf.

24. Segment Information (cont'd)

	Retail		Business		Eliminations		Consolidated	
	30-Jun-10 $'000	28-Jun-09 $'000	30-Jun-10 $'000	28-Jun-09 $'000	30-Jun-10 $'000	28-Jun-09 $'000	30-Jun-10 $'000	28-Jun-09 $'000
Segment revenue	23,860	26,914	15,919	13,725	-	-	39,779	44,996
Total consolidated revenue	23,860	26,914	15,919	13,725	-	-	39,779	44,996
Gross margin	(1,959)	(2,410)	6,143	8,978	-	-	4,183	6,568
Services revenue	14,901	7,400	-	-	-	-	14,901	7,400
Other revenue	2,437	4,506	1,000	(338)	-	-	3,437	4,168
Other income	241	-	1,267	-	-	-	1,508	-
Operating expenses	(14,944)	(742)	(2,545)	(6,851)	-	(15,347)	(17,490)	(22,940)
EBITDA	677	8,754	5,864	1,789	-	(15,347)	6,541	(4,804)
Depreciation and amortisation	(43)	(237)	(270)	(163)	(3,622)	(2,175)	(3,935)	(2,575)
Finance costs	(1,628)	(126)	(1)	-	-	-	(1,629)	(126)
Segment result	(994)	8,391	5,593	1,626	(3,622)	(17,522)	977	(7,505)
Consolidated profit before income tax	(994)	8,391	5,593	1,626	(3,622)	(17,522)	977	(7,505)
Income tax benefit	-	-	-	-	1,755	-	1,755	-
Profit after income tax	**(994)**	**8,391**	**5,593**	**1,626**	**(1,868)**	**(17,522)**	**2,731**	**(7,505)**

24. Segment Information (cont'd)

	Retail		Business		Eliminations		Consolidated	
	30-Jun-10 $'000	**28-Jun-09 $'000**	**30-Jun-10 $'000**	**28-Jun-09 $'000**	**30-Jun-10 $'000**	**28-Jun-09 $'000**	**30-Jun-10 $'000**	**28-Jun-09 $'000**
Assets								
Carrying amount of segment assets	40,946	40,882	10,004	8,222	(13,563)	(11,249)	37,387	37,855
Consolidated total assets	40,946	40,882	10,004	8,222	(13,563)	(11,249)	37,387	37,855
Liabilities								
Carrying amount of segment liabilities	22,860	21,883	1,890	5,685	-	-	24,751	27,568
Unallocated corporate liabilities	-	-		-	(2,179)	(1,498)	(2,179)	(1,498)
Consolidated total liabilities	22,860	21,883	1,890	5,685	(2,179)	(1,498)	22,572	26,070
Acquisition of intangible assets upon consolidation-Airtime agreement	-	-	-	-	-	27,121	-	27,121
Recognition of goodwill arising from acquisition	-	-	-	-	-	15,347	-	15,347

Secondary Segment – Geographic The Consolidated Entity operates in one geographic segment , Australia.

25. Related party disclosures

(a) Parent entity

Strathfield Group Limited is the parent entity of the Consolidated Entity.

(b) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 23 to the financial statements.

(d) Key management personnel remuneration

Disclosures relating to key management personnel are set out in the remuneration report.

(e) Transactions between the Group and its related parties

Skaiste Rodriguez, Executive Director of Operations and acting CEO of the Company, was paid an amount of $229,916 during the year for her employment with the Consolidated Entity.

Vazrick Hovanessian, Executive Chairman of the Company, was paid an amount of $180,000 during the year for his employment with the Consolidated Entity via a related entity, Raxigi Pty Limited.

Emil Dimitrov a Non Executive Director of the Company, was paid an amount of $43,976 during the year for his employment with the Consolidated Entity via a related entity, Stratem Advantage Pty Limited.

Clear Telecoms (Aust) Pty Limited

The Consolidated Entity's business segment introduces end users to Clear Telecoms via the airtime component of its value proposition. No consideration for the introduction is received by the Consolidated Entity however the entity believes greater penetration of the market is possible as a result of the combination of the airtime element. Through the year the Consolidated Entity purchased airtime for resale to the value of $185,567 and for its own use to the value of $252,981. Further the Consolidated Entity was provided loans of $575,000 through the course of the year, these of which $280,000 was outstanding at balance date.

Quikfund (Australia) Pty Limited

The Consolidated Entity's business segment originates equipment lease receivables to Quikfund (Australia) Pty Limited. Through the year the leases originated were of a value of $15.7million. Quikfund provided loans to the Consolidated Entity through the year to the value of $1,058,364, with these loans being repaid by year end. An amount of $1.480 million remains outstanding to the Consolidated Entity from Quikfund. Finally at 30 June 2010, trade receivables for externally financed leases, in the amount of $83,818, were due to the Consolidated Entity.

Tony Hakim

The Consolidated Entity leases its head office premises from Mr Hakim. Through the year rent expense in the sum of $40,500 (2009:$Nil) was paid to Mr Hakim. At balance date the Consolidated Entity had received loans from Mr Hakim to that value of $19,512,503. The loans are non interest bearing and are expected to be repaid in 3 years. As the loans attract no interest the Consolidated Entity applies a discount at a market rate of interest resulting in a carrying value of $16,652,967.

26. Subsequent events

Since the end of the Full Year there have been the following significant events that will or have affected the operations of the Strathfield Group going forward:

Renewal of Optus Master Dealer Agreement

On August 18th 2010 Strathfield Group Limited executed a new Master Dealer Agreement with Optus. The agreement affords the Strathfield Group Limited the status of Optus Premium Dealer for the period the contract remains valid. The agreement is for a fixed term of 5 years, with Optus being afforded the right to renew the agreement for a further 5 years. Through the period of the agreement Strathfield Group Limited shall be entitled to connect telephony, mobile and data services to the Optus network.

27. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated	
	30 June 2010 $'000	**28 June 2009 $'000**
Cash and cash equivalents	731	403
	731	403

		Consolidated	
		30 June 2010	28 June 2009
		$'000	$'000
(b)	**Reconciliation of profit for the period to net cash flows from operating activities**		
	Profit (Loss) for the year	2,731	(7,505)
	Profit (Loss) on sale or disposal of non-current assets	(1,508)	-
	Depreciation and amortisation of non-current assets	3,935	2,575
	Impairment of goodwill arising from acquisition	-	15,347
	Finance lease income	(3,555)	-
	Impairment of receivables	361	1,508
	Impairment of inventory	1,939	320
	Impairment of lease receivables	253	-
	Impairment of property, plant and equipment	309	3,944
	Write back of payables resulting from deed of arrangement	-	(16,526)
	Fair value adjustment to non-current liabilities	668	(4,019)
	Income tax benefit	(1,755)	-
	Onerous lease provision	213	-
	Impairment of assets acquired from franchisee	30	-
	(Increase)/decrease in assets:		
	Receivables	649	(220)
	Inventories	(1,271)	5,902
	Other current assets	-	-
	Other assets	(675)	(681)
	Increase/(decrease) in liabilities:		
	Payables	(830)	4,599
	Provisions	91	(3,233)
	Net cash used in operating activities	1,585	2,011

d) Acquisition of entities

Business combination accounting – Acquisition of businesses by SEG

Clear Equipment Group Pty Limited ("CEG") was incorporated on 4 August 2008 as a wholly owned subsidiary of Clear Communications (EURAUST) AB ("CCAB"). On 12 December 2008, CEG acquired 5 businesses which were wholly owned by CCAB. This represents a common control transaction as the conditions in AASB3 paragraph 10 apply, in that all businesses were controlled by CCAB before and after the transaction. The control by CCAB is not considered transitory as CCAB has controlled each of the 5 hardware businesses since 1 July 2007 and continues to control these businesses post the transaction. At the time of the transaction there was no intention to cease control in the future.

Therefore this business combination is scoped out under AASB3 paragraph 3, and therefore a suitable accounting policy needs to be determined in accordance with the hierarchy in AASB108.10. This hierarchy looks for a policy that provides users of the financial statements with relevant and reliable information about the financial position and performance of the reporting entity. Therefore an accounting choice is available for the accounting for this part of the business combination. The choice is to either apply the purchase method (applying a fair value approach to the value) or to apply the pooling of interest method where the combination is recorded at historical book values. Given the continuing control of the businesses the Directors consider that the economic circumstances at the time of the combination it is appropriate to use the pooling of interest method to account for the transaction using the historical book values of the acquired assets and liabilities rather than reassessing these to more subjective and uncertain fair values.

	$000's
Cash	225
Trade Debtors	3,714
Provision	(163)
Other Debtors	49
Inventory	1,498
Fixed Assets	881
Other non-current assets	82
Total assets	6,286
Trade Creditors	3,724
Other Creditors	764
Provisions	887
Total liabilities	5,374
Net assets	**911**

Business combination accounting – Acquisition of SEG by SRA

On 12 December 2008 as per the market announcements, Strathfield completed a conditional agreement to acquire Strathfield Equipment Group Pty Limited (SEG) (Formerly Clear Equipment Group Pty Limited) for a consideration of 2.25 billion fully paid ordinary shares issued by the Company. The first tranche of the acquisition shares were issued on 10 December 2008 after approval of the transaction by shareholders and the acquisition was completed in March 2009 when the balance of the consideration shares were issued.

The transaction between SEG and SRA gives rise to a parent-subsidiary relationship and therefore the business combination is reflected in the consolidated financial statements (per AASB 3 paragraph 6). The circumstances of the combination indicates that SEG is the accounting acquirer as SEG management instigated the transaction, SEG shareholders (i.e. CCAB) control the voting rights of the combined Group and SEG management have been appointed to senior management positions and the Board. Given SEG only acquired the 5 hardware businesses (as opposed to the legal entities), none of those entities have continued into the combined Group and therefore none of those businesses can be identified as the acquirer – paragraphs 22 and 23 of AASB3 confirm that only an entity can be an acquirer on consolidation.

In accordance with AASB 3 Business Combinations the director's have therefore applied the reverse acquisition methodology as set out in the standard as shares in SGL were issued to the shareholders of SEG as consideration for the legal acquisition of SEG. The prescribed treatment in AASB 3 identifies SEG as the acquirer and hence SGL as the company being acquired. Therefore the assets and liabilities of SGL are required to be recorded at their fair value at the acquisition date, including the identification of any separately identifiable intangibles under AASB 138 Intangible Assets.

Assessment of fair values on acquisition

Immediately following the acquisition, management of the Consolidated Entity were primarily focused on the Christmas trading period which typically experiences the highest level of trading throughout the year. Through the 17 days to 28 December 2008, it became apparent to management that the activities of SGL had not lived up to expectations, hence causing a preliminary evaluation of SGL's asset values and working capital. The operations and results of the Consolidated Entity continued to deteriorate causing further assessment of the assets and liabilities acquired and ultimately culminating in the company being placed into Voluntary Administration on 27 January 2009. During the Administration the fair value of assets and liabilities were further assessed.

Following the company's exit from Voluntary Administration on 6 March 2009, management of the company concluded a detailed review and reconciliation of all assets and liabilities acquired and as prescribed by AASB 3 assessed the fair value of the assets and liabilities acquired and management's assessment of the opening fair value of the assets and liabilities of SGL is materially consistent with the Administrators Second Report to Creditors on 20 February 2009. As required the company also engaged an external consultant to separately review and identify other intangible assets in the acquisition. The Airtime agreement met the recognition criteria of an intangible asset under AASB 138 and the value was assessed to be $27.121 million and has been recorded in the fair value of the assets and liabilities acquired. The Airtime agreement is being amortised over the life of the contract which expires in December 2013.

The Strathfield brand name was also considered for recognition under AASB 138, however due to the instability of the company over the prior 6 months, the general volatility of the economy due to the global financial crisis and the significant uncertainties in predicting cash flow it was determined that the brand could not be reliably measured and hence did not meet the recognition criteria under AASB3 and AASB138. In any event if the Brand could have been reliably measured management would have assessed that it had an indefinite useful life, so the ultimate accounting treatment would have been similar to that of accounting for goodwill and would have had no financial impact on the income statement. The total deemed consideration paid in the reverse acquisition was $16.518 million and as a result $15.347 million of goodwill has arisen on consolidation.

The overall effect of the fair value review has meant that the fair value of the assets and liabilities acquired from Strathfield Group Limited had been written-down by $29.549 million to a net position of $1.171 million. As required by AASB 3 and outlined above this write-down of assets has been recorded as part of the fair value of the assets and liabilities acquired at the acquisition date and is therefore not reflected in the results of the Consolidated Entity.

The table below sets out the adjustments to fair value of the assets acquired whilst the following table sets out the consideration and the consideration elements of the transaction.

	Book value $000's	Fair value adjustment $000's	Fair value $000's
Current assets			
Cash assets	706	92	798
Trade and other receivables	11,080	(8,271)	2,809
Inventories	22,919	(11,618)	11,301
Other assets	5,636	(5,050)	586
Non-current assets			
Trade and other receivables	1,286	(1,075)	211
Property, plant and equipment	4,612	(428)	4,184
Intangible assets-Goodwill	3,106	(3,106)	-
Intangible assets-Airtime agreement	-	27,121	27,121
Current liabilities			
Payables	(18,302)	(92)	(18,394)
Provisions	(2,930)	-	(2,930)
Accrual	(20)	-	(20)
Non-current liabilities			
Borrowings	(21,207)	-	(21,207)
Other liabilities	(3,288)	-	(3,288)
Fair value of assets and liabilities	**3,598**	**(2,427)**	**1,171**

	Consolidated 2009 $000's
Consideration	
Issued shares	16,518
Acquisition costs	-
Total	**16,518**
Current assets	
Cash assets	798
Trade and other receivables	2,809
Inventories	11,301
Other assets	586
Non-current assets	
Trade and other receivables	211
Property, plant and equipment	4,184
Intangible assets-Airtime agreement	27,121
Current liabilities	
Payables	(18,394)
Provisions	(2,930)
Accrual	(20)
Non-current liabilities	
Borrowings	(21,207)
Other liabilities	(3,288)
Fair value of assets and liabilities	**1,171**
Goodwill arising on acquisition	15,347
Consideration	**16,518**
Impairment of Goodwill arising on acquisition	(15,347)

Refer to Note 11 (c) for considerations of impairment.

28. Parent entity information

(a) Financial information

	30-Jun-10 $'000	28-Jun-09 $'000
Assets		
Current assets	4,249	4,314
Non-current assets	38,374	36,434
Total assets	42,623	40,748
Liabilities		
Current Liabilities	3,880	5,068
Non-current Liabilities	20,852	18,503
Total liabilities	24,732	23,571
Net assets	17,891	17,177
Equity		
Issued capital	115,700	115,670
Retained earnings	(97,809)	(98,493)
Reserves		
Total reserves	-	-
Total equity	17,891	17,177
Financial Performance		
Profit for the year	684	(30,053)
Other comprehensive income	-	-
Total comprehensive income	684	(30,053)

(b) Contingent liabilities

The Parent Entity has, in the event of termination of a supplier agreement, a possible contingent liability arising from the termination of said agreement. Should the agreement be terminated prior to its term a currently indeterminable amount of revenue previously received will be repayable to the supplier. The directors feel that an event of termination is remote and as a result no further disclosure, other than this note, is required.

Claims and possible claims, indeterminable in amount, have arisen in the course of business against the parent entity. The directors of the parent entity believe that any resultant liability will not materially affect the financial position of the Parent Entity.

(c) Contractual commitments

The parent entity has contractual commitments, via operating leases, for rent on premises. The payments are set out overleaf.

	30 June 2010 $'000	28 June 2009 $'000
Non-cancellable operating lease payments		
Not longer than 1 year	2,075	1,006
Longer than 1 year and not longer than 5 years	3,982	2,336
Longer than 5 years	-	207
	6,057	3,549

29. Financial instruments

(a) Financial risk management objectives

The Consolidated Entity's activities expose it to a variety of financial risks including market risks, liquidity risk and credit risk. The Consolidated Entity's activities differ from those the legal parent undertook under the auspices of previous management where market risks included foreign currency, due to its overseas purchasing, and interest rate risk owing to its external borrowings.

The Consolidated Entity's principal financial instruments comprise receivables, payables, loans bearing no interest, finance leases and cash.

The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Consolidated Entity's policies approved by the board of directors, which provide written principles on the use of financial derivatives. There have been no changes to the Consolidated Entity's exposure to financial risks or the manner in which it manages and measures these risks from the previous period.

(b) Gearing Ratio

The Consolidated Entity's audit committee reviews the capital structure on a semi-annual basis. As a part of this review the committee considers the cost of capital and risks associated with each class of capital. Based on recommendations of the committee the Consolidated Entity will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at year end was as follows:

	Consolidated	
	30 June 2010 $'000	28 June 2009 $'000
Financial assets		
Debt (i)	18,296	18,939
Cash assets	(731)	(403)
Net debt	17,565	18,536
Equity (ii)	18,678	12,054
Net debt to equity ratio	106%	154%

(i) Debt is defined as long and short-term borrowings, as detailed in notes 13.

(ii) Equity includes all capital and reserves.

On or about 6 February 2009, the largest shareholder of the Consolidated Entity at the time, Clear Communications (Euraust) AB, entered into an agreement with GE Commercial Corporation (Australia) Pty Limited (GE) to acquire from GE the GE debt outstanding under the Facility Agreement between GE and the Company at that time. This paved the path for and provided certainty to the success of the proposed Deed of Company Arrangement for Creditors when the Company was placed into Voluntary Administration on 27 January 2009. The GE facility is now replaced with a non-current loan owing to a related party, the largest shareholder or its associate.

The Consolidated Entity holds the following financial assets and liabilities at the reporting date:

	Consolidated	
	30-Jun-10	**28-Jun-09**
	$ '000	**$ '000**
Financial Assets		
Cash	731	403
Trade and other receivables	6,706	8,023
Lease receivables	3,397	492
Financial Liabilities		
Trade and Other Payables	3,671	6,283
Bank Loan	-	-
Related party loan	18,296	18,939

(c) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(d) Market Risk

(i) Interest rate risk management

The Consolidated Entity, is not exposed to interest rate risk as the entity has no liabilities that accrue any interest . The Consolidated Entity's exposure to interest rates on financial assets and financial liabilities are currently nil.

Interest rate sensitivity analysis

The following table details the Consolidated Entity's sensitivity to a 50 basis point increase and decrease in interest rates. The Consolidated Entity is using a sensitivity of 50 basis points as management considers this to be reasonable having regard to historic movements in interest rates.

A positive number represents an increase in profit or equity and a negative number a decrease in profit or equity.

The following table details the Consolidated Entity's exposure to interest rate risk as at 30 June 2010 and has been retained for comparative purposes only.

	Profit before tax		Equity (reserves)	
	30-Jun-10	28-Jun-09	30-Jun-10	28-Jun-09
	$ '000	$ '000	$ '000	$ '000
50 basis points increase in interest rates with all other variable held constant	89	95	89	95
50 basis points decrease in interest rates with all other variable held constant	(89)	(95)	(89)	(95)

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually. The Consolidated Entity measures credit risk on a fair value basis.

The Consolidated Entity has a material exposure to Optus Ltd. The Consolidated Entity's maximum exposure to Optus at 30 June 2010 was $1.855 million (2008: $9.7 million).

The Consolidated Entity does not have any material credit risk exposure to any other single counterpart or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for impairments, represents the Consolidated Entity's maximum exposure to credit risk.

(f) 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 consolidated entities short, medium and long-term funding and liquidity management requirements. The Consolidated Entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Maturity profile of financial assets and liabilities

The following table details the company and Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both principal and estimated interest cash flows. Cash flows for financial liabilities without fixed amount of timing are based on the conditions existing at the reporting date.

	<6 months	6-12 months	1 -2 years	2-5 years	>5 years	Total	Carrying amount
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Consolidated 2010							
Financial Liabilities Trade and Other Payables	3,671	-	-	-	-	3,671	3,671
Bank Loan	-	-	-	-	-	-	
Related party loans	-	-	-	21,916	-	21,916	18,296
	-	**-**	**-**	**21,916**	**-**	**25,587**	**21,967**
2009							
Financial Liabilities Trade and Other Payables	6,283	-	-	-	-	6,283	6,283
Bank Loan	-	-	-	-	-	-	-
Related party loans	-	-	-	23,980	-	23,980	18,939
	6,283	**-**	**-**	**23,980**	**-**	**30,263**	**25,222**

<u>Financing facilities available</u>

The company and Consolidated Entity have access to the borrowing facilities as set out in note 13.

(g) Fair value of financial instruments

	2010		2009	
	Net carrying value	Net fair value	Net carrying value	Net fair value
	$ '000	$ '000	$ '000	$ '000
Financial assets				
Cash and cash equivalents	731	731	403	403
Trade and other receivables	1,805	1,805	4,260	4,260
Trade and other receivables, non current	5,525	4,901	4,439	3,763
Lease receivables	892	892	98	98
Lease receivables, non current	2,505	2,505	394	394
Other financial assets	1,481	1,481	775	775
Total financial assets	**12,939**	**12,315**	**10,369**	**9,693**
Financial liabilities				
Trade and other payables	3,671	3,671	6,283	6,283
Trade and other payables, non-current	21,916	18,296	23,980	18,939
Total financial liabilities	**25,587**	**21,967**	**30,263**	**25,222**

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.

(ii) Lease receivables are generally repriced to a market interest rate every 6 months, and fair value therefore approximates carrying value.

(iii) Discounted cash flow models are used to determine the fair values of loans and advances. Discount rates used on the calculations are based on interest rates existing at the end of the reporting period for similar types of loans and advances. Differences between fair values and carrying values largely represent movements in the effective interest rate determined on initial recognition and current market rates.

(iv) Quoted market prices at the end of the reporting period are used as well as valuation techniques incorporating observable market data relevant to the hedged position.

(v) Discounted cash flow models are used that incorporate a yield curve appropriate to the remaining maturity of the debenture, bill or promissory note.

Financial Instruments Measured at Fair Value

The financial instruments are analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Consolidated Entity currently has no financial instruments which are subject to the fair value hierarchy described above.

30. Additional company information

Strathfield Group Limited is a listed public company, incorporated and operating in Australia.

Registered office

64 Parramatta Rd
Glebe NSW 2037

Principal place of business

64 Parramatta Rd
Glebe NSW 2037

Additional Stock Exchange Information as at 20 August 2010

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 27 August 2010.

(a) Distribution of holders of equity securities

The number of shareholders, by size of holding, in each class of share are:

			Listed Ordinary Shares	
			Number of holders	**Number of shares**
1	-	1,000	428	228,323
1,001	-	5,000	438	1,237,014
5,001	-	10,000	251	2,027,634
10,001	-	100,000	1,013	42,573,882
100,001	and	over	516	3,225,237,021
			2,646	3,271,303,874

The number of shareholders holding less than a marketable parcel of shares are	1,996	32,915,568

(b) Twenty largest shareholders

	Name	Number of shares	% of ordinary shares
1	Halsarn Pty Limited	390,452,491	11.94%
2	Mark Khoury	363,028,384	11.10%
3	Heera Holdings Limited	359,066,390	10.98%
4	Arthur Phillip Nominees Pty Limited	222,480,149	6.80%
5	Government of Ras al Khaimeh	199,088,277	6.09%
6	GE Commercial Corp Australia Pty Limited	163,000,000	4.98%
7	Crystal IT Holdings Pty Limited	160,000,000	4.89%
8	Athena Sandalis	155,000,000	4.74%
9	First Pacific Dal Pty Limited	135,000,000	4.13%
10	Jason Khoury	130,075,349	3.98%
11	Raxigi Pty Limited	97,000,000	2.97%
12	Jenny Marinis	73,834,968	2.26%
13	SGFR Pty Limited	64,404,723	1.97%
14	Gaby Ghostine	50,883,254	1.56%
15	Wild Bull Pty Limited	50,404,723	1.54%
16	Brian Silva and Anthony Cummins	50,000,000	1.53%
17	Stavros Athanasiou	50,000,000	1.53%
18	Ooi Soon Teong	50,000,000	1.53%
19	Stephanie Hakim	42,402,793	1.30%
20	Annalyn Pty Limited	35,425,347	1.08%
	Top 20 Total	2,841,546,848	86.90%

(c) Substantial shareholders

Name	Number of shares	% of ordinary shares
Halsarn Pty Limited	390,452,491	11.94%
Mark Khoury	363,028,384	11.10%
Heera Holdings Limited	359,066,390	10.98%
Arthur Phillip Nominees Pty Limited	222,480,149	6.80%
Government of Ras al Khaimeh	199,088,277	6.09%
	1,534,115,691	46.90%

(d) Voting Rights

The voting rights attaching to each class of equity securities are set out below:

(i) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(ii) Options

No voting rights until such time as they are exercised.

Company Secretary

Mr Vaz Hovanessian

Registered office

64 Parramatta Rd
Glebe NSW 2037

Principal administration office

64 Parramatta Rd
Glebe NSW 2037

Share registry

Security Transfers Registrars
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