

# Strathfield Group Limited

A.C.N. 053 687 728

Financial statements for the financial year ended 30 June 2013

# Table of Contents

|   |    |
|---|----|
| Directors' Report.....  | 3  |
| Auditor's Independence Declaration.....   | 7  |
| Independent Auditor's Report.....   | 8  |
| Directors' Declaration.....   | 9  |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2013 ..... | 10 |
| Consolidated Statement of Financial Position as at 30 June 2013 .....   | 11 |
| Consolidated Statement of Changes in Equity for the year ended 30 June 2013 .....                             | 12 |
| Consolidated Statement of Cash Flows for the year ended 30 June 2013.....                                     | 13 |
| Notes to the Financial Statements for the year ended 30 June 2013 .....                                       | 14 |

## Directors' Report

The directors of Strathfield Group Limited submit herewith this financial report of the Strathfield Group Limited Consolidated Entity for the financial year ended 30 June 2013. 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 Broad Investments Limited.

#### **Zac Karlaftis – 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. On 19 May 2011 Mr Karlaftis assumed the role of General Manager of the Group's Electronic Retail division.

#### **Neil Gibson – Non-executive Director – Appointed on 1 December 2010.**

Neil Gibson is a qualified accountant and experienced company director with over 28 years working knowledge in the telecommunication industry and who led the sales team that sold the first mobile phones marketed in Queensland 26 years ago. He has also acted a distributor and agent for telecommunication companies and specialised in servicing outback country areas and country towns in regional NSW and Queensland as well as servicing major national accounts. In the past Mr Gibson has also served as a senior operator with one of Queensland's largest stockbrokers and has managed various family businesses, including rural properties.

### 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:

| <b>Name</b>     | <b>Company</b>                            | <b>Period of directorship</b> |
|-----------------|---|-------------------------------|
| Vaz Hovanessian | Broad Investments Limited                 | Since January 2004            |
| Vaz Hovanessian | Ochre Group Holdings Limited <sup>1</sup> | September 1996 – March 2011   |
| Vaz Hovanessian | Silver Mines Limited                      | Since February 2015           |
| Vaz Hovanessian | Mandalong Resources Limited               | Since March 2012              |

<sup>1</sup> Ochre Group Holdings Limited was formerly Rico Resources Limited and E-com Multi Limited.

## **Board Structure**

There have been no changes to the structure or composition of the board since the last annual report. The dates of appointment, or resignation, of the relevant director are provided earlier in the section named "Information about Directors".

## **Principal activities**

Strathfield Group Limited did not operate during the year other than continuing to satisfy the Deeds of Company Arrangements.

## **Review of Operations and Activities**

### **Operational Review**

Strathfield Group Limited (Strathfield) advises that EBITDA before significant items ("Underlying EBITDA") for the full year is a profit of \$1,401 versus an EBITDA result in the prior period of \$4.515 million. The profit (loss) after tax for the full year ended 30 June 2013 is \$1,401 versus a profit of \$4.478 million for the prior period.

### **Financial Position Review**

The financial position of the Consolidated Entity has exhibited no material changes from the prior period.

## **Significant events during the year**

### **(i) Administration of Strathfield Equipment Group (SEG)**

Following on from the cessation of the activities of SEG in April 2011, as a result of the withdrawal of finance, SEG entered into Voluntary Administration on 31 October 2012 with a view to completing the reorganisation of the Consolidated Entity's activities. A DOCA was executed on 4 April 2013 and the terms of the deed provide for payments of \$30,000 primarily for the purposes of satisfying the Deed Administrator's remuneration.

### **Subsequent Events**

Since the end of the Full Year the following significant event has affected the operations of the Strathfield Group going forward.

#### **(i) Removal from Official Quotation**

On 30 August 2013 the Australian Stock Exchange advised, pursuant to listing rule 17.5, the removal from the official list of the securities of the Company for failure to pay annual listing fees.

## **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 notes "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 table below 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 ten board meetings were held.

### **Board of directors**

| <b>Directors</b> | <b>Eligible to attend</b> | <b>Attended</b> |
|------------------|---------------------------|-----------------|
| Vaz Hovanesian   | 3                         | 3               |
| Neil Gibson      | 3                         | 3               |
| Zac Karlaftis    | 3                         | 3               |

## 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 Hovanesian | 97,000,000 | -       |
| Zac Karlaftis  | -          | -       |
| Neil Gribson   | -          | -       |

## Share options

No share options were issued or exercised during the year.

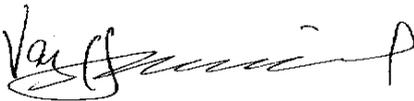
## Proceedings on Behalf of the Company

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.

## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 7 and forms part of the Directors' Report.

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



Vaz Hovanesian

Chairman

Sydney, Friday, 31 July 15

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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 2013, 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



P J Woodley  
Partner - Audit & Assurance

Sydney, 31 July 2015

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

### **Report on the financial report**

We have audited the accompanying financial report of Strathfield Group Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the years end or from time to time during the during the financial year.

### **Directors' responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and

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plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

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

### **Independence**

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

### **Basis for Qualified Opinion**

We have been unable to obtain sufficient appropriate audit evidence on the books and records and the basis of accounting of the consolidated entity due to the license on their accounting software having expired and the books and records not being maintained. Specifically, we have been unable to satisfy ourselves on the following areas:

- I. Statement of comprehensive income - we were unable to obtain sufficient appropriate audit evidence for the values detailed in the statement of comprehensive income for the year to 30 June 2013. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.
- II. Statement of consolidated cash flows - due to the company entering into administration during in the prior period and the lack of books and records, sufficient and appropriate review evidence was unable to be obtained to support the cash flow from operations during the period.
- III. Comparative balances – due to the disclaimer of opinion issued on the financial report for 30 June 2012 we are unable to obtain evidence to support the comparative balances in the 30 June 2013 financial statements.

As a result of these matters, we were unable to determine whether any adjustments might have been necessary in respect of the elements making up the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, and related notes and disclosures thereto.

**Qualified Auditor's Opinion**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters described in the preceding paragraphs:

- 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 2013 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P J Woodley  
Partner - Audit & Assurance

Sydney, 31 July 2015

## Directors' Declaration

The Directors of the Company declare that:

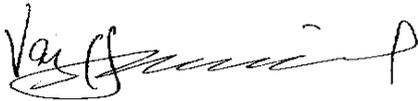
1. The financial statements and notes, as set out on pages 12 to 50, are in accordance with the Corporations Act 2001 and:

(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 2013 and of the performance for the year ended on that date of the Consolidated Entity.

2. 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.

A handwritten signature in black ink, appearing to read 'Vaz Hovanessian', with a large, sweeping flourish extending to the right.

Vaz Hovanessian

Chairman

Sydney, Friday, 31 July 15

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2013

|  |      | <b>Consolidated</b> |                     |
|--|------|---------------------|---------------------|
|  |      | <b>30 June 2013</b> | <b>30 June 2012</b> |
|  |      | <b>\$'s</b>         | <b>\$'s</b>         |
| <b>Discontinued Operations</b>   |      |                     |                     |
| Sales revenue  | 2(a) | -                   | 5,736,396           |
| Cost of sales  | 2(b) | -                   | (4,600,488)         |
| <b>Gross profit</b>  |      | -                   | 1,135,908           |
| Other revenue  | 2(a) | 18,463              | 1,506,902           |
| Selling and distribution expense                                       |      | -                   | (2,046,872)         |
| Marketing expense  |      | -                   | (35,072)            |
| Occupancy expense  |      | -                   | (1,105,104)         |
| Administrative expenses  |      | (17,062)            | (2,893,085)         |
| Impairment expenses  | 2(b) | -                   | (50,681)            |
| Finance costs  | 2(b) | -                   | (37,292)            |
| Write back of payables arising from DOCA                               | 2(c) | -                   | 8,002,894           |
| <b>Profit before income taxes from discontinued operations</b>         |      | 1,401               | 4,477,598           |
| Income tax expense   | 3    | -                   | -                   |
| <b>Profit after income taxes</b>                                       |      | 1,401               | 4,477,598           |
| <b>Profit attributable to the members of Strathfield Group Limited</b> |      |                     |                     |
|  |      | 1,401               | 4,477,598           |
| Other comprehensive income for the year, net of tax                    |      | -                   | -                   |
| <b>Total Comprehensive income for the year</b>                         |      | 1,401               | 4,477,598           |
| <b>Earnings per share:</b>   |      |                     |                     |
| Earnings per share   |      |                     |                     |
| Basic (cents per share)  | 12   | -                   | 0.0014              |
| Diluted (cents per share)  | 12   | -                   | 0.0014              |
| Earnings per share from continuing operations:                         |      |                     |                     |
| Basic (cents per share)  | 12   | -                   | 0.0014              |
| Diluted (cents per share)  | 12   | -                   | 0.0014              |
| Earnings per share from discontinued operations:                       |      |                     |                     |
| Basic (cents per share)  | 12   | -                   | -                   |
| Diluted (cents per share)  | 12   | -                   | -                   |

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

## Consolidated Statement of Financial Position as at 30 June 2013

|                                      |       | Consolidated |              |
|--------------------------------------|-------|--------------|--------------|
|                                      |       | 30 June 2013 | 30 June 2012 |
|                                      |       | \$'s         | \$'s         |
| <b>Current assets</b>                |       |              |              |
| Cash and cash equivalents            | 19(a) | -            | 273          |
| Other assets                         | 5     | 308,402      | 539,179      |
| <b>Total current assets</b>          |       | 308,402      | 539,452      |
| <b>Non-current assets</b>            |       |              |              |
| <b>Total non-current assets</b>      |       | -            | -            |
| <b>Total assets</b>                  |       | 308,402      | 539,452      |
| <b>Current liabilities</b>           |       |              |              |
| Trade and other payables             | 6     | 11,943,299   | 12,175,750   |
| <b>Total current liabilities</b>     |       | 11,943,299   | 12,175,750   |
| <b>Non-current liabilities</b>       |       |              |              |
| <b>Total non-current liabilities</b> |       | -            | -            |
| <b>Total liabilities</b>             |       | 11,943,299   | 12,175,750   |
| <b>Net assets (liabilities)</b>      |       | (11,634,897) | (11,635,298) |
| <b>Equity</b>                        |       |              |              |
| Issued capital                       | 8     | 18,890,475   | 18,890,475   |
| Reserves                             | 9     | 910,782      | 910,782      |
| Accumulated losses                   | 10    | (31,436,154) | (31,437,555) |
| <b>Total equity</b>                  |       | (11,634,897) | (11,635,298) |

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

## Consolidated Statement of Changes in Equity for the year ended 30 June 2013

|   | <b>Issued capital</b> | <b>Accumulated losses</b> | <b>Reserves</b> | <b>Share based payments reserve</b> | <b>Total</b>        |
|---|-----------------------|---------------------------|-----------------|-------------------------------------|---------------------|
|   | <b>\$000's</b>        | <b>\$000's</b>            | <b>\$000's</b>  | <b>\$000's</b>                      | <b>\$000's</b>      |
| <b>Balance at 30 June 2011</b>                      | <b>18,890,475</b>     | <b>(35,915,153)</b>       | <b>910,782</b>  | -                                   | <b>(16,113,896)</b> |
| Profit attributable to members of the parent entity | -                     | 4,477,598                 | -               | -                                   | 4,477,598           |
| Other comprehensive income                          | -                     | -                         | -               | -                                   | -                   |
| Subtotal  | -                     | <b>4,477,598</b>          | -               | -                                   | <b>4,477,598</b>    |
| <b>Balance at 30 June 2012</b>                      | <b>18,890,475</b>     | <b>(31,437,555)</b>       | <b>910,782</b>  | -                                   | <b>(11,636,298)</b> |
| Profit attributable to members of the parent entity | -                     | 1,401                     | -               | -                                   | 1,401               |
| Other comprehensive income                          | -                     | -                         | -               | -                                   | -                   |
| Subtotal  | -                     | <b>1,401</b>              | -               | -                                   | <b>1,401</b>        |
| Shares issued                                       | -                     | -                         | -               | -                                   | -                   |
| <b>Balance at 30 June 2013</b>                      | <b>18,890,475</b>     | <b>(31,436,154)</b>       | <b>910,782</b>  | -                                   | <b>(11,634,897)</b> |

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

## Consolidated Statement of Cash Flows for the year ended 30 June 2013

|   |                  | <b>Consolidated</b> |  |
|---|------------------|---------------------|--|
| <b>Note</b>   | <b>30-Jun-13</b> | <b>30-Jun-12</b>    |  |
|   | <b>\$'s</b>      | <b>\$'s</b>         |  |
| <b>Cash flows from operating activities</b>                               |                  |                     |  |
|   | -                | 7,235,499           |  |
|   | (279,513)        | (7,378,243)         |  |
|   | 18,463           | 7,800               |  |
|   |                  | (37,292)            |  |
| 19(b)   | (261,050)        | (172,236)           |  |
| <b>Cash flows from investing activities</b>                               |                  |                     |  |
|   | -                | -                   |  |
|   | -                | -                   |  |
|   | -                | -                   |  |
|   | -                | -                   |  |
|   | -                | -                   |  |
| <b>Cash flows from financing activities</b>                               |                  |                     |  |
|   | 260,777          | -                   |  |
|   | 260,777          | -                   |  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>               |                  |                     |  |
|   | (273)            | (172,236)           |  |
| <b>Cash and cash equivalents at the beginning of the reporting period</b> |                  |                     |  |
|   | 273              | 172,509             |  |
| 19(a)   | 0                | 273                 |  |

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

# Notes to the Financial Statements for the year ended 30 June 2013

## 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'). This report was authorised for issue by the directors on 31 July 15.

### Basis of preparation

The preliminary 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.

### Liquidation basis of accounting

As a result of the Consolidated Entity's decision to close stores as a result of Optus terminating the MDA the liquidation basis of accounting has been adopted for the financial statements of the Consolidated Entity for the year ended 30 June 2011, and subsequent years as deemed necessary.

Under the liquidation basis of accounting, assets are stated at their estimated net realisable value, and liabilities are stated at their estimated settlement amounts, and the relevant estimates will be periodically reviewed and adjusted as appropriate. Assets and liabilities included in the financial statements of the EU Group are stated on the following bases;

- Items of property, plant and equipment and inventories are reflected at net realisable values which are based on the expected net sales proceeds to be received from the scrap sales of these assets,
- Trade receivables and other receivables are stated at their recoverable amounts, which are the estimated net cash proceeds to be received from the debtors,
- Cash and bank balances are presented at face value, and
- Trade payables, other payables, accruals and provisions are stated at estimated settlement amounts.

**Accounting Standards and Interpretations issued but not yet effective**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual period ended 30 June 2013 are outlined below:

| Reference | Title                             | Summary  | Application date of standard | Impact on Group financial report   | Application date for Group |
|-----------|-----------------------------------|--|------------------------------|--|----------------------------|
| AASB 9    | Financial Instruments             | <p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <ol style="list-style-type: none"> <li>1. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</li> <li>2. (b) Allows 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.</li> </ol> <p>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.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>• The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>• The remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p> | 1 January 2015               | The Group has not yet fully assessed the impact of the changes but expects the impact on the financial statements to be minimal. | 1 July 2015                |
| AASB 10   | Consolidated Financial Statements | <p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.</p> <p>The new control model broadens the situations when an</p>   | 1 January 2013               | The Group has not yet fully assessed the impact of the changes but expects the impact on the                                     | 1 July 2013                |

|           |   |  |                |  |             |
|-----------|---|--|----------------|--|-------------|
|           |   | entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.<br><br>Consequential amendments were also made to other standards via AASB 2011-7.   |                | financial statements to be minimal.  |             |
| AASB 12   | Disclosure of Interests in Other Entities               | AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.  | 1 January 2013 | The Group has not yet fully assessed the impact of the changes but expects the impact on the financial statements to be minimal. | 1 July 2013 |
| AASB 13   | Fair Value Measurement                                  | AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.<br><br>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.  | 1 January 2013 | The Group has not yet fully assessed the impact of the changes but expects the impact on the financial statements to be minimal. | 1 July 2013 |
| AASB 119  | Employee Benefits                                       | The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.  | 1 July 2013    | The Group has not yet fully assessed the impact of the changes but expects the impact on the financial statements to be minimal. | 1 July 2015 |
| AASB 1053 | Application of Tiers of Australian Accounting Standards | This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:<br><br>(a) Tier 1: Australian Accounting Standards<br><br>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements<br><br>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.<br><br>The following entities apply Tier 1 requirements in preparing general purpose financial statements:<br><br>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard)<br><br>(b) The Australian Government and State, Territory and Local Governments<br><br>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial | 1 July 2013    | The Group has not yet fully assessed the impact of the changes but expects the impact on the financial statements to be minimal. | 1 July 2015 |

|             |   |   |                |  |             |
|-------------|---|---|----------------|--|-------------|
|             |   | <p>statements:</p> <p>(a) For-profit private sector entities that do not have public accountability</p> <p>(b) All not-for-profit private sector entities</p> <p>(c) Public sector entities other than the Australian Government and State, Territory and Local Governments.</p> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2.</p>   |                |  |             |
| AASB 2012-2 | <p>Amendments to Australian Accounting Standards - Disclosures</p> <p>- Offsetting Financial Assets and Financial Liabilities</p> | <p>AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met.</p>   | 1 January 2013 | The Group has not yet fully assessed the impact of the changes but expects the impact on the financial statements to be minimal. | 1 July 2013 |
| AASB 2012-3 | <p>Amendments to Australian Accounting Standards</p> <p>- Offsetting Financial Assets and Financial Liabilities</p>               | <p>AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforce- able right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.</p>   | 1 January 2014 | The Group has not yet fully assessed the impact of the changes but expects the impact on the financial statements to be minimal. | 1 July 2015 |
| AASB 2012-5 | <p>Amendments to Australian Accounting Standards arising from Annual Improvements 2009- 2011 Cycle</p>                            | <p>AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:</p> <ul style="list-style-type: none"> <li>• Repeat application of AASB 1 is permitted (AASB 1)</li> <li>• Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).</li> </ul> | 1 January 2013 | The Group has not yet fully assessed the impact of the changes but expects the impact on the financial statements to be minimal. | 1 July 2013 |
| AASB 2012-9 | <p>Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039</p>                                       | <p>AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.</p>   | 1 January 2013 | The Group has not yet fully assessed the impact of the changes but expects the impact on the financial statements to be minimal. | 1 July 2013 |

## **Summary of Accounting Policies**

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 15 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.

Investments 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.

### **(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) 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.

**(d) 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.

**(e) 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.

**(f) 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    |

All plant and equipment has been fully impaired at 30 June 2011.

**(g) 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.

**(h) 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 1<sup>st</sup> 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.

**(i) 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.

All receivables have been fully impaired at 30 June 2011.

**(j) 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.

**(k) 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.

**(l) 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.

**(m) 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.

**(n) 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.

**(o) 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.

**(p) 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 that 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.

**(q) Critical Accounting Judgements and Key Sources of Estimation Uncertainty****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 – 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.

**Key estimates – *Liquidation Basis of Accounting***

The preparation of the financial statements of the Consolidated Entity using the liquidation basis of accounting requires the Consolidated Entity to make assumptions, judgements and estimates that can have a significant impact on the assets and liabilities of the Consolidated Entity. Management bases its assumptions, judgements and estimates on the most recent information available and various other factors believed to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. On a regular basis, management evaluates its assumptions, judgements and estimates and makes changes accordingly.

|  | <b>Consolidated</b> |                |
|--|---------------------|----------------|
|  | <b>30 June</b>      | <b>30 June</b> |
|  | <b>2013</b>         | <b>2012</b>    |
|  | <b>\$'s</b>         | <b>\$'s</b>    |
| <b>2. Profit/(loss) from operations</b>  |                     |                |
| <b>(a) Revenue</b>                       |                     |                |
| Revenue from the sale of goods           | -                   | 3,546,696      |
| Revenue from the sale of carrier revenue | -                   | 2,189,700      |
| Franchise revenue                        | -                   | -              |
| Total service revenue                    | -                   | 2,189,700      |
|  | -                   | 5,736,396      |
| Gain on acquisition/disposal of assets   | -                   | -              |
| Other income                             | 18,463              | 1,506,902      |

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. Further adjustments are made when there is repayment of the loan.

The revenue of the Consolidated Entity has been impacted by store closures. As at 30 June 2013, there are no stores operating.

|  |   |           |
|--|---|-----------|
| <b>(b) Profit/(loss) before income tax</b>   |   |           |
| Profit/(loss) before income tax has been arrived at after charging the following expenses. |   |           |
| Cost of sales  | - | 4,600,488 |
| Impairment in inventory  | - | -         |
|  | - | 4,600,488 |
| Finance costs:   |   |           |
| Interest relating to movement in fair value of non-current assets and liabilities          | - | -         |
| Interest due to other entities   | - | 37,292    |

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

|                                    | <b>Consolidated</b> |                |
|------------------------------------|---------------------|----------------|
|                                    | <b>30 June</b>      | <b>30 June</b> |
|                                    | <b>2013</b>         | <b>2012</b>    |
|                                    | <b>\$'s</b>         | <b>\$'s</b>    |
| Operating lease rental (premises)  |                     |                |
| Minimum lease payments             | -                   | 1,105,104      |
| Sub-lease payments received        | -                   | -              |
|                                    | -                   | 1,105,104      |
| Depreciation of non-current assets | -                   | -              |
| Amortisation of intangible assets  | -                   | -              |
|                                    | -                   | -              |
| Employee benefits expense          | -                   | 2,046,872      |
| Termination benefits               | -                   | -              |
|                                    | -                   | 2,046,872      |
| Impairment expenses:               |                     |                |
| Other impairment of inventory      | -                   | -              |
| Trade and other receivables        | -                   | 50,681         |
|                                    | -                   | 50,681         |

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

|  | Consolidated                 |                         |
|--|------------------------------|-------------------------|
|  | 30 June<br>2013<br>\$'s      | 30 June<br>2012<br>\$'s |
|  | <b>(c) Significant items</b> |                         |
| Profit/(loss) after income tax includes the following significant items: |                              |                         |
| Write back of payables <sup>1</sup>                                      | -                            | 8,002,894               |
|  | -                            | 8,002,894               |

1. Payables written back relate to those forgiven pursuant to the DOCA entered into by the consolidated entity on 1 December 2011

### 3. Income tax

**(a) Tax expense comprises:**

|   | 30 June 2013<br>\$'s | 30 June 2012<br>\$'s |
|---|----------------------|----------------------|
| Current tax income in respect of current year | 420                  | 1,343,279            |
| Effect of non-temporary differences           | -                    | -                    |
| Effect of temporary differences               | -                    | (381,503)            |
| Current income tax                            | -                    | 1,439,092            |
| Effect of tax losses utilised                 | (420)                | -                    |
| Effect of write back of payables              | -                    | (2,400,868)          |
| <b>Total tax expense</b>                      | <b>-</b>             | <b>-</b>             |

**Unrecognised deferred tax balances**

The following deferred tax assets have not been brought to account as assets:

|                       | 30 June 2013<br>\$'s | 30 June 2012<br>\$'s |
|-----------------------|----------------------|----------------------|
| Tax losses – revenue  | 18,710,211           | 18,710,631           |
| Temporary differences | 32,805,000           | 32,805,000           |
|                       | <b>51,515,631</b>    | <b>51,515,631</b>    |

**(b) the prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense as follows;**

|   | 30 June 2012<br>\$'s | 30 June 2011<br>\$'s |
|---|----------------------|----------------------|
| Total accounting profit before income tax | 1,401                | 4,477,598            |
| Income tax calculated at 30%              | 420                  | 1,343,279            |
| Add/less                                  |                      |                      |
| Impairment of airtime agreement           | -                    | -                    |
| Amortisation of airtime agreement         | -                    | -                    |
| Effect of tax losses utilised             | (420)                | -                    |
| Effect of other non-temporary differences | -                    | -                    |
| Effect of temporary differences           | -                    | (381,503)            |
| Effect of write back of payables          | -                    | (2,400,868)          |
| Current income tax                        | -                    | 1,439,092            |
|   | <b>-</b>             | <b>-</b>             |

### 3. Income tax (cont'd)

#### (c) 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.

#### (d) Tax losses

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

- (i) 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;
- (ii) The Consolidated Entity continues to comply with the conditions for deductibility imposed by tax legislation;
- (iii) No changes for tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the losses;
- (iv) The Consolidated Entity does not foresee probability of deriving sufficient assessable income to enable the benefit carry forward losses to be realised and to that end has derecognised its Deferred Tax Assets.

### 4. Remuneration of auditors

#### Auditor of the parent entity

#### Grant Thornton Audit Pty Ltd

Audit or review of the financial report\*

Other services

| <b>Consolidated</b> |                     |
|---------------------|---------------------|
| <b>30 June 2013</b> | <b>30 June 2012</b> |
| <b>\$'s</b>         | <b>\$'s</b>         |
| 35,000              | 35,000              |
| -                   | -                   |
| <b>35,000</b>       | <b>35,000</b>       |

\*Note – the audit fees have been paid by the major shareholder and creditor

### 5. Other assets

Creditor's trusts arising under DOCA

| <b>Consolidated</b> |                     |
|---------------------|---------------------|
| <b>30 June 2013</b> | <b>30 June 2012</b> |
| <b>\$'s</b>         | <b>\$'s</b>         |
| 308,402             | 539,179             |
| <b>308,402</b>      | <b>539,179</b>      |

**6. Trade and other payables**

|                               | <b>Consolidated</b> |                     |
|-------------------------------|---------------------|---------------------|
|                               | <b>30 June 2013</b> | <b>30 June 2012</b> |
|                               | <b>\$'s</b>         | <b>\$'s</b>         |
| Trade payables (i)            | 653,332             | 804,169             |
| Loans from related party (ii) | 11,289,967          | 11,024,055          |
|                               | <b>11,943,299</b>   | <b>11,828,224</b>   |

(i) Relates to the creditors trusts arising from the Deeds of Company Arrangement.

(ii) Refers to Mr Tony Hakim

**7. Provisions**

**Current**

|                   | <b>Consolidated</b> |                     |
|-------------------|---------------------|---------------------|
|                   | <b>30 June 2013</b> | <b>30 June 2012</b> |
|                   | <b>\$'s</b>         | <b>\$'s</b>         |
| Employee benefits | -                   | -                   |
| Onerous lease     | -                   | -                   |
|                   | -                   | -                   |

Movement of provisions during the year follows:

**Employee benefits**

|   |   |           |
|---|---|-----------|
| Opening balance                         | - | 368,674   |
| Transferred to Creditors Trust          | - | (368,674) |
| Provisions during the year              | - | -         |
| Entitlements used and terminations paid | - | -         |
| Closing Balance                         | - | -         |

## 8. Issued capital

The company has 3,324,503,874 fully paid ordinary shares (2012: 3,271,303,874)

| Consolidated            |                         |
|-------------------------|-------------------------|
| 30 June<br>2013<br>\$'s | 30 June<br>2012<br>\$'s |
| 18,890,475              | 18,890,475              |
| <b>18,890,475</b>       | <b>18,890,475</b>       |

|  | Consolidated<br>2013 |            |
|--|----------------------|------------|
|  | No.<br>'000          | \$'s       |
| <b>Fully paid ordinary shares of the company</b> |                      |            |
| Balance at beginning of financial year           | 3,324,503,874        | 18,890,475 |
| Balance at end of financial year                 | <b>3,324,503,874</b> | 18,890,475 |

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

### (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, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 9 and 10 respectively.

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.

**9. Reserves**

|                        | <b>Consolidated</b> |                     |
|------------------------|---------------------|---------------------|
|                        | <b>30 June 2013</b> | <b>30 June 2012</b> |
|                        | <b>\$'s</b>         | <b>\$'s</b>         |
| Common control reserve | 910,782             | 910,782             |
|                        | <b>910,782</b>      | <b>910,782</b>      |

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.

**10. Accumulated losses**

|   | <b>Consolidated</b> |                     |
|---|---------------------|---------------------|
|   | <b>30 June 2013</b> | <b>30 June 2012</b> |
|   | <b>\$'s</b>         | <b>\$'s</b>         |
| Balance at beginning of financial year                  | (31,437,555)        | (35,915,153)        |
| Net profit attributable to members of the parent entity | 1,401               | 4,477,598           |
| Balance at end of financial year                        | <b>(31,436,154)</b> | <b>(31,437,555)</b> |

**11. 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.

**12. Earnings per share**

|                            | <b>Consolidated</b>    |                        |
|----------------------------|------------------------|------------------------|
|                            | <b>2013</b>            | <b>2012</b>            |
|                            | <b>Cents per share</b> | <b>Cents per share</b> |
| Basic earnings per share   | 0.0000                 | 0.0014                 |
| Diluted earnings per share | 0.0000                 | 0.0014                 |

## 12. Earnings per share (cont'd)

### 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:

|  | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|
|  | <b>\$'s</b> | <b>\$'s</b> |
| Total Comprehensive income for the year  | 1,401       | 4,477,598   |
| Earnings (loss) used in the calculation of basic earnings/share from continuing operations | 1,401       | 4,477,598   |

|   | <b>2013</b>   | <b>2012</b>   |
|---|---------------|---------------|
|   | <b>Number</b> | <b>Number</b> |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 3,306,372,367 | 3,306,372,367 |

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:

|  | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|
|  | <b>\$'s</b> | <b>\$'s</b> |
| Total Comprehensive income for the year  | 1,401       | 4,477,598   |
| Earnings (loss) used in the calculation of diluted earnings/share from continuing operations | 1,401       | 4,477,598   |

## 12. Earnings per share (cont'd)

|   | <b>2013</b>   | <b>2012</b>   |
|---|---------------|---------------|
|   | <b>Number</b> | <b>Number</b> |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 3,306,372,367 | 3,306,372,367 |

- (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.

There were no potential ordinary shares that are considered dilutive as at the reporting date. There were no unlisted options over ordinary shares in 2013 and 2014.

## 13. Contingent liabilities

Bank guarantees

**Total**

| <b>Consolidated</b> |                     |
|---------------------|---------------------|
| <b>30 June 2013</b> | <b>30 June 2012</b> |
| <b>\$'s</b>         | <b>\$'s</b>         |
| -                   | -                   |
| -                   | -                   |

### **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.

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.

All bank guarantees have expired during year ended 30 June 2012.

## 14. 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.

|   | <b>Consolidated</b> |                |
|---|---------------------|----------------|
|   | <b>30 June</b>      | <b>30 June</b> |
|   | <b>2013</b>         | <b>2012</b>    |
|   | <b>\$'s</b>         | <b>\$'s</b>    |
| <b>Non-cancellable operating lease payments</b> |                     |                |
| Not longer than 1 year                          | -                   | 1,105,104      |
| Longer than 1 year and not longer than 5 years  | -                   | -              |
| Longer than 5 years                             | -                   | -              |
|   | -                   | 1,105,104      |

## 15. 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).

| <b>Name of entity</b>  | <b>Country of<br/>incorporation</b> | <b>Ownership Interest</b> |             | <b>Deregistered</b> |
|--|-------------------------------------|---------------------------|-------------|---------------------|
|  |                                     | <b>2013</b>               | <b>2012</b> |                     |
|  |                                     | <b>%</b>                  | <b>%</b>    |                     |
| <b>Legal parent entity</b>   |                                     |                           |             |                     |
| Strathfield Group Limited  | Australia                           |                           |             |                     |
| <b>Accounting parent entity</b>  |                                     |                           |             |                     |
| Strathfield Equipment Group Pty Limited                                  | Australia                           | 100                       | 100         |                     |
| <b>Subsidiaries</b>  |                                     |                           |             |                     |
| Strathfield Car Audio Pty Ltd  | Australia                           | 100                       | 100         | 13/02/2012          |
| Strathfield Group Wholesale Pty Ltd                                      | Australia                           | 100                       | 100         | 13/02/2012          |
| Strathfield Security Pty Ltd   | Australia                           | 100                       | 100         | 13/02/2012          |
| Strathfield Mobile Pty Ltd   | Australia                           | 100                       | 100         | 13/02/2012          |
| Strathfield Ventures Pty Ltd   | Australia                           | 100                       | 100         | 13/02/2012          |
| Strathfield Rentals Pty Ltd  | Australia                           | 100                       | 100         | 13/02/2012          |
| Strathfield Finance Solutions Pty Ltd                                    | Australia                           | 100                       | 100         | 13/02/2012          |
| Strathfield Installations Pty Ltd  | Australia                           | 100                       | 100         | 13/02/2012          |
| Strathfield Office Pty Ltd   | Australia                           | 100                       | 100         | 13/02/2012          |
| Strathfield Voice Pty Ltd  | Australia                           | 100                       | 100         | 13/02/2012          |
| Strathfield Home Centre Pty Ltd (formerly Zoom Sound and Vision Pty Ltd) | Australia                           | 100                       | 100         | 13/02/2012          |

## **16. Segment Information**

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.

### **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***

Comparative information has been restated to conform to the requirements of this standard.

***(g) Major customers***

The Consolidated Entity no longer has customers to whom it provides products and services. The Consolidated Entity had a single external customer in the retail segment that accounted for 23% of external revenue in the 2012 year. The next most significant client accounted for less than 1% of external revenue in 2012.

The segment information provided to the Executive Chairman for the reportable segments for the year ended 30 June 2013 is provided overleaf.

**16. Segment Information (cont'd)**

|  | Retail    |             | Business  |              | Eliminations |              | Consolidated |             |
|--|-----------|-------------|-----------|--------------|--------------|--------------|--------------|-------------|
|  | 30-Jun-13 | 30-Jun-12   | 30-Jun-13 | 30-Jun-12    | 30-Jun-13    | 30-Jun-12    | 30-Jun-13    | 30-Jun-12   |
|  | \$'s      | \$'s        | \$'s      | \$'s         | \$'s         | \$'s         | \$'s         | \$'s        |
| Segment revenue  | -         | 5,736,396   | -         | -            | -            | -            | -            | 5,736,396   |
| Total consolidated revenue                                   | -         | 5,736,396   | -         | -            | -            | -            | -            | 5,736,396   |
| Gross margin   | -         | 1,135,908   | -         | -            | -            | -            | -            | 1,135,908   |
| Other income   | 18,463    | 20,527,321  | -         | -            | -            | (11,017,524) | 18,463       | 9,509,797   |
| Operating expenses   | (17,062)  | (6,130,815) | -         | (11,017,524) | -            | 11,017,524   | (17,062)     | (6,130,815) |
| EBITDA   | 1,401     | 15,532,414  | -         | (11,017,524) | -            | -            | 1,401        | 4,514,890   |
| Depreciation and amortisation                                | -         | -           | -         | -            | -            | -            | -            | -           |
| Finance costs  | -         | (37,292)    | -         | -            | -            | -            | -            | (37,292)    |
| Segment result   | 1,401     | 15,495,122  | -         | (11,017,524) | -            | -            | 1,401        | 4,477,598   |
| Profit (Loss) from continuing operations before income taxes | 1,401     | 15,495,122  | -         | -            | -            | -            | 1,401        | -           |
| Income tax benefit (expense)                                 | -         | -           | -         | -            | -            | -            | -            | -           |
| Profit (Loss) from continuing operations after income taxes  | -         | -           | -         | -            | -            | -            | -            | -           |

## 16. Segment Information (cont'd)

|   | Retail     |            | Business  |           | Eliminations |           | Consolidated |            |
|---|------------|------------|-----------|-----------|--------------|-----------|--------------|------------|
|   | 30-Jun-13  | 30-Jun-12  | 30-Jun-13 | 30-Jun-12 | 30-Jun-13    | 30-Jun-12 | 30-Jun-13    | 30-Jun-12  |
|   | \$'s       | \$'s       | \$'s      | \$'s      | \$'s         | \$'s      | \$'s         | \$'s       |
| Assets                                    |            |            |           |           |              |           |              |            |
| Carrying amount of segment assets         | 308,402    | 539,453    | -         | -         | -            | -         | 308,402      | 539,453    |
| Consolidated total assets                 | 308,402    | 539,453    | -         | -         | -            | -         | 308,402      | 539,453    |
| Liabilities                               |            |            |           |           |              |           |              |            |
| Carrying amount of segment liabilities    | 11,943,299 | 12,174,750 | -         | -         | -            | -         | 11,943,299   | 12,174,750 |
| Unallocated corporate liabilities         | -          | -          | -         | -         | -            | -         | -            | -          |
| Consolidated total liabilities            | 11,943,299 | 12,174,750 | -         | -         | -            | -         | 11,943,299   | 12,174,750 |
| Carrying value of airtime agreement       | -          | -          | -         | -         | -            | -         | -            | -          |
| Carrying value of goodwill                | -          | -          | -         | -         | -            | -         | -            | -          |
| Carrying value of other intangible assets | -          | -          | -         | -         | -            | -         | -            | -          |
| Consolidated total intangible assets      | -          | -          | -         | -         | -            | -         | -            | -          |

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

## **17. Related party disclosures**

### **(a) Parent entity**

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

### **(b) Equity interests in subsidiaries**

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 24 to the financial statements.

### **(c) Key management personnel remuneration**

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

### **(d) Transactions between the Group and its related parties**

#### **Tony Hakim**

At balance date the Consolidated Entity has total outstanding loans from Mr Hakim to the value of \$11.289 million.

## **18. Subsequent events**

Since the end of the Full Year the following significant events has occurred that will effect Strathfield Group going forward.

### **(i) Removal from Official Quotation**

On 30 August 2013 the Australian Stock Exchange advised, pursuant to listing rule 17.5, the removal from the official list of the securities of the Company for failure to pay annual listing fees.

### **(ii) Progress of Deeds of Company Arrangement**

Following from SEG entering into Voluntary Administration on 31 October 2012 a DOCA was executed on 4 April 2013 to allow for the orderly reorganisation of the company. The DOCA was completed on 4 September 2014 when the Deed Administrator satisfied the terms of the deed and presented final accounts and statements.

The SGL deed was concluded on 9 March 2015 when the deed administrator lodged the necessary documentation with the Australian Securities and Investments Commission advising the arrangement had served its purpose.

**19. 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:

Cash and cash equivalents

| <b>Consolidated</b> |                     |
|---------------------|---------------------|
| <b>30 June 2013</b> | <b>30 June 2012</b> |
| <b>\$'s</b>         | <b>\$'s</b>         |
| -                   | 273                 |
| -                   | 273                 |

**(b) Reconciliation of profit for the period to net cash flows from operating activities**

Profit for the year

Write back of payables

(Increase)/decrease in assets:

Other assets

Increase/(decrease) in liabilities:

Payables

Net cash (used in) provided from operating activities

| <b>Consolidated</b> |                     |
|---------------------|---------------------|
| <b>30 June 2013</b> | <b>30 June 2012</b> |
| <b>\$'s</b>         | <b>\$'s</b>         |
| 1,401               | 4,477,598           |
| -                   | (8,002,894)         |
| 259,649             | 748,586             |
| -                   | 2,604,474           |
| 261,050             | (172,236)           |

## 20. Parent entity information

### (a) Financial information

|                                   | <b>30 June 2013</b> | <b>30 June 2012</b> |
|-----------------------------------|---------------------|---------------------|
|                                   | <b>\$'s</b>         | <b>\$'s</b>         |
| <b>Assets</b>                     |                     |                     |
| Current assets                    | 308,402             | 539,452             |
| Non-current assets                | -                   | -                   |
| <b>Total assets</b>               | <b>308,402</b>      | <b>539,452</b>      |
| <b>Liabilities</b>                |                     |                     |
| Current Liabilities               | 11,943,299          | 12,175,750          |
| Non-current Liabilities           | -                   | -                   |
| <b>Total liabilities</b>          | <b>11,943,299</b>   | <b>12,174,750</b>   |
| <b>Net assets (liabilities)</b>   | <b>(11,634,897)</b> | <b>(11,635,298)</b> |
| <b>Equity</b>                     |                     |                     |
| Issued capital                    | 115,912,800         | 115,912,800         |
| Retained earnings                 | (127,547,697)       | (127,548,098)       |
| <b>Reserves</b>                   |                     |                     |
| Total reserves                    | -                   | -                   |
| <b>Total equity</b>               | <b>(11,634,897)</b> | <b>(11,635,298)</b> |
| <b>Financial Performance</b>      |                     |                     |
| Profit (loss) for the year        | 1,401               | 4,477,598           |
| Other comprehensive income        | -                   | -                   |
| <b>Total comprehensive income</b> | <b>1,401</b>        | <b>4,477,598</b>    |

## 21. 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, and 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:

|                          | <b>Consolidated</b> |                     |
|--------------------------|---------------------|---------------------|
|                          | <b>30 June 2013</b> | <b>30 June 2012</b> |
|                          | <b>\$'s</b>         | <b>\$'s</b>         |
| <b>Financial assets</b>  |                     |                     |
| Debt (i)                 | 11,289,967          | 11,024,055          |
| Cash assets              | -                   | (273)               |
| Net debt                 | 11,288,967          | 11,023,781          |
| Equity (ii)              | 18,890,475          | 18,890,475          |
| Net debt to equity ratio | 0.60                | 0.58                |

- (i) Debt is defined as long and short-term borrowings.
- (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:

|                              | <b>Consolidated</b> |                  |
|------------------------------|---------------------|------------------|
|                              | <b>30-Jun-13</b>    | <b>30-Jun-12</b> |
|                              | <b>\$'s</b>         | <b>\$'s</b>      |
| <b>Financial Assets</b>      |                     |                  |
| Cash                         | -                   | 273              |
| Trade and other receivables  | -                   | -                |
| Lease receivables            | -                   | -                |
| <b>Financial Liabilities</b> |                     |                  |
| Trade and Other Payables     | 653,262             | 804,169          |
| Bank Loan                    | -                   | -                |
| Related party loan           | 11,289,967          | 11,024,055       |

**(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) 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 is 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 30 June 2013 was \$nil (2012: \$nil).

As a result of the termination of the MDA by Optus this amount was reduced to nil.

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.

**(e) 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.

**(g) Fair value of financial instruments**

|  | 2013           |                | 2012           |                |
|--|----------------|----------------|----------------|----------------|
|  | Net carrying   | Net fair value | Net carrying   | Net fair value |
|  | value          |                | value          |                |
|  | \$'s           | \$'s           | \$'s           | \$'s           |
| <b>Financial assets</b>                  |                |                |                |                |
| Cash and cash equivalents                | -              | -              | 273            | 273            |
| Trade and other receivables              | -              | -              | -              | -              |
| Trade and other receivables, non-current | -              | -              | -              | -              |
| Lease receivables                        | -              | -              | -              | -              |
| Lease receivables, non-current           | -              | -              | -              | -              |
| Other financial assets                   | 308,402        | 308,402        | 539,179        | 539,179        |
| <b>Total financial assets</b>            | <b>308,402</b> | <b>308,402</b> | <b>539,452</b> | <b>539,452</b> |
| <b>Financial liabilities</b>             |                |                |                |                |
| Trade and other payables                 | 653,322        | 653,322        | 804,169        | 804,169        |
| Trade and other payables, non-current    | -              | -              | -              | -              |
| <b>Total financial liabilities</b>       | <b>653,322</b> | <b>653,322</b> | <b>804,169</b> | <b>804,169</b> |

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 flows 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.

## **22. 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