STRATHFIELD GROUP LIMITED

ACN 053 687 728

NOTICE OF GENERAL MEETING

TIME: 10.00 am (EDST)

DATE: 8 December 2008

PLACE: Deloitte Touché Tohmatsu
Level 9, Grosvenor Place
225 George Street
Sydney NSW 2000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 2) 8917 7777.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00 am (EDST) on 8 December 2008 at Deloitte Touché Tohmatsu, Level 9, Grosvenor Place, 225 George Street, Sydney NSW 2000.

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the Proxy Form and return by:

(a) post to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, 3001; or

(b) facsimile to Computershare Investor Services Pty Limited on facsimile number (+61 3) 9473 2555,

so that it is received not later than 10.00 am (EDST) on 6 December 2008.

Proxy Forms received later than this time will be invalid.

LETTER FROM THE CHAIRMAN

Dear Shareholder

I am pleased to write to you as the acting Chairman of Strathfield Group Limited (**Company**) to outline an important acquisition which the Directors believe will provide a solid foundation for the future success of the Company.

On 7 August 2008, Strathfield announced that it had entered into two conditional share sale agreements to acquire all of the issued share capital of Clear Equipment Group Pty Ltd (**CEG**) and m8 Telecom Pty Ltd (**m8**). However, as recently announced to the market, the Company has decided not to go ahead with the acquisition of m8 at this time due to various commercial considerations. The Directors will reconsider the m8 transaction at a later date.

Nevertheless, the acquisition of CEG is expected to result in a stronger, larger and more profitable group with a strong cashflow profile.

The group will benefit from increased size and scale, particularly in terms of purchasing power.

The CEG business complements our existing operations in the supply and installation of telecommunications, information technology, office and audio visual equipment.

The purpose of the enclosed Notice of Meeting is to provide Shareholders with all relevant information in relation to the proposed acquisition and seek Shareholder approval for the transaction pursuant to the ASX Listing Rules and the Corporations Act.

Enclosed you will find a Notice of Meeting, Explanatory Statement and Independent Expert's Report, dealing with all the resolutions that the Directors are asking you to consider ahead of the General Meeting of Shareholders at which those resolutions will be put to you.

The Independent Expert, Grant Thornton, has concluded that the transaction is fair and reasonable.

I strongly urge you to vote in favour of the resolutions.

I recommend that you carefully read the enclosed documents in relation to the proposed acquisition and exercise your vote at the General Meeting.

Yours sincerely

Mr John Fries
Acting Chairman
Strathfield Group Limited

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders will be held at 10.00 am (EDST) on 8 December 2008 at Deloitte Touché Tohmatsu, Level 9, Grosvenor Place, 225 George Street, Sydney NSW 2000.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form form part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 5.00 pm (EDST) on 5 December 2008.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

1. RESOLUTION 1 – ACQUISITION OF CLEAR EQUIPMENT GROUP PTY LTD

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolution 2, for the purposes of ASX Listing Rule 7.1 and Section 611 (Item 7) of the Corporations Act and for all other purposes, Shareholder approval is given for:

*(a) the Company to allot and issue up to 2,300,000,000 fully paid ordinary shares in the Company and 300,000,000 options to subscribe for fully paid ordinary shares in the Company to Clear Communications (EurAust) AB (**ClearComm**) in consideration for the acquisition by Strathfield Ventures Pty Ltd and/or its nominee of all of the fully paid ordinary shares in Clear Equipment Group Pty Ltd;*

(b) the Company to allot and issue 300,000,000 fully paid ordinary shares in the Company on conversion of the options referred to in paragraph (a) of this Resolution; and

(c) the increase in the voting power of ClearComm as a result of the issue of securities in the Company under paragraph (a) and (b) of this Resolution,

on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by Grant Thornton for the purposes of Shareholder approval for Resolution 1 required under Section 611 (Item 7) of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any party to the transaction, any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – CHANGE IN SCALE OF ACTIVITIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the scale of its activities as described in the Explanatory Statement accompanying this Notice."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DATED: 31 OCTOBER 2008

BY ORDER OF THE BOARD

JOHN FRIES
ACTING CHAIRMAN
STRATHFIELD GROUP LIMITED

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10.00 am (EDST) on 8 December 2008 at Deloitte Touché Tohmatsu, Level 9, Grosvenor Place, 225 George Street, Sydney NSW 2000.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. BACKGROUND TO RESOLUTIONS

1.1 Acquisition of Clear Equipment Group Pty Ltd

On 5 August 2008, the Company entered into a conditional share sale agreement with Clear Communications (EurAust) AB (**ClearComm**) pursuant to which Strathfield Ventures and/or its nominee agreed to purchase all of the shares in the capital of Clear Equipment Group Pty Ltd (**CEG**) from ClearComm (**CEG Agreement**) in consideration for the issue of Securities in the Company to ClearComm.

The CEG Agreement is conditional on (amongst other things) CEG completing the purchase of the assets of the hardware sales businesses (**Hardware Sales Businesses**) owned by seven wholly owned subsidiaries of ClearComm (**Asset Sale Agreements**). The Hardware Sales Businesses supply, rent, sell and install telecommunications, office equipment, plasma televisions, computers, photocopiers, fax machines, printers and peripherals.

The equipment supplied by the Hardware Sales Businesses is often provided as part of a 'bundled solution' which includes finance and airtime contracts supplied by third parties related to ClearComm. A further condition precedent to the CEG Agreement is that CEG must enter into agreements with ClearComm's finance and airtime businesses to preserve the existing agreements between the Hardware Sales Businesses and the entities involved with the finance and airtime businesses.

The material terms of the CEG Agreement are as follows:

(a) (**Conditions precedent**): The CEG Agreement is subject to various conditions precedent, including:

(i) the Company completing due diligence on CEG and the Hardware Sales Businesses to its satisfaction;

(ii) the Company obtaining the approval of Shareholders for the transaction;

(iii) the parties obtaining the necessary regulatory approvals for the transaction, including the approval of the Foreign Investment Review Board;

(iv) the key employees of the Hardware Sales Businesses agreeing to be employed by CEG or Strathfield Ventures and/or its nominee;

(v) CEG and the Hardware Sales Business completing the transfer of assets pursuant to the Asset Sale Agreements;

(vi) CEG entering into agreements with the airtime and finance clearing house businesses owned by ClearComm to preserve the existing agreements, understandings and arrangements between the Hardware Sales Businesses and the entities involved with the airtime and finance clearing house businesses; and

(vii) no changes or events occurring prior to settlement which have a material adverse effect on the business, assets, liabilities, financial position, performance or prospects of the Hardware Sales Businesses or CEG.

Completion of the CEG Agreement was conditional on completion of the m8 Agreement; however, this condition was waived by the parties on 26 September 2008 and the m8 Agreement has now been deferred.

(b) (**Consideration**): The Company will issue to ClearComm up to 2,300,000,000 Shares and 300,000,000 Options in consideration for the acquisition of CEG. The Share consideration will be issued in two instalments; the first instalment is 1,840,000,000 Shares; the second instalment is a maximum of 460,000,000 Shares. The number of second instalment Shares may be adjusted downward if:

(i) the aggregated earnings of the Hardware Sales Businesses as disclosed in the audited accounts for the period ending 30 June 2008 is less than $21,700,000; and/or

(ii) the agreed net asset position of CEG as at the settlement date of the CEG Agreement is less than $4,062,400.

(c) (**Settlement**): Unless agreed otherwise, settlement will occur on the later of 14 days after:

(i) satisfaction or waiver of the conditions precedent; and

(ii) publication of the audited accounts of the Hardware Sales Businesses.

(d) (**Board representation**): ClearComm is entitled to nominate up to four persons to be elected to the board of directors of the Company, such that following completion of the CEG Agreement, the Board shall comprise a maximum of four nominees of ClearComm and a minimum of two existing Directors.

(e) (**Loan facility**): ClearComm will make available to the Company an interest free, working capital facility (to be utilised for CEG's working capital requirements) in the amount of $5 million for a period of two years from the date of settlement.

(f) (**Warranties**): The CEG Agreement contains standard representations and warranties customary for an agreement of this nature.

1.2 General overview of CEG

CEG was incorporated on 4 August 2008 as the holding company to acquire the assets of the Hardware Sales Businesses.

The Hardware Sales Businesses offer a variety of equipment for rent and sale to customers, including:

(a) office communication systems and devices, such as telephone systems, photocopiers and printers;

(b) business support systems and devices, such as mobile phones and security systems; and

(c) audio visual systems and devices, such as LCD and plasma screens.

The Hardware Sales Businesses often operate in conjunction with other businesses owned by ClearComm, the airtime and finance businesses.

Additional information on CEG and the Hardware Sales Businesses is set out in detail in section 5 of the Independent Expert's Report.

1.3 Impact of the acquisition on the Company

Settlement of the acquisition of CEG will result in Strathfield Ventures, a wholly owned subsidiary of the Company, and/or its nominee (which nominee will not be outside the Strathfield group of companies) acquiring and taking control of the Hardware Sales Businesses.

The proposed acquisition will result in various advantages and disadvantages to the Company which Shareholders should consider prior to exercising their vote.

1.4 Impact of acquisition of CEG

The Independent Expert notes that the key advantages to the Company and non-associated Shareholders of completing the CEG Agreement are as follows:

(a) the Company's financial performance will be relatively less volatile compared with the financial performance of the Company on a stand alone basis due to the exposure to the office equipment retailing industry and the size of the enlarged group;

(b) the management team of the Company will be strengthened which may facilitate the achievement of certain cost savings in corporate overhead costs and provide the Company with greater depth of management experience;

(c) the Company is expected to become a more diversified listed entity and Shareholders will be able to participate in the growth of equipment sales in the SME sector, which is currently undertaken by the Hardware Sales Businesses;

(d) the Company will be relatively less exposed to the retail consumer market, which is more volatile than the business consumer market due to the discretionary nature of retail consumer spending;

(e) the Company will become a much larger company, which may attract new investors and be able to provide Shareholders with a more liquid and deeply traded investment than currently experienced by Shareholders; and

(f) the acquisition of CEG may generate certain operational synergies which may benefit Shareholders.

The Independent Expert notes that the key disadvantages to the Company and non-associated Shareholders of completing the CEG Agreement are as follows:

(a) existing Shareholders will give up control of the Company. Specifically, the shareholding of the existing Shareholders will be diluted from 100% to 23.5% on an undiluted basis and 23% on a fully diluted basis;

(b) for financial reporting purposes, the Company will recognise a significant goodwill balance arising from the acquisition of CEG. In accordance with Australian Accounting Standards, goodwill is subject to an annual impairment review. If the Directors of the Company determine that the goodwill balance associated with the acquisition of CEG is impaired, the impairment adjustment will have a negative impact on the Company's earnings; and

(c) Shareholders will be exposed to the risks associated with the SME market which is a different market compared to markets currently serviced by the Company. Whilst the SME market is less volatile in comparison to the retail market, a more focused target marketing program is required to generate sales due to the absence of a retail store presence.

1.5 General Information in respect of ClearComm

ClearComm is a company incorporated in Sweden with subsidiaries and operations located in Australia, the UK and continental Europe. The group's operations comprise telephony and other equipment sales, provision of airtime and other telephony services and the arrangement and administration of equipment lease finance.

1.6 Impact on capital structure

The effect that the Resolutions contained within this Notice of Meeting will have on the capital structure of the Company is as follows:

Shares	
Shares currently on issue	708,303,874
Shares issued pursuant to Resolution 1	2,300,000,000
Total Shares	**3,008,303,874**

Options	
Options currently on issue	67,000,000
Options issued pursuant to Resolution 1	300,000,000
Total Options	**367,000,000**

Note:

1. The above table assumes:

- the CEG Agreement is completed in accordance with its terms; and
- the Company issues the maximum number of Shares under Resolution 1.

1.7 Impact on level of control by ClearComm

The effect on voting power in the Company if Resolution 1 contained in this Notice of Meeting is passed is set out in the following table.

Table 1: Settlement of CEG Agreement

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
Security Holder	**No. of Shares Currently Held**	**Current % of issued capital**	**No. of Shares Issued under Res. 1**	**No. of Options issued under Res. 1**	**No of Shares Held if Res. 1 Shares issued and no Options exercised**	**% of Co's issued capital if Res. 1 Shares issued and no Options exercised**	**No of Shares Held if Res. 1 Shares issued and all Options issued under Res. 1 are exercised**	**% of Co's issued capital if Res. 1 Shares issued and all Options issued under Res. 1 are exercised**
ClearComm	-	-	2,300,000,000	300,000,000	2,300,000,000	76.5%	2,600,000,000	78.6%
Non associated	**708,303,874**	**100%**	-	-	708,303,874	23.5%	708,303,874	21.4%
Total[1]	**708,303,874**	**100%**	**2,300,000,000**	**300,000,000**	**3,008,303,874**	**100%**	**3,308,303,874**	**100%**

Note 1: Table 2 assumes:

- no Options (other than those issued under Resolution 1) are exercised;
- the CEG Agreement is completed in accordance with its terms; and
- the Company issues the maximum number of Shares under Resolution 1.

1.8 Pro-forma Balance Sheet

This section contains a summary of pro-forma historical financial information (the **Pro-forma Financial Information**) in respect of the Company and CEG.

Basis of preparation

The Pro-forma Historical Financial Information included in this section has been prepared in accordance with the recognition and measurement principles of AIFRS. The Pro-forma Historical Financial Information is presented in an abbreviated form and consequently does not comply with all the presentation and disclosure requirements of AIFRS and the Corporations Act.

Acquisition accounting

AASB 3 'Business Combinations' (**AASB 3**) requires that all business combinations are accounted for using the purchase method. This involves assigning fair values at the Settlement date to the identifiable assets, liabilities and contingent liabilities, including intangible assets assumed.

This financial information has been compiled by the Company management based on limited financial information available to the Company as at the date of this Notice of Meeting. A formal analysis of the fair value of the net assets acquired will be performed post completion of the transaction/s. The Company is permitted to adjust the assessment of fair values up to twelve months following the settlement date of the respective acquisition agreements with the amounts being classified as provisional during any interim reporting period. Any adjustments to these fair values will likely have an equal and opposite impact on goodwill recorded. Accordingly, any such adjustments will likely have no impact on the aggregate net assets of the Company but could have an impact on any potential depreciation and amortisation charges in future financial periods.

The provisional fair value of the combining entities' net assets at 30 June 2008 has been used for the purpose of preparing the Pro-forma Consolidated Historical Balance Sheet.

Reverse Acquisition accounting

Application of AASB 3 may lead to the conclusion that an entity whose shares have been acquired (legally, the subsidiary) is the acquirer, and the entity issuing shares (legally, the parent) is the acquiree. This is commonly referred to as 'reverse acquisition accounting'.

At settlement of the CEG Agreement, the Company will effect a business combination by acquiring 100% of the issued share capital of CEG. The business combination will be undertaken by the Company issuing up to 2,300,000,000 Shares to ClearComm and its nominees, such that post settlement ClearComm and its nominees will own up to 76.5% of the issued share capital of the Company.

In the opinion of the Directors, the acquirer for accounting purposes for the business combination under the principles of AASB 3 is CEG, rather than the Company.

Accordingly, in its financial statements for the year ended 30 June 2009 and future periods, the Company will present both CEG (accounting acquirer) consolidated financial information and the Company's (legal parent) financial information.

Pro-forma Balance Sheet

The pro-forma balance sheet of the Company assuming settlement of the CEG Agreement is set out below:

$000's	Consolidated Strathfield Group Limited 29 June 2008	Pro-forma Consolidated Balance Sheet 30 June 2008
Current Assets		
Cash Assets	1,917	3,917
Receivables	10,973	16,866
Inventories	24,467	27,467
Other	6,407	6,469
Total Current Assets	43,764	54,719
Non Current Assets		
Receivables	2,975	2,975
Property, Plant and Equipment	4,980	6,157
Investment in Subsidiaries	-	-
Intangible Assets	3,282	15,334
	3,282	15,334
Other	290	290
Total Non Current Assets	11,527	24,756
Total Assets	55,291	79,475
Current Liabilities		
Payables	19,968	31,113
Provisions	2,163	2,163
Borrowings	-	-
Other Liabilities	548	548
Total Current Liabilities	22,679	33,824
Non Current Liabilities		
Borrowings	22,371	22,549
Provisions	55	55
Other Liabilities	1,455	1,455
Total Non Current Liabilities	23,881	24,059
Total Liabilities	46,560	57,883
Net Assets	8,731	21,592
Equity		
Issued Capital	74,727	21,592
Reserves	753	-
Retained Earnings/(Accumulated Losses)	(66,749)	-
Total Equity	8,731	21,592
Transaction Costs included in Payables		3,061
Source	a	a and b

a. Audited Strathfield Group Limited Financial Statements

b. Unaudited CEG agreed acquisition balance sheet.

The pro-forma balance sheet reflects the following principal adjustments (as applicable in each instance):

(a) The issue of 2,300,000,000 Shares to ClearComm and its nominees in respect of the CEG Agreement.

(b) “Intangible Assets” includes the residual difference between the fair values of the identified assets and liabilities of CEG and the purchase consideration paid by the Company in respect of CEG.

(c) Consolidation eliminations required to properly reflect the consolidated balance sheets in accordance with AIFRS.

2. RESOLUTION 1 – ACQUISITION OF CLEAR EQUIPMENT GROUP PTY LTD

2.1 General

Resolution 1 seeks Shareholder approval for the issue of Securities to acquire CEG in accordance with:

(a) ASX Listing Rule 7.1 for the issue of Securities in consideration for the acquisition of CEG; and

(b) Item 7 of Section 611 of the Corporations Act for the acquisition of a relevant interest in voting shares of the Company by ClearComm and its associates in circumstances which would otherwise contravene Chapter 6 of the Corporations Act.

2.2 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that the prior approval of the shareholders of a company is required for an issue of equity securities if the securities will, when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of the 15% threshold is where the issue has the prior approval of shareholders in general meeting.

The effect of Resolution 1 will be to allow the Directors to issue up to 2,300,000,000 Shares and 300,000,000 Options during the period of 3 months after the General Meeting (or a longer period if allowed by ASX), without using the Company's 15% placement capacity.

The actual number of Shares issued under Resolution 1 may be reduced depending on the financial position and performance of CEG and the Hardware Sales Businesses as at the date of settlement of the CEG Agreement. Refer to section 1.1 of the Explanatory Statement for details. Commentary in this Explanatory Statement assumes the maximum number of Shares will be issued to acquire CEG.

In compliance with the information requirements of ASX Listing Rule 7.3, Shareholders are advised of the following particulars in relation to the proposed issue pursuant to Resolution 1:

(a) the maximum number of Securities to be issued pursuant to Resolution 1 is 2,300,000,000 Shares and 300,000,000 Options;

(b) the Securities will be issued as consideration for the acquisition of CEG as detailed in section 1.1 of this Explanatory Statement;

(c) the Securities will be allotted and issued to ClearComm;

(d) the Shares will be issued on the same terms as the existing fully paid ordinary shares in the Company;

(e) the Options will be issued on the terms set out in Schedule 1;

(f) the Shares will be issued at a deemed issue price of $0.05 each and the Options will be issued for nil consideration;

(g) the Securities will be issued on the settlement date of the CEG Agreement, and in any event not later than 3 months after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Securities will be allotted on one and the same date; and

(h) no funds will be raised from the issue of the Securities as they are being issued as consideration for the acquisition of CEG.

2.3 Item 7 of Section 611 of the Corporations Act

Section 606(1) of the Corporations Act provides that a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person (**second person**) will be an "associate" of the other person (**first person**) if:

(a) the first person is a body corporate and the second person is:

  (i) a body corporate the first person controls;

  (ii) a body corporate that controls the first person; or

  (iii) a body corporate that is controlled by an entity that controls the first person;

(b) the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and

(c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs.

A person has a relevant interest in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

The potential increase in the voting power of ClearComm is set out in Table 1 in section 1.7 of the Explanatory Statement.

Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Shareholder approval under Item 7 of Section 611 of the Corporations Act is required for Resolution 1.

The information set out below is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report annexed to this Explanatory Statement.

Prescribed Information

(i) *The identity of the person proposing to make the acquisition and their associates:*

The background information on ClearComm is set out in detail in section 1.5 of the Explanatory Statement.

(ii) *The maximum extent of the increase in the person's voting power in the Company that would result from the acquisition:*

As set out in Table 2 in section 1.7 of the Explanatory Statement, assuming the exercise of all Options issued pursuant to Resolution 1, the maximum extent of the increase in ClearComm's voting power that would result from the issue of Securities to acquire CEG is 78.6%.

(iii) *The voting power that person would have as a result of the acquisition:*

As set out in paragraph (ii) above.

(iv) *The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition:*

There will be no increase to the voting power of any associate of ClearComm as a result of the issue of Securities to acquire CEG.

(v) *The voting power that each of that person's associates would have as a result of the acquisition:*

Not applicable.

Note: The above paragraphs assume that:

- the Shares the subject of Resolution 1 are issued and no additional Shares are issued (whether by the issue of Shares under Resolution 1, the exercise of options in the Company or otherwise);
- there is no reduction in the number of Shares issued as consideration for the acquisition of CEG pursuant to the terms of the CEG Agreement; and
- no party other than ClearComm will increase its voting power as a result of the acquisition of CEG.

ClearComm has informed the Company that, as at the date of this Notice of Meeting and on the basis of the facts and information available to it, if Shareholders approve Resolution 1 that it:

(a) has no intention of making any significant changes to the business of the Company in a manner that may be detrimental to non-associated Shareholders;

(b) does not intend to redeploy any fixed assets of the Company;

(c) does not have any present intention to inject further capital into the Company, other than the loan facility that may be provided pursuant to the terms of the CEG Agreement;

(d) does not intend to transfer any property between the Company and ClearComm or any person associated with either of them other than as set out in this Notice;

(e) has no current intention to change the Company's existing policies in relation to financial matters or dividends in a manner that may be detrimental to non-associated Shareholders;

(f) has no current intentions regarding the future employment of the present employees of the Company; and

(g) has no current intention to change the Board, other than as set out in this Explanatory Statement.

2.4 Interests and Recommendations of Directors

Based on the information available, including that contained in this Explanatory Statement and the Independent Expert's Report, including the advantages and disadvantages outlined in detail in those two documents (refer to section 1.4 of this Explanatory Statement and the cover letter from the Independent Expert's Report), all of the Directors consider that the acquisition of CEG the subject of Resolution 1 is in the best interests of the Company.

Each of the Directors approved the proposal to put Resolution 1 to Shareholders and each of the Directors recommends that Shareholders vote in favour of Resolution 1.

2.5 Role of the Independent Expert

The Independent Expert's Report assesses whether the proposal outlined in Resolution 1 is fair and reasonable to the Shareholders who are not associated with ClearComm. The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the acquisition of CEG. This assessment is designed to assist all Shareholders in reaching their voting decision in relation to the Resolutions contained within this Notice of Meeting.

Grant Thornton has prepared the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in Resolution 1 is **fair and reasonable** to the Shareholders of the Company not associated with ClearComm.

The Directors recommend that all Shareholders read the Independent Expert's Report in full.

3. RESOLUTION 2 – APPROVAL FOR CHANGE IN SCALE OF ACTIVITIES

3.1 General

Resolution 2 seeks approval from Shareholders for a change in the scale of the activities of the Company. The proposed acquisition of CEG, as detailed in section 1 of this Explanatory Statement, constitutes a significant change in the scale of the Company's activities, and consequently requires Shareholder approval pursuant to ASX Listing Rule 11.1.

3.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the scale of its activities, it must provide full details to ASX as soon as practicable. ASX Listing Rule 11.1.2 provides that, if ASX requires, the entity must get the approval of shareholders and must comply with any requirements of ASX in relation to the notice of meeting.

ASX has advised the Company that given the significant change in the scale of activities of the Company upon completion of the acquisition of CEG, the Company is required to obtain the approval of Shareholders.

For this reason, the Company is seeking Shareholder approval for the Company to change the scale of its activities under ASX Listing Rule 11.1.

4. ENQUIRIES

Shareholders may contact the Company Secretary on (+ 61 2) 8917 7777 if they have any queries in respect of the matters set out in these documents.

RESPONSIBILITY FOR INFORMATION

The information concerning the Company contained in this Explanatory Statement, including information as to the views and recommendations of the Directors has been prepared by the Company and is the responsibility of the Company.

Grant Thornton has prepared the Independent Expert's Report in relation to Resolution 1 and takes responsibility for that report and has consented to the inclusion of that report in this Explanatory Statement. Grant Thornton is not responsible for any other information contained within the Explanatory Statement.

Shareholders are urged to read the Independent Expert's Report to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

Certain statements in the Explanatory Statement relate to the future. Those statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by those statements. These statements reflect views only as of the date of the Explanatory Statement. Neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in the Explanatory Statement will actually occur and you are cautioned not to place undue reliance on those forward looking statements.

The Explanatory Statement does not take into account the individual investment objectives, financial situation and particular needs of individual Shareholders. If you are in doubt as to what you should do you should consult your legal, financial or professional adviser prior to voting.

GLOSSARY

$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

ASX Listing Rules means the official Listing Rules of ASX.

ASX means ASX Limited.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

CEG means Clear Equipment Group Pty Ltd (ACN 132 561 525).

CEG Agreement means the share sale agreement between the Company and ClearComm dated 6 August 2008, as summarised in section 1.1 of the Explanatory Statement.

ClearComm means Clear Communications (EurAust) AB.

Company means Strathfield Group Limited (ACN 053 687 728).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

EST means Eastern Daylight Savings Time as observed in Sydney, New South Wales.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

General Meeting means the meeting convened by the Notice of Meeting.

Independent Expert means Grant Thornton.

Independent Expert's Report means the report prepared by the Independent Expert annexed as Annexure A.

m8 means m8 Telecom Pty Ltd (ACN 113 246 012).

m8 Agreement means the share sale agreement between the Company and the shareholders of m8 dated 6 August 2008.

Notice of Meeting means this notice of general meeting including the Explanatory Statement.

Option means an option to acquire a Share with the terms and conditions set out in Schedule 1.

Optionholder means a holder of an Option.

Proxy Form means the proxy form in respect of this Notice of Meeting.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Securities means Shares and Options.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Strathfield Ventures means Strathfield Ventures Pty Ltd (ACN 064 817 643).

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

(a) Each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with the terms and conditions of the Options.

(b) The Options will expire at 5:00 pm (Western Standard Time) on 31 August 2013 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) The amount payable upon exercise of each Option will be $0.10 (**Exercise Price**).

(d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.

(e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:

    (i) a written notice of exercise of Options specifying the number of Options being exercised; and

    (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

    (**Exercise Notice**).

(f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

(g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

(h) The Options are not transferable.

(i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.

(j) The Company will not apply for quotation of the Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.

(k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

Grant Thornton

Strathfield Group Limited

Independent Expert's Report and Financial Services Guide

24 October 2008

Grant Thornton

The Independent Directors
Strathfield Group Limited
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5 Elizabeth Street
SYDNEY NSW 2000

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24 October 2008

Dear Sirs

Independent Expert's Report and Financial Services Guide

Background

On 7 August 2008, Strathfield Group Limited ("Strathfield") announced that it had entered into a conditional agreement to acquire 100% of the share capital of Clear Equipment Group Pty Limited ("CEG") by issuing up to a maximum of 2,300 million ordinary shares in Strathfield ("Strathfield Shares") and 300 million options in Strathfield ("Consideration Options") to Clear Communications (Euraust) AB ("ClearComm") (the "CEG Transaction")[1].

The Consideration Options have an exercise price of $0.10 and will be exercisable at any time up to and including 31 August 2013.

Strathfield is an Australian public company listed on the Australian Securities Exchange ("ASX") and is engaged in the retail of mobile phone products, in car entertainment systems, home entertainment products and home office products. Strathfield also provides telephone connection services to mobile phone carriers and the installation of car audio products.

CEG, a wholly owned subsidiary of ClearComm has been established for the sole purpose of acquiring the hardware sales businesses ("Hardware Sales Businesses") of ClearComm. The Hardware Sales Businesses mainly supply telecommunications, office and consumer equipment products to small and medium enterprises ("SMEs") and high-end household consumers. The Hardware Sales Businesses are currently owned by seven wholly owned subsidiaries of ClearComm (the "Clear Communications Companies").

[1] The announcement on 7 August 2008 also disclosed the conditional agreement Strathfield had entered into with respect to the proposed acquisition of m8 Telecom Pty Ltd ("m8"). Subsequent to the announcement, Strathfield advised that the acquisition of m8 was being deferred. Accordingly the acquisition of CEG is no longer interdependent on the acquisition of the acquisition of m8.

Purpose of the report

If the CEG Transaction is implemented, ClearComm will own approximately 76.5% and 77.0% of the enlarged share capital of Strathfield on an undiluted basis and fully diluted basis respectively.

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Section 611(7) of the Corporations Act allows the non-associated shareholders to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") issued by ASIC sets out the view of ASIC on the operation of Section 611(7) of the Corporations Act.

RG 74 requires that shareholders approving a resolution pursuant to Section 623 of the Corporations Act (the predecessor to Section 611(7) of the Corporations Act) be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the non-associated shareholders. The Independent Directors (directors not associated with the proposal) may satisfy their obligations to provide such an analysis by either:

- commissioning an independent expert's report; or
- undertaking a detailed examination of the proposal themselves and preparing a report for the non-associated shareholders.

Scope of this report

Based on the above requirement, the Independent Directors of Strathfield have engaged Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") to prepare an independent expert's report for the purposes of Section 611(7) of the Corporations Act.

Specifically the Directors of Strathfield have requested Grant Thornton Corporate Finance to prepare an independent expert's report as to whether the CEG Transaction is fair and reasonable to the Strathfield Shareholders.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the CEG Transaction is fair and reasonable to the Strathfield Shareholders.

For the purpose of assessing whether the CEG Transaction is fair to the Strathfield Shareholders, we have compared the control value of Strathfield Shares on a standalone basis prior to the CEG Transaction, with the value of Strathfield Shares as if the CEG Transaction is implemented and on a minority basis in accordance with RG 74.

The following table summaries our assessment:

The CEG Transaction Assessment of fairness	Low $	High $
Value of Strathfield Shares if the CEG Transaction is implemented - minority	0.036	0.040
Value of Strathfield Shares - standalone and inclusive of control premium	0.018	0.026
Difference	0.018	0.014
Premium %	97%	52%

Source: Calculations

As the CEG Transaction is fair to the Strathfield Shareholders, the CEG Transaction is also reasonable. However, we have summarised some of the relevant likely advantages and disadvantages associated with the CEG Transaction.

The likely advantages associated with the CEG Transaction include:

- if the CEG Transaction is implemented, Strathfield's financial performance will be relatively less volatile compared with the financial performance of Strathfield on a stand alone basis due to the exposure to the office equipment retailing industry and the size of the enlarged group;

- if the CEG Transaction is implemented, the management team of Strathfield will be strengthened, which may facilitate the achievement of certain cost savings in corporate overhead costs and provide Strathfield with greater depth of management experience;

- if the CEG Transaction is implemented, Strathfield is expected to become a more diversified listed entity and Strathfield Shareholders will be able to participate in the growth of equipment sales in the SME sector, which is currently undertaken by the Hardware Sales Businesses;

- if the CEG Transaction is implemented, Strathfield will be relatively less exposed to the retail consumer market, which is more volatile than the business consumer market due to the discretionary nature of retail consumer spending;

- if the CEG Transaction is implemented, Strathfield will become a much larger company, which may attract new investors and be able to provide Strathfield Shareholders with a more liquid and deeply traded investment than currently experienced by Strathfield Shareholders; and

- the CEG Transaction may generate certain operational synergies which may benefit Strathfield Shareholders. Our valuation of Strathfield following the CEG Transaction has not incorporated the potential value of synergies as detailed studies on the potential synergies are still being completed by the management of Strathfield as at the date of this report. Accordingly, it is possible that the value of Strathfield Shares following the implementation of the CEG Transaction will be higher than our current assessment.

The likely disadvantages associated with the CEG Transaction include:

- the existing Strathfield Shareholders will give up control of Strathfield. Specifically, the shareholding of the existing Strathfield Shareholders will be diluted to 23.5% on an undiluted basis and 23.0% on a fully diluted basis;

- for financial reporting purposes, Strathfield will recognise a significant goodwill balance arising from the acquisition of CEG. In accordance with Australian Accounting Standards, goodwill is subject to an annual impairment review. If the Directors of Strathfield determine that the goodwill balance associated with the acquisition of CEG is impaired, the impairment adjustment will have a negative impact on Strathfield's earnings; and

- Strathfield Shareholders will be exposed to the risks associated with the SME market which is a different market compared to markets currently serviced by Strathfield. Whilst the SME market is generally less volatile in comparison to the retail market, a more focused target marketing program is required to generate sales due to the absence of a retail store presence.

After considering the above likely advantages and disadvantages associated with the CEG Transaction, it is our opinion that the likely advantages of the CEG Transaction outweigh the likely disadvantages. Accordingly, we consider the CEG Transaction to be reasonable to the Strathfield Shareholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is included as an attachment to this letter.

Strathfield Shareholders are also advised to read this report in it is entirety.

The decision of whether or not to approve the CEG Transaction is a matter for each Strathfield Shareholder based on their own views of value of Strathfield and expectations about future market conditions, Strathfield's performance, risk profile and investment strategy. If the shareholders are in doubt about the action they should take in relation to the CEG Transaction, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

SCOTT GRIFFIN
Director

ANDREA DE CIAN
Director

24 October 2008

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Strathfield Group Limited ("Strathfield" or the "Company") to provide general financial product advice in the form of an independent expert's report in relation to the proposed transaction between Strathfield and Clear Equipment Group Limited ("CEG"). This report is included in the Company's Notice of General Meeting and Explanatory Statement.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In this report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing this report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from Strathfield a fee based on commercial rates plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary and a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of the Strathfield in order to provide this report. The guidelines for independence in the preparation of independent expert's report are set out in Regulatory Guide 112 "Independence of expert" issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Strathfield (and associated entities) and CEG (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the proposed transaction"

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC.

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanisms and is a member of the Financial Ombudsman Service (membership number 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

GPO Box 3
Melbourne, Victoria 3001
Telephone: 1300 78 08 08
Fax: 03 9613 6399
Email: info@fos.org.au
Website: www.fos.org.au

Grant Thornton Corporate Finance is only responsible for this report and this FSG. Complaints or questions about the Notice of General Meeting and Explanatory Statement should not be directed to Grant Thornton Corporate Finance, which is not responsible for that document. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Contents

1 Outline of the Proposed Transaction

1.1 Overview

On 7 August 2008, Strathfield Group Limited ("Strathfield") announced that it had entered into a conditional agreement to acquire 100% of the share capital in Clear Equipment Group Pty Limited ("CEG") by issuing up to a maximum of 2,300 million ordinary shares in Strathfield ("Strathfield Shares") and 300 million options in Strathfield ("Consideration Options") to Clear Communications (Euraust) AB ("ClearComm") (the "CEG Transaction")[2].

Each Consideration Option may be exercised into one fully paid Strathfield Share. The Consideration Options have an exercise price of $0.10 each and may be exercisable at any time up to and including 31 August 2013.

Strathfield is an Australian public company listed on the Australian Securities Exchange ("ASX"). Strathfield is engaged in the retail of mobile phone products, car audio, home entertainment products and home office products. Strathfield also provides telephone connection services to mobile phone carriers and the installation of car audio products.

CEG is a wholly owned subsidiary of ClearComm established for the sole purpose of acquiring the hardware sales businesses (the "Hardware Sales Businesses") of ClearComm. The Hardware Sales Businesses mainly supply telecommunications, office and consumer equipment products to small and medium enterprises ("SME") and high-end household consumers. The Hardware Sales Businesses are currently owned by seven wholly owned subsidiaries of ClearComm (the "Clear Communications Companies").

ClearComm is a Swedish company with subsidiaries and operations in Australia, the United Kingdom and Europe. ClearComm's operations comprise telephony and other equipment sales, provision of airtime and other telephony services as well as the arrangement and administration of equipment lease finance.

Based on the terms of the conditional agreement, the Strathfield Shares to be issued to ClearComm will be divided into two instalments. The first instalment of 1,840 million Strathfield Shares will be issued on the settlement date of the CEG Transaction.

The second instalment of a maximum of 460 million Strathfield Shares will be issued subsequent to the settlement date with the final number of Strathfield Shares to be issued reduced if:

- the aggregated audited earnings before interest, tax, depreciation and amortisation ("EBITDA") of the Clear Communications Companies for the year ended 30 June 2008 is below $21.7 million (at the time of the signing of the conditional agreement, the actual results of Clear Communications Companies for the year ended 30 June 2008 were being audited);

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[2] The announcement on 7 August 2008 also disclosed the conditional agreement Strathfield had entered into with respect to the proposed acquisition of m8 Telecom Pty Ltd ("m8"). Subsequent to the announcement, Strathfield advised that the acquisition of m8 was being deferred until the completion of the CEG Transaction. Accordingly the acquisition of CEG is no longer interdependent on the acquisition of the acquisition of m8.

- the net asset position of CEG as at the settlement date is less than the net asset position of the agreed balance sheet of CEG of approximately $4.1 million; and

- if the estimated remaining liabilities as defined in the conditional agreement ("Remaining Liabilities") is less than the Remaining Liabilities as disclosed in the settlement date accounts. Based on the conditional agreement, Remaining Liabilities means:

  - any costs or penalties associated with breaking any obligation which Strathfield notifies ClearComm that it does not wish to remain as an obligation of CEG after settlement, measured with effect from the settlement date; and

  - provision for tax payable on profits earned before the settlement date.

The conditional agreement contains mechanisms for each of the above adjustments. In the event the aggregated earnings and/or the net asset position in the settlement accounts exceeds the basis of the comparison, then the adjustment will be netted against the downward adjustment in the other category, if any, provided that the overall effect does not result in an increase to the number of Strathfield Shares to be issued under the second instalment, which is capped at 460 million Strathfield Shares.

If the CEG Transaction is implemented, ClearComm will own approximately 76.5% and 77.0% of the enlarged share capital of Strathfield on an undiluted basis and fully diluted basis respectively.

1.2 Conditions of the CEG Transaction

Based on the terms of the conditional agreement, the CEG Transaction is subject to a number of conditions precedent, including:

- Strathfield being satisfied with the outcome of its due diligence on the Hardware Sales Businesses and CEG;

- the shareholders of Strathfield approving the CEG Transaction;

- the parties to the CEG Transaction (including Strathfield and CEG) obtaining all relevant regulatory approvals, including the approval of the Foreign Investment Review Board, if necessary;

- key employees of the Hardware Sales Business entering into employment services contracts with Strathfield;

- completion of the agreements to transfer the assets of the Hardware Sales Businesses into CEG;

- no changes or events occurring prior to settlement which have a material adverse effect on the business, assets, liabilities, financial position, performance or prospects of the Hardware Sales Businesses and CEG;

- the Hardware Sales Businesses entering into written agreements with Quickfund (Australia) Pty Ltd ("Quikfund") and ClearComm's airtime business on terms which capture and preserve all existing arrangements between the parties; and
- other conditions customary to a transaction of this nature.

2 Scope of the report

2.1 Purpose

If the CEG Transaction is implemented, ClearComm will own approximately 76.5% and 77.0% of the enlarged share capital of Strathfield on an undiluted basis and fully diluted basis respectively.

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Section 611(7) of the Corporations Act allows the non-associated shareholders to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") issued by ASIC sets out the view of ASIC on the operation of Section 611(7) of the Corporations Act.

RG 74 requires that shareholders approving a resolution pursuant to Section 623 of the Corporations Act (the predecessor to Section 611(7) of the Corporations Act) be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the non-associated shareholders. The Independent Directors (directors not associated with the proposal) may satisfy their obligations to provide such an analysis by either:

- commissioning an independent expert's report; or
- undertaking a detailed examination of the proposal themselves and preparing a report for the non-associated shareholders.

2.1.1 Scope of this report

Based on the above requirements, the Independent Directors of Strathfield have engaged Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") to prepare an independent expert's report for the purposes of Section 611(7) of the Corporations Act.

Specifically the Independent Directors of Strathfield have requested Grant Thornton Corporate Finance to prepare an independent expert's report as to whether the CEG Transaction is fair and reasonable to the Strathfield Shareholders.

Our report is to be read in conjunction with the Notice of General Meeting and Explanatory Statement dated on or around 31 October 2008 in which this report is included, and is prepared for the exclusive purpose of assisting the Strathfield Shareholders in their consideration of the CEG Transaction. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of General Meeting and Explanatory Statement.

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the CEG Transaction with reference to the ASIC Regulatory Guide

42 entitled "Independence of Expert's Reports". In this regard, we note that Grant Thornton Corporate Finance was previously engaged by Strathfield to provide the following services:

- transaction support services in respect to Strathfield refinancing its debt facilities. The engagement was completed in September 2004; and

- an expert opinion on the loss of profits at Strathfield's Artarmon store. The engagement was completed in July 2005.

It is our opinion that the abovementioned historical relationships do not impact on our ability to provide an independent and unbiased opinion in the context of the CEG Transaction. In our opinion, Grant Thornton Corporate Finance is independent of Strathfield, its Directors and all other parties involved in the CEG Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the CEG Transaction other than that of independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the CEG Transaction.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the CEG Transaction to the Strathfield Shareholders as a whole. We have not considered the potential impact of the CEG Transaction on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the CEG Transaction on individual shareholders.

The decision of whether or not to approve the CEG Transaction is a matter for each Strathfield Shareholder based on their own views of value of Strathfield and expectations about future market conditions, Strathfield's performance, risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the CEG Transaction, they should seek their own professional advice.

2.2 Basis of assessment

In preparing our report Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly RG 74 and Regulatory Guide 111 "Content of expert reports" ("RG 111"). RG 74 states that in determining whether a transaction is "fair and reasonable", the transaction's likely advantages and disadvantages to the non-associated shareholders must be compared.

RG 74 sets out the view of ASIC on the operation of Section 611(7) of the Corporations Act. RG 74 requires that shareholders approving a resolution pursuant to Section 611(7) of the Corporations Act be provided with a comprehensive analysis of the proposed transaction, including, whether or not the proposed transaction is "fair and reasonable" to the non-associated shareholders. The report should include a comparison and clear summary of the likely advantages and disadvantages if the proposal is agreed to with the advantages and disadvantages to those shareholders if it is not. Comparing the value of the shares to be acquired under the proposal and the value of the consideration to be paid is only one element of the assessment.

If the CEG Transaction is implemented, ClearComm will own approximately 76.5% and 77.0% of the enlarged share capital in Strathfield on an undiluted basis and fully diluted basis respectively. Accordingly, for the purpose of assessing whether the CEG Transaction is fair to the Strathfield Shareholders, we have considered that the CEG Transaction is a control transaction under RG 111 and therefore have compared the value of Strathfield Shares based on Strathfield as a standalone entity on a control basis, with the value of Strathfield Shares as if the CEG Transaction is implemented and on a minority basis.

When considering whether the CEG Transaction is reasonable to Strathfield Shareholders, we have compared the likely advantages and disadvantages associated with the CEG Transaction, including:

- the terms of the conditional agreements in relation to the CEG Transaction;
- the extent to which existing Strathfield Shareholders may be diluted; and
- other advantages and disadvantages associated with the CEG Transaction.

3 Profile of the industries[3]

For the purposes of this report, we have provided an overview of:

- the mobile telecommunications services industry in Australia, within which Strathfield and CEG operate;
- the domestic appliance retailing industry, within which Strathfield operates; and
- the office equipment retailing industry, within which CEG operates.

3.1 Mobile Telecommunications Services

The performance of the mobile phone division of Strathfield and to a certain extent CEG through their bundling of the airtime products, are affected by overall performance of the mobile telecommunications services industry in Australia. Accordingly, for the purpose of this report, we have considered the mobile telecommunications services industry in Australia.

The mobile telecommunications services industry is dominated by the major mobile phone carriers, being Telstra, SingTel Optus Pty Ltd ("Optus"), Vodafone and Hutchison.

3.1.1 Industry size and growth

The Australian mobile telecommunications services industry has experienced strong revenue growth which has been driven by:

- technological innovations in new emerging products and services;
- the continued deregulation of the telecommunications industry; and
- the rapid increase in Australian mobile phone penetration rates.

IBISWorld estimates that in FY08 the mobile telecommunications services industry generated approximately $14.2 billion in revenue.

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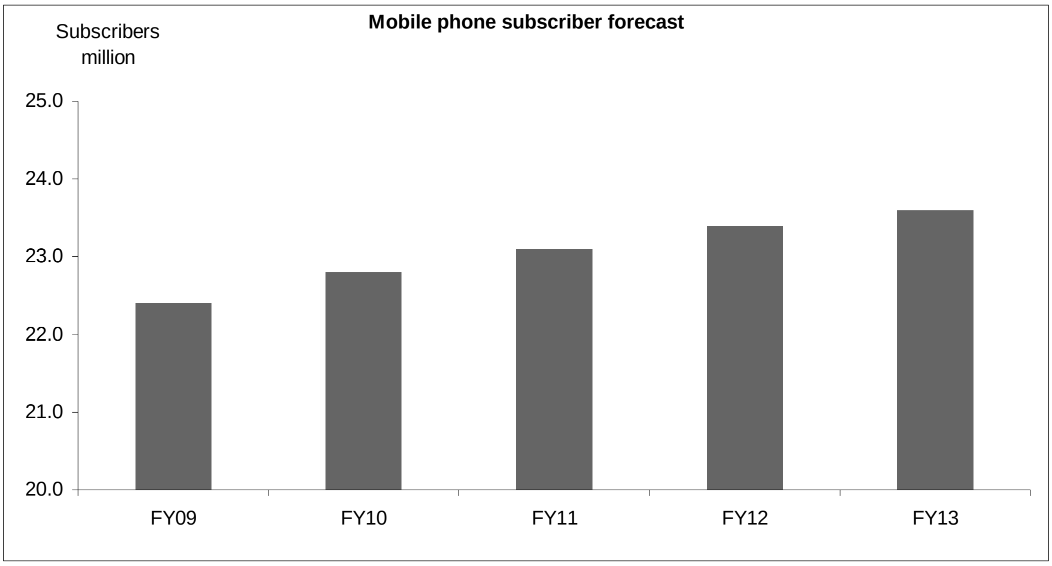
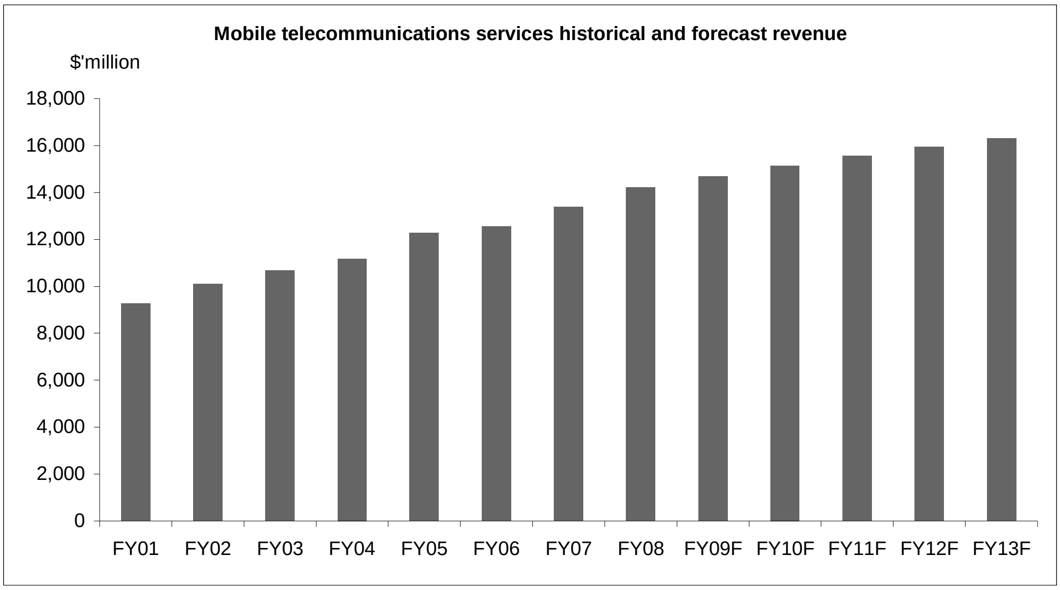
[3] IBISWorld except where stated otherwise.

IBISWorld further estimates that mobile phone penetration of 21.1 million subscribers exceeded the Australian population during FY07. Subscriber growth has slowed as the mobile phone market nears a point of saturation. Forecast mobile phone subscriber numbers between FY09 to FY13 is set out in the graph below:



Source: IBISWorld

The following graph summarises the historical and forecast revenue of the mobile telecommunications services industry for the period from FY01 to FY13:



Source: IBISWorld

The mobile telecommunications services industry is expected to achieve an average growth of 2.8% per annum from FY09 to FY13, which is lower than the previous five year period due to the slowing growth in mobile phone subscriber numbers.

Given the mobile phone subscriber penetration has already passed 100% of the population of Australia, the mobile telecommunications services providers will have to increase the appeal of their products and services in order to increase their market share, which is likely to result in higher customer acquisition costs.

3.1.2 Demand determinants

The level of retail consumer demand for mobile telecommunication products and services is influenced by growth in household incomes whilst the level of business demand is affected by the level of economic activity, particularly in those sectors of the economy which are high users of telecommunication services.

In addition, the performance of the mobile telecommunication services industry is affected by the following factors:

- introduction of new technology (such as Short Message Service, Multimedia Messaging Service, ring tones, mobile TV and various Wireless Application Protocol applications such as on-line banking, TV guides, email) which generates additional voice and data traffic volumes and revenues;

- conversely, new technology reduces the demand from some existing products (such as voice mail products);

- greater competition and declining costs of service has contributed to a fall in the price of services. The popularity of price caps on mobile telecommunication services have driven subscriber growth, however the average revenue per user has decreased. The cost of equipment, such as mobile phone handsets, have also rapidly fallen as a result of increased competition; and

- innovative packaging and marketing structures (such as cross-selling and bundling) stimulates demand for mobile communication products and services.

3.1.3 Industry competition

The level of competition in the mobile communication services industry is determined by the following factors:

- the industry participants offer similar products and services, as a result it is often difficult to differentiate products and therefore price becomes the major basis of competition;

- the competitiveness of the products provided by mobile phone dealers is dependent on the prices determined by mobile telecommunications carriers. The competition between the major mobile telecommunications carriers in the industry has put downward pressure on the prices of mobile telecommunications services prices. The mobile telecommunications carriers provide discounts and subsidies on mobile phone handsets to mobile phone dealers in order to maintain strong customer base growth;

- customers have become increasingly sophisticated in recent years and are now placing even greater importance on reliable services and on fast resolution of problems. Superior customer services can generate customer loyalty. In addition, a large range of services can provide competitive advantages by way of economies of scale;

- given the speed of technological advances occurring within this industry, the ability to offer the latest value added product features becomes an important factor in differentiating between the various telecommunications services providers; and

- the introduction of number portability has enabled customers to choose between competing mobile telecommunications services providers on the basis of price, quality and service without having to change mobile phone numbers.

3.2 Domestic appliance retail

The domestic appliance retailing industry is comprised of entities engaged in retailing a broad range of domestic appliances including audio, video and telecommunication products. The entities operating in this industry generally retail these products through stores to the general public for private use.

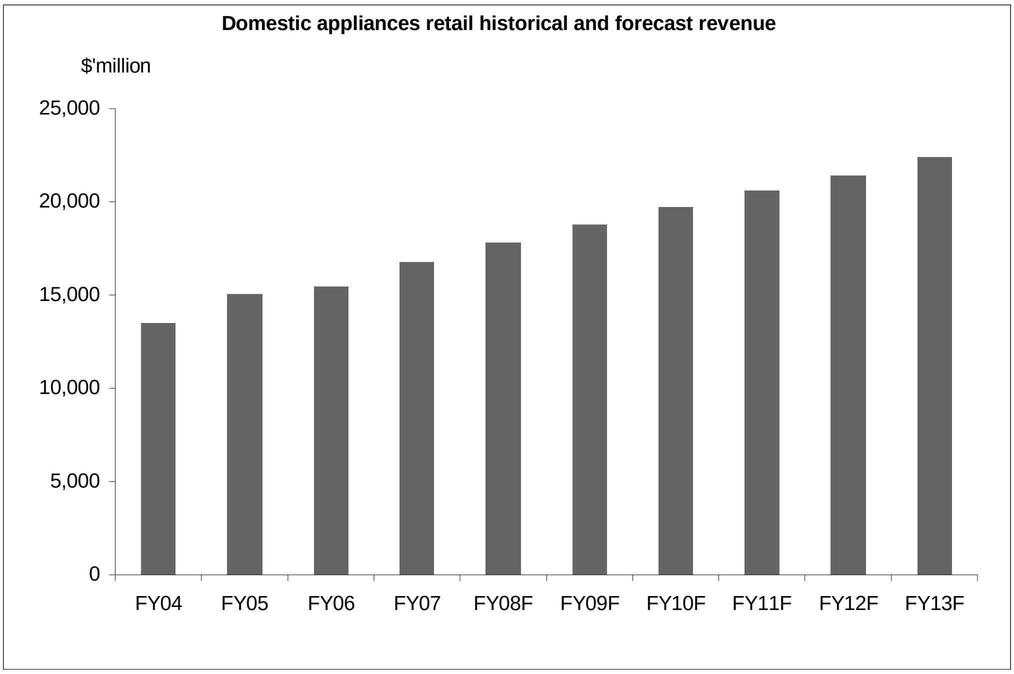
3.2.1 Industry size and growth

The domestic appliance retailing industry generated approximately $16.8 billion and $17.8 billion in revenue for FY07 and FY08 respectively. Over the last five years, the industry has grown at an average rate of 6.6% per annum. Industry sales accounted for 6% of total retail trade sales in Australia and 0.2% of Australian gross domestic product ("GDP") for FY08.

The demand for domestic appliances is affected by fluctuations in the level of real household disposable income, product prices, consumer sentiment, product technology and population growth. The key drivers of sales growth in the industry over the past few years has been the favourable economic conditions combined with a period of rapid technological change. These two factors have driven the product upgrade cycle to levels well above the product failure replacement rate.

Household disposable income, population growth and new technology influence the consumer's decision to purchase a product for the first time. Technological change ensures that new and improved products are available for purchase, which further stimulates product demand.

The historical and forecast revenue of the domestic appliance retail industry is set out in the graph below:



Source: IBISWorld

The domestic appliance retailing industry has experienced strong growth over the last five years with an average growth rate of 6.6% per annum driven by the low unemployment rate in Australia and growth in household disposable income. However, the short term performance of the industry is expected to be affected by high interest rates and rising fuel prices. IBISWorld has forecasted an average annualised growth rate of 4.7% over the period to FY13.

3.2.2 Industry competition

In FY08 the major participants in this industry accounted for approximately 58% of the total market share by revenue. The major participants are the Retravision Group, Harvey Norman Holdings Limited, Betta Store Limited, Woolworths Limited (owning the trading brand of Dick Smith and Tandy), Muir Electrical Company Pty Ltd (trading as the Good Guys).

Participants operating in this industry compete on a range of factors including price, product range, quality, promotions, customer service, location of stores and branding.

The competition level in the domestic appliance retailing industry is characterised by the following factors:

- the consumer electronics market is relatively fragmented with no one industry participant accounting for more than 20% market share and the five largest retailers accounting for less than 60% market share;

- low barriers to entry attract new participants which increases fragmentation and competition;

- most retailers stock the same leading brands in the major product categories, which makes price and product availability the major differentiating factors between retailers;

- high inventory holding costs, price deflation and the release of new product models resulting in superseded clearance stock are drivers of turnover and sales discounting;

- department stores offer a large range of domestic appliances at competitive prices and they regularly hold 'stock-take' or 'promotional sales' where products are offered at a significant discount;

- the advancement of the internet introduces new competitive players to this industry such as, the electronic shopping sites and mail-order houses; and

- renting domestic appliances as opposed to purchasing them out right has also affected the competitiveness of the sector.

The barriers to enter the industry include the following factors:

- the dominance of major players in this industry may hinder the entry of new players;

- weak product differentiation creates high levels of competition with other players; and

- the current tight labour market has caused difficulties accessing suitable staff.

3.3 Office equipment retail

The office equipment retailing industry is comprised of entities engaged in the selling of office equipment such as photocopy machines, fax machines, printers and communication systems. The key customers in this industry SME and high end householder consumers, which are also the main customer base of CEG.

3.3.1 Demand determinants

The underlying demand for office equipment is mainly driven by the following factors:

- new product innovations which increase productivity of SME's;

- economic conditions such as interest rates affect the level of technology expenditure of SME's. SME's tend to cut technology related expenditure during economic downturns, which reduces the demand for office equipment;

- if there is a high level of product penetration, the demand for the product is naturally low. However, as a result of the large customer base, the demand for replacement parts and complimentary products are higher; and

- many manufacturers tend to sell directly to end-users in order to retain control over product marketing and boosting margins, which reduces the market share of retailers.

3.3.2 Industry competition

The competition level in the office equipment retailing industry is characterised by the following factors:

- this industry is very competitive and price sensitive. Entities engaged in this industry have various pricing strategies aimed at improving their competiveness and market share;
- entities with efficient distribution channels are likely to have greater capability in selling product, and will therefore be able to negotiate favourable agreements with suppliers;
- prompt delivery of products is an important factor considered by customers in order to minimise their purchasing costs;
- the ability to tailor products for customers and having a wide product range can increase competitiveness in this industry. Some entities have been appointed to exclusively market products with a strong brand name which can generate higher margins; and
- good customer service practices in the process of sales such as product procurement, fulfilment and financing services can also increase the entity's competitiveness in the industry.

3.3.3 Industry performance and outlook

The demand for products over the past five years has been mainly driven by the following factors:

- favourable economic conditions in Australia which have positively impacted the demand for office equipment as SME's expand their businesses;
- private investment on machinery and equipment has increased at an average annual growth rate of 11.1% over the last five years, which has increased the demand for office equipment; and
- lower costs have been passed on to customers which have been attributed to manufacturers' improved productivity.

The growth in private spending on machinery and equipment is forecast to grow at an average rate of 8.3% to FY13 with household and home office demand for business machines expected to continue to increase over the next five years.

4 Profile of Strathfield

4.1 Overview

Strathfield is an Australian public company which was listed on the ASX in 1998. Strathfield is engaged in the retail sale of mobile phone products, in car entertainment systems (including installation), home entertainment products and home office product. Strathfield also provides connection services to the Optus mobile network.

4.2 Products and services

Strathfield opened its first store in the Sydney suburb of Strathfield in October 1980, Strathfield was known as Strathfield Car Radios and primarily sold and installed car audio products. Strathfield has since expanded its operations into a number of different areas. The current business can be divided into three divisions being:

- mobile phone products;
- in car entertainment systems; and
- digital products.

Management of Strathfield have advised that the mobile phone products and in car entertainment systems divisions contribute to approximately 80% of Strathfield's revenue.

4.2.1 Mobile phone products division

Strathfield has an agreement with Optus to act as a dealer for the Optus mobile network. The agreement allows Strathfield to connect customers to the Optus mobile network and receive one-off connection fees, other commissions and other ongoing airtime related revenues. Strathfield also sells mobile phone handsets and other related products.

One of the competitive advantages of Strathfield in the mobile phone retail market is that Strathfield is able to bundle the retail of mobile phone products and connections to the Optus mobile network with other in-house products, such as gaming consoles.

Management of Strathfield have advised that the major competitors to the mobile phone products division are Telstra, Optusworld and Vodafone retail stores and other independent mobile phone dealers including Telechoice and Allphones.

4.2.1.1 Agreement with Optus

Based on the Optus Master Dealer Agreement, Strathfield provides connection services on behalf of its customers to the Optus mobile network and in return receives commissions, including activation fees, call commissions, bonus commissions and administration fees.

The initial agreement has been operational since 2001 on a term of five years. The term has since been renegotiated and extended to March 2010.

4.2.2 In car entertainment systems division

The primary activities of the in car entertainment systems division are the sale of car audio and visual systems, security systems and global positioning system units, which includes installation services provided to customers. These products are mainly distributed through Strathfield's retail outlets located outside of shopping centres (approximately 61 in total).

Management have advised that the retail and installation of car audio products industry is a mature industry with strong competition. The in car entertainment division has recently experienced growth in car visual products and navigation products. Management of Strathfield have advised that the major competitors of the car audio division are JB Hi-Fi, Autobahn and Supercheap Auto.

4.2.3 Digital products division

The primary activities of the digital products division are the sale of digital cameras, DVD players, LCD and Plasma TVs, MP3 and computer accessories.

Management of Strathfield have advised that prior to FY05, the digital products division carried mainly generic and unbranded products. These products did not perform well and as a result the financial performance for FY05 and FY06 was affected due to low or negative margins resulting from these products and provisions for stock obsolescence. Since then Strathfield has changed its strategy and has been carrying branded products.

Management of Strathfield have advised that the revenues and earnings of the digital products division are relatively more volatile than other divisions as it is more closely linked to consumer disposable incomes and the rapid changes in technologies. The main competitors of the digital products division are JB Hi-FI, Harvey Norman, Dick Smith Electronics and other specialty camera retailers.

4.3 Franchise operation

As at 9 September 2008, Strathfield had a total of 94 retail stores across Australia of which 61 shops are located outside of shopping centres where car audio services such as "on the spot" installation are provided and 33 shops are located in shopping centres which mainly provide home entertainment and mobile phone products.

As at 9 September 2008, approximately 20 out of the total of 94 retail outlets were operated by franchisees under franchise agreements with Strathfield. Management of Strathfield have advised that it is considering converting other company owned stores into franchised stores.

Under the franchising arrangement, Strathfield owns the inventory carried at the store level. The franchise operator deducts a part of the sales proceeds as commission and Strathfield receives the balance. The franchisees are also responsible for costs such as rent and staff costs.

Management of Strathfield have advised that under the franchising arrangement, franchisees are responsible for staffing. In addition, the franchisees are highly motivated to generate sales as they share the revenue of the store in which they operate.

4.4 Financial information

4.4.1 Income statement

The actual financial results of Strathfield for the period from FY06 to FY08 are set out in the table below:

Strathfield Group Limited **Income statement**	FY06 Audited $'000	FY07 Audited $'000	FY08 Audited $'000
Sales Revenue	154,362	169,591	161,824
Cost of sales	(106,378)	(116,117)	(114,166)
Gross profit	**47,984**	**53,474**	**47,658**
Other revenues from ordinary activities	401	1,560	1,788
Selling and distribution expenses	(17,721)	(18,455)	(18,688)
Marketing expenses	(5,749)	(4,055)	(5,280)
Occupancy expenses	(12,359)	(12,162)	(11,125)
Administrative expenses	(13,833)	(12,877)	(12,113)
Impairment of Cavastowe receivable	-	-	(4,355)
EBITDA	(1,277)	7,485	(2,115)
Depreciation and amortisation expense	(3,064)	(2,291)	(2,608)
EBIT	(4,341)	5,194	(4,723)
Interest revenue	517	685	454
Interest expense	(1,476)	(2,467)	(3,372)
Net profit before tax	**(5,300)**	**3,412**	**(7,641)**
Income tax expense	-	-	-
NPAT	**(5,300)**	**3,412**	**(7,641)**

Source: Strathfield Annual Report

The normalised earnings for Strathfield are set out in the table below:

Strathfield Group Limited **Normalised earnings**	**FY06** **$'000**	**FY07** **$'000**	**FY08** **$'000**
Reported EBITDA	(1,277)	7,485	(2,115)
Impairment of Cavastowe receivable	-	-	4,355
Impairment loss	-	-	605
Restructure costs	-	-	567
Litigation settlement	-	-	428
Impairment of inventory	-	-	1,950
Normalised EBITDA	**(1,277)**	**7,485**	**5,790**
Depreciation and amortisation expense	(3,064)	(2,291)	(2,608)
Normalised EBIT	**(4,341)**	**5,194**	**3,182**

Source: management of Strathfield

We note the following in regards to the consolidated income statements set out above:

FY06

- the management team was replaced at the end of the 1Q06. At the same time the product mix of the digital product division was changed in which generic products were phased out;
- a number of cost saving initiatives were implemented;
- net loss for the year included inventory write downs, staff redundancies and a one-off cost in relation to the setting up of the franchise operation (total approximately $1.4 million);

FY07

- the increase in revenue in FY07 was primarily driven by improved product mix and the refocus of the business on car audio and mobile phone products;
- Strathfield returned to profit as a result of increased revenue (as mentioned above), reduced costs (as a result of cost savings initiatives implemented in 2H06) and improved profit margins on the digital product range (through improved product mix);
- in May 2006, Strathfield acquired 11 C2One Communication mobile phone stores previously owned by Optus. FY07 was the first full year reflecting the acquisition;
- other revenue included franchise fees from 13 franchised stores of $1.2 million;
- during FY07, seven underperforming stores were closed with two new stores opened;
- the increase in interest expense from approximately $1.5 million in FY06 to approximately $2.5 million in FY07 was primarily related to the increase in the outstanding amount of the revolving credit facility provided by GE Corporation (Australia) Pty Ltd ("GE");

FY08

- in July 2007, management of Strathfield implemented further initiatives to improve profitability. These initiatives included store rostering, international and domestic freight and product repairs amongst others;
- Strathfield rolled out new systems for point-of-sale, inventory and financial reporting in July 2007. These systems enabled further development and refinement of its stock returns, reducing shrinkage and improving margins and the overall management of costs within the business;
- Strathfield continued to roll out its franchising programme. Management of Strathfield have advised that the franchised stores achieved an average of 6% higher revenue growth than the company run stores;
- during 2H08, the performance of Strathfield was affected by the general downturn of the retail industry which caused management of Strathfield to impair the carrying value of inventory by

approximately $2 million. Management of Strathfield have represented that the current level of inventory is consistent with the current depressed level of retail activity and no further impairment of inventory is expected going forward. Further the implementation of purchasing policies which are consistent with the current level of retail trading activity should assist with improved inventory management.

- during the year, nine new Strathfield run stores were opened and six under performing stores were closed. Management of Strathfield have advised that whilst the six stores closed were high turnover stores, these stores generated low profits;

- as part of its franchising program Strathfield franchised a further 7 stores, increasing the number of franchise stores to 20 out of 94 stores as at 29 June 2008;

- Strathfield wrote-off a receivable of $4.35 million (out of a total of $5.35 million) due from an entity /entities associated with Mr. Andrew Kelly (a former director of Strathfield). The remaining loan of $1 million was due for repayment on 17 January 2008, however the loan was not repaid. Following consideration by the Board of Strathfield in relation to potential legal action to recover this debt in July 2008, the Board of Strathfield executed a Deed of Settlement and Release in relation to this receivable with an entity / entities associated with Mr. Andrew Kelly in exchange for 25 million Strathfield Shares held as security.

FY09

- Management of Strathfield have advised that the following strategies are expected to be implemented in FY09:

  – converting a number of Strathfield run stores into franchise stores;

  – continue to focus on car radio and mobile phone products, especially mobile phone products which are less vulnerable to economic downturn;

  – implement cost saving strategies, including reductions in administration and advertising spend;

- as at the date of this report, management of Strathfield have advised that two new stores in shopping centres were opened and four unprofitable stores were closed.

4.4.2 Balance sheet

The consolidated balance sheet of Strathfield as at 1 July 2007 and 29 June 2008 is set out in the table below

	As at 1-Jul-07 Audited $'000	As at 29-Jun-08 Audited $'000
Current assets		
Cash assets	1,491	1,917
Receivables	14,065	10,973
Inventories	26,230	24,467
Other	4,158	6,407
	45,944	**43,764**
Non current assets		
Receivables	1,775	2,975
Property, plant and equipment	5,114	4,980
Goodwill	3,710	3,282
Other	441	290
	11,040	**11,527**
Total assets	**56,984**	**55,291**
Current liabilities		
Payables	19,095	19,968
Borrowings	36	-
Provisions	2,034	2,163
Other liabilities	262	548
	21,427	**22,679**
Non current liabilities		
Interest bearing liabilities	18,463	22,371
Provisions	57	55
Other liabilities	774	1,455
	19,294	**23,881**
Total liabilities	**40,721**	**46,560**
Net assets	**16,263**	**8,731**
Equity		
Contributed equity	74,727	74,727
Reserves	644	753
Accumulated losses	(59,108)	(66,749)
	16,263	**8,731**

Source: Strathfield 2007 and 2008 Annual Report

We note the following in relation to the balance sheet of Strathfield:

- Strathfield carried approximately $24.4 million of inventories (net of provisions) as at 29 June 2008. As discussed in Section 4.4.1, management of Strathfield increased the provision for slow moving stock by $2 million due to the downturn in the general retail industry since 31 December 2007;

- other current assets of $6.4 million is comprised of prepayments amounting to $5.4 million and 25 million Strathfield Shares held in trust as a result of the execution of a Deed of Settlement and Release in relation to a the Cavastowe receivable.

- interest bearing liabilities of approximately $22.4 million as at 29 June 2008 primarily comprises the revolving credit facility provided by GE. With respect to the revolving credit facility, we note that the facility limit was increased to $25 million in October 2007 with the term of the facility extended to October 2010. The facility limit is subject to a cap of 85% of receivables and 60% of inventory. GE has a fixed and floating charge over all the share capital of Strathfield and a first ranking charge over the assets of Strathfield; and

- management of Strathfield have advised that as at 29 June 2008 Strathfield has approximately $29.5 million of accumulated losses which could potentially be offset against future taxable income. These losses have not been recorded on the balance sheet as a deferred tax asset.

4.5 Capital Structure

As at the date of this report, Strathfield has on issue:

- 708,303,874 Strathfield Shares; and
- 67,000,000 employee options ("Executive Options").

The top ten shareholders of Strathfield as at 23 October 2008 are set out in the following table:

Top 10 holders of ordinary fully paid shares as at 23 October 2008

Name	No of shares	% of total shares
Investments & Equities Pty Ltd	134,441,037	18.98%
Arthur Phillip Nominees Pty Ltd	112,528,564	15.88%
Robinson Legal Pty Ltd	69,907,790	9.87%
HGL Group Pty Ltd	23,609,723	3.33%
Berger Equities Pty Ltd	18,100,000	2.56%
Elray Property Group Pty Ltd	16,900,000	2.39%
Appwam Pty Limited	16,000,000	2.26%
Mrs Amanda Poole	14,859,795	2.10%
JM Winstanley Investments Pty Ltd	12,500,000	1.76%
Lutmar Holdings Pty Limited	8,000,000	1.13%
Total	**426,846,909**	**60.26%**

Source: Strathfield Management

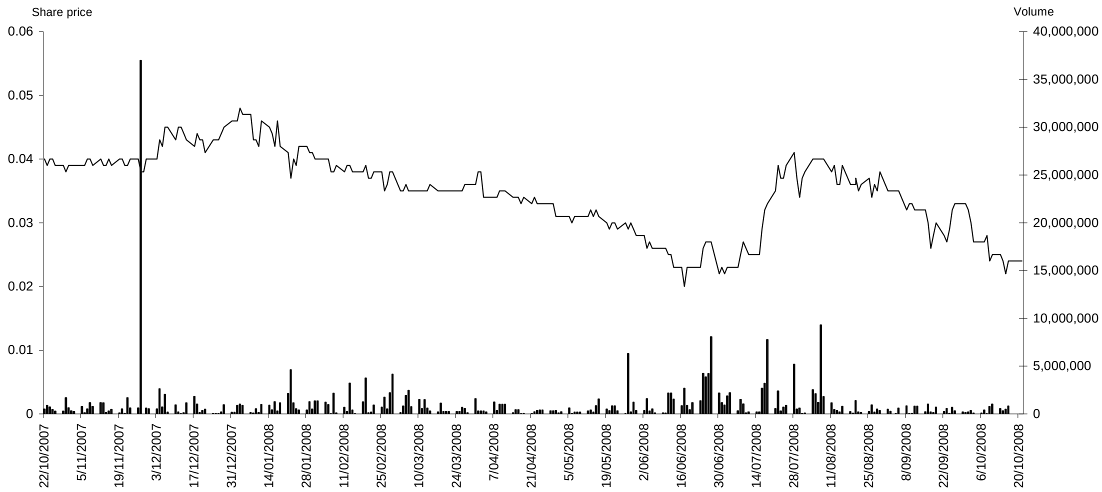
In relation to the Executive Options, we note that each Executive Option is convertible into one Strathfield Share. A summary of the number of Executive Options outstanding as at the date of this report is set out below:

Stathfield unlisted options			
Grant date	**Expiry date**	**Exercise price ($)**	**No of options**
15/12/2006	30/03/2010	0.05	26,000,000
3/10/2007	30/03/2010	0.05	31,000,000
13/02/2008	31/12/2011	0.05	2,500,000
13/02/2008	31/12/2011	0.05	2,500,000
17/04/2008	30/03/2010	0.05	5,000,000
Total			**67,000,000**

Source: Strathfield

4.6 Share price performance

The daily share price movements in Strathfield's share price and volumes over the last year is set out below:



Source: Bloomberg

We note the following in relation to the share price history shown above:

24 Aug 2007	Strathfield released the preliminary final report for FY07 and recorded a full year net profit after tax of $4.3 million. Strathfield share price closed at $0.048.
27 Nov 2007	Manifest Capital Management Pty Ltd disposed of 35,810,700 Strathfield shares and ceased being a substantial shareholder. Strathfield share price closed at $0.038.
21 Jan 2008	Strathfield released the preliminary half year results for 1H08. Strathfield share price closed at $0.041 on that date and closed at $0.037 on 22 January 08.
25 Jun 2008	Strathfield announced an update on forecast underlying EBITDA for FY08, being in the range of $6.2 million to $6.4 million. Strathfield share price closed at $0.027.
7 Aug 2008	Strathfield announced the CEG Transaction. Strathfield share price closed at $0.04.
29 Aug 2008	Strathfield released the preliminary final report for FY08 and recorded a full year loss of $5.6 million. Strathfield share price closed at $0.038.

Source: ASX

The share price history and trading volumes in Strathfield Shares since January 2008 is set out in the table below:

	Share price			
	High ($)	**Low ($)**	**Close ($)**	**Average weekly volume**
Month ended				
January 2008	0.048	0.035	0.040	4,695,860
February 2008	0.040	0.035	0.038	6,138,053
March 2008	0.037	0.034	0.036	3,638,082
April 2008	0.038	0.031	0.031	1,276,754
May 2008	0.032	0.027	0.028	3,294,853
June 2008	0.034	0.020	0.022	8,620,658
July 2008	0.041	0.021	0.037	7,409,906
August 2008	0.041	0.034	0.038	24,186,459
Week ended				
1/08/2008	0.041	0.034	0.038	6,375,650
8/08/2008	0.041	0.034	0.040	16,911,082
15/08/2008	0.039	0.035	0.039	2,958,885
22/08/2008	0.039	0.035	0.036	2,024,013
29/08/2008	0.038	0.034	0.038	2,217,095
5/09/2008	0.036	0.033	0.035	1,375,442
12/09/2008	0.035	0.030	0.032	1,705,000
19/09/2008	0.032	0.026	0.030	2,283,306
26/09/2008	0.033	0.027	0.033	1,875,001
3/10/2008	0.033	0.027	0.027	968,393
10/10/2008	0.028	0.024	0.025	2,280,013
17/10/2008	0.027	0.019	0.024	2,146,845

Source: Bloomberg

5 Profile of CEG

5.1 Background

CEG is a proprietary company established for the sole purpose of acquiring the Hardware Sales Businesses from ClearComm. The Hardware Sales Businesses mainly supply telecommunications, office and consumer equipment products to SME and high-end household consumers. The Hardware Sales Businesses are owned by various wholly owned subsidiaries of ClearComm and as a part of the CEG Transaction, the businesses and assets of these entities will be transferred to CEG prior to the completion of the CEG Transaction.

The Hardware Sales Businesses operate in conjunction with other businesses of ClearComm, particularly the airtime and finance businesses. It is ClearComm' strategy to offer a bundled package of services to its customers. A brief profile of ClearComm' business is provided in Section 5.2 of this report.

If the CEG Transaction is implemented, CEG will enter into formal agreements with ClearComm with respect to the airtime and finance businesses so that CEG can maintain the bundled services being offered and continue to provide an equivalent offering to its customers.

5.2 ClearComm

ClearComm is a Swedish company with subsidiaries and operations in Australia, the United Kingdom and continental Europe. ClearComm's operations comprise telephony and other equipment sales, provision of airtime and other telephony services as well as the arrangement and administration of equipment lease finance.

ClearComm's strategy is to provide both telephony services and equipment products in a "bundle" to customers allowing them to receive updated equipment and a broader range of services at a competitive price.

ClearComm operates through separate equipment sales companies and telephony services brands with customers signing up to mutually exclusive legal agreements for telephony services and equipment leases.

5.3 Hardware Sales Businesses

Hardware Sales Businesses offer a variety of equipment for rental by customers, including:

- office communication systems and devices, such as telephone systems, photocopiers and printers;
- business support systems and devices, such as mobile phones and security systems; and
- audio visual systems and devices, such as LCD and plasma screens.

The Hardware Sales Businesses have a team of specialists for product research so that the Hardware Sales Businesses are responsive to market trends by offering a product mix suitable for the target customer market. New product lines are tested for commercial and technical issues prior to roll out.

The Hardware Sales Businesses offers combinations of equipment ("base packages") which are targeted to suit its core customer's requirements. Management of the Hardware Sales Businesses believe that base packages provide consistency across the Hardware Sales Businesses without compromising the flexibility to tailor the bundle to suit customers' requirements.

An example of a typical equipment package combination would include:

- Panasonic phone system;
- telephone handsets;
- unified messaging system;
- computer telephony integration / voice recording; and
- 50" Panasonic plasma screen and mounts.

In addition to hardware sales, the Hardware Sales Businesses offer software packages to customers in conjunction with the hardware packages.

5.4 Key contracts

As part of its bundling of services, the Hardware Sales Businesses provide airtime and financing services to its customers. If the CEG Transaction is implemented, CEG will enter into separate agreements with ClearComm in relation to the airtime and financing services offered to its customers.

Set out below are some indicative terms of these agreements:

5.4.1 Airtime agreement

Management of CEG have advised that they will enter into commercial agreements with ClearComm's airtime companies for the provision of airtime services to CEG's customers on terms and conditions similar to the arrangements currently in place.

5.4.2 Finance agreement

Management of CEG have advised that they will enter into commercial agreements with ClearComm's finance companies for the provision of finance services to CEG's customers on terms and conditions similar to the arrangements currently in place.

5.5 Financial information

5.5.1 Pro-forma Income Statements

For the purpose of this report, management of CEG have aggregated the income statements of the entities which currently own the Hardware Sales Businesses. The following table summarises the aggregated unaudited income statements of the Hardware Sales Businesses for FY07 and FY08:

Clear Equipment Group Pty Ltd **Income statement**	**FY07** **Aggregated** **$'000**	**FY08** **Aggregated** **$'000**
Sales Income	92,565	111,963
Cost of goods sold	(42,874)	(47,201)
Gross profit	49,691	64,762
Operating expenses	(33,371)	(44,163)
Other Income	380	-
Other Expense	(18,233)	-
EBITDA	(1,533)	20,599
Depreciation Expense	(290)	(338)
EBIT	(1,823)	20,261
Net interest revenue / (expense)	-	174
Profit before tax	**(1,823)**	**20,435**

Source: CEG Management

The normalised earnings for CEG are set out in the table below:

Strathfield Group Limited **Normalised earnings**	**FY07** **$'000**	**FY08** **$'000**
Reported EBITDA	(1,533)	20,599
Abnormals	16,073	1,750
Normalised EBITDA	**14,540**	**22,349**
Depreciation and amortisation expense	(290)	(338)
Normalised EBIT	**14,250**	**22,011**

Source: CEG Management

We note the following in regards to the aggregated income statements set out above:

FY07

- the aggregated income statement for FY07 is based on the unaudited results of the companies included within the Hardware Sales Business of ClearComm;
- sales income is recognised upon the full installation of equipment and is mainly comprised of telephone communication equipment which accounted for approximately 45% of sales income

($42.4 million) for FY07. Sales of audio / visual equipment accounts for approximately 14% ($12.9 million) and airtime revenue[4] accounts for approximately 12% ($10.9 million);

- operating expenses comprise mainly salary and wages of $25.9 million and other general and administration expenses including rent; and
- other expenses of $18.2 million comprises:
  - $2.1 million relating to items such as provisions for doubtful debt, elimination of intercompany balances relating to dormant entities within the former operating entities; and
  - abnormal expenses of $16 million are comprised of the write off of related party loans ($10.6 million) and the loss on sale of fixed assets upon the formation of the group ($5.4 million).

FY08

- the increase in revenue from $92.6 million in FY07 and $112 million in FY08 (representing an increase of 21%) is mainly attributed to:
  - one of the Hardware Sales Businesses commencing operations in September 2006, which experienced strong growth;
  - one of the Hardware Sales Businesses temporarily stopping operations in December 2006 and recommenced trading in July 2007;
  - management of CEG have advised revenues have also increased due to customers on average packaging together higher value equipment packages.
- gross profit margins have increased from 54% in FY07 to 58% in FY08 due to reduced purchasing costs resulting from the collectively bargaining power of the Hardware Sales Businesses; and
- the increase in operating expenses from $33.3 million in FY07 to $42.2 million in FY08 (represents an increase of 26%) is due to a number of entities operating in the group for a full 12 month period. Included within operating expenses are IPO expenses amounting to $1.75 million which are considered to be one-off expenses, accordingly these expenses have been normalised. Management of CEG have advised that the IPO was aborted in H1 FY08.

[4] Airtime was previously provided by one of the companies in the Hardware Sales Business prior to becoming part of the larger ClearComm group.

5.5.2 Balance sheet

If the CEG Transaction is implemented, CEG will acquire the Hardware Sales Businesses from ClearComm. Set out below is the agreed balance sheet of CEG at settlement:

Clear Equipment Group Pty Ltd **Balance sheet**	**As at completion** **$'000**
Current assets	
Cash	2,000
Trade Receivables	5,893
Prepayments and Accrued Income	62
Inventory	3,000
	10,955
Non-current assets	
Net Property, Plant & Equipment	1,177
Intangibles	30
Less: Accumulated Write off	(16)
	1,192
Total Assets	12,146
Current liabilities	
Trade Creditors	6,107
Accruals	1,977
	8,084
Non Current Liabilities	
Non-Current Lease Liability	178
	178
Total Liabilities	8,262
Net Assets	**3,884**
Equity	
Contributed Equity	3,884
	3,884

Source: Conditional Agreement between Strathfield and CEG

The assets and liabilities included in the balance sheet represent the assets and liabilities currently used by the Hardware Sales Businesses of ClearComm and are expected to be transferred to CEG pursuant to the Asset Sale Agreement between ClearComm and CEG.

We note the following with regard to the agreed balance sheet set out above:

- trade receivables of $5.8 million relates to amounts receivable from customers;
- property, plant and equipment of $1.2 million is comprised of office equipment ($0.9 million), motor vehicles ($0.2 million) and lease assets ($0.1 million); and
- trade creditors of $6.1 million relates to amounts payable to equipment suppliers.

6 Profile of Strathfield post transaction

6.1 Overview

Management of Strathfield have advised that Strathfield intends to initially operate the existing Strathfield business and CEG as separate operating entities. Following a strategic review of all operations, Strathfield management will formulate and implement suitable strategies to:

- further enhance Strathfield's profitability;
- further strengthen the balance sheet of the enlarged group;
- generally generate value for Strathfield Shareholders; and
- generally enhance the interests of all stakeholders.

6.2 Synergistic benefits

Management of Strathfield have advised that subject to a strategic review, the combination of Strathfield's existing retail network and the Hardware Sales Businesses operations may provide certain operational synergies, including:

- enhancement of the current product offering in Strathfield's existing retail store network by including items currently offered by the Hardware Sales Businesses but not offered by Strathfield;
- reduction in product purchase costs resulting from the combined buying power of Strathfield and the Hardware Sales Businesses; and
- Strathfield's regional store coverage may to provide the Hardware Sales Businesses with the opportunity to offer its products in regional markets which have not previously been adequately serviced by the Hardware Sales Businesses.

Management of Strathfield have advised that the potential synergistic benefits are still being reviewed as at the date of this report and no formal studies have been carried out in quantifying the potential synergies.

6.3 Capital structure

If the CEG Transaction is implemented, the shareholdings of the existing Strathfield Shareholders will be diluted to approximately 23.5% on an undiluted basis and 23.0% on a fully diluted basis. ClearComm will own approximately 76.5% of the share capital in Strathfield on an undiluted basis and 77.0% on a fully diluted basis. For the purpose of this report, we have assumed all conditions in relation to the issue of Strathfield Shares to ClearComm under the second instalment will be satisfied.

The following table summaries the pro forma shareholdings of Strathfield:

Shareholdings of Strathfield	Existing Strathfield Shareholders	ClearComm	Total
Implementation of the CEG Transaction			
Existing shareholdings	708,303,874	-	708,303,874
Acquisition of CEG	-	2,300,000,000	2,300,000,000
Number of shares - undiluted	708,303,874	2,300,000,000	3,008,303,874
%	*23.5%*	*76.5%*	*100.0%*
Number of outstanding options	67,000,000	-	67,000,000
Acquisition of CEG	-	300,000,000	300,000,000
Number of shares - fully diluted	775,303,874	2,600,000,000	3,375,303,874
%	*23.0%*	*77.0%*	*100.0%*

Source: Notice of General Meeting and Explanatory Statement

6.4 Pro forma balance sheet

The pro-forma balance sheet of Strathfield as at 30 June 2008 following the implementation of the CEG Transaction has been set out in Section 1.7 of the Notice of General Meeting and Explanatory Statement.

7 Valuation methodology

7.1 Available methodologies

ASIC RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- the discounted cash flow ("DCF") method;
- the capitalisation of earnings method;
- orderly realisation of assets;
- the quoted price of listed securities; and
- amount a potential acquirer may be prepared to pay for the business.

We have outlined these methodologies in Appendix A to this report.

7.2 Selected methodology

7.2.1 Approach

In our opinion, the implementation of the CEG Transaction is a reverse takeover as the control of Strathfield will be passed on to ClearComm, which will become the single largest shareholder of Strathfield. Based on the guidelines as set out in RG 111 in relation to assessing the fairness of non-cash consideration in control transactions, we have compared:

- the value of Strathfield Shares based on Strathfield's existing structure (before the implementation of the CEG Transaction) and on a 100% basis (inclusive of a premium for control); with

- the value of Strathfield Shares as if the CEG Transaction is implemented on a minority parcel basis, as the existing Strathfield Shareholders will become minority shareholders after the CEG Transaction is implemented.

The underlying value of the entities has been derived on a fair market value basis, which is typically defined as:

"The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length."

Fair market value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

The following sections discuss the valuation methodologies adopted for each of the entities.

7.2.2 Strathfield

When considering the appropriate valuation methodology for Strathfield, Grant Thornton Corporate Finance notes that:

- historically, Strathfield has incurred trading losses due to the sale of generic branded digital products at low margins and operating stores with low profitability. Following a restructure of the operations which included franchising some of the company owned stores, Strathfield was able to return to profitability in FY07;

- the underlying profit for Strathfield for FY08 (excluding write off of the Cavastowe loan, impairment of inventory and impairment of goodwill) was approximately $5.8 million, indicating that Strathfield was able to continue generating a steady level of profits;

- the trading volumes of Strathfield Shares on the ASX are low with large oscillations in share prices. Accordingly, the market price of Strathfield may not provide a fair indicator of the underlying value of Strathfield Shares; and

- a financial forecast of Strathfield has not been made available to us for inclusion in this report.

Whilst the DCF methodology is arguably the most appropriate approach to value companies or businesses which have inconsistent earnings, the application of the DCF methodology requires long-term reliable cash flow forecasts, which are not available. Accordingly, we have relied on the capitalisation of earnings approach for our analysis.

For the purpose of this report we have selected the capitalisation of EBITDA approach to value Strathfield. The application of the capitalisation of earnings approach generally requires the business to demonstrate consistent historically and forecast earnings.

The application of the capitalisation of earnings methodology involves:

- selecting an appropriate level of EBITDA (generally referred to as maintainable EBITDA), having regard to the historical and forecast operating results after adjusting for non-recurring items of income and expenditure and other known factors likely to affect the future operating performance of the business; and

- determining an appropriate EBITDA multiple having regard to the trading multiples of comparable companies, transaction evidence, extent and nature of competition in the industry, quality of earnings, future growth opportunities, asset backing and relative investment risk.

Under the capitalisation of EBITDA methodology, the level of net interest bearing debt and other assets/liabilities not reflected in the EBITDA are adjusted from the enterprise value to derive the value of the equity.

We have cross-checked our valuation results, to the recent share price of Strathfield.

7.2.3 CEG

When considering an appropriate methodology for valuing CEG, we note that:

- CEG is a newly formed entity which will own the Hardware Sales Businesses. Whilst the underlying individual Hardware Sales Businesses have been operating for a number of years, CEG has limited operating history

- when combined, the Hardware Sales Businesses are able to demonstrate consistent earnings and growth, in this regard we note that the actual results for FY08 reflect the operations of each of the Hardware Sales Businesses operating for a full 12 month period;

- management of ClearComm have advised that growth in the Hardware Sales Businesses for FY09 will be limited due to the current economic conditions and volatile investment markets, despite these concerns, the EBITDA for FY09 is forecast to be inline with FY08 providing a stable basis to assess maintainable earnings;

- the CEG business is not a capital intensive business. Capital expenditure relates to the purchase of office equipment, furniture and fittings; and

- a financial forecast of CEG has not been made available to us for inclusion in this report.

Whilst the DCF methodology is arguable the most appropriate approach to value companies or businesses with limited earnings history, the application of the DCF methodology requires long-term reliable cash flow forecasts, which is not available. Accordingly, we have relied on the capitalisation of earnings approach for our analysis.

For the purpose of this report we have selected the capitalisation of EBITDA approach to value CEG. The application of the capitalisation of earnings approach generally requires the business to demonstrate consistent earnings both historically and forecast.

8 Valuation of Strathfield

As discussed in Section 7.2.2, we have adopted the capitalisation of EBITDA methodology to value Strathfield on a standalone basis.

8.1 Maintainable EBITDA

When considering the maintainable earnings of Strathfield, we note that:

- Strathfield incurred substantial losses up to FY06 when the business was restructured and became profitable in FY07. Since the replacement of the management team of Strathfield in FY06, a number of cost savings initiatives have been implemented and generic products with low margins have been phased out;

- in FY08, Strathfield incurred approximately $7.9 million of one-off expenses, including the write down of a receivable due from an entity / entities associated with Mr. Andrew Kelly (a former director of Strathfield) of approximately $4.35 million, impairment of inventory of approximately $2 million and impairment of goodwill and other non recurring expenses of approximately $1.6 million. Accordingly, the normalised EBITDA of Strathfield in FY08 (excluding the one-off items) is in the order of $5.8 million. We note that this is consistent with the FY08 EBITDA excluding non-recurring items as set out in the audited accounts;

- Management of Strathfield have advised that a number of Strathfield owned stores may be converted into franchise stores in FY09 and which are expected to generate more economic benefits as a result. Additionally, a number of new franchise stores have been planned to be set up in FY09 which will assist Strathfield in maintaining a steady earnings profile; and

- Management of Strathfield has also advised that Strathfield is expected to continue its focus on car radio and mobile phone products in FY09 while further implement cost saving strategies including reductions in administration and advertising expenses.

Based on the above, Grant Thornton Corporate Finance has adopted the normalised EBITDA for FY08 of $5.8 million as the maintainable EBITDA for valuation purposes.

8.2 Earnings multiple

The selection of an appropriate EBITDA multiple is a matter of judgement and involves consideration of a number of factors including:

- the stability and quality of earnings;

- the nature and size of the business;

- the quality of the management team;

- comparable company trading multiples which have been attributed by share market investors;

- the implied multiples of recent acquisitions of businesses involved in similar activities;

- future prospects of the business;
- cyclical nature of the industry; and
- the asset backing of the underlying business and the quality of the assets.

Strathfield operates in the domestic appliance retailing industry (including retailing of mobile phone handsets) and is also involved in the mobile phone dealership sector of the mobile telecommunications services industry. For the purpose of this report, we have had regard to the trading multiples of listed companies in the domestic appliance retailing industry and mobile phone retailing industry as the performance of Strathfield and these companies are likely to be affected by similar factors, such as macro economic conditions.

Summarised below are the trading multiples (on a minority basis) of the companies in the domestic appliance and mobile phone retailing industries, which have been calculated based on the five day volume weighted average prices ("VWAP") as at 21 October 2008:

Company	Country	Currency	Current Market Cap $'Million	EV/EBITDA 2008 Times	EV/EBITDA 2009 Times	EV/EBITDA 2010 Times
Domestic appliance and mobile phone retailing industy						
JB HI-FI LTD	AU	AUD	1,120	10.6x	8.9x	7.6x
HARVEY NORMAN HOLDINGS LTD	AU	AUD	2,824	5.5x	5.8x	5.3x
CLIVE PEETERS LTD	AU	AUD	46	3.3x	2.7x	2.2x
VITA GROUP LTD	AU	AUD	28	3.4x	n/a	n/a
CELLNET GROUP LTD	AU	AUD	22	n/a	4.2x	3.9x
THE WAREHOUSE GROUP LIMITED	NZ	AUD	1,037	8.8x	8.9x	8.3x
REJECT SHOP LIMITED	AU	AUD	262	8.6x	7.3x	6.0x
SUPER CHEAP AUTO GROUP LTD	AU	AUD	244	5.9x	4.9x	4.2x
			Average	**6.6x**	**6.1x**	**5.4x**
			Median	**5.9x**	**5.8x**	**5.3x**

Source: Bloomberg and company data

We have set out in Appendix B a description of the companies selected. With respect to the trading multiple of JB Hi-Fi Limited ("JB Hi-Fi"), we note that the share price of JB Hi-Fi and therefore the trading multiple calculated may be affected by takeover speculation.

For the purpose of this report, we have further considered the EBITDA multiples implied by recent transactions in the broader retail industry as set out below:

Date	Target company	Bidder company	Enterprise value[1] ($'million)	EBITDA multiple[2] times
01-April-2007	Repco Corporation Ltd	CCMP Capital Asia Ltd	554	10.5x
March 2007	Rebel Sport Limited	Archer Capital (formerly GS Private Equity)	335	8.7x
January 2007	Central Station Pty Limited; MRA Entertainment	Destra Corporation Ltd	14	4.7x
January 2007	Brazin Limited (37.60% stake)	MCCH Pty Ltd	180	7.8x
December 2006	B Digital limited (54.20% stake)	Soul (Formerly SP Telemedia Limited)	127	5.8x
December 2006	Service Stream Ltd	Total Communications Infrastructure Limited	70	8.4x
September 2006	Colorado Group Limited	ARH Investments (Australia) Pty Limited	429	6.9x
		Average		**7.5x**

(1) Enterprise value represents 100% value of the target companies.

(2) EBITDA multiples are calculated based on historical data unless otherwise stated.

Source: Mergermarket and company data

In relation to the EBITDA implied by the above transactions, we note that:

- the transaction multiples may incorporate various levels of the control premium and special values paid for by the acquirers; and
- the transactions observed took place during the period from September 2006 to November 2007. We have not identified any relevant transactions since November 2007. Economic factors, including interest rates and consumer confidence, during that period are vastly different from those current as at the date of this report. These factors may influence the amounts paid by the acquirers for these businesses.

8.2.1 Premium for control

The trading multiples listed above have been calculated based on the market price for minority or portfolio share holdings and do not include a premium for control. A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- the ability to realise synergistic benefits;
- access to cash flows;
- access to tax benefits; and

- control of the board of directors of the company.

Evidence from studies indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40% and that the premiums vary significantly from transaction to transaction.

As discussed in Section 8, we have valued Strathfield on a 100% basis and inclusive of a premium for control. The premium for control has been incorporated in our assessed EBITDA multiple range.

8.2.2 Other factors

Prior to us forming an opinion on the appropriate EBITDA multiple range to value Strathfield, we have further considered that:

- the average market capitalisation of the companies selected is greater than the market value of Strathfield. In general, larger companies have higher trading multiples than smaller companies;

- the average size of the target companies identified for the calculation of implied transaction multiples is bigger than Strathfield;

- the profitability of the digital products division, which currently accounts for approximately 20% of the total contribution, is historically affected by the sale of generic products which resulted in inventory write-offs and operating losses for Strathfield;

- the financial performance of the digital products division and car audio divisions is generally more exposed to fluctuations in economic cycles and are more volatile than that of the mobile phone products division;

- Strathfield has franchised a number of its stores to third parties. Management of Strathfield have advised that the economic benefits generated by the franchise operation are more effective than those from the Strathfield run stores. Management of Strathfield have further advised that a number of existing Strathfield owned and operated stores may be converted into franchise operations in FY09. Further, management have been in the process of identifying suitable locations for new franchise stores;

- management of Strathfield have implemented a number of cost saving initiatives for FY09. Specifically, the marketing and advertising costs have been reduced for July and August 2008 as a result of improved strategies around the production and distribution of marketing catalogues; and

- our assessed maintainable EBITDA is based on the actual results for FY08, which have not fully reflected some of the strategies outlined above. However, we note the implementation of the strategies are subject to risks and uncertainties.

8.2.3 EBITDA multiple conclusion

Based on the above, Grant Thornton Corporate Finance has assessed an EBITDA multiple for the valuation of Strathfield in the range of 5.0 times to 6.0 times, on a controlling basis.

8.3 Net debt

The capitalisation of Strathfield's EBITDA by the EBITDA multiple results in an enterprise value. In order to arrive at the equity value of Strathfield, we have deducted the level of net debt from the enterprise value.

Based on the consolidated balance sheet of Strathfield as at 29 June 2008, we have adopted a net debt balance of approximately $20.5 million consisting of interest bearing liabilities of $22.4 million less cash of $1.9 million.

8.4 Other assets and liabilities

We have considered and discussed with management of Strathfield the assets and liabilities recorded on Strathfield's balance sheet as at 29 June 2008.

We note that Strathfield carried $24.5 million worth of inventories as at 29 June 2008. In this regard, management of Strathfield have advised that Strathfield is required to carry inventories at that level to support its business and no further impairment of inventory is required assuming that retail trading activity remains at current levels.

With respect to the 25 million Strathfield Shares held in trust arising from the execution of a Deed of Settlement and Release in relation to a loan due from an entity / entities associated with Mr Andrew Kelly (a former director of Strathfield), we note that the amount is non trade related and has not been reflected in our assessed enterprise value. For the purposes of this report, we have added the market value of the shares held in trust to the valuation of Strathfield having regard to the share price of Strathfield as quoted on the ASX as at 21 October 2008 of $0.024 per share.

Except for the above, management of Strathfield have confirmed that Strathfield does not have any other surplus assets or liabilities.

8.5 Tax losses

Strathfield has approximately $29.5 million of accumulated losses which could potentially be used to offset against future taxable income. Management of Strathfield have advised that these losses have not been recorded on the balance sheet of Strathfield as a deferred tax asset.

For the purpose of the valuation, we believe that the tax losses have a value as they can be used to offset against future taxable income. For the purpose of assessing the value of tax losses, we have calculated the net present value of the unutilised tax losses assuming Strathfield will continue to generate net profit before tax at FY08 level and using a discount rate of 16%, which represents the cost of equity of Strathfield plus a premium to reflect the risks associated with the realisation of the tax losses.

We have assessed the net present value of the tax losses in the order of $5 million.

8.6 Transaction costs

Management of Strathfield have advised that if the CEG Transaction is implemented, Strathfield is expected to incur a total of approximately $3.0 million in transaction costs. These costs include costs associated with due diligence, advisor fees and independent expert's report. However, if the CEG Transaction is not successful, the total transaction costs payable by Strathfield are reduced to approximately $1.0 million.

For the purpose of assessing the value of Strathfield on a standalone basis, we have deducted from the valuation the transactions costs payable by Strathfield of $1.0 million, assuming the CEG Transaction is not successful.

We understand that these transactions costs may not be tax deductible as they are not related to income generating activities.

8.7 Fair value of Executive Options

Grant Thornton Corporate Finance has assessed the value of the Executive Options having regard to the Black-Scholes option valuation model and the following assumptions:

- exercise price in accordance with the terms of the Executive Options;
- value of Strathfield Shares of $0.024 per share;
- life of the Executive Options in accordance with the days to expiry of the various Executive Options;
- risk free interest rate which is inline with the yield on Commonwealth Government Bond for a similar period to the life of the Executive Options;
- dividend yield of nil;
- volatility of 75%;

Based on the above assumptions, Grant Thornton Corporate Finance has assessed the total value of the Executive Options based on the Black-Scholes option valuation model at $0.3 million.

8.8 Summary of valuation

Based on the abovementioned assumptions, we set out below our valuation assessment of Strathfield:

Summary of valuation	Low	High
Strathfield	**$000**	**$000**
Maintainable EBITDA	5,800	5,800
EBITDA multiple (times) on a control basis	5.0	6.0
Enterprise value	29,000	34,800
Net debt	(20,454)	(20,454)
Other assets - shares held in trust	600	600
Fair value of tax losses	5,000	5,000
Transaction costs	(975)	(975)
Sub-total	13,171	18,971
Fair value of Executive Options	(280)	(280)
Fair market value attributed to ordinary shares on a control basis	12,891	18,691
Number of shares on issue	708,303,874	708,303,874
Value per share - on a controlling basis ($)	**0.018**	**0.026**

Source: Calculations

8.9 Valuation cross check

Prior to reaching our valuation conclusion we have considered the reasonableness of our valuation by comparing our result to the share market prices of Strathfield.

In this regard we note that the share market price of Strathfield was $0.04 on 6 August 2008, the date before the announcement of the CEG Transaction.

We further note that the general stock market performance has been materially affected for the same period with:

- the S&P/ASX 200 Index reducing from 4,969.1 points as at 6 August 2008 to 4,302.5 points as at 21 October 2008, representing a decrease of 13%; and

- the S&P/ASX 200 Consumer Discretionary Index from 1,613.9 points as at 6 August 2008 to 1,427.6 points as at 21 October 2007, representing a decrease of 12%.

We note that the share market prices of selected comparable companies set out in Section 8.2 have generally decreased during the period from the announcement of the CEG Transaction to the date of this report.

Based on the share market price of Strathfield before the announcement of the CEG Transaction, the overall performance of the stock market since the announcement of the CEG Transaction and the specific risk attached to Strathfield, we believe our assessment of Strathfield Shares is reasonable.

8.10 Valuation conclusion

Based on the above, Grant Thornton Corporate Finance concludes that the value of Strathfield Shares on a 100% basis and inclusive of a premium for control is in the range of $0.018 to $0.026.

9 Valuation of CEG

As discussed in Section 7.2.3, we have adopted the capitalisation of EBITDA methodology to value CEG.

9.1 Maintainable EBITDA

When considering the maintainable earnings of CEG, we have considered the financial performance of the Hardware Sales Businesses as a consolidated group and note that:

- in FY07, Hardware Sales Businesses generated an aggregated EBITDA of $14.5 million. Management of CEG have advised that the FY07 EBITDA did not include the full year results of all the entities which comprise the Hardware Sales Business;

- management of CEG have advised that the FY08 EBITDA of $20.6 million includes the result of all the entities in the Hardware Sales Business for a full twelve months and $1.75 million in one off expenses relating to the aborted IPO;

- the gross profit margin increased in FY08 due to reduced purchasing cost as a result of the increased purchasing power with equipment suppliers as a result of combining the operations of the Hardware Sales Businesses. Management of CEG expect to continue receiving favourable supplier terms operating as a consolidated group compared with operating individually;

- management of CEG have advised that revenues in FY09 are expected to be consistent with those for FY08 as the outlook of the economy for FY09 is similar to that of FY08. Accordingly, the forecast EBITDA for FY09 is expected to be inline with the actual EBITDA for FY08; and

- CEG is expected to enter into agreements with ClearComm's airtime and financing companies to ensure that the bundled packaged services can be maintained and provided to future customers on the same terms as previously offered.

Based on the above, Grant Thornton Corporate Finance has adopted the normalised EBITDA for FY08 of $21.7 million as the maintainable EBITDA for valuation purposes. We note our normalised EBITDA is consistent with the target EBITDA set out in the share sale agreement.

9.2 Earnings multiple

As CEG is a supplier of mobile phones and domestic appliances such as plasma screens televisions we have considered the trading multiples of companies operating in:

- the domestic appliance and mobile phone retailing industries (Section 8.2); and

- the office equipment supplier industry primarily servicing the SME market.

Summarised below are the trading multiples of the selected companies calculated based on the five day VWAP as at 21 October 2008:

Company	Country	Currency	Current Market Cap $'Million	EV/EBITDA 2008 Times	EV/EBITDA 2009 Times	EV/EBITDA 2010 Times
Domestic appliance and mobile phone retailing industy						
JB HI-FI LTD	AU	AUD	1,120	10.6x	8.9x	7.6x
HARVEY NORMAN HOLDINGS LTD	AU	AUD	2,824	5.5x	5.8x	5.3x
CLIVE PEETERS LTD	AU	AUD	46	3.3x	2.7x	2.2x
VITA GROUP LTD	AU	AUD	28	3.4x	n/a	n/a
CELLNET GROUP LTD	AU	AUD	22	n/a	4.2x	3.9x
THE WAREHOUSE GROUP LIMITED	NZ	AUD	1,037	8.8x	8.9x	8.3x
REJECT SHOP LIMITED	AU	AUD	262	8.6x	7.3x	6.0x
SUPER CHEAP AUTO GROUP LTD	AU	AUD	244	5.9x	4.9x	4.2x
			Average	**6.6x**	**6.1x**	**5.4x**
			Median	**5.9x**	**5.8x**	**5.3x**
Office equipment and related products supplier industry						
CSG LTD	AU	AUD	103	4.0x	n/a	n/a
ASG GROUP LTD	AU	AUD	85	5.6x	4.1x	3.3x
OAKTON LTD	AU	AUD	223	6.1x	5.0x	4.4x
ESERVGLOBAL LTD	AU	AUD	116	4.1x	3.6x	3.3x
SMS MANAGEMENT & TECH LTD	AU	AUD	172	4.4x	3.8x	3.4x
DWS ADVANCED BUSINESS SOLUTIONS	AU	AUD	90	3.2x	2.8x	2.6x
DATA#3 LIMITED	AU	AUD	84	5.2x	4.4x	4.0x
			Average	**4.7x**	**4.0x**	**3.5x**
			Median	**4.4x**	**4.0x**	**3.4x**

Source: Bloomberg

- the average size of the target companies identified for the calculation of implied transaction multiples is bigger than the market value of CEG;

- the financial performance of the CEG is relatively more stable than that of Strathfield due to their client base being SME and high end household consumers and is generally less volatile than the client base of Strathfield, which is primarily retail customers who are more likely to be impacted by changes in economic factors;

- the CEG business is not as exposed to the maturing mobile telecommunication industry compared to Strathfield, as it also provides other office equipment and business infrastructure;

- management of CEG achieved a number of synergies in FY08 as a result of combining the operations of the Hardware Sale Businesses and expect to further achieve cost savings in FY09 as a result of combining the state head offices operating in New South Wales and Victoria; and

- our assessed EBITDA is based on the actual results for FY08, which does not fully reflect some of the cost savings expected to be generated by combining the operations of CEG. However, we note the implementations of the strategies are subject to risks and uncertainties.

Based on the above, Grant Thornton Corporate Finance has assessed an EBITDA multiple for the valuation of CEG in the range of 5.5 times to 6.5 times, on a control basis.

9.3 Working capital

Based on the principles of the capitalisation of earnings methodology, our assessed enterprise value of CEG has assumed the business has the required level of working capital. If the working capital is below the required level, the shortfall is generally deducted from the valuation to arrive at the equity value. The rationale is that the hypothetical purchaser of the business is required to further invest in order to fund the shortfall in working capital.

If the CEG Transaction is implemented, ClearComm will provide Strathfield with an interest free working capital facility of up to $5 million for a period of 2 years from completion of the CEG Transaction.

Management of CEG have advised that based on the anticipated cash flows of CEG and the agreed acquisition balance sheet of CEG, CEG is expected to have sufficient working capital to fund its operation without utilising the working capital facility offered. Accordingly, we have not made any adjustment in relation to working capital for the purpose of this report.

9.4 Net cash

Based on the agreed acquisition balance sheet of CEG, we have adjusted the enterprise value of the CEG by the net cash amount of $2.0 million.

9.5 Other assets and liabilities

We have considered and discussed with management of CEG, the assets and liabilities contained in the agreed acquisition balance sheet. Management of CEG have confirmed that the acquisition balance sheet does not have any surplus assets or liabilities.

9.6 Summary of valuation

Based on the abovementioned assumptions, we set out below our valuation assessment of CEG:

Summary of valuation	**Low**	**High**
CEG	**$000**	**$000**
Maintainable EBITDA	21,700	21,700
EBITDA multiple	5.5	6.5
Enterprise value	119,350	141,050
Net cash	2,000	2,000
Fair market value	**121,350**	**143,050**

Source: Calculations

10 Evaluation of the CEG Transaction

10.1 Fairness

For the purpose of assessing whether the CEG Transaction is fair to the Strathfield Shareholders, we have compared the value of Strathfield Shares on a stand alone basis and before the implementation of the CEG Transaction with the value of Strathfield Shares as if the CEG Transaction is implemented.

When considering the value of Strathfield Shares as if the CEG Transaction is implemented, Grant Thornton Corporate Finance has aggregated the standalone value of Strathfield and CEG and deducted costs payable by Strathfield if the CEG Transaction is implemented.

Our valuations of Strathfield and CEG are on a 100% basis and are inclusive of a premium for control. If the CEG Transaction is implemented, ClearComm will immediately own approximately 76.5% of the enlarged share capital of Strathfield on an undiluted basis. Accordingly, from the existing Strathfield Shareholders' perspective, we have considered the value of the Strathfield Shares post the CEG Transaction on a minority parcel basis by applying a minority discount in the range of 20% to 30%. We have further considered the potential impact of the Consideration Options using the Black-Scholes option valuation methodology in Section 10.1.1.

We understand that the CEG Transaction may generate certain synergistic benefits which may be available to the existing Strathfield Shareholders. However, we have been advised by management of Strathfield that the potential synergies are being reviewed as at the date of this report, and accordingly Grant Thornton Corporate Finance has not quantified any potential amount for the purpose of this report.

In addition, we have incorporated the full value of un-utilised tax losses of Strathfield as assessed by us (Section 8.5). In this regard, we note that management of Strathfield have advised that all of Strathfield accumulated tax losses will likely be able to be utilised for offsetting future taxable income of the group. However, management of Strathfield have sought formal tax advice in respect to the utilisation of these tax losses.

The following table calculates the value of Strathfield Shares as if the CEG Transaction is implemented.

The CEG Transaction **Assessment of fairness**	Low $000	High $000
Fair market value of standalone Strathfield	12,891	18,691
Fair market value of CEG	121,350	143,050
Additional transaction costs payable by Strathfield if the CEG Transaction is implemented	(2,090)	(2,090)
Fair market value of Strathfield - post the CEG Transaction	132,151	159,651
Value of the Consideration Options	(2,890)	(2,890)
Value attributable to Strathfield Shares	129,261	156,761
Number of Strathfield Shares on issue	708,303,874	708,303,874
Strathfield Shares to be issued to ClearComm	2,300,000,000	2,300,000,000
Total number of Strathfield Shares post the CEG Transaction	3,008,303,874	3,008,303,874
Value of Strathfield Shares on controlling basis ($) (rounded)	0.043	0.052
Minority discount	20%	30%
Value of Strathfield Share on minority basis ($)	**0.036**	**0.040**
Value of Strathfield Shares on a standalone basis - controlling basis ($)	**0.018**	**0.026**

Source: Calculations

As the underlying value of Strathfield Shares on minority basis after the implementation of the CEG Transaction is higher than the value of Strathfield Shares on a standalone basis and inclusive of a premium for control, we conclude that the CEG Transaction is fair to Strathfield Shareholders pursuant to RG 111.

10.1.1 Value of the Consideration Options

If the CEG Transaction is implemented, the vendors of CEG will receive 300 million Consideration Options. Grant Thornton Corporate Finance has assessed the value of the options having regard to the Black-Scholes option valuation model and the following assumptions:

- exercise price of $0.10 per Consideration Option in accordance with the terms of the Conditional Options contained in the conditional agreement;
- value of Strathfield Shares of $0.04 per share (based on the underlying value of Strathfield Shares if the CEG Transaction is implemented);
- life of the Consideration options of 5 years which is in accordance with the terms of the of Conditional Options contained in the conditional agreement;
- risk free interest rate which is inline with the yield on Commonwealth Government Bond for a similar period to the life of the Consideration Options;
- dividend yield of nil; and

- volatility of 50%;

Based on the above assumptions, Grant Thornton Corporate Finance has assessed the total value of the Consideration Option based on the Black-Scholes option valuation model at $2.9 million.

10.1.2 Implied premium

Based on the value of Strathfield Shares post the CEG Transaction and on a minority basis, the following table calculates the implied premium payable using the share market prices of Strathfield:

Implied premium	Low $	High $
Value of Strathfield Shares post CEG Transaction (on minority basis)	**0.036**	**0.040**
1 week prior to 21 October 2008 (VWAP)	0.023	0.023
Implied premium	55.0%	73.5%
2 weeks prior to 21 October 2008 (VWAP)	0.025	0.025
Implied premium	44.4%	61.6%
3 weeks prior to 21 October 2008 (VWAP)	0.025	0.025
Implied premium	41.5%	58.4%
4 weeks prior to 21 October 2008 (VWAP)	0.027	0.027
Implied premium	33.6%	49.6%

Source: Calculations

When comparing the value of Strathfield Shares post implementation of the CEG Transaction to the recent share market prices of Strathfield Shares, we note that the implied premium is between 33.6% to 73.5%.

We understand that the share market prices of Strathfield subsequent to the announcement of the CEG Transaction may have been affected by speculation around the CEG Transaction.

10.2 Reasonableness

As the CEG Transaction is fair to the Strathfield Shareholders, the CEG Transaction is also reasonable in accordance with RG 111. However, we have summarised some of the relevant likely advantages and disadvantages associated with the CEG Transaction.

The likely advantages associated with the CEG Transaction include:

- if the CEG Transaction is implemented, Strathfield's financial performance will be relatively less volatile compared with the financial performance of Strathfield on a stand alone basis due to the exposure to the office equipment retailing industry and the size of the enlarged group;

- if the CEG Transaction is implemented, the management team of Strathfield will be strengthened which may facilitate the achievement of certain cost savings in corporate overhead costs and provide Strathfield with greater depth of management experience;

- if the CEG Transaction is implemented, Strathfield is expected to become a more diversified listed entity and Strathfield Shareholders will be able to participate in the growth of equipment sales in the SME sector, which is currently undertaken by the Hardware Sales Businesses;

- if the CEG Transaction is implemented, Strathfield will be relatively less exposed to the retail consumer market, which is more volatile than the business consumer market due to the discretionary nature of retail consumer spending.

- if the CEG Transaction is implemented, Strathfield will become a much larger company, which may attract new investors and be able to provide Strathfield Shareholders with a more liquid and deeply traded investment than currently experienced by Strathfield Shareholders; and

- the CEG Transaction may to generate certain operational synergies which may benefit Strathfield Shareholders. Our valuation of Strathfield following the CEG Transaction has not incorporated the potential value of synergies as detailed studies on the potential synergies are still being completed by the management of Strathfield as at the date of this report. Accordingly, it is possible that the value of Strathfield Shares following the implemented of the CEG Transaction will be higher than our current assessment.

The likely disadvantages associated with the CEG Transaction include:

- the existing Strathfield Shareholders will give up control of Strathfield. Specifically, the shareholding of the existing Strathfield Shareholders will be diluted to 23.5% on an undiluted basis and 23.0% on a fully diluted basis;

- for financial reporting purposes, Strathfield will recognise a significant goodwill balance arising from the acquisition of CEG. In accordance with Australian Accounting Standards, goodwill is subject to an annual impairment review. If the Directors of Strathfield determine that the goodwill balance associated with the acquisition of CEG is impaired, the impairment adjustment will have a negative impact on Strathfield's earnings; and

- Strathfield Shareholders will be exposed to the risks associated with the SME market which is a different market compared to markets currently serviced by Strathfield. Whilst the SME market is generally less volatile in comparison to the retail market, a more focused target marketing program is required to generate sales due to the absence of a retail store presence.

After considering the abovementioned likely advantages and disadvantages associated with the CEG Transaction, it is our opinion that the likely advantages of the CEG Transaction outweigh the likely disadvantages. Accordingly, we consider the CEG Transaction to be reasonable to the Strathfield Shareholders.

10.3 Overall conclusion

After considering the position of Strathfield Shareholders before and after the implementation of the CEG Transaction, including the quantitative and qualitative factors outlined above, it is our opinion that the CEG Transaction is fair and reasonable to the Strathfield Shareholders.

11 Sources of information, disclaimer and consents

11.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- ASX
- Bloomberg
- Conditional Agreement between Strathfield and CEG
- IBISWorld reports
- Management of CEG, ClearComm and the Hardware Sales Businesses;
- Management of Strathfield Group Limited
- Mergermarket
- Notice of General Meeting and Explanatory Statement
- Strathfield Annual Report

11.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act 2001 and its authorised representatives are qualified to provide this Report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to Strathfield and all other parties involved in the CEG Transaction with reference to the ASIC Regulatory Guide 112 "Independence of expert" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We concluded that there are no conflicts of interest with respect to Strathfield, its shareholders and all other parties involved in the CEG Transaction.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Strathfield, CEG or their associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the CEG Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the CEG Transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the CEG Transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

11.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by Strathfield and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided to it by Strathfield and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of Strathfield or CEG.

This report has been prepared to assist the Independent Directors of Strathfield in advising their shareholders in relation to the CEG Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the CEG Transaction is fair and reasonable to the Strathfield Shareholders.

Strathfield has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by Strathfield's engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by Strathfield, which Strathfield knew or should have known to be false and/or reliance on information, which was material information Strathfield had in its possession and which Strathfield knew or should have known to be material and which Strathfield did not provide to Grant Thornton Corporate Finance. Strathfield will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

11.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of General Meeting and Explanatory Statement to be sent to the Strathfield Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounting projected cash flows

An analysis of the net present value of projected cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Net asset backing / Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of listed securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Domestic appliance and mobile phone retailing industries

Company	Description
JB Hi-Fi Ltd	JB Hi-Fi Limited is a music and electronic goods retailer in Australia. The Company operates stores at sites located in most Australian States. Products include consumer electronics, car sound systems, music and DVDs.
Harvey Norman Holdings Ltd	Harvey Norman Holdings Limited is a holding company for companies and trusts in a third party franchise agreement. The franchises operate stores under the name "Harvey Norman Discounts," selling homewares and electrical goods. The Company also provides advisory and advertising to the franchises. In addition, the Company provides consumer finance and has property investments.
Clive Peeters Ltd	Clive Peeters Limited retails a wide range of electrical appliances. The Company's products include dishwashers, ovens, rangehoods, refrigerators, computer products and freezers.
Vita Group Ltd	Vita Group Limited retails mobile telephones. The Company's chain of retail stores sells cellular telephones, accessories, extended warranties, mobile entertainment content, corded and cordless telephones, and Internet products.
Cellnet Group Ltd	Cellnet Group Limited is a wholesale distributor of mobile phones and mobile phone accessories in Australia and New Zealand. The Company distributes its products to manufacturers and supplies to major retailers and service providers. The Group also distributes IT products such as PC's, digital cameras, scanners and printers.
The Warehouse Group Limited	The Warehouse Group Limited operates general merchandise and stationery supply retail stores throughout New Zealand.
Reject Shop Limited	The Reject Shop Limited operates discount retail stores in Victoria, New South Wales, South Australia and the ACT. The Company's discount stores offers a variety of merchandise such as apparel, housewares, leisure, personal care and hardware and furniture.
Supercheap Auto Limited	Super Cheap Auto Group Limited sells a wide range of automotive parts and accessories, tools, camping products, gardening and outdoor equipment and boating equipment throughout Australia and New Zealand.

Office equipment supplier industry

Company	Description
CSG Ltd	CSG Ltd. offers computer and other technology services. The company offers information, technology, and communications project management and outsourced infrastructure support, applications development services, and sales of document management solutions and telecommunications services.
ASG Group Ltd	ASG Group Limited is an information technology company involved in the outsourcing of computer infrastructure, application development, technical support and systems integration services. The ASG Group also provides Internet and e-commerce security services.
Oakton ltd	Oakton Limited provides professional IT consulting services. The company offers technology architecture services, business IT strategy, custom application development, information management and data warehousing services, application integration and management services, project and delivery management services, specialist IT recruitment services and procurement solutions.
eServglobal ltd	eServGlobal Ltd. develops and markets computer software. The company develops billing, customer relations, email, and network optimization software for telecommunications services providers.
SMS Management & Tech Ltd	SMS Management & Technology Limited is an international information technology, enterprise and management solutions provider. The company offers IT, business and management consulting, project management, Internet products, IT contracting and permanent recruitment, enterprise solutions and e-commerce development and integration.
DWS Advanced Business Solutions Ltd	DWS Advanced Business Solutions Limited provides information technology solutions to corporation and government organizations.
Data#3 Limited	Data#3 Limited provides Information Technology solutions to business and government markets in Australia. These solutions integrate equipment and software from leading suppliers with Data#3's own design, management, installation and support services including procurement, recruitment and application services.

Appendix C – Glossary

$, AUD or A$	Australian Dollar
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CEG	Clear Equipment Group Limited
CEG Transaction	the acquisition of 100% of the equity in Clear Equipment Group Pty Limited by issuing up to a maximum of 2,300 million ordinary shares in Strathfield and 300 million options in Strathfield
ClearComm	Clear Communications (Euraust) AB
Clear Communications Companies	Seven wholly owned subsidiaries of ClearComm
Clear Telecoms	Clear Telecoms (Aust) Pty Ltd
Consideration Options	300 million options in Strathfield Shares issued to CEG
GE Corporation (Australia) Pty Ltd	GE
Corporations Act	Corporations Act 2001
DCF	Discounted Cash Flow
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
Executive Options	67,000,000 options in Strathfield Shares issued to employees of Strathfield
FSG	Financial Services Guide
FY	Financial Year
GDP	Gross Domestic Product
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
Hardware Sales Businesses	the hardware sales businesses previously owned by Clear Communications (Euraust) AB
JB Hi-Fi	JB Hi-Fi Limited
m8	m8 Telecom Pty Ltd
m8 Transaction	the acquisition of 100% of the equity in m8 Telecom Pty Ltd by issuing up to a maximum of 380 million Strathfield Shares and paying $6 million cash in 24 equal monthly instalments.
MDA	Master Dealer Agreement
NPAT	Net Profit After Tax
Optus	SingTel Optus Pty Ltd
Quikfund	Quikfund (Australia) Pty Ltd
Remaining Liabilities	Remaining liabilities as defined in the conditional agreement
RG 74	ASIC Regulatory Guide 74
RG 111	ASIC Regulatory Guide 111
SMEs	Small and Medium Enterprises
Strathfield	Strathfield Group Limited
Strathfield Shareholders	Shareholders of Strathfield Group Limited
Strathfield Shares	Strathfield ordinary shares
VWAP	Volume Weighted Average Share Price
WACC	Weighted Average Cost of Capital

Strathfield Group Limited
ABN 63 053 687 728

000001 000 SRA
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by (EDST) 10.00am on Saturday, 6 December 2008

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.computershare.com.

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔

View your securityholder information, 24 hours a day, 7 days a week:
www.investorcentre.com

- ☑ **Review your securityholding**
- ☑ **Update your securityholding**

Your secure access information is:

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Strathfield Group Limited hereby appoint

☐ **the Chairman of the meeting** **OR** ____________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Strathfield Group Limited to be held at Deloitte Touche Tohmatsu, Level 9, Grosvenor Place, 225 George Street, Sydney, NSW 2000 on Monday, 8 December 2008 at 10.00am and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
1	Acquisition of Clear Equipment Group Pty Ltd	☐	☐	☐
2	Change in scale of activities	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________________ **Contact Daytime Telephone** ____________________ **Date** ____/____/____