SPIRIT ANNUAL REPORT 2018

spirit
DIFFERENT. BETTER.

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HIGHLIGHTS
OF OUR YEAR

HIGHLIGHTS OF OUR YEAR

3 OPERATIONAL OFFICES

NOMINATIONS
2 EDISON AWARDS

Best fixed wirless operator and best broadband provider

Independently rated as Melbourne's

FASTEST ISP*

Source: Ookla LLC

WINNER
2017
DELOITTE TECHNOLOGY FAST 500

REVENUES UP
41%

GROSS PROFITS
UP BY **55%**

UNDERLYING EBITDA
UP **47%** TO **3M**

NET PROFITS
UP BY **22%**

$2.7M
Invested in network expansions and upgrades

Capital expenditure down
38%
PER BUILDING
2017 2018

510
ON NET BUILDINGS

OVER
12,000 KM
Network expansion through World Without Wires acquisition and organic growth

NET PROMOTER SCORE
46%
WELL ABOVE INDUSTRY AVERAGE

CUSTOMER SATISFACTION SCORE
98%

ABOVE INDUSTRY AVE
17%

TEAM GROWTH
UP BY **50%**
Preparing for growth

NEW LEADERSHIP
TEAM

LETTERS FROM THE CHAIR & MANAGING DIRECTOR

ANNUAL REPORT
A LETTER FROM THE CHAIR

Dear Shareholders

I am pleased to present Spirit Telecom's 2018 Annual report.

Our second year as a listed entity has continued the planned growth and expansion of our customer base and network. This year Spirit expended an additional $2.7M on extensions and upgrades of the network and separately, invested in developing our brand, systems and people. The result of this investment is the development of a market leading internet provider, coupled with a high-performance culture. As a growth stock our primary focus is delivering long term value to our shareholders.

As part of our strategic plan we took the opportunity to raise additional capital to bring forward our growth plans. We identified an immediate gap within the current internet market where the SME business sector is increasingly driving demand for data and speed to drive cloud-based software, which the legacy copper network cannot provide. And, as the first stage of our plan draws to completion, Spirit is meeting this gap and is having great success in winning new clients who are frustrated with slow internet and its effects on productivity. The residential sector is a constant focus for our activities and we continue to identify new opportunities to sign up new buildings and drive penetration.

From the capital raising we have also invested in building a new leadership team and developing our brand. During the year we appointed a number of new, highly motivated members of the senior leadership team who are providing strong direction. Aside from our CFO, we also added CIO, Sales director, People & Culture Manager and Project Manager – Each of these are inaugural roles to Spirit. In addition, our new Chief Marketing Officer has further developed our brand positioning, which we are supporting with an increased marketing spend.

I am also pleased to report that the World Without Wires acquisition has been a tremendous addition and has provided Spirit with technology expertise within the 5G space. We are already providing four parts of the five proposed technologies of 5G. We believe we are not far away from delivering a 5G service within part of our network and this will open the door to the future of the internet for businesses and consumers in Australia.

Our goal is to drive Spirit's growth from the underpinning demand for data and dissatisfaction of service from the larger telecommunications companies. We understand the industry is under constant evolution and we will remain nimble and ready to adapt to change. We are now in the second horizon of Spirit's strategic plan and expect our investment in network and people to be reflected in the future success of our business. We are well positioned to continue profitable growth for our shareholders.

Finally, I wish to thank all staff and fellow Board members for their hard work and shareholders for the continued support.

JAMES JOUGHIN
CHAIR

ANNUAL REPORT LETTER TO SHAREHOLDERS

Dear Shareholders

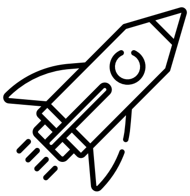
It gives me great pleasure to report to shareholders the highlights and notable events for this financial year 2017/2018 (FY18).

As stated by our Chairman in his opening letter, upon review of our strategic plan, the Board tasked my team to invest in the future of Spirit. This saw the development of our strategic pillars of Business Growth, Network Expansion, Product Leadership and Empowered, Tenacious, Connected People. These have been instrumental to the maturation of Spirit over the past year to ensure its long-term success, in a significantly transitioning marketplace. While FY18 was one of setting up for the future, we also created commendable growth.

BUSINESS GROWTH

Through a combination of the successful acquisition of World Without Wires ('Wires') along with organic growth, we have seen revenues rise by 41%. While the greater than expected run-off in lower margin legacy products impacted this figure, the continued strong performance of high-margin On-Net products led to a 55% increase in gross profit over FY18. The net increase in revenue over FY18 has been at a gross margin of 83%, boosting group margins from 63% in FY17 to 69% in FY18.

REVENUES UP 41%



In a year of major growth investment, operating expenses increased by over $3m for the company, adding key management personnel and increasing headcount by 50% (inclusive of the World Without Wires acquisition). Notwithstanding this, the Company grew underlying EBITDA by 47% to $3.0m in FY18.

Net profit after tax increased by 22% to $570,605 delivering an Earnings per share of 0.26 cents per share.

NETWORK EXPANSION

Spirit was able to expand its geographic footprint throughout the year, not only from the acquisition of 12,000km2 of network via the Wires acquisition, but also through organic network expansion.

Spirit's ability to deploy its own network provides it with significant cost advantages over larger competitors. While NBN resellers are subjected to an average marginal cost of $44 (targeting to increase to $52) when migrating customers to the NBN, Spirit's decision to implement its own network has reduced this figure to less than $10. This transition within the Telco sector highlights the significant opportunity presented to Spirit.

In December, Spirit raised $3 Million to continue expansion and development of its Fixed Wireless network. This will improve the redundancy and increase the speed and capacity of the Melbourne network, whilst reducing the amount of backhaul fibre. It will also be used to increase the speed and capacity of the former Wires network and support the geographic expansion in areas such as Byron Bay, NSW and Geelong, Victoria.

PRODUCT LEADERSHIP

Spirit is providing unparalleled internet services to Australians and is well equipped to do so as we embark on the next era of the internet in the form of 5G. We are already deploying four of the five proposed technologies that will make up this new standard of internet delivery, well ahead of larger Telcos.

This year saw the industry recognise Spirit's achievements across its business and technology. In November 2017 the company was given the accolade of Melbourne's fastest internet provider[1] by independent rating speed test provider Ookla. The unsolicited award was the result of statistically significant speed tests conducted on www.speedtest.net and shows that our network has the ability to beat the competition from larger players.

Additionally, leading industry publication Communications Day, commended Spirit in its Edison awards, in which we were nominated in the Best Fixed Wireless Operator 2018 and Best Broadband Provider 2018 categories.

EMPOWERED, TENACIOUS, CONNECTED PEOPLE

In line with Spirit's maturation, a number of senior executive positions were created to continue the company's growth. This saw the company enlist its first Chief Financial Officer, Sales Director, Chief Infrastructure Officer, People and Culture Manager and Project Manager. In addition, we welcomed our new Chief Marketing Officer who is tasked with bringing the Spirit message to new consumers. At the time of publication, the company's leadership team reflects the transition that the Board has implemented throughout the financial year.

Spirit now has three operational offices - the Melbourne Headquarters, our Queensland regional office and our operational support in Manilla. The development of each of these locations has driven the growth in overall team size by 50%. This has boosted the sales and marketing team and allowed for the development of a 24/7 Network Operations Centre (NOC).

This focus on the people behind our customer service, from enquiry to installation and after care, coupled with our Super-Fast, reliable speeds has earned Spirit a satisfied customer base. To gauge our ability to meet customer expectations Spirit conducts a Net Promotor Score (NPS) survey bi-annually. We were delighted to receive a rating of 46 across our customer segments. Such a score in any industry is impressive, but exceptionally so when compared to just the telecommunications sector.

NET PROMOTER SCORE

46% WELL ABOVE INDUSTRY AVERAGE

During the year we implemented our first team engagement survey, across the growing company. It delivered two key messages to the leadership team. Firstly, we have a highly engaged workforce that is excited by our network and our ability to be a product leader against much bigger competitors. Secondly, and more importantly, we have so much more potential within us, through improvement of our systems and processes, as well as our ability to learn and develop.

LOOKING FORWARD

At a time when Australia's reliance on the internet is continually increasing, Spirit's future success will be reliant on our ability to implement our long term strategic plan in line with our key pillars, as well as remaining nimble to move with new opportunities and the changing market.

Core amongst these will be the development of our network technology to continue to maintain our place as product leaders and supply Australia with the internet it deserves. This will see the company launch its '10Gig' network allowing us to provide our fastest speeds to date.

Next year and those that follow present huge opportunities for Spirit. We will continue to aggressively pursue top line growth, with a focus on the rewarding business sector, as well as the residential market.

Finally, I would like to thank the Spirit team, who have shown great willingness to adapt to our evolving needs and continue to be advocates of our products and services. Additionally, on behalf of myself and everyone at Spirit, I'd also like to show our appreciation to you, the shareholders, for your continued support.

GEOFF NEATE
MANAGING DIRECTOR

[1] Source: Ookla, LLC report November 2017

BOARD OF DIRECTORS

JAMES JOUGHIN

NON-EXECUTIVE CHAIR
Bachelor of Business, CPA, GAIDC
Spirit Board Member since 2016

James Joughin brings over 30 years of general corporate experience, having been a senior partner of Ernst & Young until 2013. He was a partner for 17 years and headed the Mergers and Acquisitions division in Melbourne.

James is also an experienced company director and holds non-executive directorships of several private and public companies. He is currently chair of a private engineering and planning group and previously chair of the finance and risk committee at both private and not for profit organisations.

For most of his career, James has been providing advice to boards in relation to growth strategies, improving shareholder value, mergers and acquisitions, funding (both debt and equity) and IPOs (Initial Public Offerings).

GEOFF NEATE

MANAGING DIRECTOR
Bachelor of Business (Monash), Masters of Marketing (Melb)
Spirit Board Member since 2005.

Geoff is a co-founder of Spirit Telecom, starting the business in 2005.

Geoff has been a senior executive with several established organisations such as Primus Telecom, RACV, Telstra and Lend Lease Corporate Services.

His three years at Primus Telecom as General Manager of the Consumer Division, included managing nearly 500 staff, $8 million marketing spend and $47 million operational expenses.

With over 20 years experience in telecommunications, he has witnessed the industry transform and has shaped Spirit's activities accordingly.

TERENCE GRAY

NON-EXECUTIVE DIRECTOR
B.Bus, Grad Dip App Fin
Spirit Board Member since 2014

Terence is a corporate consultant to Lodge Partners Pty Ltd offering investment management and corporate advisory services.

He has over 20 years financial markets experience including funds management and corporate finance.

Terence has held roles as Head of Equities at ANZ Funds Management, Chief Investment Officer at Allianz Equity Management, Head of Research, Allianz Dresdner Asset Management and Director of Corporate Finance, Grange Securities.

He has deep knowledge of funds management and the Australian equity market. His grounding as an institutional investor running large investment teams and as a corporate advisor to junior companies provides insight and expertise in company valuation, corporate fund raising and M&A activity.

LUKE WALDREN

NON-EXECUTIVE DIRECTOR
Spirit Board Member since 2017

Luke has over 30 years experience in Advertising, Communications and Marketing, having held senior roles in Australia and the USA. Previous roles include several agency roles, culminating as Chief Executive Officer of Grey Group Australia (WPP).

In 2014 Mr Waldren moved across and joined Sportsbet as General Manager, Marketing and will commence with TABCorp as Executive General Manager in September 2018.

DIRECTORS' REPORT

Spirit Telecom Limited
Directors' report
30 June 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Spirit Telecom Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors

The following persons were directors of Spirit Telecom Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr James Joughin (Non-Executive Chairman)
Mr Geoff Neate (Managing Director)
Mr Terence Gray (Non-Executive Director)
Mr Luke Waldren (Non-Executive Director) (appointed 1 October 2017)

Principal activities

During the financial year the principal activities of the consolidated entity consisted of:

- The provision of telecommunications services whereby Spirit provides Superfast Internet and ancillary services to a range of residential and commercial buildings primarily in Melbourne, Sydney, Sunshine Coast, Gold Coast and Northern New South Wales.
- Completing the acquisition of World Without Wires Pty Ltd, with effective control gained on 1 July 2017.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The profit for the Consolidated Entity after providing for income tax amounted to $570,605 (30 June 2017: $468,392).

The net assets of the Consolidated Entity increased by $9,544,866 to $15,509,501 as at 30 June 2018 (30 June 2017: $5,964,635). During the financial year, the Consolidated Entity undertook two capital raisings which resulted in raising $4,500,000 before costs, in conjunction with the acquisition of the World Without Wires acquisition and to support further growth and expansion. The Consolidated Entity also raised a total of $3,134,775 through the exercise of 15,922,267 listed STIO options at $0.19688 (19.688 cents) per option during the financial year.

The Consolidated Entity's working capital, being current assets less current liabilities was $3,200,404 at 30 June 2018 (2017: negative $573,067). Working capital includes $1,200,000 of senior debt amortisation to be made during the course of the financial year ending 30 June 2019. During the financial year the Consolidated Entity had net cash inflows from operating activities of $1,690,314 (2017: $1,387,652).

During the period the Consolidated Entity deployed and expanded its Superfast Internet and, where applicable, ancillary services into buildings. The Consolidated Entity's on-net buildings now exceed 500, throughout Victoria, NSW and Queensland.

Significant changes in the state of affairs

On 25 August 2017 the Consolidated Entity announced the acquisition of World Without Wires Pty Ltd for $4,635,655 supported by a $1,500,000 capital raising and a $2,220,000 additional debt facility.

On 30 August 2017 the Consolidated Entity issued 12,500,000 fully paid ordinary shares at an issue price of $0.12 (12 cents) per share to institutional and sophisticated investors, raising a total of $1,500,000 before costs. The proceeds were utilised to partially fund the acquisition of World Without Wires Pty Ltd.

On 4 September 2017 the Consolidated Entity issued 10,595,785 fully paid ordinary shares at a deemed issue price of $0.14 (14 cents) per share to the vendors as completion shares in relation to the acquisition of World Without Wires Pty Ltd.

On 5 September 2017 the Consolidated Entity issued 599,400 fully paid ordinary shares, upon conversion of vested performance rights.

On 10 October 2017 the Consolidated Entity issued 91,663 fully paid ordinary shares to selected employees as an incentive payment.

On 11 December 2017 the Consolidated Entity issued 20,000,000 fully paid ordinary shares at an issue price of $0.15 (15 cents) per share raising a total of $3,000,000 before costs. The proceeds will be utilised to fund growth initiatives.

On 27 March 2018 the Consolidated Entity issued 10,893,313 fully paid ordinary shares at an issue price of $0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 18 April 2018 the Consolidated Entity issued 5,028,627 fully paid ordinary shares at an issue price of $0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 21 May 2018 the Consolidated Entity issued 327 fully paid ordinary shares at an issue price of $0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial year.

Matters subsequent to the end of the financial year
On 6 July 2018 the Consolidated Entity issued 1,200,600 fully paid ordinary shares, upon conversion of vested performance rights.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Likely developments and expected results of operations
The Consolidated Entity is well placed to continue its recent growth trajectory in FY19 and is expected to generate an increase in revenue consistent with prior years. The increased use of the Spirit Air model of delivery is expected to further improve gross margins and provide overall better capital returns on top of the attractive margins already received from the Fibre To The Basement (FTTB) model. The acquisition of World Without Wires Pty Ltd has provided opportunities to realise increased network efficiencies and growth through a vastly expanded network.

Environmental regulation
The Consolidated Entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Mr James Joughin
Title:	Non-Executive Chairman
Qualifications:	Bachelor of Business, CPA, GAIDC
Experience and expertise:	James Joughin brings over 30 years of general corporate experience, having been a senior partner of Ernst & Young until 2013. He was a partner of that firm for 17 years and headed the Mergers and Acquisitions division in Melbourne. James is also an experienced company director and holds non-executive directorships of a number of private companies and a public company. He is currently chair of a private engineering and planning group and previously chair of the finance and risk committee at both private and not for profit organisations. For most of his career, James has been providing advice to Boards in relation to growth strategies, improving shareholder value, mergers and acquisitions, funding (both debt and equity) and IPOs (Initial Public Offerings).
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of the Audit and Risk Committee, Member of the Remuneration and Nomination Committee.
Interests in shares:	1,199,856 fully paid ordinary shares
Interests in options:	1,250,000 unlisted options

Name:	Mr Geoff Neate
Title:	Managing Director
Qualifications:	Bachelor of Business (Monash), Master of Marketing (Melb)
Experience and expertise:	Geoff is a co-founder of Spirit Telecom, starting the business in 2005. Geoff has been a senior executive with several established organisations such as Primus Telecom, RACV, Telstra and Lend Lease Corporate Services. His three years at Primus Telecom as General Manager of the Consumer Division included managing nearly 500 staff, an $8 million marketing spend and $47 million in operational expenses. With over 20 years' experience in telecommunications, he has witnessed the industry transform and has shaped Spirit's activities accordingly.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	33,641,181 fully paid ordinary shares
Interests in options:	10,698,786 listed options with exercise price of $0.19688 (19.6 cents), expiring 31 July 2019
Interests in rights:	770,000 performance rights

Name:	Mr Terence Gray
Title:	Non-Executive Director
Qualifications:	B.Bus, Grad Dip App Fin
Experience and expertise:	Terence is a corporate consultant to Lodge Partners Pty Ltd offering investment management and corporate advisory services. He has over 20 years' financial markets experience including funds management and corporate finance. Terence has held roles as Head of Equities at ANZ Funds Management, Chief Investment Officer at Allianz Equity Management, Head of Research with Allianz Dresdner Asset Management and Director of Corporate Finance with Grange Securities. He has deep knowledge of funds management and the Australian equity market. His grounding as an institutional investor running large investment teams and as a corporate advisor to junior companies provides insight and expertise in company valuation, corporate fund raising and M&A activity.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Chairman of the Audit and Risk Committee, member of the Remuneration and Nomination Committee.
Interests in shares:	1,662,676 fully paid ordinary shares
Interests in options:	162,684 listed options with exercise price of $0.19688 (19.6 cents), expiring 31 July 2019; 1,250,000 unquoted options with exercise price of $0.19 (19 cents), expiring 24 November 2019

Name:	Mr Luke Waldren
Title:	Non-Executive Director (appointed 1 October 2017)
Experience and expertise:	Mr Waldren has over 30 years' experience in Advertising, Communications and Marketing, having held senior roles in Australia and USA. Previous roles include several agency roles, culminating as Chief Executive Officer of Grey Group Australia (WPP). In 2014 Mr Waldren moved across to joined Sportsbet as General Manager, Marketing and will commence with TABCorp as Executive General Manager in September 2018.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Chairman of the Remuneration and Nomination Committee, member of the Audit and Risk Committee.
Interests in shares:	Nil
Interests in options:	Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Ms Melanie Leydin, CA

Ms Leydin has 25 years' experience in the accounting profession including 13 years in the Corporate Secretarial professions and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, she has been the principal of Leydin Freyer, specialising in outsourced company secretarial and financial duties.

Meetings of directors
The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr James Joughin	13	13	1	1	2	2
Mr Geoff Neate	13	13	-	-	-	-
Mr Terence Gray	13	13	1	1	2	2
Mr Luke Waldren	8	9	1	1	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the Consolidated Entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the Consolidated Entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Consolidated Entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, particularly growth in share price, and delivering constant or increasing return on capital as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration
The annual non-executive Directors' fees for the financial year are $80,000 per annum payable to the Chairman, and $60,000 per annum payable to each other non-executive Director.

Under the Constitution the Directors decide the total amount paid to each Director as remuneration for their services. Under ASX Listing Rules, the total amount paid to all non-executive Directors must not exceed in total in any financial year the amount fixed at the general meeting of the Company held on 23 November 2017, which is presently $300,000. Remuneration must not include a commission on, or a percentage of, the profits or income of the Company.

Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently of the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

Directors may also be reimbursed for travel and other expenses incurred in attending to the Company's affairs.

Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as a Director of the Company.

There are no proposed retirement benefit schemes for Directors other than statutory superannuation contributions.

Non-executive directors do not receive share options or other incentives.

Executive remuneration
The Consolidated Entity aims to reward executives based on their position and responsibility with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- long term incentives in the form of share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Consolidated Entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Consolidated Entity and provides additional value to the executive.

Consolidated entity performance and link to remuneration
As many of the executive joined during the course of the financial year, remuneration for certain individuals is not currently directly linked to performance of the Consolidated Entity. An individual member of staff's performance assessment is carried out by reference to their contribution to the Company's overall operational achievements.

Voting and comments made at the Company's 23 November 2017 Annual General Meeting ('AGM')
At the 23 November 2017 AGM, 98.55% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the Consolidated Entity are set out in the following tables.

The key management personnel of the Consolidated Entity consisted of the following directors of Spirit Telecom Limited:
- James Joughin, Non-Executive Chairman
- Geoff Neate, Managing Director
- Terence Gray, Non-Executive Director
- Luke Waldren, Non-Executive Director (appointed 1 October 2017)
- Donovan Newton, Chief Financial Officer (appointed 3 July 2017)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2018	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
James Joughin	80,000	-	-	-	-	20,833	100,833
Terence Gray	60,000	-	-	-	-	20,833	80,833
Luke Waldren*	45,000	-	-	-	-	-	45,000
Executive Directors:							
Geoff Neate	305,158	27,273	-	33,243	4,752	32,853	403,279
Other Key Management Personnel:							
Donovan Newton	230,000	-	-	23,000	-	-	253,000
	720,158	27,273	-	56,243	4,752	74,519	882,945

* Mr Luke Waldren was appointed as a Director on 1 October 2017.

The remuneration table for 2017 listed below relates to that of the legal parent entity (Spirit Telecom Ltd, previously Arunta Resources Limited) and Sprit Telecom (Australia) Pty Ltd for the 12 months to 30 June 2017.

> In November 2017 the company was given the accolade of **Melbourne’s fastest internet provider** by independent rating speed test provider Ookla.

GEOFF **NEATE**

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2017	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
James Joughin	60,000	-	-	-	-	12,214	72,214
Terence Gray	30,000	-	-	-	-	12,214	42,214
Executive Directors:							
Geoff Neate	299,352	30,000	-	29,935	4,759	19,622	383,668
	389,352	30,000	-	29,935	4,759	44,050	498,096

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2018	2017	2018	2017	2018	2017
Non-Executive Directors:						
James Joughin	79%	83%	-	-	21%	17%
Terence Gray	74%	71%	-	-	26%	29%
Luke Waldren	100%	-	-	-	-	-
Executive Directors:						
Geoff Neate	85%	87%	7%	8%	8%	5%

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Geoff Neate
Title:	Managing Director
Agreement commenced:	24 June 2016
Term of agreement:	No fixed term. The Company may terminate the agreement by giving six months' notice. The Company may make payment in lieu of part or all of the notice period. Mr Neate may terminate his employment agreement by providing the Company with 3 months written notice.
Details:	Fixed remuneration of $305,158 per annum, plus statutory superannuation contributions. Mr Neate will be eligible to receive a short term incentive from the Company (STI) which will be structured as a cash payment subject to achievement of relevant key financial and non-financial milestones. Mr Neate’s maximum entitlement to receive an STI is 30% of his Base Salary with the key milestones to be achieved by no later than 30 June 2018. Mr Neate is also eligible to receive a long term incentive subject to shareholder and all other regulatory approvals. The Company proposes to grant the issue of up to $100,000 performance rights subject to achievement of relevant TSR and return on capital measures.

Name:	Donovan Newton
Title:	Chief Financial Officer
Agreement commenced:	3 July 2017
Term of agreement:	No fixed term. The Company may terminate the agreement by giving two months' notice. The Company may make payment in lieu of part or all of the notice period. Mr Newton may terminate his employment agreement by providing the Company with two months written notice.
Details:	Fixed remuneration of $230,000 per annum, plus statutory superannuation contributions. Mr Newton will be eligible to receive a short term incentive from the Company (STI) which will be structured as a cash payment subject to achievement of relevant key financial and non-financial milestones. Mr Newton's maximum entitlement to receive an STI is 25% of his Base Salary with the key milestones to be achieved by no later than 30 June 2018. Mr Newton is also eligible to receive a long term incentive subject to shareholder and all other regulatory approvals.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
24 November 2016	24 Nov 2018	24 Nov 2019	$0.190	$0.0060

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
James Joughin	1,250,000	24 Nov 2016	24 Nov 2018	24 Nov 2019	$0.190	$0.0060
Terry Gray	1,250,000	24 Nov 2016	24 Nov 2018	24 Nov 2019	$0.190	$0.0060

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Number of options granted during the year 2018	Number of options granted during the year 2017	Number of options vested during the year 2018	Number of options vested during the year 2017
James Joughin	-	1,250,000	-	-
Terry Gray	-	1,250,000	-	-

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
24 November 2016	24 Nov 2019	24 Nov 2019	$0.000	$0.0250

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
Geoff Neate	770,000	24 Nov 2016	24 Nov 2019	24 Nov 2019	$0.000	$0.0250

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Number of rights granted during the year 2018	Number of rights granted during the year 2017	Number of rights vested during the year 2018	Number of rights vested during the year 2017
Geoff Neate	-	770,000	-	-

Additional information

The earnings of the Consolidated Entity for the three years to 30 June 2018 are summarised below:

	2018 $	2017 $	2016 $
Revenue and other income	16,299,985	11,539,129	8,855,488
Net profit/(loss) before tax	1,031,166	829,452	(2,858,066)
Net profit/(loss) after tax	570,605	468,392	(2,336,065)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director of the Company and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Other	Balance at the end of the year
Ordinary shares					
James Joughin	1,039,856	-	160,000	-	1,199,856
Geoff Neate	33,241,181	-	400,000	-	33,641,181
Terry Gray	1,662,676	-	-	-	1,662,676
	35,943,713	-	560,000	-	36,503,713

Option holding
The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Geoff Neate	10,698,786	-	-	-	10,698,786
Terry Gray	1,412,684	-	-	-	1,412,684
James Joughin	1,250,000	-	-	-	1,250,000
	13,361,470	-	-	-	13,361,470

Performance rights holding
The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Geoff Neate	770,000	-	-	-	770,000
	770,000	-	-	-	770,000

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Spirit Telecom Limited under option at the date of this report are as follows:

Description	Expiry date	Exercise price	Number under option
Listed options (ASX:ST1O)	31 July 2019	$0.196	28,732,256
Unlisted options	24 November 2019	$0.190	2,500,000
			31,232,256

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares under performance rights
Unissued ordinary shares of Spirit Telecom Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Number under rights
24 Nov 2016	24 Nov 2019	770,000

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options
The following ordinary shares of Spirit Telecom Limited were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
August 2014	$0.196	10,893,313
August 2014	$0.196	5,028,627
August 2014	$0.196	327
		15,922,267

Shares issued on the exercise of performance rights
The following ordinary shares of Spirit Telecom Limited were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Number of shares issued
6 July 2018	1,200,600

Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Company for costs incurred in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The Company has not during or since the end of the financial year indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of PKF Melbourne Audit & Assurance Pty Ltd
There are no officers of the Company who are former partners of PKF Melbourne Audit & Assurance Pty Ltd

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
PKF Melbourne Audit & Assurance Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

James Joughin
Non-Executive Chairman

27 August 2018

AUDITOR'S INDEPENDENCE DECLARATION

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF SPIRIT TELECOM LIMITED

In relation to our audit of the financial report of Spirit Telecom Limited for the year ended 30 June 2018, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

PKF
Melbourne, 27 August 2018

Steven Bradby
Partner

PKF Melbourne
Audit & Assurance Pty Ltd
ABN 75 600 749 184

Liability limited by a scheme approved under Professional Standards Legislation

Melbourne

Level 12, 440 Collins Street
Melbourne VIC 3000 Australia

p +61 3 9679 2222
f +61 3 9679 2288

FINANCIAL STATEMENTS

Spirit Telecom Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Revenue	5	16,200,241	11,468,993
Other income	6	99,744	70,136
Expenses			
Depreciation and amortisation expense	7	(1,276,634)	(731,255)
Share based payments		(142,693)	(137,383)
Cost of sales		(5,041,434)	(4,248,690)
Administration		(7,428,562)	(4,778,447)
Business acquisition & integration costs		(301,839)	(317,108)
Selling		(147,411)	(8,351)
Marketing		(640,743)	(312,245)
Finance costs	7	(289,503)	(176,198)
Profit before income tax expense		1,031,166	829,452
Income tax expense	8	(460,561)	(361,060)
Profit after income tax expense for the year attributable to the owners of Spirit Telecom Limited	24	570,605	468,392
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Spirit Telecom Limited		570,605	468,392
		Cents	**Cents**
Basic earnings per share	37	0.26	0.27
Diluted earnings per share	37	0.26	0.27

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Spirit Telecom Limited
Statement of financial position
As at 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Assets			
Current assets			
Cash and cash equivalents	9	4,631,019	1,211,469
Trade and other receivables	10	398,810	1,248,217
Inventories	11	415,761	60,352
Income tax refund due		-	55,782
Other	12	602,652	61,653
Total current assets		6,048,242	2,637,473
Non-current assets			
Receivables		43,676	54,195
Property, plant and equipment	13	6,444,558	3,294,653
Intangibles	14	8,970,852	5,576,988
Deferred tax	15	480,931	715,927
Total non-current assets		15,940,017	9,641,763
Total assets		21,988,259	12,279,236
Liabilities			
Current liabilities			
Trade and other payables	16	1,293,778	2,204,537
Borrowings	17	1,200,000	874,870
Income tax		48,743	-
Provisions	18	305,317	131,133
Total current liabilities		2,847,838	3,210,540
Non-current liabilities			
Borrowings	19	3,600,000	2,980,783
Provisions	20	15,655	123,278
Other	21	15,265	-
Total non-current liabilities		3,630,920	3,104,061
Total liabilities		6,478,758	6,314,601
Net assets		15,509,501	5,964,635
Equity			
Issued capital	22	18,140,872	9,298,343
Reserves	23	275,311	143,579
Accumulated losses	24	(2,906,682)	(3,477,287)
Total equity		15,509,501	5,964,635

The above statement of financial position should be read in conjunction with the accompanying notes

Spirit Telecom Limited
Statement of changes in equity
For the year ended 30 June 2018

Consolidated	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2016	7,112,970	6,196	(3,904,970)	3,214,196
Profit after income tax expense for the year	-	-	468,392	468,392
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	468,392	468,392
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 22)	2,265,990	-	-	2,265,990
Share-based payments (note 38)	-	137,383	-	137,383
Adjustment to deemed value of AJR shares upon acquisition	-	-	(40,709)	(40,709)
Capital raising costs	(80,617)	-	-	(80,617)
Balance at 30 June 2017	9,298,343	143,579	(3,477,287)	5,964,635

Consolidated	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2017	9,298,343	143,579	(3,477,287)	5,964,635
Profit after income tax expense for the year	-	-	570,605	570,605
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	570,605	570,605
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 22)	8,842,529	-	-	8,842,529
Share-based payments (note 38)	-	131,732	-	131,732
Balance at 30 June 2018	18,140,872	275,311	(2,906,682)	15,509,501

The above statement of changes in equity should be read in conjunction with the accompanying notes

Spirit Telecom Limited
Statement of cash flows
For the year ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		17,467,123	12,411,905
Payments to suppliers and employees (inclusive of GST)		(15,522,874)	(10,785,821)
		1,944,249	1,626,084
Interest received		19,656	17,933
Interest and other finance costs paid		(234,956)	(176,196)
Income taxes paid		(38,635)	(80,169)
Net cash from operating activities	36	1,690,314	1,387,652
Cash flows from investing activities			
Payments for property, plant and equipment		(2,766,724)	(1,910,473)
Payments for intangibles		(700,788)	(261,293)
Net proceeds of cash and loans from acquisition of business		-	310,023
Net payments to acquire business	33	(3,011,006)	(4,400,293)
Proceeds from disposal of property, plant and equipment		24,000	9,750
Net cash used in investing activities		(6,454,518)	(6,252,286)
Cash flows from financing activities			
Proceeds from issue of shares	22	7,634,719	2,251,990
Share issue transaction costs		(395,312)	(80,597)
Proceeds from borrowings		6,000,000	4,200,000
Repayment of borrowings		(5,055,653)	(2,549,548)
Net cash from financing activities		8,183,754	3,821,845
Net increase/(decrease) in cash and cash equivalents		3,419,550	(1,042,789)
Cash and cash equivalents at the beginning of the financial year		1,211,469	2,254,258
Cash and cash equivalents at the end of the financial year	9	4,631,019	1,211,469

The above statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

Note 1. General information

The financial statements cover Spirit Telecom Limited as a Consolidated Entity consisting of Spirit Telecom Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars which is Spirit Telecom Limited's functional and presentation currency.

Spirit Telecom Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Level 4, 100 Albert Road South Melbourne Victoria 3205	Level 2, 19-25 Raglan Street South Melbourne Victoria 3205

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 August 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 32.

Note 2. Significant accounting policies (continued)

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Spirit Telecom Limited ('Company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Spirit Telecom Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition
Revenue is recognised and measured at the fair value of the consideration received or receivable, after taking into account any trade discounts and volume rebates allowed, to the extent that it is probable that economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured.

Non-recurring revenue
Call charges, hardware sales and set-up charges are recognised in the period in which the service is delivered.

Recurring revenue
Internet access, equipment rentals and line rentals are recognised in the period in which the service is provided. Where Income for services is invoiced in advance, the amount is recorded as Unearned Income and recognition in the income statement is delayed until the service has been provided.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Significant accounting policies (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories
Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation commences from the time the asset is available for its intended use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Note 2. Significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Leasehold improvements	7 – 10 years
Plant and equipment	2 – 10 years
Motor vehicles	4 – 5 years
Furniture and fixtures	2 – 10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date to ensure it is not in excess of the assets recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted in determining recoverable amounts.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Consolidated Entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Note 2. Significant accounting policies (continued)

Goodwill
Goodwill is recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired at date of acquisition.

Goodwill is subsequently measured at cost less any impairment losses.

Goodwill is subject to impairment testing on an annual basis. Impairment losses are calculated based on the director's assessment of the business's recoverable amount. Recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit being their finite life of 3 years.

Other intangible assets
Other intangible assets that are acquired by the Consolidated Entity and have finite lives are stated at cost less accumulated amortisation and any accumulated impairment losses.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Non-accumulating sick leave is expensed to profit or loss when incurred.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 2. Significant accounting policies (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business the Consolidated Entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Note 2. Significant accounting policies (continued)

Where the business combination is achieved in stages, the Consolidated Entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Spirit Telecom Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the tax authority are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have been issued or amended but are not yet mandatory have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2018. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018 and will be adopted by the Consolidated Entity from 1 July 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures assessed by the consolidated entity to have immaterial impact.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018 and will be adopted by the Consolidated Entity from 1 July 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The likely impact of its adoption has been assessed by the Consolidated Entity with particular emphasis on up front and non-recurring revenues and hardware sales, and is not expected to have a material impact on the Consolidated Entity. Recurring revenues are typically invoiced monthly for services rendered and as such are not expected to be impacted.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

This standard:
- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for ‘on-balance sheet’ by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117;
- requires new and different disclosures about leases.

The consolidated entity will adopt this standard from 1 July 2019. The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity’s preliminary assessment, the likely impact on the first time adoption of the Standard for the half year ending 31 December 2019 includes:
- there will be an increase in lease assets and financial liabilities recognised on the statement of financial position; and
- Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on various other factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Estimation of useful lives of assets
The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or other events. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or impaired.

Goodwill and other indefinite life intangible assets
The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of property, plant and equipment
The Consolidated Entity assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Business combinations
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Consolidated Entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 4. Operating segments

Identification of reportable operating segments
The Consolidated Entity is organised into one operating segment, being the provision of high speed internet and telecommunications services, to commercial and residential customers within Australia.

Major customers
During the year ended 30 June 2018 there are no individual customers which accounted for 5% or more of sales.

Note 5. Revenue

	Consolidated 2018 $	Consolidated 2017 $
Sales revenue		
Sales revenue	16,170,970	11,451,060
Other revenue		
Interest	29,271	17,933
Revenue	16,200,241	11,468,993

Note 6. Other income

	Consolidated 2018 $	Consolidated 2017 $
Government grants	37,584	15,670
Profit on sale of assets	(1,541)	1,297
Sundry income	63,701	53,169
Other income	99,744	70,136

"We are already providing four parts of the five proposed technologies of 5G. We believe we are not far away from **delivering a 5G service** within part of our network and this will open the door to the future of the internet for businesses and consumers in Australia."

JAMES **JOUGHIN**

Note 7. Expenses

	Consolidated 2018 $	Consolidated 2017 $
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	1,591	1,711
Plant and equipment	1,162,121	683,571
Motor vehicles	16,793	9,205
Furniture and fixtures	31,249	10,494
Total depreciation	1,211,754	704,981
Amortisation		
Software	12,954	12,463
Other intangibles	51,926	13,811
Total amortisation	64,880	26,274
Total depreciation and amortisation	1,276,634	731,255
Finance costs		
Interest and finance charges paid/payable	289,503	176,198
Superannuation expense		
Defined contribution superannuation expense	324,503	175,580
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	3,767,311	2,012,239
Impairment of receivables		
Bad debts*	40,892	(84,525)

*The Consolidated Entity has recognised a loss of $40,892 in profit or loss in respect of impairment of receivables for the year ended 30 June 2018.

Note 8. Income tax expense

	Consolidated 2018 $	Consolidated 2017 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	1,031,166	829,452
Tax at the statutory tax rate of 27.5% (2017: 30%)	283,571	248,836
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
WWW/Phone Names acquisition	83,147	48,465
Share options and employee shares scheme	39,241	45,415
Other balances and permanent differences	54,602	18,344
Income tax expense	460,561	361,060

Note 9. Current assets - cash and cash equivalents

	Consolidated 2018 $	Consolidated 2017 $
Cash at bank	546,770	1,211,469
Cash on deposit	4,084,249	-
	4,631,019	1,211,469

Note 10. Current assets - trade and other receivables

	Consolidated 2018 $	Consolidated 2017 $
Trade receivables	454,407	1,282,011
Less: Provision for impairment of receivables	(91,862)	(38,101)
	362,545	1,243,910
Other receivables	36,265	4,307
	398,810	1,248,217

Change in receivables from 2017 to 2018
During the period a change in the billing cycle was instigated which had the effect of more appropriately aligning invoicing with revenue recognition. The impact of this change reduces both the receivables and unearned income at the end of each period.

Impairment of receivables
The Consolidated Entity retains a provision of $91,682 in respect of impairment of receivables for the year ended 30 June 2018.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated 2018 $	Consolidated 2017 $
3 to 6 months overdue	30,152	10,446
Over 6 months overdue	61,710	27,655
	91,862	38,101

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2018 $	Consolidated 2017 $
Opening balance	38,101	87,638
Additions and releases	53,761	(49,537)
Closing balance	91,862	38,101

Note 11. Current assets - inventories

	Consolidated 2018 $	Consolidated 2017 $
Stock on hand - at cost	415,761	60,352

The increase in stock on hand is a result of acquisition of World Without Wires which has traditionally held higher inventory balances of items with longer lead times in addition to components required as part of network expansion activities.

Note 12. Current assets - other

	Consolidated 2018 $	Consolidated 2017 $
Accrued revenue	211,623	-
Prepayments	391,029	61,653
	602,652	61,653

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2018 $	Consolidated 2017 $
Leasehold improvements - at cost	30	10,736
Less: Accumulated depreciation	(3)	(6,650)
	27	4,086
Plant and equipment - at cost	8,907,954	4,879,112
Less: Accumulated depreciation	(2,833,950)	(1,673,793)
	6,074,004	3,205,319
Motor vehicles - at cost	84,101	50,610
Less: Accumulated depreciation	(21,763)	(9,938)
	62,338	40,672
Furniture & Fixtures at Cost	406,143	111,282
Less: Accumulated depreciation	(97,954)	(66,706)
	308,189	44,576
	6,444,558	3,294,653

Note 13. Non-current assets - property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $	Plant and equipment $	Motor vehicles $	Furniture & Fixtures $	Total $
Balance at 1 July 2016	5,673	2,033,576	31,822	26,543	2,097,614
Additions	124	1,855,314	26,508	28,527	1,910,473
Disposals	-	-	(8,453)	-	(8,453)
Depreciation expense	(1,711)	(683,571)	(9,205)	(10,494)	(704,981)
Balance at 30 June 2017	4,086	3,205,319	40,672	44,576	3,294,653
Additions	-	2,487,529	-	294,862	2,782,391
Additions through business combinations	-	1,543,276	60,000	-	1,603,276
Disposals	(2,469)	-	(21,541)	-	(24,010)
Depreciation expense	(1,590)	(1,162,120)	(16,793)	(31,249)	(1,211,752)
Balance at 30 June 2018	27	6,074,004	62,338	308,189	6,444,558

Property, plant and equipment secured under finance leases
Refer to note 30 for further information on property, plant and equipment secured under finance leases.

Note 14. Non-current assets - intangibles

	Consolidated 2018 $	Consolidated 2017 $
Goodwill - at cost	6,196,853	3,317,607
Software and projects - at cost	866,832	310,731
Less: Accumulated amortisation	(96,223)	(31,341)
	770,609	279,390
Indefinite life intangible assets - at cost	2,003,390	1,979,991
	8,970,852	5,576,988

Note 14. Non-current assets - intangibles (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below. (Note: in the following table, comparative amounts for the year ended 30 June 2017 have been restated to reflect transfers in the financial year ended 30 June 2018):

Consolidated	Goodwill at cost $	Indefinite life intangibles at cost $	Software & projects at cost $	Total $
Balance at 1 July 2016	480,274	576,891	27,326	1,084,491
Additions	-	272,041	13,000	285,041
Additions through business combinations (note 33)	2,837,333	1,396,397	-	4,233,730
Amortisation expense	-	(13,857)	(12,417)	(26,274)
Balance at 30 June 2017	3,317,607	2,231,472	27,909	5,576,988
Additions	-	23,399	556,101	579,500
Additions through business combinations (note 33)	2,879,246	-	-	2,879,246
Transfers in/(out)	-	(251,481)	251,481	-
Amortisation expense	-	-	(64,882)	(64,882)
Balance at 30 June 2018	6,196,853	2,003,390	770,609	8,970,852

Goodwill & Intangible Assets with Indefinite Lives
Impairment Tests for cash generating units containing goodwill and indefinite life intangibles

At 30 June 2018 Spirit's Intangible assets, including goodwill were reviewed by identifying the appropriate cash generating units specific to the individual carrying amount. Discounted cash flow models are designed to determine whether an impairment has occurred. Determining whether goodwill and indefinite life intangibles are impaired involves estimating the value-in-use of the CGU's to which the intangibles have been allocated. The model takes into account the following;

- A discount rate 11.3% is applied to factor in associated risks
- All costs associated with the cash generating unit are applied
- Revenues are applied with conservative growth rates
- Current year data has been used in calculating PV of cashflows
- Models are built with 5 years of data and reviewed annually

The cash flow projections are prepared with a conservative approach, including a zero-growth rate. Upon applying the tests across both intangible assets, including goodwill, it was concluded that no impairment had occurred.

Note 15. Non-current assets - deferred tax

	Consolidated 2018 $	Consolidated 2017 $
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	90,249	81,884
Expenses deductible in future periods	143,088	149,933
Other provisions/accruals	98,932	-
Tax credits from tax losses	148,662	484,110
Deferred tax asset	480,931	715,927

Variation to tax expense movement includes tax receivables and other adjustments.

Note 16. Current liabilities - trade and other payables

	Consolidated 2018 $	Consolidated 2017 $
Trade payables	210,910	610,502
Unearned revenue	227,425	794,349
GST payable	41,004	62,155
Other payables	814,439	737,531
	1,293,778	2,204,537

Refer to note 26 for further information on financial instruments.

Change in unearned revenue from 2017 to 2018
During the period a change in the billing cycle was instigated which had the effect of more appropriately aligning invoicing with revenue recognition. The impact of this change reduces both the receivables and unearned income at the end of each period.

Note 17. Current liabilities - borrowings

	Consolidated 2018 $	Consolidated 2017 $
Bank loans	1,200,000	840,000
Hire purchase	-	34,870
	1,200,000	874,870

Refer to note 26 for further information on financial instruments.

Note 18. Current liabilities - provisions

	Consolidated 2018 $	Consolidated 2017 $
Annual leave	168,251	131,133
Long service leave	137,066	-
	305,317	131,133

Note 19. Non-current liabilities - borrowings

	Consolidated 2018 $	Consolidated 2017 $
Bank loans	3,600,000	2,940,000
Hire purchase	-	40,783
	3,600,000	2,980,783

Refer to note 26 for further information on financial instruments.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated 2018 $	Consolidated 2017 $
Bank loans	4,800,000	3,780,000
Hire purchase	-	75,653
	4,800,000	3,855,653

Assets pledged as security
The bank loan of $4,800,000 is secured first over the assets and undertakings of Spirit Telecom Limited, Spirit Telecom (Australia) Pty Ltd, Phone Name Marketing Australia Pty Ltd and World Without Wires Pty Ltd.

Note 20. Non-current liabilities - provisions

	Consolidated 2018 $	Consolidated 2017 $
Long service leave	15,655	123,278

Note 21. Non-current liabilities - other

	Consolidated 2018 $	Consolidated 2017 $
Other non-current liabilities	15,265	-

Note 22. Equity - issued capital

	Consolidated			
	2018 Shares	2017 Shares	2018 $	2017 $
Ordinary shares - fully paid	243,759,535	184,050,420	18,140,872	9,298,343

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2016	836,207,860		7,112,970
Issue of shares	6 October 2016	636,356	$0.022	14,000
Issue of shares	13 December 2016	83,407,037	$0.027	2,251,990
Share consolidation/split	16 March 2017	(736,200,833)	$0.000	-
Costs of capital raising		-	$0.000	(80,617)
Balance	30 June 2017	184,050,420		9,298,343
Issue of shares	30 August 2017	12,500,000	$0.120	1,500,000
Issue of shares	04 September 2017	10,595,785	$0.140	1,483,410
Conversion of vested performance rights	05 September 2017	599,400	$0.000	-
Issue of shares	10 October 2017	91,663	$0.120	10,959
Placement	11 December 2017	20,000,000	$0.150	3,000,000
Exercise of Options	27 March 2018	10,893,313	$0.196	2,144,675
Exercise of Options	18 April 2018	5,028,627	$0.196	990,036
Exercise of Options	21 May 2018	327	$0.196	64
Costs of capital raising		-	$0.000	(286,615)
Balance	30 June 2018	243,759,535		18,140,872

Movements in listed options

Details	Date	Listed options	$
Balance	1 July 2016	223,272,153	-
Share consolidation/split	16 March 2017	(178,617,630)	-
Balance	30 June 2017	44,654,523	-
Exercise of Options	27 March 2018	(10,893,313)	-
Exercise of Options	18 April 2018	(5,028,627)	-
Exercise of Options	21 May 2018	(327)	-
Balance	30 June 2018	28,732,256	-

Movements in unquoted options

Details	Date	Unquoted options	$
Balance	1 July 2016	652,174	-
Expiry of unlisted options	18 December 2016	(652,174)	-
Issue of unlisted options	24 November 2016	2,500,000	-
Balance	30 June 2017	2,500,000	-
Balance	30 June 2018	2,500,000	-

Note 22. Equity - issued capital (continued)

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The Consolidated Entity's objectives when managing capital is to safeguard its ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Consolidated Entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

The Consolidated Entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2017 Annual Report.

Note 23. Equity - reserves

	Consolidated	
	2018 $	2017 $
Share based payments reserve (Note 38)	269,115	137,383
Capital reserve	6,196	6,196
	275,311	143,579

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 23. Equity - reserves (continued)

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Capital reserve $	Share based payments reserve $	Total $
Balance at 1 July 2016	6,196	-	6,196
Share based payments expense	-	137,383	137,383
Balance at 30 June 2017	6,196	137,383	143,579
Share based payments expense	-	131,732	131,732
Balance at 30 June 2018	6,196	269,115	275,311

Note 24. Equity - accumulated losses

	Consolidated 2018 $	2017 $
Accumulated losses at the beginning of the financial year	(3,477,287)	(3,945,679)
Profit after income tax expense for the year	570,605	468,392
Accumulated losses at the end of the financial year	(2,906,682)	(3,477,287)

Note 25. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 26. Financial instruments

Financial risk management objectives
The Consolidated Entity's activities expose it to a variety of financial risks as set out below.

Risk management is carried out by senior finance executives ('finance') under the guidance of the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Consolidated Entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and if required, hedges financial risks within the Consolidated Entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The Consolidated Entity undertakes minimal transactions denominated in foreign currencies and therefore has little exposure to foreign currency risk. Customer Care are located in Manilla and cost around $6,500 USD per week. Payments are made monthly and conversion is at the applicable exchange rate at the time the transaction is authorised. No hedging activity is undertaken to minimise currency fluctuations.

Price risk
The Consolidated Entity is not exposed to any significant price risk.

Note 26. Financial instruments (continued)

Interest rate risk
The Consolidated Entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Consolidated Entity to interest rate risk. Borrowings obtained at fixed rates expose the Consolidated Entity to fair value interest rate risk. The entire Facility is exposed to variable interest rates. The Consolidated Entity paid $289,503 in interest during the 2018 financial year. A quarterly payment of $300,000 reduces the principal amount of the long-term borrowings.

As at the reporting date the Consolidated Entity had the following variable rate borrowings BBSW plus 3.5%.

Consolidated	2018 Weighted average interest rate %	2018 Balance $	2017 Weighted average interest rate %	2017 Balance $
Bank loan	5.49%	4,800,000	5.39%	3,780,000
Net exposure to cash flow interest rate risk		4,800,000		3,780,000

An analysis by remaining contractual maturities in shown in 'liquidity and interest rate risk management' below.

For the Consolidated Entity the bank loans outstanding, totalling $4.8m (2017: $3.78m), are interest payment loans requiring quarterly amortisation of principal of $300,000. Monthly cash outlays of approximately $22,000 are required to service the interest payments. An official increase/decrease in interest rates of 2% would have an adverse/favourable effect on profit before tax of no more than $96,000 per annum.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has a strict code of credit and follows a rigorous collection process. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Consolidated Entity does not hold any collateral.

With regards to Debtors, amounts older than 90 days owing are reviewed and where appropriate taken up as a provision for doubtful debts. This process is completed monthly. As at 30 June 2018 $91,862 was expensed as a provision for doubtful debts against the total amount owed by debtors. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

Liquidity risk
Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 26. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	210,912	-	-	-	210,912
Unearned revenue	-	227,425	-	-	-	227,425
Other payables	-	810,129	-	-	-	810,129
Interest-bearing - variable						
Bank loan	5.49%	1,200,000	1,200,000	2,400,000	-	4,800,000
Total non-derivatives		2,448,466	1,200,000	2,400,000	-	6,048,466

Consolidated - 2017	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	610,502	-	-	-	610,502
Unearned revenue	-	794,349	-	-	-	794,349
Other payables	-	799,686	-	-	-	799,686
Interest-bearing - variable						
Bank loan	5.39%	840,000	840,000	2,100,000	-	3,780,000
Interest-bearing - fixed rate						
Hire purchase	6.59%	34,870	40,783	-	-	75,653
Total non-derivatives		3,079,407	880,783	2,100,000	-	6,060,190

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated the carrying amounts of financial instruments reflect their fair value.

Note 27. Key management personnel disclosures

Directors
The following persons were directors of Spirit Telecom Limited during the financial year:

Mr James Joughin
Mr Geoff Neate
Mr Terence Gray
Mr Luke Waldren

"Spirit's ability to deploy **its own network** provides it with significant cost advantages over larger competitors."

GEOFF **NEATE**

Note 27. Key management personnel disclosures (continued)

Other key management personnel
The following person also had the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, during the financial year:

Donovan Newton (Chief Financial Officer)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Consolidated Entity is set out below:

	Consolidated	
	2018 $	2017 $
Short-term employee benefits	747,431	419,352
Post-employment benefits	56,243	29,935
Long-term benefits	4,752	4,759
Share-based payments	74,519	44,050
	882,945	498,096

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PKF Melbourne Audit & Assurance Pty Ltd, the auditor of the Company:

	Consolidated	
	2018 $	2017 $
Audit services - PKF Melbourne Audit & Assurance Pty Ltd (2017: Advantage Advisors Audit Partnership)		
Audit or review of the financial statements	43,000	46,000
Other services - PKF Melbourne Audit & Assurance Pty Ltd (2017: Advantage Advisors Audit Partnership)		
Income tax compliance services	15,000	-
	58,000	46,000

Note 29. Contingent liabilities

There were no contingent liabilities at 30 June 2018 and 30 June 2017.

Note 30. Commitments

	Consolidated	
	2018	2017
	$	$
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	217,852	-
One to five years	580,968	-
Total commitment	798,820	-
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	-	34,870
One to five years	-	40,783
Total commitment	-	75,653
Less: Future finance charges	-	6,635
Net commitment recognised as liabilities	-	82,288

All finance lease commitments in existence at 30 June 2017 were satisfied in August 2017.

Operating lease commitments include contracted amounts for the Consolidated Entity's offices under non-cancellable operating leases in addition to various leases associated with network facilitation. The leases have various escalation clauses. Upon renewal, the terms of the leases are renegotiated.

Note 31. Related party transactions

Parent entity
Spirit Telecom Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 34.

Key management personnel
Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2018	2017
	$	$
Payment for other expenses:		
Lodge Corporate Pty Ltd (a related party of Mr Terence Gray)	228,000	201,000
Wages paid to Jennifer Neate in relation to casual employment (a related party of Mr Geoff Neate)	28,853	18,044

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Note 31. Related party transactions (continued)

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
Unless otherwise noted, all transactions were made on normal commercial terms and conditions and at market rates.

Note 32. Legal parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2018 $	Parent 2017 $
Loss after income tax	(824,634)	(278,019)
Total comprehensive income	(824,634)	(278,019)

Statement of financial position

	Parent 2018 $	Parent 2017 $
Total current assets	4,322,243	100
Total assets	25,554,635	20,456,515
Total current liabilities	1,223,828	793,396
Total liabilities	716,384	3,733,396
Equity		
Issued capital	54,980,547	46,172,514
Share based payments reserve (Note 38)	429,115	297,383
Accumulated losses	(30,571,411)	(29,746,778)
Total equity	24,838,251	16,723,119

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The bank loan of $4,800,000 is secured first over the assets and undertakings of Spirit Telecom Limited, Spirit Telecom (Australia) Pty Ltd, Phone Name Marketing Australia Pty Ltd and World Without Wires Pty Ltd.

The parent entity had no other guarantees in relation to the debts of its subsidiaries as at 30 June 2018 and 30 June 2017.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

Note 32. Legal parent entity information (continued)

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 33. Business combinations

Spirit Telecom Ltd acquired 100% of World Without Wires Pty Ltd, with effective control on 1 July 2017. The acquisition has been accounted as a Business Combination under AASB 3. World Without Wires owns and operates 12,000kms of network providing Superfast Internet services to more than 2,200 customers. The acquisition was undertaken by the Company to expand its asset base and geographic footprint.

The fair values of the identifiable net assets acquired are detailed below:

	Fair value $
Cash and cash equivalents	10,370
Trade receivables	23,968
Other receivables	78,000
Inventories	214,132
Fixed assets	1,603,277
Trade and other payables	(312,756)
Net assets acquired	1,616,991
Goodwill	2,879,247
Acquisition-date fair value of the total consideration transferred	4,496,238
Acquisition costs expensed to profit or loss	302,352
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	4,496,238
Less: cash and cash equivalents	(10,370)
Less: shares issued by Company as part of consideration	(1,483,410)
Net cash used	3,002,458

i. Consideration transferred
Acquisition-related costs amounting to $302,352 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

ii. Identifiable net assets
The fair value of the trade receivables acquired as part of the business combination amounted to $23,968. As of the acquisition date, the Company's best estimate is that all cash will be collected.

iii. Goodwill
Goodwill of $2,879,247 was primarily related to the Company's growth expectations through network and customer expansion.

The consolidated entity operates as one operating segment and goodwill was allocated to a single cash generating unit as at acquisition date. The goodwill that arose from this business combination is not deductible for tax purposes.

Note 33. Business combinations (continued)

iv. Contribution to the Consolidated Entity’s results
World Without Wires contributed revenues of $3,052,253 and net profit before tax of $1,665,411 to the Consolidated Entity from the date of the acquisition to 30 June 2018. World Without Wires does not receive any allocations of acquisition costs, corporate overhead, listing, finance, or other overhead costs which is all absorbed by Spirit’s core operations. World Without Wires resources work across the entire Spirit business and network and generate increased revenue opportunities which may not be reflected in the revenue performance of World Without Wires but are instead reflected in the revenues of the main trading entity being Spirit Telecom (Australia) Pty Ltd.

Note 34. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2018 %**	**2017 %**
Spirit Telecom (Australia) Pty Ltd	Australia	100%	100%
Phone Name Marketing Australia Pty Ltd	Australia	100%	100%
Inbound Telecommunications Pty Ltd	Australia	-	100%
World Without Wires Pty Ltd	Australia	100%	100%

For the purposes of this note the parent entity has been deemed as the legal parent entity Spirit Telecom Limited.

Note 35. Events after the reporting period

On 6 July 2018 the Consolidated Entity issued 1,200,600 fully paid ordinary shares, upon conversion of vested performance rights.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 36. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2018 $	Consolidated 2017 $
Profit after income tax expense for the year	570,605	468,392
Adjustments for:		
Depreciation and amortisation	1,276,634	731,255
Share-based payments	142,693	137,383
Capital raise fees tax impact	108,711	-
Interest and other finance costs paid	289,503	-
Profit on asset disposal	(1,541)	1,297
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	849,407	(201,616)
Increase in inventories	(355,409)	(22,110)
Decrease in deferred tax assets	339,521	291,350
Decrease/(increase) in prepayments	(540,999)	8,768
Increase/(decrease) in trade and other payables	(910,759)	44,507
Decrease in employee benefits	(66,561)	(71,574)
Other	(11,491)	-
Net cash from operating activities	1,690,314	1,387,652

Note 37. Earnings per share

In accordance with the principles of reverse acquisition accounting, the weighted average number of ordinary shares outstanding during the period ended 30 June 2018 has been calculated as the weighted average number of ordinary shares of Spirit Telecom (Australia) Pty Ltd outstanding during the period before acquisition multiplied by the exchange ratio established in the acquisition accounting, and the actual number of ordinary shares of Spirit Telecom Ltd outstanding during the period after acquisition.

	Consolidated 2018 $	Consolidated 2017 $
Profit after income tax attributable to the owners of Spirit Telecom Limited	570,605	468,392
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	218,551,340	176,404,525
Adjustments for calculation of diluted earnings per share:		
Dilutive potential ordinary shares	1,354,577	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	219,905,917	176,404,525
	Cents	**Cents**
Basic earnings per share	0.26	0.27
Diluted earnings per share	0.26	0.27

Note 38. Share-based payments

During the previous financial year ended 30 June 2017 the consolidated entity granted a total of 2,570,000 unlisted performance rights to certain employees and to Mr Geoff Neate (a director of the Company) following shareholder approval at the Company's 2016 Annual General Meeting of shareholders. The Company also granted a total of 2,500,000 unlisted options to Mr James Joughin and Mr Terry Gray (directors of the Company) following shareholder approval at the Company's 2016 Annual General Meeting of shareholders.

The options have a 3-year term and will vest on 24 November 2019. All share options carry no voting rights and do not entitle the holder to dividends. Upon vesting, each option allows the holder to subscribe for one ordinary share in the capital of the Company.

A total of 770,000 performance rights granted to Mr Geoff Neate during the previous financial year ended 30 June 2017 have a 3-year term and are subject to certain performance hurdles being met in order for them to vest which are split 50% subject to meeting the Total Shareholder Return (TSR) and 50% for exceeding the budgeted return on capital.

A total of 1,800,000 performance rights granted to certain employees vested 33.3% on 30 June 2017, and 66.7% on 30 June 2018.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Set out below are summaries of options granted under the plan:

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/11/2016	24/11/2019	$0.190	2,500,000	-	-	-	2,500,000
			2,500,000	-	-	-	2,500,000
Weighted average exercise price			$0.190	$0.000	$0.000	$0.000	$0.190

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/11/2016	24/11/2019	$0.190	-	2,500,000	-	-	2,500,000
			-	2,500,000	-	-	2,500,000
Weighted average exercise price			$0.000	$0.190	$0.000	$0.000	$0.190

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2018 Number	2017 Number
24/11/2016	24/11/2019	2,500,000	2,500,000
		2,500,000	2,500,000

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.4 years (2017: 2.4 years).

Note 38. Share-based payments (continued)

Set out below are summaries of performance rights granted under the plan:

2018

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/11/2016	24/11/2019	2,570,000	-	(599,400)	-	1,970,600
		2,570,000	-	(599,400)	-	1,970,600

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/11/2016	24/11/2019	$0.000	-	2,570,000	-	-	2,570,000
			-	2,570,000	-	-	2,570,000

Set out below are the performance rights exercisable at the end of the financial year:

Grant date	Expiry date	2018 Number	2017 Number
24/11/2016	24/11/2019	1,970,600	2,570,000
		1,970,600	2,570,000

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.4 years (2017: 2.4 years).

	Consolidated 2018 $	Consolidated 2017 $
Share based payments expense reconciliation		
Issue of share options to directors and employees under incentive option scheme	41,666	24,429
Issue of performance rights to directors and employees under performance rights plan	90,066	112,954
Total share based payments expense reconciliation	131,732	137,383

DIRECTORS' DECLARATION

Spirit Telecom Limited
Directors' declaration
30 June 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

James Joughin
Non-Executive Chairman

27 August 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRIT TELECOM LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRIT TELECOM LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Spirit Telecom Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Company and the Consolidated Entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

Independence

We are independent of the Consolidated Entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matter – Impairment of goodwill and other intangible assets	***How our audit addressed this matter***
As at 30 June 2018, the carrying value of goodwill was \$6,196,853 (2017: \$3,317,607) and indefinite life intangible assets was \$2,003,390 (2017: \$2,231,472), as disclosed in Note 14 of the financial report. The accounting policy in respect of these assets is outlined in Note 2 *Intangibles*. An annual impairment test for goodwill and other indefinite life intangible assets is required under AASB 136 *Impairment of Assets*. Management's testing has been performed using a discounted cash flow model (Impairment model) to estimate the value-in-use of the Cash Generating Units (CGUs) to which the intangible assets have been allocated.	Our procedures included, but were not limited to, assessing and challenging: • Management's determination of the CGUs to which goodwill and indefinite life intangibles are allocated, against which separate impairment models were applied to determine value-in-use; • the reasonableness of the financial year 2019 budget approved by the Directors, comparing to current actual results, and considering trends, strategies and outlooks; • the sourcing of inputs used in the impairment models, including approved budgets; • the discount rate and growth rate applied in the impairment models, comparing to industry benchmarks;

PKF Melbourne
Audit & Assurance Pty Ltd
ABN 75 600 749 184

Melbourne

Level 12, 440 Collins Street
Melbourne VIC 3000 Australia

p +61 3 9679 2222
f +61 3 9679 2288

Key audit matter – Impairment of goodwill and other intangible assets (continued)

The evaluation of the recoverable amount requires the Consolidated Entity to exercise significant judgement in determining key assumptions, which include:

- 5 year cash flow forecast;
- discount rate;
- growth rate; and
- determination of the CGUs to which the intangibles have been allocated.

The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangible is an area of significant Management estimation and judgement, and a Key Audit Matter.

How our audit addressed this matter (continued)

- the arithmetic accuracy of the impairment models;
- Management's sensitivity analysis around the key drivers of the cash flow projections, to consider the likelihood of such movements occurring sufficient to give rise to an impairment; and
- the appropriateness of the disclosures including those relating to sensitivities in the assumptions used in Note 14.

Key audit matter – Acquisition of World Without Wires

As described in Note 33, the Consolidated Entity acquired 100% of the issued capital of World Without Wires Pty Ltd, with effect from 1 July 2017. The acquisition had the objective of expanding the Consolidated Entity's telecommunications infrastructure asset base and geographic footprint. The consideration paid amounted to $4,496,238. Significant judgements were formed by Management in valuing the acquired identifiable assets and allocation to goodwill. Based on this we have considered the acquisition of World Without Wires to be a Key Audit Matter.

How our audit addressed this matter

Our procedures included, but were not limited to, the following:

- considering the Consolidated Entity's assessment of the application of AASB 3 *Business Combinations*;
- reviewing and obtaining an understanding of the Share Purchase Agreement between the parties resulting in the business combination;
- assessing the methodology applied to determine the identifiable assets acquired and liabilities assumed, the fair value of the consideration transferred, and the fair value attributed to each asset and liability class, particularly fixed assets (primarily telecommunications assets) and inventory;
- validating inputs of the components of the business combination to underlying support, and assessing the resultant accounting entries associated with the acquisition, including recognition of goodwill on the transaction;
- assessing the appropriateness of the disclosures in relation to both the business combination and intangible assets acquired included in Notes 14 and 33.

Key audit matter – Revenue recognition

The Consolidated Entity's sales revenue amounted to $16,170,970 during the year. Note 2 *Revenue Recognition* describes the accounting policies applicable to distinct revenue streams, noting that revenue from non-recurring services such as call and set-up charges, and hardware sales is recognised on delivery of those products, while revenue from recurring access and rental services invoiced in advance is deferred and recognised as the service is provided. Unearned revenue is disclosed in Note 16.

How our audit addressed this matter

Our procedures included, but were not limited to, the following:

- for a sample of contracts across each of the revenue streams, evaluating the contracts and agreeing revenue amounts to the records accumulated as inputs to the financial statements, including supporting billing systems and bank records; these procedures enabled our assessing the values recorded and the timing of revenue recognition as appropriate to the timeframe of product delivery or period of service provision;

Key audit matter – Revenue recognition (continued)

The recognition of revenue and associated unearned revenue is considered a key audit matter due to the varied timing of recognition relative to the different revenue streams and the relative complexity of processes supporting the accounting for each.

How our audit addressed this matter (continued)

- testing of the accuracy of customer bill generation and matching of customer receipts, on a sample basis;
- assessing the accuracy of revenue cut off and completeness of deferred revenue as of the year end; and
- assessing the consistency of the Consolidated Entity's accounting policies in respect of revenue recognition with the criteria prescribed by AASB 118 *Revenue*.

Other Information

Other information is financial and non-financial information in the annual report of the Consolidated Entity which is provided in addition to the financial report and our Auditor's Report thereon. The directors are responsible for the other Information in the annual report.

Our opinion on the financial report does not cover the other Information and, accordingly, we do not express any form of assurance conclusion thereon, with the exception of our opinion on the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we obtained prior the date of the Auditor's Report, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Consolidated Entity or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue the auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion on the financial report. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those that were of most significance in the audit of the financial report of the current year and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Spirit Telecom Limited for the year then ended complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF	**Steven Bradby**
Melbourne, 27 August 2018	**Partner**

SHAREHOLDER INFORMATION

Spirit Telecom Limited
Shareholder information
30 June 2018

The shareholder information set out below was applicable as at 21 August 2018.

Corporate Governance Statement

Refer to the Company's Corporate Governance statement at: https://spirit.com.au/investors/corporate-governance/

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of unquoted performance rights	Number of holders of unquoted options	Number of holders of ordinary shares	Number of holders of quoted options over ordinary shares
1 to 1,000	-	-	120	97
1,001 to 5,000	-	-	122	25
5,001 to 10,000	-	-	141	12
10,001 to 100,000	-	-	389	33
100,001 and over	1	2	157	32
	1	2	929	199
Holding less than a marketable parcel	-	-	162	-

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
JOSHART INV (TIGEL FAM A/C)	33,667,749	13.74
CHLOEDARCY INV PL (NEATE FAM A/C)	33,096,253	13.51
CRAZY DIAMOND PL	20,000,000	8.16
DIAMOND PETER JOHN + D E (PETER & DIANA DIAM)	14,000,000	5.72
J P MORGAN NOM AUST LTD	12,058,662	4.92
WIGNELL INV PL	7,269,174	2.97
MAGNUM OPUS HLDGS PL (MAGNUM OPUS S/F A/)	7,000,000	2.86
KEOGH DAINEN	4,966,771	2.03
LENZI SUSAN (LENZI FAM A/C)	3,532,549	1.44
AUST EXECUTOR TTEES LTD (CYAN C3G FUND)	3,359,072	1.37
MDJD PL (MARK DIAMOND S/F A)	3,300,000	1.35
NATIONAL NOM LTD	3,275,160	1.34
MAKAREWICZ DAMIEN	2,980,064	1.22
ROBYN HOOD PL (ROBYN HOOD S/F A/C)	2,800,000	1.14
TEMPEST ASSET MGNT	2,765,134	1.13
THREE ZEBRAS PL (JUDD FAM A/C)	2,500,000	1.02
DIAMOND PETER + DIANA (P & D DIAMOND S/F)	2,300,000	0.94
THOMAS WARWICK PL	2,200,000	0.90
AUST EXECUTOR TTEES LTD (GFFD)	2,166,667	0.88
BNP PARIBAS NOMS PL (DRP)	2,158,239	0.88
	165,395,494	67.52

	Options over ordinary shares	
	Number held	% of total options issued
CHLOEDARCY INV PL (NEATE FAM A/C)	10,698,786	37.24
BOND STREET CUSTS LTD (SXS - D65864 A/C)	2,938,418	10.23
TANGO88 PL (TANGO88 A/C)	1,850,000	6.44
LENZI SUSAN (LENZI FAM A/C)	1,626,836	5.66
FUTURE LAND LTD	1,500,000	5.22
MCDONALD NICHOLAS D	1,419,001	4.94
TEMPEST ASSET MGNT	893,865	3.11
UBS NOM PL	440,000	1.53
SEREC PL	431,216	1.50
MIKADO CORP PL (JFC SUPER A/C)	413,334	1.44
BIDDLE PTNRS PL (BIDDLE S/F A/C)	398,653	1.39
DAVID A PHILLIPS PL (DAVID A PHILLIPS P)	361,522	1.26
WIGNELL STEPHANIE	271,145	0.94
WIGNELL JOHN	271,145	0.94
SEREC PL	257,605	0.90
PRITDOWN PL (MCDONALD S/F A/C)	250,000	0.87
HIBBARD CONS PL	200,000	0.70
R & R WONG HLDGS PL	184,744	0.64
CURIC ANGELO + ANTONIJA	180,765	0.63
SAVOIA PINO	180,765	0.63
	24,767,800	86.21

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares on issue	2,500,000	2
Performance rights over ordinary shares on issue	770,000	1

Substantial holders
Substantial holders in the Company, as disclosed in substantial holding notices given to the Company, are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Crazy Diamond Pty Ltd/Peter & Diana Diamond ATF (Peter & Diana Diamond Super Fund)	36,300,000	14.82
Joshart Inv (Tigel Fam A/C)	33,667,749	13.74
Chloedarcy Inv Pl (Neate Fam A/C)	33,641,181	13.73
J P Morgan Nom Aust Ltd	17,958,958	7.33

Voting rights
The voting rights attached to ordinary shares are set out below:

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

There are no other classes of equity securities.

CORPORATE DIRECTORY

DIRECTORS

James Joughin (Non-Executive Chairman)

Geoff Neate (Managing Director)

Terence Gray (Non-Executive Director)

Luke Waldren (Non-Executive Director)

COMPANY SECRETARY

Melanie Leydin

REGISTERED OFFICE

Level 4, 100 Albert Road
South Melbourne Victoria 3205
Phone: 03 9692 7222

PRINCIPAL PLACE OF BUSINESS

Level 2, 19-25 Raglan Street
South Melbourne Victoria 3205
Phone: 1300 007 001
ABN: 73 089 224 402

SHARE REGISTER

Security Transfer Australia
770 Canning Highway
Applecross Western Australia 6153
Phone: 1300 992 916

AUDITOR

PKF Melbourne Audit & Assurance Pty Ltd
Level 12, 440 Collins Street
Melbourne Victoria 3000

STOCK EXCHANGE LISTING

Spirit Telecom Limited securities are listed on the Australian Securities Exchange (ASX code: ST1, ST1O)

spirit
DIFFERENT. BETTER.

p +61 3 8554 1320
e investment@spirit.com.au
w spirit.com.au/investors