

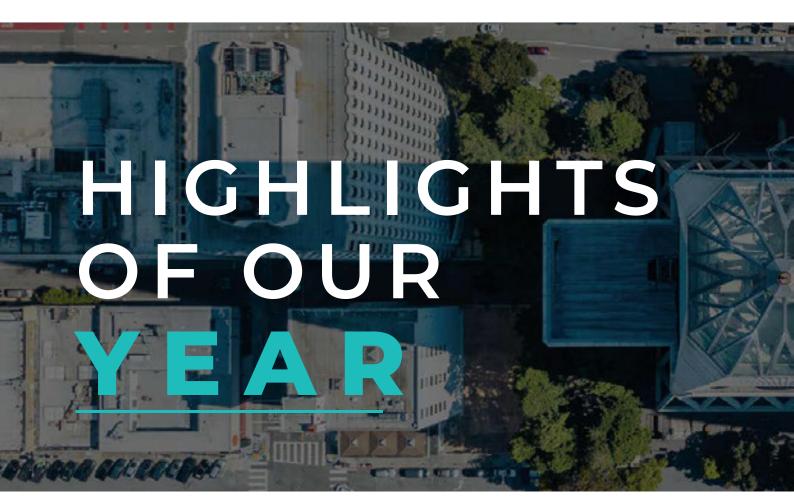






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SIGNIFICANT NETWORK EXPANSION

Melbourne, Brisbane and Sydney

WINNER

FAST 50



OF REVENUE



**REVENUES UP** 

7.5% On FY18

**NOMINATIONS** 





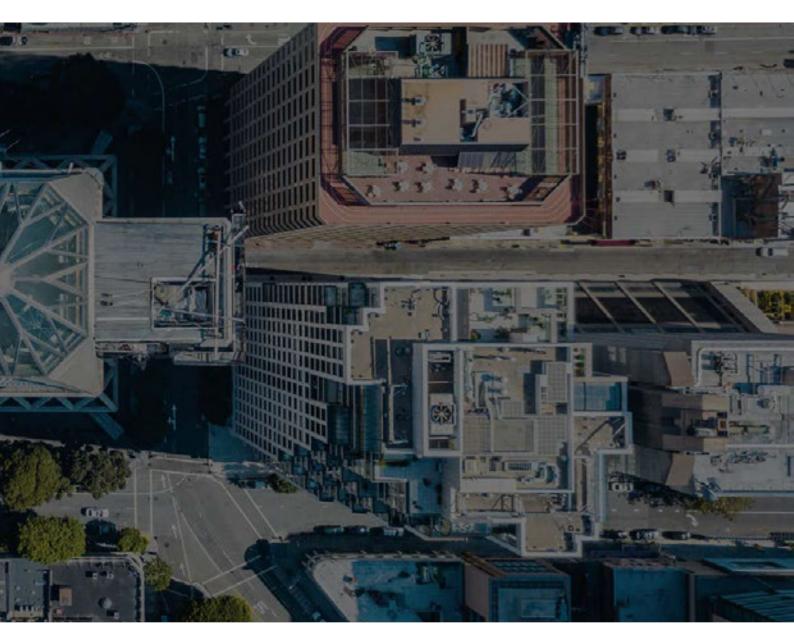
Best fixed wireless operator and best broadband provider



**OPERATING CASH** 

<sup>P</sup>**70%** 







#### **SMB ON-NET BUILDINGS**

UP BY on Q4/18

#### **NET PROMOTER SCORE**

An increase from 2018 of 8%

## **WINNER**

DELOITTE TECHNOLOGY FAST 500





#### **AWARDED**

Government tenders





#### **CUSTOMER SATISFACTION SCORE**





Dear Shareholders

I am pleased to present Spirit's 2019 Annual Report.

This year being our third year as a listed entity was challenging but successful in continuing the planned growth and expansion of our customer base and network. The first half of the year was a period of consolidation and further investment in systems and upgrades. Unfortunate delays in executing our plans meant the required growth from the investment was not realised until the second half of the year. This was disappointing for the Board, but the recent results provide strong evidence that we are on the right path, and we will continue to provide the high growth rates expected.

In addition to the normal trading operations, the second half of the year was extremely busy for corporate activity with two acquisitions announced and completed, a successful capital raising, a takeover approach which was declined, announcement of the underwriting of the listed options, an increased bank funding facility and one further acquisition announced in late June. All activities were positive steps in the development of Spirit as a company but incurred significant management time while contributing to increasing shareholder returns.

The completion of the LinkOne and Building Connect acquisitions was a strategic step to provide an Eastern seaboard network which will provide multi-city connections for SMB clients on our own network. This provides greater scope for us to provide super-fast Internet to businesses that have multiple sites and also increase our gross margin through utilising our efficient network. The Eastern seaboard network also now provides us with scale that allows the business to provide a portfolio of products. Our expansion into Managed IT Services is the first step, through our announcement

of the acquisition of Arinda IT. Managed IT Services will provide our existing and new customers with services such as monitoring of IT systems, security and protection, cloud services and sale of licensed operating systems such as Microsoft Office 365. We are seeking to build scale in the Managed IT Services sector, and we have a number of other companies under consideration and review. We expect these will lead to further acquisitions in the near future.

I am also pleased to report during the year we were successful in obtaining two government tenders to build regional wireless broadband networks. The two wins provide credibility to the Spirit super-fast broadband product and service, and we expect that these opportunities will provide additional revenue to Spirit at a low marginal cost as the capital expenditure is largely reimbursed by government grants. These wins will begin to demonstrate returns over the next financial year as we roll out our sales and marketing.

Arising from our capital raising and underwriting of the options, we welcomed new institutions on to our register and we rewarded our smaller shareholders with a share purchase plan. In addition, at the end of the financial year, we elevated two key staff members to the Board of Directors. Both Sol Lukatsky and Mark Dioguardi are high performers who have made a significant contribution, and I look forward to their continuing involvement.

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

In particular, I wish to acknowledge the hard work and leadership Geoff Neate has provided Spirit in the position of Managing Director. He has developed, grown and diversified the business and provided shareholders with significant value since listing. Whilst we will miss him as MD, the Board is delighted he will still make a valuable contribution to Spirit assisting with our M&A activities.

I am also happy we have been be able to make a seamless transition to Sol Lukatsky as the new MD of Spirit. Since joining Spirit, Sol has been vital in the development and execution of our growth strategy both organically and across our M&A activities.

The business continues to show very strong growth as evidenced in the H2/19 results. With a well funded balance sheet and a new growth strategy, Spirit is very well positioned to take advantage of the demand for high speed data links and IT services.

**James Joughin** Chair



Dear Shareholders

It gives me great pleasure to report to shareholders the highlights and notable events for this financial year 2018/2019 (FY19).

Spirit set out in FY19 with exciting plans and strategic initiatives. As stated by our Chair in his opening letter, the planned delivery of a vastly expanded network in Melbourne was delayed, consequently impacting our performance in the first half. Notwithstanding this delay we were able to ameliorate this in the second half of the fiscal year after making the requisite tactical adjustments to correct our course.

The important move to restructure the Executive enabled a tighter focus on Spirit's key stress points. So, by the time we hit the halfway mark of FY19 we had resolved our flat revenue line and recommenced our top line trajectory.

#### **Business Growth**

Our reported revenue for the full year reached \$17.4m, representing an overall increase of 7.5% over FY18. However, illustrating the turnaround, the second half was 13% growth over the first half of the fiscal year. Gross profit continued its strong rise, growing to 74% of revenue or \$12.9m. This is a 14.6% improvement over the prior period

and is commensurate with the continued increase of high margin SMB customers that we are provisioning onto our network.

The underlying EBITDA declined 46% on FY18. However, further illustrating the second half momentum the EBITDA lifted to 13.7%, up from 8.7% in the first half. Operating cash was a record \$2.3m, up 38% on FY18 (\$1.7m).

#### **Business Improvement**

Significant progress was made in delivering to shareholders a platform for greater value creation, across several fronts.

Spirit was successful in being awarded the two Victorian Government regional fixed wireless broadband tenders, being in Horsham and Morwell. The combined tender value was circa \$2.7m (ex GST). Horsham is completed and Morwell will also be operational in FY20.

A number of internal 'mission-critical' system developments have already demonstrated improvement to the efficiency of customer sales and financial management. The development of a purpose-built network qualification tool (known as 'Lauren') has increased the efficiency of our ability to test our network and ascertain if we can reach a potential customer, a



reduction in wait time from 24 hours to a number of seconds. This means that sales close rate has become more efficient and is a catalyst for our ongoing improvement in sales performance and expansion of the pipeline.

Another significant improvement has been in the rollout and introduction of an Enterprise Resource Planning platform in NetSuite. This has consolidated the numerous financial programs that are the legacy of a number of previous acquisitions. It has also enabled financial reporting and data capture to be scalable to accommodate the recent and future acquisitions.

Which leads into our acquisition activity; Spirit's recent acquisitions of LinkOne and Building Connect have provided the ability to market to a more expansive target customer base, in Sydney and Brisbane. In addition, the network capabilities have seen the product offering go from a top speed of 100Mbps 12 months ago, to being able to deliver speeds of up to 1Gbps – a tenfold improvement. And, whilst it falls into the reporting period of FY20, Spirit's more recent acquisitions of Managed IT Services Arinda IT and Phoenix Austec have meant that the product portfolio can now service our SMB customer base with a broad range of Managed IT Services, over our super-fast network. In short, we now look after our

SMB customer's from the laptop to the cloud and back improving our customer experience and growing the potential revenue wallet size.

#### **Financial Strength**

Spirit successfully strengthened its balance sheet and capacity for future growth during the year. This was achieved a number of ways:

- The raising of \$5.7m for the acquisition of LinkOne; (\$4.7m cash and \$1.7m shares)
- The subsequent oversubscribed Share Purchase Program (SPP);
- The underwriting and subsequent conversion of \$5.6m listed options (STIO); and
- 4. The successful execution of an \$8m bank facility with CBA

These series of cash accretive initiatives, coupled with the successful accretive acquisitions, bodes well for Spirit's successful foray into FY20 and beyond.

#### Empowered, Tenacious, Connected people

A year like FY19 drives home the importance of good people... and Spirit has them in spades. When the level of changes, innovation, restructuring and acquisition activity are considered, I have nothing but admiration for the effort that the team put in over the year. With offices now in Melbourne, outer Melbourne, Sydney, Byron Bay, Tweed Heads, Gold Coast, Brisbane, Perth and Makati (Philippines) our team now, like our fixed wireless network, covers a greater geographic expanse than ever before.

#### **Looking Forward**

As you will know, after 15 years at the helm of Spirit I have decided to step away from the role of Managing Director. I do so at a time that sees Spirit in the best shape that it has ever been. Spirit is fiscally fit and strategically sound. The quality of our product and service delivery has never been better and our innovation and opportunity has never been more exciting. It is the perfect time to hand over the company to a fresh set of eyes and the appointment of your new Managing Director, Sol Lukatsky, receives my full endorsement.

Finally, to all our shareholders, the Spirit team and everyone that believed in Spirit I simply want to say, thank you and encourage you to keep believing.



Geoff Neate
Co-Founder and Managing Director

# LETTER FROM THE INCOMING MANAGING DIRECTOR

#### Dear Shareholders

Firstly, I want to thank the Board and shareholders for appointing me as the incoming Managing Director of Spirit. I also want to acknowledge the two Co-Founders of Spirit, Joe Tigel and Geoff Neate, who had the wisdom and vision to build Spirit into a leading IT&T provider, listed on the ASX. Starting a business takes enormous courage, but extraordinary people are required to take a company public, successfully.

#### Powering the New Economy

Demand from Australian small to medium-sized business (SMBs) for Spirit's Internet products is at an all-time high. It is now clear that there is strong demand for high speed data links bundled with outsourced IT services - a service SMBs require as they move to a digital and cloud based office environment. This market demand endorses the promising opportunity for Spirit to generate increasingly profitable growth from a broader IT&T product set, powered by our super-fast Sky-Speed network.

As we position Spirit for the future, I'd like to further explain our strategy for 'Enabling the New Economy', and our priorities for FY20.

The SMB customer view is simple, they see data services and IT services as one continuum. Our customers are now telling us they don't want us to simply give them just data and voice – They want a bundled product that takes them from data to security to firewalls and back again – an integrated product under one roof and on one bill.

They don't want two or three providers, they want one. So, to make it easier, we now offer a bundled product range for both direct sales and wholesale partners.

#### **Fixed Wireless and Beyond**

While we had a challenging first half in FY19, we are now consistently increasing sales and Total Contract Value (TCV) month on month. We have also launched in the new markets of Brisbane and Sydney on the back of the recent acquisition of the Anttel-LinkOne and Building Connect businesses.

As part of the expansion and integration of these new networks, our first focus is to continue to add extra towers across these cities to give us extra capacity that will offer 1Gbps services in Brisbane and Sydney over the coming months.

Spirit's current business is typically selling 100-500Mbps services to SMBs, but the next phase will see us overlay more IT services and Managed IT Service Provider (MSP) offerings into bundles. Commerically, this increases revenue



per customer and ensures they are provided an end to end Service Level Agreement.

Our customers are looking for strategic partners to support them on their digital journeys. We have a very strong role to play, and we're stepping up. By combining incredible talent and innovation with a focus on our customers' needs and a willingness to act on bold, creative ideas, we believe we are establishing an unbeatable position in the market and are on track to achieve our dream of becoming the number-one IT&T company in Australia for SMBs.

With a strong platform now built for us to propel from, I am excited by what the future holds. We are already seeing the benefits of our investment flow through and I only see this accelerating in FY20.



If we step back and reflect on the big picture, we see something very exciting taking shape: providing an easier way for SMBs to manage their IT – from the device to the cloud and back again across Spirit's own Sky-Speed network.

#### **Continuing our Journey**

In closing, I would like to congratulate Geoff Neate on his success in leading Spirit since its inception in 2004. Geoff pioneered the company from a Telecommunications reseller to one of Australia's fastest Internet Service Providers. I have always greatly admired entrepreneurs who take an idea and grow it into something special. It is through Geoff's vision and determination that he positioned Spirit for a long-term growth opportunity that I now have the privilege to lead.

Having led Spirit's Sales and Marketing functions for the last 18 months, along with the opportunity to work alongside Geoff on the Executive Leadership team and the Board, this is a natural transition for us as a company. I want you to be confident that throughout this change, no matter what, our mission and core values will continue to be the standard in which we will all strive. This legacy of success also has as much to do with our dedicated people. We are where we are as a company, because of them and their commitment to providing outstanding service to our customers every single day. Our customers can rest easy knowing that the people who truly make Spirit what it is are all still in place and will continue to deliver the exceptional service that they have come to expect.

I am honoured and excited to have the opportunity to build upon the rich heritage that now sees Spirit a dominating player in IT&T space for SMBs.

I look forward to sharing this important next chapter in the Spirit story with you. Thank you to all our employees for their dedication and loyalty and to you, our shareholders, for your ongoing support.

Sol Lukatsy Managing Director

Shlufly



# ANEW HORIZON

Delivering super-fast Internet and Managed IT Services to support Australia's SMB growth

## **Enabling the New Economy**

Looking after small to medium sized businesses, across Spirit's own super-fast network, to the cloud and back.

Spirit enables the new economy as the brand that delivers super-fast Internet and Managed IT Services to support Australian SMB growth. Spirit's fixed wireless network allows for the delivery of bundled super-fast data, voice, security and cloud services.

### **Market & Commercial Rationale**

SMB's flight to the cloud driven by workplace digitisation has increased demand for an integrated data, voice and Managed IT Services offering. Spirit's high speed network allows these services to be run across the top, resulting in increased sales margins.



Increase in yield from in-bound leads through larger deal size.



Stronger recurring income through bundled services



Substantially growing Total Contract Value



Nationwide coverage to fast growing businesses



Low churn from increased service stickiness



Flight to Cloud Services from SMB's

# Acquisitions = Increased Product Capability

Spirit has completed four acquisitions since April to increase the network, acquire high value custsomers, revenue and EBITDA. Spirit has also completed its first two MSP acquisitions, Arinda IT and Phoenix Austec, adding the capability to sell new IT services as well as gain a national footprint of IT professionals. These are the first of our planned consolidation of the MSP market.

	Date Completed	Strategic Rationale	Traction
LinkOne	April 2019	Network	\$3.2m revenue
NETWORKS		Added Sydney & Brisbane network	& \$1.1m underlying EBITDA (34% EBITDA margin)
		44 new POP sites for Sky-Speed upgrade	
BUILDING	May 2019	Network	Over 200 business customers
CONNECT		Extends Sydney network to 31 buildings & business parks	Dusiness customers
Arinda));	July 2019	Product	\$2.2m revenue & \$600k
TITITOO		Adds MSP capability (cloud, IT, security)	EBITDA (27% EBITDA margin)
		National footprint	
Phoenix	July 2019	Product	\$1.9m revenue
Austec>		Strengthens MSP offering	Over 100 SMBs in VIC
		(Managed IT and cloud solutions)	

## Integration Methodology

Spirit takes a proactive approach to integration to release gains to the company within 90 days of completion. Each principle has been formed to realise the greatest possible synergies:

PRINCIPLE	TIMEFRAME	WHY
No operational difference to the customer	From day one	Business continuity
Consolidation of	Within 30	Streamlining operations
the back office functions	- 60 days	Increased cost efficiencies
Transitioning product	Within 60	Increased purchasing power
purchasing to Spirit providers	– 90 days	Cost and delivery improvements
Enhancement	1000	Increased ARPU
of revenue & growth through cross-selling of Spirit Products	Within 90 – 120 days	Increased stickiness and customer tenure

Our overarching principle is to minimise impact to the acquired company, maximise benefit to Spirit

## **Key Takeaways**



'Beach-head' acquisition strategy for rapid growth



MIM

Positioned to fulfill demand as preferred IT&T provider as business connectivity needs continue to grow



Ability to deliver best-in-class Internet and Managed IT Services to SMBs



Low churn business with strong recurring revenues provide base for future value uplift







#### JAMES JOUGHIN CHAIRMAN

BACHELOR OF BUSINESS, CPA, GAIDC

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 an experienced company director and holds a number of non-executive directorships. He was previously chair of a private engineering and planning group and 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 IPO's.



## **GEOFF NEATE**MANAGING DIRECTOR

BACHELOR OF BUSINESS (MONASH), MASTERS OF MARKETING (MELB), MEMBER: 2004

Geoff is a co-founder of Spirit Telecom, starting the business in 2004.

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 near 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

MASTERS OF MARKETING, BACHELOR OF BUSINESS (MARKETING) B.BUS, GRAD DIP APP FIN, MEMBER: 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 both during opportunity acquisition and disposal stages.





## **SOL LUKATSKY**EXECUTIVE DIRECTOR

MASTERS OF MARKETING, BACHELOR OF BUSINESS (MARKETING)

Sol is a C-Suite Executive with multiple company transactions across: ASX and Private Equity backed companies. He has over 15 years in senior leadership roles covering: marketing, sales management, digital, customer experience, big data, capital markets, innovation and operations within blue chip organisations including: Dun & Bradstreet, Challenger Financial Services and NAB.

In addition, as CEO he has led two Private Equity backed companies in the online services and digital technology markets (GLS & Workstar). This included, global P&L responsibilities, +650 team members with offices across Australia, Asia and Europe. Educated at Harvard, Melbourne Business School, RMIT and awarded a Fellowship by Leadership Victoria.

## MARK DIOGUARDI EXECUTIVE DIRECTOR

MASTER OF BUSINESS ADMINISTRATION, BACHELOR OF ENGINEERING HONS

Mark is an experienced CTO and COO with over 25 years' experience predominantly in Tier 1 and 2 Telco operators in Australia and Asia. A qualified engineer, Mark commenced his career in engineering and engineering construction management in Telstra before building his corporate career as CTO at Maxis, where he led 1350 engineers and managed a USD600mil budget to grow their network.

He then moved into a Chief Operating Officer role at Maxis before returning to Australia to join iiNet as Chief Technology Officer. Mark joined Spirit as Chief Operating Officer in November 2018 to develop and lead Spirit's network growth and drive operational excellence across the business. He is also an Executive Director of Spirit and a non Executive Director of TimedotCom.





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 2019.

#### **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 Sol Lukatsky (Executive Director) (appointed 21 June 2019)

Mr Mark Dioguardi (Executive Director) (appointed 21 June 2019)

Mr Luke Waldren (Non-Executive Director) (resigned 3 July 2019)

#### **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 customers primarily in Sydney, Melbourne and Gold Coast
- Acquisition of LinkOne Group of companies and Building Connect Pty Ltd.

#### **Dividends**

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

#### **Review of operations**

The loss for the Consolidated Entity after providing for income tax amounted to \$823,742 (30 June 2018: profit of \$570,605).

The net assets of the Consolidated Entity increased by \$6,545,155 to \$22,054,656 as at 30 June 2019 (2018: \$15,509,501). During the financial year, the Consolidated Entity undertook two capital raisings which resulted in raising \$5,500,000 before costs, in conjunction with the acquisition of the LinkOne Group and Building Connect and to support further growth and expansion.

The Consolidated Entity's working capital, being current assets less current liabilities was \$1,913,508 at 30 June 2019 (2018: \$3,200,404). Working capital includes \$1,200,000 of senior debt amortisation to be made during the course of the financial year ending 30 June 2020. During the financial year the Consolidated Entity had net cash inflows from operating activities of \$2,326,827 (2018: \$1,690,314).

During the period the Consolidated Entity deployed and expanded its Superfast Internet and, where applicable, ancillary services to end customers and into buildings.

#### Significant changes in the state of affairs

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

On 12 September 2018 the Consolidated Entity issued 1,642,798 performance rights to employees pursuant to the terms of the Spirit Telecom Employee Security Ownership Plan, vesting on satisfaction of certain performance hurdles over a three year performance period, expiring on or before 12 September 2021.

On 17 October 2018, the Consolidated Entity announced a \$1.7 million partnership with the Victorian State Government to provide the regional city of Horsham with high speed internet services, as part of the State Government's Enhanced Broadband program.

On 16 November 2018, the Consolidated Entity announced the launch of its 10 Gigabit network ring upgrade. The upgrade is part of Spirit's \$1.2 million network expansion which will not only significantly expand the network reach but will also provide customers with Internet services 10 times faster than what they are used to. The increases in bandwidth capacity are thanks to Spirit's ongoing expansion plans and the purchase of radio equipment and professional services from NEC Australia which will initially see a 10Gbps full duplex throughput deployed across the Spirit's network.

On 20 November 2018 the Consolidated Entity issued 81,020 fully paid ordinary shares with a deemed issue price of \$0.2468 per share to incentivise employees of the Company (non-directors).

The Consolidated Entity also issued 512,820 performance rights to the Managing Director pursuant to the terms of the Spirit Telecom Employee Incentive Plan, vesting on satisfaction of certain performance hurdles over a two-year performance period, expiring on or before 20 November 2020, as approved by shareholders at the Annual General Meeting held on 20 November 2018.

On 18 February 2019, the Consolidated Entity issued 520,000 performance rights to an employee pursuant to the terms of the Spirit Telecom Employee Incentive Plan, vesting on satisfaction of certain performance hurdles over a three-year performance period, expiring on or before 18 November 2022.

On 3 April 2019, the Consolidated Entity announced that it entered into an agreement to acquire 100% of LinkOne Group of companies for front consideration of \$5.7 million comprising:

- 70% of consideration paid in cash on completion (\$4.0 million)
- 30% of consideration paid in scrip (\$1.7 million issued at \$0.13)

To support the acquisition, the Consolidated Entity announced it had received firm commitments to raise \$4.2 million, before costs, through the issue of 35,000,000 placement shares at \$0.12 per share ("Placement").

On 10 April 2019 and 9 May 2019, the Consolidated Entity completed the share placement and a total of 35,000,000 ordinary shares were issued. The share placement was completed in two Tranches, with 32,500,000 Tranche 1 placement shares issued on 10 April 2019 and 2,500,000 Tranche 2 placement shares issued on 9 May 2019. The proceeds from the placement were used to pay the part consideration of \$4.0 million in relation to the LinkOne Group acquisition, costs of acquisition and general working capital to fund growth of the Company.

On 1 May 2019, the Consolidated Entity completed the acquisition of LinkOne Group. 13,076,923 fully paid ordinary shares with a deemed price of \$0.13 (13 cents) were issued to the vendor.

On 9 May 2019, the Consolidated Entity announced it had entered into an agreement to acquire 100% of Building Connect Pty Ltd for Enterprise Value of \$300,000. The acquisition was completed on 20 May 2019. The Consolidated Entity issued a total of 1,772,533 fully paid ordinary shares (including 1,240,773 shares subject to voluntary escrow until 20 May 2020), at a deemed issue price of \$0.15 (15 cents) per share to the vendor of Building Connect.

On 9 May 2019, the Consolidated Entity issued 8,333,378 fully paid ordinary shares at an issue price of \$0.12 (12 cents) per share, to eligible shareholders under the Company's Share Purchase Plan ("SPP")as announced on 3 April 2019 and 10 April 2019. Proceeds from the SPP will be used to fund general working capital requirements and to fund growth of the Company.

On 14 May 2019, the Consolidated Entity issued 18,000,000 unlisted options to the Chief Operating Officer and Chief Sales and Marketing Officer, pursuant to the terms of the Spirit Telecom Employee Incentive Plan, vesting on 1 July 2022, exercisable at various prices and expiring on 1 July 2023 as follows:

- Tranche 1: 6,000,000 options, vesting on 1 July 2022, exercisable at \$0.15 (15 cents) per option, expiring 1 July 2023.
- Tranche 2: 6,000,000 options, vesting on 1 July 2022, exercisable at \$0.18 (18 cents) per option, expiring 1 July 2023.
- Tranche 3: 6,000,000 options, vesting on 1 July 2022, exercisable at \$0.215 (21.5 cents) per option, expiring 1 July 2023.

On 24 May 2019, the Consolidated Entity announced that it had signed its second deal worth \$1.1 million with the Victorian State Government to deliver super-fast internet using 5G technology to the State's regional town of Morwell. This brings a total of \$2.8 million in State Government contracts the Company has won to build super-fast networks in regional Victoria.

On 7 June 2019, the Consolidated Entity issued 833,333 fully paid ordinary shares at an issue price of \$0.12 (12 cents) per share, to the Company's Chief Operating Officer as part of the additional placement.

On 17 June 2019, the Consolidated Entity issued 1,666,666 fully paid ordinary shares at an issue price of \$0.12 (12 cents) per share, to the Company's Directors as part of the additional placement. Shareholders approved the issue of shares to Directors at the General Meeting held on 11 June 2019.

On 26 June 2019, the Consolidated Entity announced that it had secured a new and increased debt facility with Commonwealth Bank of Australia for \$8 million. This increased facility provides additional funding as well as the agility to execute on existing acquisition pipeline companies more quickly.

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 2 July 2019, the Consolidated Entity announced that it had entered into an agreement to acquire 100% of Arinda IT, effective 1 July 2019 for upfront consideration of \$2.6 million, comprising:

- 80% consideration paid in cash (\$2.1 million)
- 20% consideration paid in scrip (\$0.5 million issued at \$0.21)

The Consolidated Entity completed the acquisition on 12 July 2019 and issued 2,380,952 fully paid ordinary shares (subject to voluntary escrow until 11 July 2020), at a deemed issue price of \$0.21 (21 cents) per share.

On 4 July 2019, the Consolidated Entity issued 1,508,509 fully paid ordinary shares at an issue price of \$0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 10 July 2019, the Consolidated Entity issued 13,326,593 fully paid ordinary shares at an issue price of \$0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 16 July 2019, the Consolidated Entity issued 3,233,587 fully paid ordinary shares at an issue price of \$0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 17 July 2019, the Consolidated Entity issued 1,250,000 fully paid ordinary shares at an issue price of \$0.19 (19 cents) per share pursuant to the exercise of unlisted options.

On 24 July 2019, the Consolidated Entity announced that Non-Executive Chairman, Mr James Joughin exercised his 1,250,000 unlisted options at \$0.19 (19 cents) per share, injecting \$237,500 into Spirit Telecom Limited.

On 24 July 2019, the Consolidated Entity announced that it had entered into an agreement to acquire 100% of Phoenix Austec Group Pty Ltd, effective 1 July 2019 for upfront consideration of \$1.6 million, comprising:

- 80% consideration paid in cash (\$1.3 million)
- 20% of consideration paid in scrip (\$0.32 million issued at \$0.24)
- Completion is subject to normal closing conditions

On 25 July 2019, the Consolidated Entity issued 742,906 fully paid ordinary shares at an issue price of \$0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 26 July 2019, the Consolidated Entity issued 158,806 fully paid ordinary shares at an issue price of \$0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 29 July 2019, the Consolidated Entity announced the completion of acquisition of Phoenix Austec Group and issued 1,333,333 fully paid ordinary shares at a deemed issue price of \$0.24 (24 cents) per share to the vendor. The shares issued were subject to voluntary escrow until 29 July 2020.

On 2 August 2019, the Consolidated Entity issued 8,137,215 fully paid ordinary shares at an issue price of \$0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 9 August 2019, the Consolidated Entity issued 1,624,640 fully paid ordinary shares pursuant to the underwriting arrangement for the listed options at an issue price of \$0.19688 (19.688 cents) per share.

On 19 August 2019, the Chief Financial Officer tendered his resignation, effective 30 August 2019.

No other matter or circumstance has arisen since 30 June 2019 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 FY20 and is expected to generate an increase in revenue consistent with prior years. The divergence into managed services will enable Spirit to both expand its customer base and increase revenue per customer through the delivery of end to end data and IT management and support services, complemented by the expansion into the Sydney and Brisbane markets resulting from recent acquisitions.

#### **Environmental regulation**

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

#### Information on directors

Mr James Joughin Name: Title: Non-Executive Chairman

Qualifications: Bachelor of Business, CPA, GAIDC

James Joughin brings over 30 years of general corporate experience, having Experience and expertise:

> 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 nonexecutive directorships of a number of private companies and a public company. He has wide business experience and has previously held the position of Chair of a private company and currently Chair of a number of Risk and Audit Committees. 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 IPO's.

Other current directorships: Former directorships

(last 3 years):

Special responsibilities: Member of the Audit and Risk Committee, Member of the Remuneration

and Nomination Committee.

3,435,189 fully paid ordinary shares Interests in shares:

Nil

Nil

Interests in options: Nil Name: Mr Geoff Neate Title: Managing Director

Qualifications: Bachelor of Business (Monash), Master of Marketing (Melb)

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

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:

Former directorships

(last 3 years):

Special responsibilities:

Nil Interests in shares: 34,616,586 fully paid ordinary shares

Interests in options:

Interests in rights: 1,282,820 performance rights

Nil

Name: Mr Terence Grav

Title: Non-Executive Director **Oualifications:** 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:

Former directorships

(last 3 years):

Special responsibilities:

Chairman of the Audit and Risk Committee, member of the Remuneration

and Nomination Committee.

Interests in shares: 1,825,360 fully paid ordinary shares

Nil

Nil

1,250,000 unquoted options with exercise price of \$0.19 (19 cents), expiring Interests in options:

24 November 2019

Name: Mr Sol Lukatsky

Executive Director (appointed 21 June 2019) Title.

Masters of Marketing, Bachelor of Business (Marketing) Qualifications:

Experience and expertise: Mr Lukatsky is a C-Suite Executive with multiple company transactions

across: ASX and Private Equity backed companies. He has over 15 years in senior leadership roles covering: marketing, sales management, digital, customer experience, big data, capital markets, innovation and operations within blue chip organisations including: Dun & Bradstreet, Challenger Financial Services and NAB. In addition, as CEO he has led two Private Equity backed companies in the online services and digital technology markets (GLS & Workstar). This included, Global P&L responsibilities, +650 team members with offices across Australia, Asia and Europe. Educated at Harvard, Melbourne Business School, RMIT and awarded a Fellowship by

Leadership Victoria.

None

None

Other current directorships:

Former directorships

(last 3 years):

Interests in shares: Interests in options:

2,145,633 fully paid ordinary shares

3,000,000 unlisted options, vesting on 1 July 2022, exercisable at \$0.15 (15

cents) per option, expiring 1 July 2023;

3,000,000 unlisted options, vesting on 1 July 2022, exercisable at \$0.18 (18

cents) per option, expiring 1 July 2023;

3,000,000 unlisted options, vesting on 1 July 2022, exercisable at \$0.215 (21.5

cents) per option, expiring 1 July 2023;

Interests in rights: 247,059 performance rights

Name: Mr Mark Dioguardi

Title: Executive Director (appointed 21 June 2019)

**Oualifications:** Master of Business Administration, Bachelor of Engineering Hons

> Mr Dioguardi is an experienced CTO and COO with over 25 years' experience predominantly in Tier 1 and 2 Telco operators in Australia and Asia. A qualified engineer, Mark commenced his career in engineering and engineering construction management in Telstra before building his

corporate career as CTO at Maxis, where he led 1350 engineers and managed a USD600mil budget to grow their network. He then moved into a Chief Operating Officer role at Maxis before returning to Australia to join iiNet as Chief Technology Officer. Mark joined Spirit as Chief Operating Officer in November 2018 to develop and lead Spirit's network growth and drive

operational excellence across the business.

Non-Executive Director of TimedotCom.

Other current directorships:

Experience and expertise:

Former directorships

(last 3 years): Interests in shares: None

833,333 fully paid ordinary shares

Interests in options: 3,000,000 unlisted options, vesting on 1 July 2022, exercisable at \$0.15 (15

cents) per option, expiring 1 July 2023;

3,000,000 unlisted options, vesting on 1 July 2022, exercisable at \$0.18 (18

cents) per option, expiring 1 July 2023;

3,000,000 unlisted options, vesting on 1 July 2022, exercisable at \$0.215 (21.5

cents) per option, expiring 1 July 2023;

Interests in rights: 520,000 performance rights Name: Mr Luke Waldren

Non-Executive Director (resigned 3 July 2019) Title:

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: Former directorships Nil

(last 3 years):

Special responsibilities: Chairman of the Remuneration and Nomination Committee, member of the

Audit and Risk Committee.

Interests in shares: 108,917 fully paid ordinary shares (on the date of resignation)

Interests in options:

'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 2019, and the number of meetings attended by each director were:

	Full Board		Remunera Nomination		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr James Joughin	15	15	3	3	3	3
Mr Geoff Neate	15	15	-	-	-	-
Mr Terence Gray	15	15	3	3	3	3
Mr Luke Waldren	15	15	3	3	3	3

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

Mr Sol Lukatsky and Mr Mark Dioquardi were appointed as Executive Directors on 21 June 2019. No board meetings were held between the date of their appointment and 30 June 2019.

#### 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. No advice was sought during the course of the financial year. 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.

#### 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 20 November 2018 Annual General Meeting ('AGM') At the 20 November 2018 AGM, 91.32% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. 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:

Post-

- James Joughin, Non-Executive Chairman
- Geoff Neate, Managing Director
- Terence Gray, Non-Executive Director
- Sol Lukatskey, Executive Director (appointed 21 June 2019)
- Mark Dioguardi, Executive Director (appointed 21 June 2019)
- Luke Waldren, Non-Executive Director (resigned 3 July 2019)
- Donovan Newton, Chief Financial Officer

	Shor	t-term ber	efits	employm ent benefits	Long- term benefits	Share- based payments	
2019	Cash salary and fees \$	Cash bonus \$	Non- monetary \$	Super- annuation \$	Long service leave \$	Equity- settled \$	Total \$
Non-Executive Directors: James Joughin Terence Gray Luke Waldren*	80,000 60,000 60,000	- - -	- - -	- - -	- - -	8,390 8,390 -	88,390 68,390 60,000
Executive Directors: Geoff Neate*** Sol Lukatsky** Mark Dioguardi**	317,613 205,961 157,500	30,000 - -	- - -	34,761 20,596 15,750	5,006 - -	53,670 35,892 32,484	441,050 262,449 205,734
Other Key Management Personnel: Donovan Newton***	240,541 1,121,615	21,000 51,000		26,154 97,261	<u>-</u> 5,006	23,412 162,238	311,107 1,437,120

<sup>\*</sup> Mr Luke Waldren resigned from the Board on 3 July 2019

<sup>\*\*</sup> Mr Sol Lukatsky and Mr Mark Dioguardi were appointed as Executive Directors on 21 June 2019. The remuneration information included above relates to the period subsequent to commencing their executive roles with the Company.

<sup>\*\*\*</sup> Mr Geoff Neate and Mr Donovan Newton were awarded cash bonuses in respect of their FY18 performance, determined and paid in FY19.

	Shor	t-term ber	nefits	Post- employm ent 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 Terence Gray Luke Waldren*	80,000 60,000 45,000	- - -	- - -	- - -	- - -	20,833 20,833 -	100,833 80,833 45,000
Executive Directors: Geoff Neate	305,158	27,273	-	33,243	4,752	32,853	403,279
Other Key Management Personnel: Donovan Newton	230,000 720,158	<u>-</u> 27,273	<u>-</u>	23,000 56,243	- 4,752	- 74,519	253,000 882,945

<sup>\*</sup> Mr Luke Waldren was appointed as a Director on 1 October 2017.

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

	Fixed remuneration		At risk -	- STI	At risk - LTI	
Name	2019	2018	2019	2018	2019	2018
Non-Executive Directors:						
James Joughin	91%	79%	-	-	9%	21%
Terence Gray	88%	74%	-	-	12%	26%
Luke Waldren	100%	100%	-	-	-	-
Executive Directors:						
Geoff Neate	81%	85%	7%	7%	12%	8%
Sol Lukatsky	86%	-	-	-	14%	-
Mark Dioguardi	84%	-	-	-	16%	-
Other Key Management Personnel:						
Donovan Newton	92%	100%	-	-	8%	-

#### 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.

Donovan Newton Name: Chief Financial Officer Title:

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 \$241,500 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.

Name: Sol Lukatsky

Title. Executive Director and Chief Sales and Marketing Officer

Agreement commenced:

Term of agreement: No fixed term. Ongoing until terminated by either party with three months

written notice. Details: Fixed remuneration of \$210,000 per annum. Mr Lukatsky'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 2020. Mr Lukatsky is also eligible to participate in any long-term incentive arrangements operated or introduced by the Company from time to time, in accordance with the terms and conditions governing those arrangements and as separately notified to

the Executive by the Board.

Name: Mr Mark Dioguardi

Title: Executive Director and Chief Operating Officer

Agreement commenced: 7 November 2018

No fixed term. Ongoing until terminated by either party with three months Term of agreement:

written notice.

Fixed remuneration of \$260,000 per annum. Mr Dioguardi'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 2020. Mr Dioguardi is also eligible to participate in any long-term incentive arrangements operated or introduced by the Company from time to time, in accordance with the terms and conditions governing those arrangements and as

separately notified to the Executive by the Board.

Details:

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 2019.

#### 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		sting date and ercisable date	Expiry o	date	Exercise price	Fair value per option at grant date
24 November 201 14 May 2019 14 May 2019 14 May 2019	13	Nov 2018 uly 2022 uly 2022 uly 2022	24 Nov 1 July 20 1 July 20 1 July 20	D23 D23	\$0.190 \$0.150 \$0.180 \$0.215	\$0.0060 \$0.0780 \$0.0690 \$0.0600
Name	Number of options granted	Grant date	Vesting date and exercisable da	te Expiry date	Exercise price	Fair value per option at grant date
James Joughin Terry Gray Sol Lukatsky Sol Lukatsky Sol Lukatsky Mark Dioguardi Mark Dioguardi Mark Dioguardi	1,250,000 3,000,000 3,000,000 3,000,000 3,000,000	14 May 2019 14 May 2019	24 Nov 2018 24 Nov 2018 1 July 2022 1 July 2022 1 July 2022 1 July 2022 1 July 2022 1 July 2022	24 Nov 2019 24 Nov 2019 1 July 2023 1 July 2023 1 July 2023 1 July 2023 1 July 2023 1 July 2023	\$0.190 \$0.190 \$0.150 \$0.180 \$0.215 \$0.150 \$0.180 \$0.215	\$0.0060 \$0.0060 \$0.0780 \$0.0690 \$0.0600 \$0.0780 \$0.0690 \$0.0600

Options granted carry no dividend or voting rights.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019.

#### 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 da	te	Share price hurdle for vesting	Fair value per right at grant date
24 November 201 12 September 201 12 September 201 20 November 201 20 November 201 18 February 2019 18 February 2019	8 8 8	24 November 2019 1 July 2021 1 July 2021 20 November 2020 20 November 2020 1 July 2021 1 July 2021		nber 2021 nber 2021 nber 2020 nber 2020 ary 2022	\$0.000 \$0.000 \$0.000 \$0.000 \$0.000 \$0.000	\$0.0250 \$0.1692 \$0.2000 \$0.1194 \$0.1600 \$0.0355 \$0.1400
	Number o	f			Share price	Fair value
Name	rights granted	Grant date	Vesting date and exercisable date	Expiry date	hurdle for vesting	per right at grant date
Geoff Neate	770,000	24 November 2016	24 November 2019	24 November 2019	\$0.000	\$0.0250
Sol Lukatsky	123,530	12 September 2018	1 July 2021	12 September 2021	\$0.000	\$0.1692
Sol Lukatsky	123,529	12 September 2018	1 July 2021	12 September 2021	\$0.000	\$0.2000
Donovan Newton	278,654	12 September 2018	3	12 September 2021	\$0.000	\$0.1692
Donovan Newton	278,654	12 September 2018	3	12 September 2021	\$0.000	\$0.2000
Geoff Neate	256,410	20 November 2018 20 November 2018	2020	20 November 2020 20 November	\$0.000	\$0.1194
Geoff Neate	256,410		2020	2020	\$0.000	\$0.1600
Mark Dioguardi	260,000	18 February 2019	1 July 2021	18 February 2022	\$0.000	\$0.0355
Mark Dioguardi	260,000	18 February 2019	1 July 2021	18 February 2022	\$0.000	\$0.1400

Performance rights granted carry no dividend or voting rights.

The Performance Rights were issued for \$Nil consideration, and the vesting of the rights is contingent on the Company achieving certain hurdles over a two or three year performance period.

The number of Performance Rights which vest is determined by assessing the performance of the Company, as measured by Total Shareholder Return (TSR) at the Performance Date relative to a comparator group of companies. The VWAP of the Shares in the one-month preceding the Performance Date compared to the VWAP of the Shares in the one-month preceding the grant date, will be used in calculating the TSR over the three year period. The TSR incorporate capital returns as well as dividends notionally reinvested and is considered the most appropriate means of measuring the Company's performance.

The performance hurdles will be split 50% subject meeting the TSR, and 50% for exceeding the budgeted Return on Invested Capital (ROIC).

Each year the Board will determine the budgeted ROIC. This budgeted ROIC will be the hurdle return used to calculate the 3 years series return. The Board may exercise its discretion in determining if the rights holder has met the ROIC hurdle at the end of the 3 Years Series Return.

In relation to the 50% portion meeting the TSR, the Performance Rights will only convert to shares subject to the Performance Period being met and subject to the Company's TSR being at least equal to the median of the comparator group performance. The entire annual allocation will convert if the Company's TSR is at the 75th percentile or higher than the comparator group performance. The detailed breakdown of the relationship between the Company's performance and the conversion of Performance Rights is:

- 0% converting if the Company TSR performance is below the median performance of the comparator group.
- Straight line Pro-rata conversion if the Company TSR performance is at or above the median performance of the comparator group, but below the 75th percentile performance of the comparator group.
- 100% converting if the Company TSR performance is at or above the 75th percentile performance of the comparator group.

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 2019 are set out below:

Name	Number of rights granted during the year 2019	Number of rights granted during the year 2018	Number of rights vested during the year 2019	Number of rights vested during the year 2018
Sol Lukatsky	247,060	-	-	-
Donovan Newton	557,308	-	-	-
Geoff Neate	512,820	-	-	-
Mark Dioguardi	520,000	-	-	-

#### Additional information

The earnings of the Consolidated Entity for the four years to 30 June 2019 are summarised below:

	2019	2018	2017	2016
	\$	\$	\$	\$
Revenue and other income	17,452,445	16,299,985	11,539,129	8,855,488
Net profit/(loss) before tax	(1,009,484)	1,031,166	829,452	(2,858,066)
Net profit/(loss) after tax	(823,742)	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:

Ordinary shares	Balance at the start of the year	Received as part of remunerati on	Additions	Other	Balance at the end of the year
James Joughin	1,199,856	_	985,333	-	2,185,189
Geoff Neate	33,641,181	-	975,405	-	34,616,586
Terry Gray	1,662,676	-	-	-	1,662,676
Luke Waldren	-	-	108,917	-	108,917
Sol Lukatsky	-	-	2,145,633	-	2,145,633
Mark Dioguardi			833,333		833,333
	36,503,713		5,048,621	-	41,552,334

# 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
Sol Lukatsky	-	9,000,000	-	-	9,000,000
Mark Dioguardi	-	9,000,000	-	-	9,000,000
	13,361,470	18,000,000	-	-	31,361,470

# 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	512,820	-	-	1,282,820
Sol Lukatsky	-	247,059	-	-	247,059
Mark Dioguardi	-	520,000	-	-	520,000
	770,000	1,279,879	_	-	2,049,879

# 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
Unlisted options Unlisted options Unlisted options Unlisted options	24 November 2019 1 July 2023 1 July 2023 1 July 2023	\$0.190 \$0.150 \$0.180 \$0.215	1,250,000 6,000,000 6,000,000 6,000,000
			19,250,000

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 November 2016 12 September 2018 20 November 2018 18 February 2019	24 November 2019 12 September 2021 20 November 2020 18 February 2023	770,000 1,239,598 512,820 520,000
		3,042,418

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 2019 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 August 2014 August 2014 24 November 2016 August 2014 August 2014 August 2014 August 2014 August 2014	\$0.196 \$0.196 \$0.196 \$0.190 \$0.196 \$0.196 \$0.196	1,508,509 13,326,593 3,233,587 1,250,000 742,906 158,806 8,137,215 1,624,640
		29.982.256

# Shares issued on the exercise of performance rights

The following ordinary shares of Spirit Telecom Limited were issued during the year ended 30 June 2019 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Number of shares issued
6 October 2016	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 27 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 27 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.

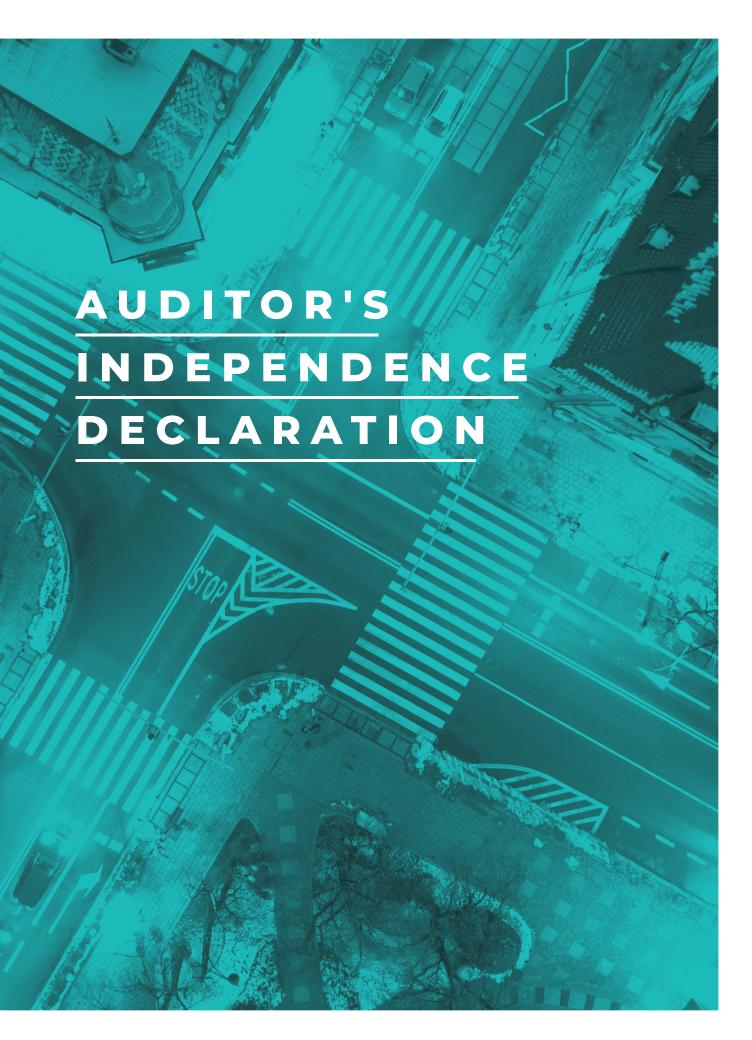
This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

James Joughin
Non-Executive Chairman

27 August 2019









# 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 2019, 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.

M

Melbourne, 27 August 2019

Steven Bradby Partner

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

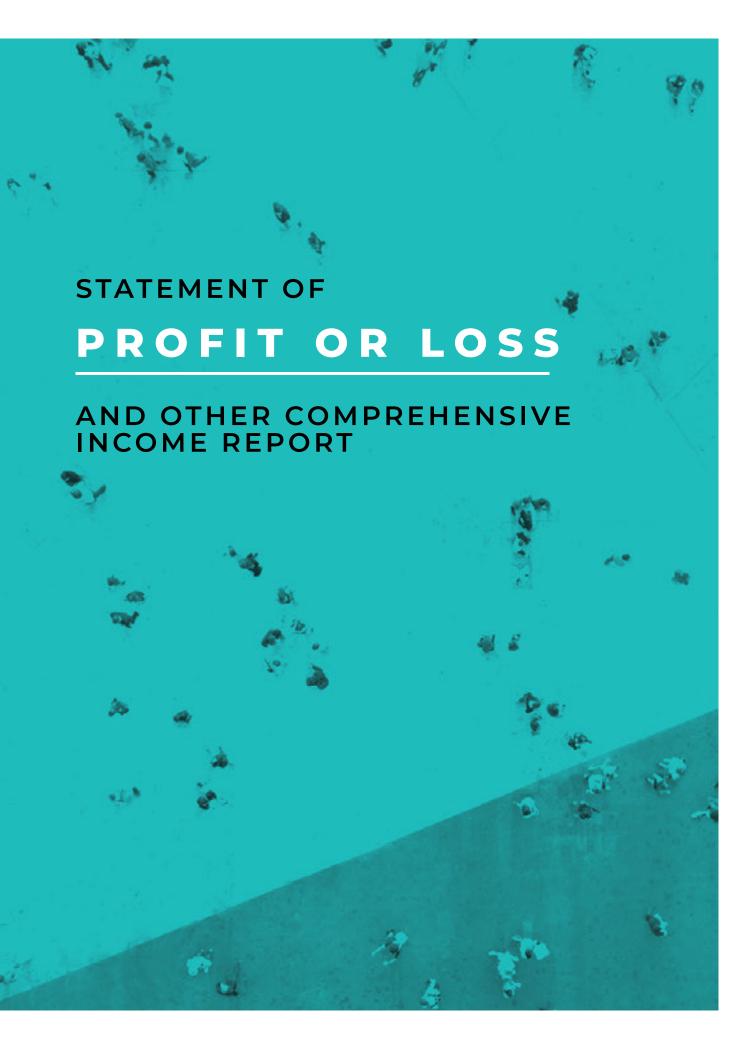
Liability limited by a scheme approved under Professional Standards Legislation

Melbourne

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PKF Melbourne Audit & Assurance Pty Ltd is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member of correspondent firm or firms.

For office locations visit www.pkf.com.au



	Note	Consoli 2019 \$	dated 2018 \$
Revenue	5	17,414,861	16,200,241
Other income Cost of sales	6	37,584 (4,556,004)	99,744 (5,041,434)
Expenses Depreciation and amortisation expense Share based payments Administration Business acquisition & integration costs Selling Marketing Finance costs	7 7	(1,929,333) (200,523) (9,439,940) (236,892) (832,457) (995,341) (271,439)	(1,276,634) (142,693) (6,896,594) (301,839) (679,379) (640,743) (289,503)
Profit/(loss) before income tax (expense)/benefit		(1,009,484)	1,031,166
Income tax (expense)/benefit	8	185,742	(460,561)
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Spirit Telecom Limited		(823,742)	570,605
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss Adjustment to opening retained earnings on adoption of AASB 15 Revenue from Contract with Customers		(202,480)	<u>-</u>
Other comprehensive income for the year, net of tax		(202,480)	
Total comprehensive income for the year attributable to the owners of Spirit Telecom Limited		(1,026,222)	570,605
		Cents	Cents
Basic earnings per share Diluted earnings per share	36 36	(0.32) (0.29)	0.26 0.26

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



	Note	Consol 2019 \$	idated 2018 \$
Assets			
Current assets Cash and cash equivalents Trade and other receivables Inventories Other Total current assets	9 10 11 12	3,376,663 456,411 998,286 853,551 5,684,911	4,631,019 398,810 415,761 602,652 6,048,242
Non-current assets Receivables Property, plant and equipment Intangibles Deferred tax Total non-current assets	13 14 15	127,697 10,549,758 13,257,188 751,388 24,686,031	43,676 6,444,558 8,970,852 480,931 15,940,017
Total assets		30,370,942	21,988,259
Liabilities			
Current liabilities Trade and other payables Borrowings Income tax	16 17	2,221,767 1,200,000	1,293,778 1,200,000 48,743
Provisions Total current liabilities	18	349,636 3,771,403	305,317
Non-current liabilities Borrowings Provisions Other Total non-current liabilities	19 20 21	3,000,000 13,959 1,530,924 4,544,883	3,600,000 15,655 15,265 3,630,920
Total liabilities		8,316,286	6,478,758
Net assets		22,054,656	15,509,501
Equity Issued capital Reserves Accumulated losses	22 23	25,511,726 475,834 (3,932,904)	18,140,872 275,311 (2,906,682)
Total equity		22,054,656	15,509,501



Consolidated	Issued capital \$	Reserves \$	Accumulat ed losses	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 Other comprehensive income for the year, net of tax	- -	- -	570,605 	570,605 
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) Share-based payments (note 37)	8,842,529 <u>-</u>	- 131,732		8,842,529 131,732
Balance at 30 June 2018	18,140,872	275,311	(2,906,682)	15,509,501
Consolidated	Issued capital \$	Reserves \$	Accumulat ed losses	Total equity \$
Consolidated Balance at 1 July 2018	capital		ed losses	\$
	capital \$	\$	ed losses \$	<b>\$</b> 15,509,501
Balance at 1 July 2018  Loss after income tax benefit for the year	capital \$	\$	ed losses \$ (2,906,682) (823,742)	\$ 15,509,501 (823,742) (202,480)
Balance at 1 July 2018  Loss after income tax benefit for the year  Other comprehensive income for the year, net of tax	capital \$	\$	ed losses \$ (2,906,682) (823,742) (202,480)	\$ 15,509,501 (823,742) (202,480)



	Note	Consol 2019 \$	idated 2018 \$
Cash flows from operating activities Receipts from customers (inclusive of GST) Payments to suppliers and employees (inclusive of GST)		20,825,519 (18,210,361)	17,467,123 (15,522,874)
Interest received Interest and other finance costs paid Income taxes paid		2,615,158 59,368 (271,440) (76,259)	1,944,249 19,656 (234,956) (38,635)
Net cash from operating activities	35	2,326,827	1,690,314
Cash flows from investing activities Payments for property, plant and equipment Payments for intangibles Cash payments to acquire business Proceeds from disposal of property, plant and equipment Net cash used in investing activities	32	(4,208,003) (142,108) (3,949,750) 5,000 (8,294,861)	(2,766,724) (700,788) (3,011,006) 24,000 (6,454,518)
Cash flows from financing activities Proceeds from issue of shares Share issue transaction costs Proceeds from borrowings Repayment of borrowings Net cash from financing activities	22	5,523,332 (209,654) - (600,000) 4,713,678	7,634,719 (395,312) 6,000,000 (5,055,653) 8,183,754
Net increase/(decrease) in cash and cash equivalents Cash and cash equivalents at the beginning of the financial year		(1,254,356) 4,631,019	3,419,550 1,211,469
Cash and cash equivalents at the end of the financial year	9	3,376,663	4,631,019



#### 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 2019. 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 31.

#### **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 2019 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 in accordance with the principles of AASB 15 Revenue from contracts with customers 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.

#### Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Consolidated Entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

#### 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.

#### **Grants**

Grants received on the condition that specified services are delivered, or conditions are fulfilled, are initially recognised as a liability, and revenue is recognised as services are performed or conditions fulfilled. Grants related to assets are presented in the statement of financial position either as deferred income or by deducting the relevant amount in determining the carrying amount of the asset.

#### 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.

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.

The Consolidated Entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### **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.

#### Investments and other financial assets

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

#### 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.

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 improvements7-10 yearsPlant and equipment2-10 yearsMotor vehicles4-5 yearsFurniture and fixtures2-10 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.

# 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.

#### 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.

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.

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 mandatorily adopted or available for early adoption**The Consolidated Entity's assessment of the impact of those new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

#### AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in AASB 15, the Group has adopted the new standard with the modified retrospective method and hence recognised the cumulative effect at the date of initial application by recognising the impact as an opening adjustment.

The Consolidated Entity has determined that there is no significant impact to the financial statements as a result of applying the standard to its base of recurring revenues, which are typically invoiced monthly for services rendered. The impact of its adoption on up front and non-recurring revenues and hardware sales has been determined to have relatively insignificant impact, adjusted by a deferral of \$202,480 in previously recognised installations revenue through the opening balance of retained earnings as at 1 July 2018.

# AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Most of the changes are not relevant to the Group, however there was a new impairment model introduced in AASB 9 which requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes to the Group's accounting policies. No opening adjustment was necessary as a result of the adoption of AASB 9.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on credit risk characteristics and the days past due. There was no material difference between the expected credit loss calculated under AASB 9 and AASB 139.

#### AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Upon adoption of the standard with effect from 1 July 2019 the Consolidated Entity will apply the modified retrospective approach (with the application of practical expedients) equating the 'right-of-use' asset (ROUA) with the value of the lease liability, thus requiring no restatement of accumulated losses or prior period comparatives.

Subject to exceptions, a ROUA will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a ROUA is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

Had the Consolidated Entity early adopted this standard from 1 July 2018, the impact would have been as follows:

- (a) Recognition of ROUA and lease liabilities in equal amount of \$1,608,000.
- (b) Recognition during the year of \$344,974 depreciation of the ROUA and \$52,515 in interest on lease, reversing \$354,373 in lease rental expenses. The net impact on profit or loss before income tax would have been to increase the loss by \$43,116.
- (c) The year-end balances of the ROUA and lease liabilities would be \$1,256,508 and \$1,288,224 respectively.
- (d) There would be no net impact on the consolidated statement of cash flows.

Upon adoption of AASB 16 as of 1 July 2019 under the modified retrospective approach, the ROUA and lease liability will be recognised in equal amount of \$1,288,224. Inclusive of interest, note 29 reflects the commitments relative to this liability, as at 30 June 2019.

# 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.

#### Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

#### 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.

# Note 3. Critical accounting judgements, estimates and assumptions (continued)

#### 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 2019 there are no individual customers which accounted for 5% or more of sales.

#### Note 5. Revenue

	Consoli 2019 \$	idated 2018 \$
Sales revenue Sales revenue	17,365,108	16,170,970
Other revenue Interest	49,753	29,271
Revenue	17,414,861	16,200,241
Disaggregation of revenue  The disaggregation of revenue from contracts with customers is as follows:		
	Consoli 2019 \$	idated 2018 \$
Major product lines Internet and data services Voice services Other	12,708,085 3,124,923 1,532,100	- - -
	17,365,108	
Geographical regions Australia	17,365,108	
Timing of revenue recognition Goods transferred at a point in time Services transferred over time	723,724 16,641,384	- -
	17,365,108	_

# Note 6. Other income

	Consolidated	
	2019 \$	2018 \$
Government grants Profit on sale of assets Sundry income	37,584 - 	37,584 (1,541) 63,701
Other income	37,584	99,744

# Note 7. Expenses

	Consolidated	
	2019 \$	2018 \$
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation Leasehold improvements Plant and equipment Motor vehicles Furniture and fixtures	1,695,091 34,358 (29,442)	1,591 1,162,121 16,793 31,249
Total depreciation	1,700,007	1,211,754
Amortisation Software Other intangibles Total amortisation	227,700 1,626 229,326	12,954 51,926 64,880
Total depreciation and amortisation	1,929,333	1,276,634
Finance costs Interest and finance charges paid/payable	271,439	289,503
Superannuation expense Defined contribution superannuation expense	472,583	324,503
Employee benefits expense excluding superannuation Employee benefits expense excluding superannuation	4,871,494	3,767,311
Impairment of receivables Bad debts*	80,902	40,892

<sup>\*</sup>The Consolidated Entity has recognised a loss of \$80,902 in profit or loss in respect of impairment of receivables for the year ended 30 June 2019 (2018: \$40,892).

# Note 8. Income tax expense/(benefit)

	Consolid 2019 \$	dated 2018 \$
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax (expense)/benefit	(1,009,484)	1,031,166
Tax at the statutory tax rate of 27.5%	(277,608)	283,571
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Acquisition related	12,272	83,147
Share options and employee shares scheme	55,144	39,241
Other balances and permanent differences	24,450	54,602
Income tax expense/(benefit)	(185,742)	460,561

# Note 9. Current assets - cash and cash equivalents

	Consol	Consolidated	
	2019 \$	2018 \$	
Cash at bank Cash on deposit	3,376,663	546,770 4,084,249	
	3,376,663	4,631,019	

# Note 10. Current assets - trade and other receivables

	Consolidated	
	2019 \$	2018 \$
Trade receivables	522,258	454,407
Less: Allowance for expected credit losses	(65,847)	(91,862)
	456,411	362,545
Other receivables		36,265
	456,411	398,810

# Allowance for expected credit losses

The Consolidated Entity retains a provision of \$65,847 in respect of impairment of receivables for the year ended 30 June 2019.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Consol	Consolidated	
	2019 \$	2018 \$	
3 to 6 months overdue	16,333	30,152	
Over 6 months overdue	49,514_	61,710	
	65,847	91,862	

# Note 10. Current assets - trade and other receivables (continued)

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2019 \$	2018 \$
Opening balance Additions and releases	91,862 (26,015)	38,101 53,761
Closing balance	65,847	91,862

# Note 11. Current assets - inventories

	Consolidated	
	2019 \$	2018 \$
Stock on hand - at cost	998,286	415,761

# Note 12. Current assets - other

	Consolidated	
	2019 \$	2018 \$
Accrued revenue Prepayments	217,058 636,493	211,623 391,029
	853,551	602,652

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

	Consolidated	
	2019 \$	2018 \$
Leasehold improvements - at cost Less: Accumulated depreciation	<u>-</u>	30 (3)
		27
Plant and equipment - at cost Less: Accumulated depreciation	13,975,194 (4,527,792)	8,907,954 (2,833,950)
2033. Accumulated depreciation	9,447,402	6,074,004
Motor vehicles - at cost Less: Accumulated depreciation	141,101 (56,121)	84,101 (21,763)
	84,980	62,338
Furniture & Fixtures at Cost Less: Accumulated depreciation	301,988 (68,512)	406,143 (97,954)
	233,476	308,189
Work in progress	783,900	
	10,549,758	6,444,558

# 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 improveme nts \$	Plant and equipment \$	Motor vehicles \$	Furniture & Fixtures \$	Work in progress \$	Total \$
Balance at 1 July 2017 Additions Additions through business	4,086 -	3,205,319 2,487,529	40,672 -	44,576 294,862	-	3,294,653 2,782,391
combinations (note 32)	-	1,543,276	60,000	-	-	1,603,276
Disposals	(2,469)	- (1.160.100)	(21,541)	(71.2.(0)	-	(24,010)
Depreciation expense	(1,590)	(1,162,120)	(16,793)	(31,249)		(1,211,752)
Balance at 30 June 2018 Additions/transfers Additions through business	27 -	6,074,004 3,539,446	62,338 -	308,189 (124,155)	- 783,900	6,444,558 4,199,191
combinations (note 32)	-	1,529,043	57,000	20,000	-	1,606,043
Disposals	(27)	-	-	-	-	(27)
Depreciation expense		(1,695,091)	(34,358)	29,442		(1,700,007)
Balance at 30 June 2019		9,447,402	84,980	233,476	783,900	10,549,758

# Note 14. Non-current assets - intangibles

	Consolidated	
	2019 \$	2018 \$
Goodwill - at cost	10,557,157	6,196,853
Software Less: Accumulated amortisation	1,021,582 (326,191) 695,391	866,832 (96,223) 770,609
Other intangible assets	2,004,640	2,003,390
	13,257,188	8,970,852



# Customer Satisfaction Score

# 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:

Consolidated	Goodwill at cost \$	Software & projects at cost \$	Indefinite life intangibles at cost \$	Total \$
Balance at 1 July 2017 Additions Additions through business combinations (note 32) Transfers in/(out)	3,317,607 - 2,879,246	27,909 556,101 -	2,231,472 23,399 - (251,481)	5,576,988 579,500 2,879,246
Amortisation expense		251,481 (64,882)	(251,481)	(64,882)
Balance at 30 June 2018 Additions Additions through business combinations (note 32) Amortisation expense	6,196,853 - 4,360,304 -	770,609 142,108 12,000 (229,326)	2,003,390 1,250 - -	8,970,852 143,358 4,372,304 (229,326)
Balance at 30 June 2019	10,557,157	695,391	2,004,640	13,257,188

#### Goodwill & Intangible Assets with Indefinite Lives

Impairment Tests for goodwill and indefinite life intangibles (comprising intellectual property and copyright intangibles acquired)

Goodwill and indefinite life intangibles, including those acquired during the year, are allocated to a single cash-generating unit (CGU), that being the Consolidated Entity's single operating segment. The recoverable amount of the CGU is determined based on a value-in-use model. The model uses a post-tax discount of 10.9% (2018: 11.3%), cash flow projections based on the financial budget for the 12 months immediately following reporting date, cash flows beyond 12 months extrapolated through a 5-year outlook utilising conservative growth rates, and a terminal value growth rate of zero.

Upon applying the test across both intangible assets, including goodwill, it is concluded that no impairment has occurred.

Sensitivity analysis has been performed to assess the impact of possible changes in assumptions. This has concluded that any reasonable possible change in valuation parameters would not cause the carrying amount of the CGU to exceed its recoverable amount.

# Note 15. Non-current assets - deferred tax

	Consoli 2019 \$	dated 2018 \$
Deferred tax asset comprises temporary differences attributable to:	•	•
Amounts recognised in profit or loss:		
Employee benefits	99.989	90.249
Expenses deductible in future periods	138,643	143,088
Other provisions/accruals	225,138	98,932
Tax credits from tax losses	287,618	148,662
Deferred tax asset	751,388	480,931

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

# Note 16. Current liabilities - trade and other payables

	Consol	Consolidated	
	2019 \$	2018 \$	
Trade payables Unearned revenue	1,055,934 467,358	210,910 227,425	
GST payable	80,153	41,004	
Other payables	618,322	814,439	
	2,221,767	1,293,778	

Refer to note 25 for further information on financial instruments.

# Note 17. Current liabilities - borrowings

	Consoli	Consolidated	
	2019 \$	2018 \$	
Bank loans	1,200,000	1,200,000	

Refer to note 25 for further information on financial instruments.

# Note 18. Current liabilities - provisions

	Conso	Consolidated		
	2019 \$	2018 \$		
Annual leave Long service leave	178,737 170,899	168,251 137,066		
	349,636	305,317		

# Note 19. Non-current liabilities - borrowings

	2019 \$	2018 \$
Bank loans	3,000,000	3,600,000

Refer to note 25 for further information on financial instruments.

Total secured liabilities

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

Consol	idated
2019 2018 \$ \$	
4,200,000	4,800,000

Consolidated

Assets pledged as security

Bank loans

The bank loan of \$4,200,000 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

			Consoli 2019 \$	idated 2018 \$
Long service leave		:	13,959	15,655
Note 21. Non-current liabilities - other				
			Consoli 2019 \$	idated 2018 \$
Revenue received in advance Other non-current liabilities			1,506,339 24,585	- 15,265
		;	1,530,924	15,265
Note 22. Equity - issued capital				
	2019 Shares	Consol 2018 Shares	idated 2019 \$	2018 \$
Ordinary shares - fully paid	305,723,988	243,759,535	25,511,726	18,140,872

# Note 22. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance Issue of shares Issue of shares Conversion of vested performance rights Issue of shares Placement Exercise of Options Exercise of Options Exercise of Options Costs of capital raising	1 July 2017 30 August 2017 04 September 2017 05 September 2017 10 October 2017 11 December 2017 27 March 2018 18 April 2018 21 May 2018	184,050,420 12,500,000 10,595,785 599,400 91,663 20,000,000 10,893,313 5,028,627 327	\$0.120 \$0.140 \$0.000 \$0.120 \$0.150 \$0.196 \$0.196 \$0.000	9,298,343 1,500,000 1,483,410 10,959 3,000,000 2,144,675 990,036 64 (286,615)
Balance Shares issued on conversion of vested	30 June 2018	243,759,535		18,140,872
performance rights Shares issued to incentivise employees Placement Issue of shares to the vendors as part consideration in relation to the LinkOne Group		1,200,600 81,020 32,500,000	\$0.000 \$0.247 \$0.120	20,000 3,900,000
acquisition Issue of shares	1 May 2019 9 May 2019	13,076,923 8,333,378	\$0.130 \$0.120	1,700,000 1,000,005
Placement Issue of shares to the vendors as consideration	9 May 2019	2,500,000	\$0.120	300,000
in relation to the Building Connect acquisition Issue of shares as part of the additional	20 May 2019	1,772,533	\$0.150	265,880
placement Issue of shares as part of the additional	7 June 2019	833,333	\$0.120	100,000
placement Costs of capital raising	17 June 2019	1,666,666	\$0.120 \$0.000	200,000 (115,031)
Balance	30 June 2019	305,723,988	: :	25,511,726
Movements in listed options				

Details	Date	Listed options	\$
Balance Exercise of Options Exercise of Options Exercise of Options	1 July 2017 27 March 2018 18 April 2018 21 May 2018	44,654,523 (10,893,313) (5,028,627) (327)	- - - -
Balance	30 June 2018	28,732,256	
Balance	30 June 2019	28,732,256	

Movements in unquoted options

Details	Date	Options	\$
Balance	1 July 2017	2,500,000	
Balance Issue of unlisted options	30 June 2018 14 May 2019	2,500,000 18,000,000	- -
Balance	30 June 2019	20,500,000	_

# 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 2018 Annual Report.

#### Note 23. Equity - reserves

	Consolidated		
	2019 \$	2018 \$	
Share based payments reserve (Note 37) Capital reserve	469,638 6,196	269,115 6,196	
	475,834	275,311	

## 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 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
Share based payments expense		200,523	200,523
Balance at 30 June 2019	6,196	469,638	475,834

## Note 24. Equity - dividends

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

#### Note 25. 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.

## 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 \$271,439 in interest during the 2019 financial year.

## Note 25. Financial instruments (continued)

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

	20 Weighted average interest rate	19 Balance	20 Weighted average interest rate	18 Balance
Consolidated	%	\$	%	\$
Bank loan	5.57%	4,200,000	5.49%	4,800,000
Net exposure to cash flow interest rate risk		4,200,000		4,800,000

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 \$4.2m (2017: \$4.8m), are interest payment loans requiring quarterly amortisation of principal of \$300,000. Monthly cash outlays of approximately \$19,500 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 \$84,000 per annum.

The debt facility was refinanced on 4 July 2019. The interest impact is consistent with the previous facility, however the quarterly amortisation requirements reduced to \$225,000.

### 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.

The Consolidated Entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Consolidated Entity based on recent sales experience, historical collection rates and forward-looking information that is available.

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 2019 \$65,847 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.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

## 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 25. 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.

	Weighted average		Between 1	Between 2		Remaining contractual
	interest rate	Typar or less			Over 5 years	maturities
Consolidated - 2019	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i> Trade payables		1,055,934				1,055,934
Unearned revenue	-	467,358	_	-	_	1,055,954 467,358
Other payables		629,722				629,722
Unearned government		023,722				023,722
grant revenue	-	122,416	214,286	642,857	564,364	1,543,923
Interest-bearing - variable	F FF0/	1000.000	7.000.000			
Bank loan	5.57%	1,200,000	3,000,000			4,200,000
Total non-derivatives	-	3,475,430	3,214,286	642,857	564,364	7,896,937
	Weighted					Remaining
	average		Between 1	Between 2		contractual
	interest rate	1 year or less	and 2 years	and 5 years	Over 5 years	maturities
Consolidated - 2018	%	\$	\$	\$	\$	\$
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	F (63)	1000.000	1000.000	0 (00 000		( 000 000
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

As advised in Note 34 a refinancing took place on 4 July 2019. The new facility has a three year term with annual amortisation of \$900,000.

## Fair value of financial instruments

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

## Note 26. 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 Sol Lukatsky (Executive Director) (appointed 21 June 2019) Mr Mark Dioguardi (Executive Director) (appointed 21 June 2019) Mr Luke Waldren (resigned on 3 July 2019)



## Note 26. 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	
	2019 \$	2018 \$
Short-term employee benefits	1,172,615	747,431
Post-employment benefits	97,261	56,243
Long-term benefits	5,006	4,752
Share-based payments	162,238	74,519
	1,437,120	882,945

### Note 27. 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:

	Consoli 2019 \$	dated 2018 \$
Audit services - PKF Melbourne Audit & Assurance Pty Ltd Audit or review of the financial statements	53,000	43,000
Other services - PKF Melbourne Audit & Assurance Pty Ltd Income tax compliance and consulting services	21,000	15,000
	74,000	58,000

# Note 28. Contingent liabilities

There were no contingent liabilities at 30 June 2019 and 30 June 2018.

### Note 29. Commitments

	Consolidated	
	2019 \$	2018 \$
Lease commitments - operating Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	505,627	217,852
One to five years	896,554	580,968
Total commitment	1,402,181	798,820

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 30. Related party transactions

Parent entity

Spirit Telecom Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

## Key management personnel

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

#### Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2019 \$	2018 \$
Payment for other expenses: Lodge Corporate Pty Ltd (a related party of Mr Terence Gray) Tegis Pty Ltd (a related party of Mr Terence Gray) Wages paid to Jennifer Neate in relation to casual employment (a related party of	10,000	228,000
Mr Geoff Neate)	25,002	28,853

## 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.

### 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 31. 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	
	2019 \$	2018 \$
Profit/(loss) after income tax	40,254	(848,865)
Total comprehensive income	40,254	(848,865)
Statement of financial position		
	Par	ent
	2019 \$	2018 \$
Total current assets	2,625,846	4,322,243
Total assets	30,171,571	25,589,775
Total current liabilities	1,241,898	1,248,743
Total liabilities	(2,498,214)	741,299
Equity Issued capital Share based payments reserve (Note 37) Accumulated losses	33,419,217 469,638 (1,219,070)	27,590,869 269,115 (3,011,508)
Total equity	32,669,785	24,848,476

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The bank loan of \$4,200,000 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 2019 and 30 June 2018.

## Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

# Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

### 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 32. Business combinations

#### Acquisition of LinkOne Group

Spirit Telecom Limited acquired 100% of LinkOne Group of companies ("LinkOne") including Anttel Communications Group Pty Ltd, LinkOne Pty Ltd, Ignite Broadband Pty Ltd and Wells Research Pty Ltd, with effective control 1 April 2019. The acquisition has been accounted as a Business Combination under AASB 3. LinkOne is a licensed telecommunications carrier operating a predominantly Fixed Wireless network via 44 points of presence (PoPs), including 25 in Brisbane, 9 in Sydney and 10 in Melbourne. This means immediate geographic expansion into the target markets of Brisbane and Sydney with the launch of Spirit's Sky Speed range of B2B data and voice services on the LinkOne network.

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

	Fair value \$
Cash and cash equivalents Trade receivables Inventories Other Property, plant and equipment Trade and other payables	346,440 83,652 113,481 31,710 1,390,300 (463,559)
Net assets acquired Goodwill	1,502,024 4,197,976
Acquisition-date fair value of the total consideration transferred	5,700,000
Cash used to acquire business, net of cash acquired: Acquisition-date fair value of the total consideration transferred Less: cash and cash equivalents Less: shares issued by Company as part of consideration	5,700,000 (346,440) (1,700,000)
Net cash used	3,653,560

## i. Consideration transferred

Acquisition-related costs amounting to \$40,115 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 \$83,652. As of the acquisition date, the Company's best estimate is that all cash will be collected.

## iii. Goodwill

Goodwill of \$4,197,976 was primarily related to the Company's growth expectations through network and customer expansion.

The consolidated entity operations are being merged with that of Spirit to form one operating segment and goodwill is allocated to the Spirit cash generating unit as at acquisition date. The goodwill that arose from this business combination is not deductible for tax purposes.

#### iv. Contribution to the Consolidated Entity's results

LinkOne contributed revenues of \$696,956, \$286,976 of EBITDA and net profit before tax of \$232,686 to the Consolidated Entity from the date of the acquisition to 30 June 2019.

## Note 32. Business combinations (continued)

## Acquisition of Building Connect Pty Ltd

Spirit Telecom Limited acquired 100% of Building Connect Pty Ltd, with effective control on 1 April 2019. The acquisition has been accounted as a Business Combination under AASB 3. This acquisition will provide significant opportunity for Spirit to continue to expand its fixed wireless network in Sydney, enabling more businesses in Australia's fastest growing economic region of Western Sydney to access its high-speed Sky-Speed Internet range. Building Connect will extend Spirit's network across 31 buildings/business parks, servicing 200 business customers and provide immediate geographic expansion into Western Sydney.

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

	Fair value \$
Cash and cash equivalents Trade receivables Inventory Other Property, plant and equipment Trade and other payables	3,957 9,813 4,500 5,246 215,743 (101,587)
Net assets acquired Goodwill	137,672 162,328
Acquisition-date fair value of the total consideration transferred	300,000
Cash used to acquire business, net of cash acquired: Acquisition-date fair value of the total consideration transferred Less: cash and cash equivalents Less: shares issued by Company as consideration	300,000 (3,957) (300,000)
Net cash received	(3,957)

## i. Consideration transferred

Acquisition-related costs amounting to \$10,510 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 \$9,813. As of the acquisition date, the Company's best estimate is that all cash will be collected.

#### iii. Goodwill

Goodwill of \$162,328 was primarily related to the Company's growth expectations through network and customer expansion.

The consolidated entity operations are being merged with that of Spirit to form one operating segment and goodwill is allocated to the Spirit cash generating unit as at acquisition date. The goodwill that arose from this business combination is not deductible for tax purposes.

## iv. Contribution to the Consolidated Entity's results

Building Connect contributed revenues of \$122,730, \$42,661 of EBITDA and net profit before tax of \$32,750 to the Consolidated Entity from the date of the acquisition to 30 June 2019.

## Note 32. Business combinations (continued)

Acquisition of World Without Wires Pty Ltd

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
Property, plant and equipment	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
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

### Note 33. 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	<b>2019</b> %	<b>2018</b> %
Spirit Telecom (Australia) Pty Ltd	Australia	100%	100%
Phone Name Marketing Australia Pty Ltd	Australia	100%	100%
World Without Wires Pty Ltd	Australia	100%	100%
Anttel Communications Group Pty Ltd	Australia	100%	-
Ignite Broadband Pty Ltd	Australia	100%	-
LinkOne Pty Ltd	Australia	100%	-
Wells Research Pty Ltd	Australia	100%	-
Building Connect Pty Ltd	Australia	100%	-

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

# Note 34. Events after the reporting period

On 2 July 2019, the Consolidated Entity announced that it had entered into an agreement to acquire 100% of Arinda IT, effective 1 July 2019 for upfront consideration of \$2.6 million, comprising:

- 80% consideration paid in cash (\$2.1 million)
- 20% consideration paid in scrip (\$0.5 million issued at \$0.21)

## Note 34. Events after the reporting period (continued)

The Consolidated Entity completed the acquisition on 12 July 2019 and issued 2,380,952 fully paid ordinary shares (subject to voluntary escrow until 11 July 2020), at a deemed issue price of \$0.21 (21 cents) per share.

On 4 July 2019, the Consolidated Entity completed a refinancing of its debt facility, entering into a new three year \$8 million revolving facility with the Commonwealth Bank of Australia.

On 4 July 2019, the Consolidated Entity issued 1,508,509 fully paid ordinary shares at an issue price of \$0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 10 July 2019, the Consolidated Entity issued 13,326,593 fully paid ordinary shares at an issue price of \$0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 16 July 2019, the Consolidated Entity issued 3,233,587 fully paid ordinary shares at an issue price of \$0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 17 July 2019, the Consolidated Entity issued 1,250,000 fully paid ordinary shares at an issue price of \$0.19 (19 cents) per share pursuant to the exercise of unlisted options.

On 24 July 2019, the Consolidated Entity announced that Non-Executive Chairman, Mr James Joughin exercised his 1,250,000 unlisted options at \$0.19 (19 cents) per share, injecting \$237,500 into Spirit Telecom Limited.

On 24 July 2019, the Consolidate Entity announced that it had entered into an agreement to acquire 100% of Phoenix Austec Group Pty Ltd, effective 1 July 2019 for upfront consideration of \$1.6 million, comprising:

- 80% consideration paid in cash (\$1.3 million)
- 20% of consideration paid in scrip (\$0.32 million issued at \$0.24)
- Completion is subject to normal closing conditions

On 25 July 2019, the Consolidated Entity issued 742,906 fully paid ordinary shares at an issue price of \$0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 26 July 2019, the Consolidated Entity issued 158,806 fully paid ordinary shares at an issue price of \$0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 29 July 2019, the Consolidated Entity announced the completion of acquisition of Phoenix Austec Group and issued 1,333,333 fully paid ordinary shares at a deemed issue price of \$0.24 (24 cents) per share to the vendor. The shares issued were subject to voluntary escrow until 29 July 2020.

On 2 August 2019, the Consolidated Entity issued 8,137,215 fully paid ordinary shares at an issue price of \$0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 9 August 2019, the Consolidated Entity issued 1,624,640 fully paid ordinary shares pursuant to the underwriting arrangement for the listed options at an issue price of \$0.19688 (19.688 cents) per share.

On 19 August 2019, the Chief Financial Officer tendered his resignation, effective 30 August 2019.

No other matter or circumstance has arisen since 30 June 2019 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 35. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	2019 \$	2018 \$
Profit/(loss) after income tax (expense)/benefit for the year	(823,742)	570,605
Adjustments for: Depreciation and amortisation Share-based payments Capital raise fees tax impact Interest and other finance costs paid Profit on asset disposal	1,929,333 200,523 57,000 271,439	1,276,634 142,693 108,711 289,503 (1,541)
Change in operating assets and liabilities:  Decrease/(increase) in trade and other receivables Increase in inventories Decrease/(increase) in deferred tax assets Increase in prepayments Increase/(decrease) in trade and other payables Increase/(decrease) in employee benefits Other	(57,601) (582,525) (271,556) (250,899) 927,989 42,623 884,243	849,407 (355,409) 339,521 (540,999) (910,759) (66,561) (11,491)
Net cash from operating activities	2,326,827	1,690,314

## Note 36. Earnings per share

	Consol 2019 \$	idated 2018 \$
Profit/(loss) after income tax attributable to the owners of Spirit Telecom Limited	(823,742)	570,605
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share Adjustments for calculation of diluted earnings per share: Dilutive potential ordinary shares	256,206,001 31,232,256	218,551,340
Weighted average number of ordinary shares used in calculating diluted earnings per share	287,438,257	219,905,917
	Cents	Cents
Basic earnings per share Diluted earnings per share	(0.32) (0.29)	0.26 0.26

## Note 37. Share-based payments

During the financial year ended 30 June 2019 the consolidated entity granted a total of 18,000,000 unlisted options to Mr Sol Lukatsky (Chief Operating Officer) and Mr Mark Dioguardi (Chief Sales and Marketing Officer), under the Employee Incentive Plan. The Company also granted a total of 2,675,618 unlisted performance rights to certain employees and to Mr Geoff Neate (Managing Director of the Company) under the Long Term Incentive Plan.

The options have a 4-year term and will vest on 1 July 2022. 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.

## Note 37. Share-based payments (continued)

A total of 2,162,798 performance rights granted to certain employees during the current financial year 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 512,820 performance rights granted to Mr Geoff Neate during the current financial year have a 2-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.

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:

2019			Balance at			Expired/	Balance at
Grant date	Expiry date	Exercise price	the start of the year	Granted	Exercised	forfeited/ other	the end of the year
Graffit date	Expiry date	price	ti le year	Granted	LACICISCU	Other	trie year
24/11/2016	24/11/2019	\$0.190	2,500,000	-	-	-	2,500,000
14/05/2019	01/07/2023	\$0.150	-	6,000,000	-	-	6,000,000
14/05/2019	01/07/2023	\$0.180	-	6,000,000	-	-	6,000,000
14/05/2019	01/07/2023	\$0.215	2500000	6,000,000			6,000,000
			2,500,000	18,000,000			20,500,000
Weighted ave	erage exercise p	rice	\$0.190	\$0.182	\$0.000	\$0.000	\$0.183
2018							
2010			Balance at			Expired/	Balance at
		Exercise	the start of			forfeited/	the end of
Grant date	Expiry date	price	the year	Granted	Exercised	other	the year
24/11/2016	24/11/2019	\$0.190	2,500,000			-	2,500,000
			2,500,000				2,500,000
Weighted ave	erage exercise p	rice	\$0.190	\$0.000	\$0.000	\$0.000	\$0.190
Set out below	are the options	exercisable a	at the end of t	he financial y	ear:		
						2019	2018
Grant date	Expiry date					Number	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 0.4 years (2018: 1.4 years).

## Note 37. Share-based payments (continued)

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

-	$\overline{}$	7	-

2019		Balance at the start of			Expired/ forfeited/	Balance at the end of
Grant date	Expiry date	the year	Granted	Exercised	other	the year
24/11/2016	24/11/2019	1,970,600	-	(1,200,600)	-	770,000
12/09/2018	12/09/2021	-	1,642,798	-	(403,200)	1,239,598
20/11/2018	20/11/2020	-	512,820	-	-	512,820
18/02/2019	18/02/2023		520,000			520,000
		1,970,600	2,675,618	(1,200,600)	(403,200)	3,042,418
2018						
		Balance at			Expired/	Balance at
		the start of			forfeited/	the end of
Grant date	Expiry date	the year	Granted	Exercised	other	the year
24/11/2016	24/11/2019	2,570,000		(599,400)		1,970,600
		2,570,000		(599,400)		1,970,600

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

Grant date	Expiry date	2019 Number	2018 Number
24/11/2016	24/11/2019	770,000	1,970,600
		770,000	1,970,600

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 0.4 years (2018: 1.4 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

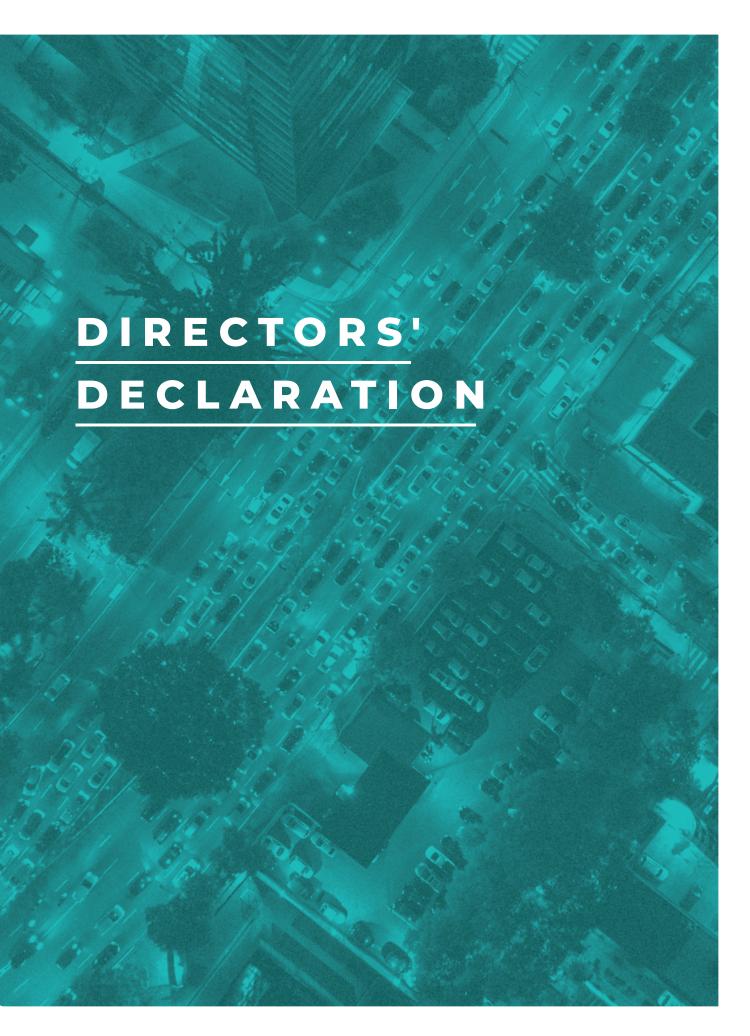
		Share price at grant	Exercise	Expected	Dividend	Risk-free	Fair value at grant
Grant date	Expiry date	date	price	volatility	yield	interest rate	date
14/05/2019	01/07/2023	\$0.165	\$0.150	52.50%	-	1.32%	\$0.0780
14/05/2019	01/07/2023	\$0.165	\$0.180	52.50%	-	1.32%	\$0.0690
14/05/2019	01/07/2023	\$0.165	\$0.215	52.50%	-	1.32%	\$0.0600

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

		Share price at grant	Expected	Dividend	Risk-free	Fair value at grant
Grant date	Expiry date	date	volatility	yield	interest rate	date
12/09/2018	12/09/2021	\$0.200	107.94%	-	2.02%	\$0.1692
12/09/2018	12/09/2021	\$0.200	107.94%	_	2.02%	\$0.2000
20/11/2018	20/11/2020	\$0.160	70.00%	-	2.04%	\$0.1194
20/11/2018	20/11/2020	\$0.160	70.00%	-	2.04%	\$0.1600
18/02/2019	18/02/2022	\$0.145	52.50%	-	1.69%	\$0.1400
18/02/2019	18/02/2022	\$0.145	52.50%	-	1.69%	\$0.0355

# Note 37. Share-based payments (continued)

	Consolidated	
	2019 \$	2018 \$
Share based payments expense reconciliation		
Issue of share options to directors and employees under incentive option scheme Issue of performance rights to directors and employees under performance	100,660	41,666
rights plan	79,863	90,027
Issue of shares to employees	20,000	11,000
Total share based payments expense reconciliation	200,523	142,693



## 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 2019 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 2019





#### 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 2019, 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 2019 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

As at 30 June 2019, the carrying value of goodwill was \$10,557,157 (2018: \$6,196,853) and indefinite life intangible assets was \$2,004,640 (2018: \$2,003,390), 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 Unit (CGU) to which the intangible assets have been allocated.

## How our audit addressed this matter

Our procedures included, but were not limited to, assessing and challenging:

- the appropriateness of Management's determination that the CGU to which goodwill and indefinite life intangibles are allocated is the Consolidated Entity's single operating segment, against which the impairment model was applied to determine value-in-use;
- the application of an indefinite useful life to these intangible assets;
- the reasonableness of the financial year 2020 budget approved by the Directors, comparing to current actual results, and considering trends, strategies and outlooks;
- the sourcing of inputs used in the impairment model, including the approved budget;

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

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# 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;
- growth rate and terminal growth factor; and
- discount rate.

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

## Key audit matter – Acquisitions of LinkOne Group and Building Connect Pty Ltd

As described in Note 32, the Consolidated Entity acquired 100% of the issued capital of the LinkOne Group of companies and Building Connect Pty Ltd, each with effect from 1 April 2019. The acquisitions had the objective of expanding the Consolidated Entity's telecommunications infrastructure asset base and geographic footprint.

The acquisition-date fair value of the total consideration transferred amounted to \$5,700,000 and \$300,000 respectively. Significant provisional judgements were formed by Management in valuing the acquired identifiable assets and allocation to goodwill. Based on this we have considered the acquisition of LinkOne Group and Building Connect Pty Ltd to be a Key Audit Matter.

#### Key audit matter - Revenue recognition

The Consolidated Entity's sales revenue amounted to \$17,365,108 during the year. Note 2 *Revenue Recognition* describes the accounting policies applicable to distinct revenue streams, noting that revenue from services provided at a point in time such as call and hardware sales is recognised on delivery of those products, while revenue from delivered over time such as set up cost, 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 (continued)

- the determination of the discount rate applied in the impairment model, comparing to available industry data;
- the short to medium term growth rates applied in the forecast cash flow, considering historical results and available industry data;
- the arithmetic accuracy of the impairment model;
- 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.

#### 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 Agreements between the respective parties resulting in the business combinations;
- assessing the methodology applied to provisionally 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);
- validating inputs of the components of the business combinations to underlying support, and assessing the resultant provisional accounting entries associated with the acquisitions, including recognition of goodwill on each transaction;
- assessing the appropriateness of the allocation of goodwill to the Consolidated Entity's single operating segment;
- assessing the appropriateness of the disclosures in relation to both the business combinations and intangible assets acquired included in Notes 14 and 32.

## 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 completion of performance obligations and 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 introduction of AASB 15 *Revenue from Contracts with Customers*, 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 revenue deferred in accordance with the principles of AASB 15 as of the year end;
- assessing through analytical review the reasonableness of revenue streams by comparison to prior year and budgeted results; and
- assessing the consistency of the Consolidated Entity's accounting policies in respect of revenue recognition with the criteria prescribed by AASB 15.

#### **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 to 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 pages 29 to 38 of the Directors' Report for the year ended 30 June 2019. 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.

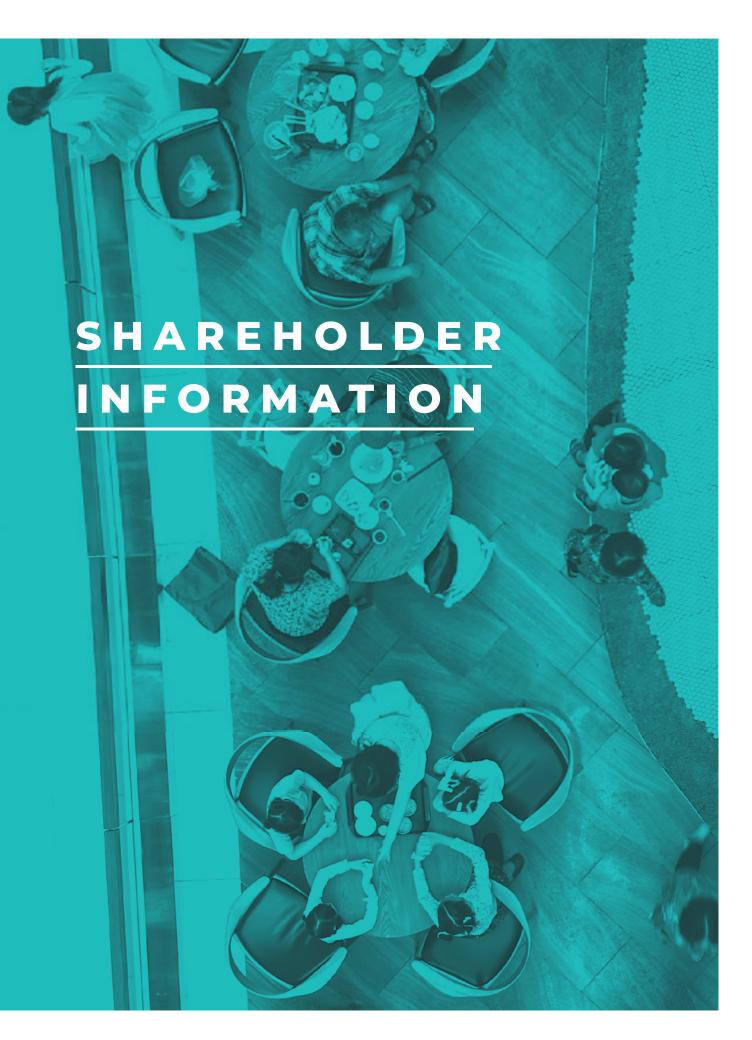
PKF

Melbourne, 27 August 2019

Steven Bradby

**Partner** 





# 30 June 2019

The shareholder information set out below was applicable as at 23 August 2019.

# **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 performa nce 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	-	-	131	-
1,001 to 5,000	-	-	233	-
5,001 to 10,000	-	-	184	-
10,001 to 100,000	-	-	564	-
100,001 and over	6	3	233	
	6	3	1,345	
Holding less than a marketable parcel		-	197	

# **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
CRAZY DIAMOND PL	39,500,000	11.64
JOSHART INV PL (TIGEL FAM A/C)	33,667,749	9.92
CHLOEDARCY INV PL (NEATE FAM A/C)	33,096,253	9.75
DIAMOND PETER + DIANA (P & D DIAMOND S/F)	26,200,000	7.72
CS THIRD NOM PL (HSBC CUST NOM AU L)	14,853,373	4.38
MAUNDER TODD ,	9,406,208	2.77
WIGNELL INV PL	7,269,174	2.14
SEABIRD INV WA PL (JA SUPER A/C)	4,200,000	1.24
MDJD PL	4,000,000	1.18
HSBC CUSTODY NOM AUST LTD	3,805,150	1.12
MAUNTA NOM PL (MTA FAM A/C)	3,670,715	1.08
MAGNUM OPUS HLDGS PL (MAGNUM OPUS S/F A/)	3,500,000	1.03
KEOGH DAINEN	3,499,891	1.03
PENBURY GRANGE PL (JOUGHIN FAM S/F A/)	3,435,189	1.01
JASFORCE PL	3,352,165	0.99
WAINWRIGHT SUPER PL (D & C WAINWRIGHT S)	3,250,000	0.96
LENZI ENRICO + SUSAN C (LENZI S/F A/C)	3,017,000	0.89
THREE ZEBRAS PL (JUDD FAM A/C)	3,000,000	0.88
MAKAREWICZ DAMIEN ALEXY	2,984,115	0.88
TEMPEST ASSET MGNT	2,952,134	0.87
	208,659,116	61.48
Unquoted equity securities		
	Number	Number
	on issue	of holders
Options over ordinary shares on issue	19,250,000	3
Performance rights over ordinary shares on issue	3,042,418	6

## **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 / MR PETER DIAMOND & MRS DIANA DIAMOND CHLOEDARCY INVESTMENTS PTY LTD (NEATE FAMILY A/C) AND ELOISE	65,700,000	19.36
LEIGHTON PTY LTD (NEATE SUPER FUND A/C)	34,616,586	10.20
JOSHART INVESTMENTS PTY LTD (THE TIGEL FAMILY A/C) REGAL FUNDS MANAGEMENT PTY LTD (RFM)	33,667,749 17,057,673	9.92 5.03

# **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.

# Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Ordinary fully paid shares	1 May 2020	9,153,846
Ordinary fully paid shares	20 May 2020	1,240,773
Ordinary fully paid shares	11 July 2020	2,380,952
Ordinary fully paid shares	29 July 2020	1,333,333
		14,108,904



