

For personal use only

Spirit Telecom (Australia) Pty Ltd

ABN 99 112 320 804

Financial Statements

For the year ended 30 June 2015

Spirit Telecom (Australia) Pty Ltd
ABN 99 112 320 804

Contents

[Statement of Profit or Loss and Other Comprehensive Income](#)

[Statement of Financial Position](#)

[Notes to the Financial Statements](#)

[Compilation Report](#)

[Directors' Report](#)

[Directors' Declaration](#)

[Independent Auditor's Report](#)

For personal use only

Spirit Telecom (Australia) Pty Ltd
ABN 99 112 320 804

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Revenue	2	6,492,091	5,204,579
Other revenue	2	19,357	3,225
Cost of sales	3	(3,590,463)	(2,848,119)
Gross profit		2,920,985	2,359,684
Marketing		(104,206)	(58,861)
Selling expenses		(154,711)	(77,870)
Administration expenses		(2,651,533)	(2,455,825)
Finance Costs		(96,723)	(71,638)
Profit (deficit) before income tax	3	(86,187)	(304,309)
Income tax expense		41,346	(469,187)
Profit (deficit) for the year		(127,534)	164,878
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Total other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(127,534)	164,878

Current year costs include an accrual of \$313,176 in relation to internet and other recurring charges invoiced in advance by suppliers. These expenses have been accrued in order to better match costs against revenues recognised in advance (Refer Note 1(f)). Refer to note 3.

The accompanying notes form part of these financial statements.

For personal use only

Spirit Telecom (Australia) Pty Ltd
ABN 99 112 320 804
Statement of Financial Position as at 30 June 2015

	Note	2015 \$	2014 \$
Assets			
Current Assets			
Cash assets	<u>4</u>	721,379	833,272
Receivables	<u>5</u>	735,817	588,654
Inventories		24,116	-
Total Current Assets		<u>1,481,311</u>	<u>1,421,927</u>
Non-Current Assets			
Property, plant and equipment	<u>7</u>	1,794,410	267,772
Intangible assets	<u>8</u>	1,077,251	576,891
Deferred tax assets	<u>6</u>	427,841	469,187
Total Non-Current Assets		<u>3,299,503</u>	<u>1,313,850</u>
Total Assets		<u>4,780,814</u>	<u>2,735,776</u>
Liabilities			
Current Liabilities			
Payables	<u>9</u>	862,817	346,121
Financial liabilities	<u>10</u>	79,531	575,000
Current tax liabilities	<u>11</u>	71,655	50,922
Provisions	<u>12</u>	186,063	246,168
Total Current Liabilities		<u>1,200,066</u>	<u>1,218,210</u>
Non-Current Liabilities			
Financial liabilities	<u>10</u>	2,240,278	142,902
Provisions	<u>12</u>	93,339	-
Total Non-Current Liabilities		<u>2,333,617</u>	<u>142,902</u>
Total Liabilities		<u>3,533,683</u>	<u>1,361,112</u>
Net Assets		<u>1,247,131</u>	<u>1,374,665</u>
Equity			
Issued capital	<u>13</u>	2,774,984	2,774,984
Reserves		6,196	6,196
Retained profits / (Accumulated losses)		(1,534,049)	(1,406,515)
Total Equity		<u>1,247,131</u>	<u>1,374,665</u>

The accompanying notes form part of these financial statements.

For personal use only

Spirit Telecom (Australia) Pty Ltd
Notes to the Financial Statements
For the year ended 30 June 2015

Note 1: Summary of Significant Accounting Policies

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependant on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the needs of the members.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of the members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The accounting policies that have been adopted in the preparation of the statements are as follows:

(a) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current tax and deferred tax are recognised in profit or loss. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(b) Property, Plant and Equipment (PPE)

All property, plant and equipment are initially measured at cost and depreciated over their useful lives. Depreciation commences from the time the asset is available for its intended use. Leasehold improvements are depreciated over the shorter of either the period of the lease or the estimated useful lives of the improvements.

The useful lives used for each class of depreciable assets are as follows:

Building installations and switches	2-5 years
Customer installations	2-5 years
Furniture and equipment	5-10 years
Computer equipment	3 years

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the 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.

Spirit Telecom (Australia) Pty Ltd
Notes to the Financial Statements
For the year ended 30 June 2015

(c) Intangibles

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 when the directors consider that there is objective evidence the business has been impaired. 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.

(d) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(f) Revenue and Other Income

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that the economic benefits will flow to the company and the revenue can be reliably measured.

The following specific recognition criteria must be met before revenue is recognised:

- Non-recurring income such as call charges, hardware sales and set-up charges, are recognised in the month they have been provided.
- Recurring charges such as internet access, equipment rentals and line rentals, are recognised in the month they are invoiced. As customer contracts require 30 days' notice of cancellation and access/equipment has been provided, the company considers this revenue to have been earned. Costs associated with the provision of these services are also recognised in advance.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

For personal use only

Spirit Telecom (Australia) Pty Ltd
Notes to the Financial Statements
For the year ended 30 June 2015

(g) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

(i) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received, or contracted for, by the company during the reporting period. The balance is recognised as a current liability.

(j) Trade and Other Receivables

Trade receivables are recognised initially at cost and are subsequently measured at cost less any provision for impairment.

At the end of each reporting period, carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due

(k) Business Combinations

Business combinations occur when an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

The business combination will be accounted for from the date that control is attained, whereby the fair value of the identified assets acquired and liabilities assumed are recognised.

All transaction costs incurred in relation to the business combination other than those associated with the issue of financial instruments are recognised as part of the acquisition.

(l) Comparative Figures

Prior year retained earnings has been reduced by \$63,200 to reflect prior year misallocations and or errors.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value.

For personal use only

Spirit Telecom (Australia) Pty Ltd
Notes to the Financial Statements
For the year ended 30 June 2015

(n) Reissued Financial Report

The financial report dated 29 September 2015 has been reissued to incorporate the accrual of July 2015 suppliers invoices which predominately relate to recurring charges billed in advance and to write down the deferred tax asset relating to accumulated tax losses incorrectly brought forward from prior periods. Supplier charges have now been accrued in order to better match costs against corresponding revenues recognised in advance (Refer Note 1(f)).

The effect of these changes has been to reduce the operating profit after income tax for the year from \$145,329 to a loss of \$127,534, increase total assets by \$40,313 and increase total liabilities by \$313,176.

For personal use only

Spirit Telecom (Australia) Pty Ltd

ABN 99 112 320 804

Notes to the Financial Statements

For the year ended 30 June 2015

2015

2014

Note 2: Revenue

Operating Activities:

Non-primary production trading revenue	6,492,091	5,204,579
Interest revenue	19,357	3,225
	<u>6,511,448</u>	<u>5,207,803</u>

Note 3: Profit from Ordinary Activities

Profit (loss) from ordinary activities before income tax has been determined after:

Charging as Expense:

Bad and doubtful debts	72,206	-
Borrowing costs	87,912	65,645
Cost of non-primary production goods traded *	3,590,463	2,848,119
Depreciation of non-current assets:		
- Plant and equipment	217,337	158,080
- Motor vehicles	16,027	21,368
Total depreciation expenses	<u>233,364</u>	<u>179,448</u>

*

Current year costs include an accrual of \$313,176 in relation to internet and other recurring charges invoiced in advance by suppliers. These expenses have been accrued in order to better match costs against revenues recognised in advance (Refer Note 1(f)).

As this is the first period in which these costs have been accrued, the result for the current year includes 13 months of the relevant expenses. This has reduced the before tax result for the year by \$313,176.

On a like for like basis without the \$313,176 adjustment, Spirit would have made a \$226,989 profit before tax for the period.

Note 4: Cash assets

Bank accounts:

BankWest Operating Account	78,443	118,833
BankWest Trading Account	32,609	11,878
BankWest BPAY Clearing Account	1	1
BankWest Term Deposit	-	450,000
BankWest Telenet Account	607,644	250,051
Bank - NAB	2,682	2,508
	<u>721,379</u>	<u>833,272</u>

Spirit Telecom (Australia) Pty Ltd

ABN 99 112 320 804

Notes to the Financial Statements

For the year ended 30 June 2015

	2015	2014
Note 5: Receivables		
Current		
Trade debtors	655,764	581,634
Sundry Debtors		
My Telecom	72,968	-
Rental bond	7,040	7,021
Spirit Social Club	45	-
	<u>735,817</u>	<u>588,654</u>
Note 6: Tax Assets		
Non-Current		
Deferred tax asset at 30/06/2014	469,187	471,418
Current year loss	12,294	(2,231)
Adjustment to tax losses brought forward	(53,640)	-
	-	-
<u>Deferred tax asset at 30/06/2015</u>	<u>427,841</u>	<u>469,187</u>
	<u>427,841</u>	<u>469,187</u>
Note 7: Property, Plant and Equipment		
Leasehold improvements:		
- At cost	9,886	-
- Less: Accumulated depreciation	(1)	-
	<u>9,885</u>	-
Plant and equipment:		
- At cost	308,548	141,215
- Less: Accumulated depreciation	(136,291)	(78,936)
	<u>172,257</u>	<u>62,279</u>
Other plant and equipment:		
- At cost	1,850,757	276,561
- Less: Accumulated depreciation	(311,068)	(154,651)
	<u>1,539,689</u>	<u>121,910</u>
Motor vehicles:		
- At cost	109,290	109,290
- Less: Accumulated depreciation	(61,208)	(45,181)
	<u>48,082</u>	<u>64,109</u>

Spirit Telecom (Australia) Pty Ltd
ABN 99 112 320 804
Notes to the Financial Statements
For the year ended 30 June 2015

	2015	2014
Other property, plant and equipment:		
- At cost	61,985	53,397
- Less: Accumulated depreciation	(37,487)	(33,923)
	<u>24,498</u>	<u>19,474</u>
	<u>1,794,410</u>	<u>267,772</u>

Note 8: Intangible Assets

Goodwill:		
- At cost	500,360	576,891
- Less: Accumulated amortisation	-	-
	<u>500,360</u>	<u>576,891</u>
Other intangibles:		
- At cost	576,891	-
- Less: Accumulated amortisation	-	-
	<u>576,891</u>	<u>-</u>
	<u>1,077,251</u>	<u>576,891</u>

Note 9: Payables

Unsecured:		
- Trade creditors	862,817	346,121
	<u>862,817</u>	<u>346,121</u>
	<u>862,817</u>	<u>346,121</u>

Note 10: Financial Liabilities

For personal use only

Spirit Telecom (Australia) Pty Ltd
ABN 99 112 320 804
Notes to the Financial Statements
For the year ended 30 June 2015

	2015	2014
Current		
Secured*:		
Chattel Mortgage		
Chattel mortgage - Kia Sorrento YKX878	8,649	-
Chattel mortgage - VW Jetta YSA605	5,845	-
Chattel mortgage - Mitsubishi ASX	5,957	-
Chattel mortgage - Cisco Catalyst Server	12,266	-
Chattel mortgage - IP Trade Equipment	16,103	-
Chattel mortgage - Cisco ASR1001 & VDX	30,711	-
Shareholder Loans		
Loan - Eloise Leighton P/L	-	250,000
Loan - Sharjoe P/L	-	225,000
Loan - Chloedarcy P/L	-	100,000
	<u>79,531</u>	<u>575,000</u>
	<u>79,531</u>	<u>575,000</u>
Non-Current		
Unsecured:		
Loans from other persons		
Loan - Eloise Leighton P/L	250,000	-
Loan - Shajoe P/L	225,000	-
Loan - Geoff & Jennifer Neate	100,000	-
	<u>575,000</u>	<u>-</u>
Secured*:		
- Bank loans	1,500,000	-
Chattel Mortgage		
Chattel mortgage - Kia Sorrento YKX878	14,624	33,511
Chattel mortgage - VW Jetta YSA605	12,198	26,047
Chattel mortgage - Mitsubishi ASX	18,819	33,322
Chattel mortgage - Cisco Catalyst Server	4,366	31,414
Chattel mortgage - IP Trade Equipment	5,696	40,881
Chattel mortgage - Cisco ASR1001 & VDX	109,575	-
- Less: Unexpired hire charges	-	(22,273)
	<u>1,665,278</u>	<u>142,902</u>
	<u>2,240,278</u>	<u>142,902</u>

For personal use only

Spirit Telecom (Australia) Pty Ltd
ABN 99 112 320 804
Notes to the Financial Statements
For the year ended 30 June 2015

	2015	2014
* Total Current and Non-Current Secured Liabilities		
Bank loans	1,500,000	-
Hire purchase liabilities	244,809	165,175
Less: Unexpired hire charges	-	(22,273)
Other loans	-	575,000
	<u>1,744,809</u>	<u>717,802</u>

Note 11: Tax Liabilities

Current

GST on sales	188,533	129,472
GST on purchases	(162,055)	(106,892)
Payroll tax payable	8,766	7,982
PAYG withholding	26,753	20,360
Superannuation payable	9,658	-
	<u>71,655</u>	<u>50,922</u>

Note 12: Provisions

Current

Employee entitlements*	<u>186,063</u>	<u>246,168</u>
	<u>186,063</u>	<u>246,168</u>

Non Current

Employee entitlements*	<u>93,339</u>	-
	<u>93,339</u>	-

* Aggregate employee entitlements liability	279,402	246,168
---	---------	---------

There were 0 employees at the end of the year

For personal use only

Spirit Telecom (Australia) Pty Ltd
ABN 99 112 320 804
Notes to the Financial Statements
For the year ended 30 June 2015

2015

2014

Note 13: Contributed Capital

1214934 Ordinary shares at \$0.00 each fully paid	<u>2,774,984</u>	<u>2,774,984</u>
---	------------------	------------------

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

For personal use only

Spirit Telecom (Australia) Pty Ltd
ABN 99 112 320 804
Directors' Declaration

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies prescribed in Note 1 to the financial statements.

The general purpose financial report has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The directors of the company declare that:

1. the financial statements and notes, present fairly the company's financial position as at 30 June 2015 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements;
2. in the directors' opinion, 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' declaration is signed in accordance with the resolution of the Directors made pursuant to s.295(5)(a) of the Corporations Act 2001.



Geoff Neate
Director



Enrico Lenzi **MIKE ALLEN**
Director **CHAIRMAN**

Dated: 22 February 2016

For personal use only

Advantage Advisors Audit Partnership

Audit & Assurance Services

Level 7, 114 William Street
Melbourne VIC 3000
Australia

GPO Box 2266
Melbourne VIC 3001
Australia

ABN 47 075 804 075

T +61 3 9274 0600

F +61 3 9274 0660

audit@advantageadvisors.com.au

advantageadvisors.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRIT TELECOM (AUSTRALIA) PTY LTD

We have audited the accompanying financial report of Spirit Telecom (Australia) Pty Ltd, being a special purpose financial report, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the accounting policies described in Note 1 to the financial statements, which form part of the financial report, and for determining that the accounting policies are appropriate to meet the needs of the members. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have 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 whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

For personal use only

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SPIRIT TELECOM (AUSTRALIA) PTY LTD (Continued)**

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements.

Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of Spirit Telecom (Australia) Pty Ltd as at 30 June 2015 and its performance for the year then ended in accordance with the accounting policies described in Note 1 of the financial statements.

Emphasis of Matter

Without modifying our opinion, attention is drawn to the following matters:

- Note 1 to the financial report, describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the company's constitution. As a result, the financial report may not be suitable for another purpose.
- As indicated in Note 1(j) Reissued Financial report, the attached financial report of Spirit Telecom (Australia) Pty Ltd is a "reissued financial report" and supersedes the financial report signed by the directors on 29 September 2015 relating to the previously issued and now superseded financial report.



**ADVANTAGE ADVISORS AUDIT PARTNERSHIP
CHARTERED ACCOUNTANTS**



**KEN GLYNN
PARTNER**

Dated in Melbourne on this 22nd day of February, 2016

For personal use only