

Spirit Telecom Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Spirit Telecom Limited
ABN: 73 089 224 402
Reporting period: For the half-year ended 31 December 2018
Previous period: For the half-year ended 31 December 2017

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	1.3% to	8,185,020
Underlying EBITDA*	down	77.4% to	362,363
Loss from ordinary activities after tax attributable to the owners of Spirit Telecom Limited	down	336.1% to	(562,010)
Loss for the half-year attributable to the owners of Spirit Telecom Limited	down	336.1% to	(562,010)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$562,010 (31 December 2017: profit of \$238,077).

Further details of the results for half year can be found in the 'Review of operations' section of the Directors' report in the attached Interim Report.

* EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>2.40</u>	<u>2.68</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Spirit Telecom Limited for the half-year ended 31 December 2018 is attached.

12. Signed

Signed  _____

Date: 28 February 2019

James Joughin
Non-Executive Chairman

Spirit Telecom Limited

ABN 73 089 224 402

Interim Report - 31 December 2018

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Spirit Telecom Limited
Contents
31 December 2018

Corporate directory	2
Directors' report	3
Auditor's independence declaration	5
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	17
Independent auditor's review report to the members of Spirit Telecom Limited	18

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Spirit Telecom Limited
Corporate directory
31 December 2018

Directors

James Joughin (Chairman)
Geoff Neate (Managing Director)
Terence Gray (Non-Executive Director)
Luke Waldren (Non-Executive Director)

Company secretary

Melanie Leydin

Registered office

Level 4, 100 Albert Road
South Melbourne Victoria 3205

Principal place of business

Level 2, 19-25 Raglan Street
South Melbourne Victoria 3205

Share register

Security Transfer Australia
770 Canning Highway
Applecross Western Australia 6153

Auditor

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

Stock exchange listing

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

Spirit Telecom Limited
Directors' report
31 December 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Spirit Telecom Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors

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

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

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.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$562,010 (31 December 2017: profit of \$238,077).

Total revenue for the Consolidated Entity for the financial half year ended 31 December 2018 was \$8,203,812 (31 December 2017: \$8,099,705)

The Gross Profit for the Consolidated Entity increased by \$520,511 compared to the previous corresponding period.

The following table summarises key financial metrics for the period:

	Half-year ended 31 December 2018	Half-year ended 31 December 2017	% Change
Revenue	8,203,812	8,099,705	1.3%
Gross Profit	5,960,705	5,440,194	9.6%
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	259,180	1,227,242	-78.9%
Business acquisition & integration costs; Share based payments	103,183	379,445	-72.8%
Underlying EBITDA excluding business acquisition & integration costs	362,363	1,606,687	-77.4%
Profit/(loss) after income tax expense	(562,010)	238,077	-336.1%

EBITDA is a financial measure which is not prescribed by Australian Accounting Standard ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax.

The net assets of the Consolidated Entity decreased by \$696,155 to \$14,813,346 as at 31 December 2018 (30 June 2018: \$15,509,501).

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

Spirit Telecom Limited
Directors' report
31 December 2018

Significant changes in the state of affairs

Having raised capital in December 2017 to fund expansion activities, the Consolidated Entity invested considerably in personnel both at the operational level and at the executive level to drive future growth.

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.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

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.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



James Joughin
Non-Executive Chairman

28 February 2019

Auditor's Independence Declaration to the Directors of Spirit Telecom Limited

In relation to our review of the financial report of Spirit Telecom Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Spirit Telecom Limited and the entities it controlled during the financial period.

PKF

Melbourne, 28 February 2019

Steven Bradby

Partner

Spirit Telecom Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

		Consolidated	
	Note	31 December 2018	31 December 2017
		\$	\$
Revenue	4	8,185,020	8,080,913
Other income	5	18,792	18,792
Cost of sales		(2,224,315)	(2,640,719)
Expenses			
Depreciation and amortisation expense		(818,726)	(600,421)
Share based payments		(68,335)	(77,093)
Administration		(4,613,906)	(3,227,763)
Business acquisition & integration costs		(34,848)	(302,352)
Selling		(391,567)	(308,518)
Marketing		(611,661)	(316,018)
Finance costs		(139,253)	(141,778)
Profit/(loss) before income tax (expense)/benefit		(698,799)	485,043
Income tax (expense)/benefit		136,789	(246,966)
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Spirit Telecom Limited		(562,010)	238,077
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Adjustment to opening retained earnings on adoption of new accounting standard		(202,480)	-
Other comprehensive income for the half-year, net of tax		(202,480)	-
Total comprehensive income for the half-year attributable to the owners of Spirit Telecom Limited		(764,490)	238,077
		Cents	Cents
Basic earnings per share	17	(0.229)	0.118
Diluted earnings per share	17	(0.229)	0.116

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

Spirit Telecom Limited
Statement of financial position
As at 31 December 2018

		Consolidated	
		31 December	
	Note	2018	30 June 2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,003,485	4,631,019
Trade and other receivables	6	331,196	398,810
Inventories		734,420	415,761
Other		760,116	602,652
Total current assets		<u>4,829,217</u>	<u>6,048,242</u>
Non-current assets			
Receivables		117,086	43,676
Property, plant and equipment	7	7,394,907	6,444,558
Intangibles	8	8,934,757	8,970,852
Deferred tax assets		645,236	480,931
Total non-current assets		<u>17,091,986</u>	<u>15,940,017</u>
Total assets		<u>21,921,203</u>	<u>21,988,259</u>
Liabilities			
Current liabilities			
Trade and other payables	9	1,525,384	1,293,778
Borrowings	10	1,200,000	1,200,000
Income tax		-	48,743
Provisions		283,028	305,317
Total current liabilities		<u>3,008,412</u>	<u>2,847,838</u>
Non-current liabilities			
Borrowings	11	3,300,000	3,600,000
Provisions		15,655	15,655
Other	12	783,790	15,265
Total non-current liabilities		<u>4,099,445</u>	<u>3,630,920</u>
Total liabilities		<u>7,107,857</u>	<u>6,478,758</u>
Net assets		<u>14,813,346</u>	<u>15,509,501</u>
Equity			
Issued capital	13	18,160,872	18,140,872
Reserves	14	323,646	275,311
Accumulated losses		<u>(3,671,172)</u>	<u>(2,906,682)</u>
Total equity		<u>14,813,346</u>	<u>15,509,501</u>

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

Spirit Telecom Limited
Statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2017	9,298,343	143,579	(3,477,287)	5,964,635
Profit after income tax expense for the half-year	-	-	238,077	238,077
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	238,077	238,077
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	5,994,369	-	-	5,994,369
Share issue by public offer	-	66,133	-	66,133
Capital raising costs	(195,745)	-	-	(195,745)
Balance at 31 December 2017	<u>15,096,967</u>	<u>209,712</u>	<u>(3,239,210)</u>	<u>12,067,469</u>
Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2018	18,140,872	275,311	(2,906,682)	15,509,501
Loss after income tax benefit for the half-year	-	-	(562,010)	(562,010)
Other comprehensive income for the half-year, net of tax	-	-	(202,480)	(202,480)
Total comprehensive income for the half-year	-	-	(764,490)	(764,490)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	48,335	-	48,335
Shares issued to incentivise employees	20,000	-	-	20,000
Balance at 31 December 2018	<u>18,160,872</u>	<u>323,646</u>	<u>(3,671,172)</u>	<u>14,813,346</u>

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

Spirit Telecom Limited
Statement of cash flows
For the half-year ended 31 December 2018

		Consolidated	
	Note	31 December 2018	31 December 2017
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		9,089,103	8,477,821
Payments for business acquisition & integration costs		-	(302,352)
Payments to suppliers and employees (inclusive of GST)		<u>(9,291,535)</u>	<u>(7,348,503)</u>
		(202,432)	826,966
Interest received		42,018	659
Interest and other finance costs paid		(189,949)	(124,005)
Government grants		<u>753,755</u>	<u>9,000</u>
Net cash from operating activities		<u>403,392</u>	<u>712,620</u>
Cash flows from investing activities			
Payments for property, plant and equipment	7	(1,694,016)	(1,237,563)
Payments for intangibles	8	(36,910)	(209,978)
Net payments to acquire business		-	(3,152,245)
Proceeds from disposal of property, plant and equipment		<u>-</u>	<u>20,000</u>
Net cash used in investing activities		<u>(1,730,926)</u>	<u>(4,579,786)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	4,500,000
Share issue transaction costs		-	(270,000)
Proceeds from borrowings		-	6,000,000
Repayment of borrowings		<u>(300,000)</u>	<u>(4,155,653)</u>
Net cash from/(used in) financing activities		<u>(300,000)</u>	<u>6,074,347</u>
Net increase/(decrease) in cash and cash equivalents		(1,627,534)	2,207,181
Cash and cash equivalents at the beginning of the financial half-year		<u>4,631,019</u>	<u>1,211,469</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>3,003,485</u></u>	<u><u>3,418,650</u></u>

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

Spirit Telecom Limited
Notes to the financial statements
31 December 2018

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 half-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

Level 4, 100 Albert Road
South Melbourne Victoria 3205

Principal place of business

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 28 February 2019.

Note 2. Significant accounting policies

These financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new standards effective as of 1 July 2018.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amended 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.

Accordingly, AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers have been applied during the period. As required by AASB 134 the nature and effect of these changes are disclosed below.

Note 2. Significant accounting policies (continued)

Various other amendments and interpretations apply for the first time during the period, but do not have an impact on the interim financial report.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 has been applied prospectively, as under the new standard the Consolidated Entity has determined that there is no change to classification and measurement of financial instruments, and all financial instruments to which the Consolidated Entity is exposed continue to be accounted at amortised cost.

The adoption of AASB 9 has changed the Consolidated Entity's accounting for impairment losses in respect of Trade and other receivables by replacing AASB 139's incurred loss approach with a forward-looking 'expected credit loss' (ECL) approach. AASB 9 requires the Consolidated Entity to record an allowance for ECLs on all receivables and loans not held at fair value through profit or loss.

For *Trade and other receivables*, the Consolidated Entity has applied the standard's simplified approach to measuring expected credit losses based on lifetime expected credit losses. Given the profile of the customer base and the receivables balance there has not been a significant impact on the accounting for impairment losses under the revised accounting policy.

AASB 15 Revenue from Contracts with Customers

The standard provides a single standard for revenue recognition, establishing a five-step model to account for revenue arising from contracts with customers.

The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires entities to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Consolidated Entity adopted AASB 15 using the cumulative effect method, that is by determining and recognising the cumulative effect of any significant initial financial impact of transitional application as an adjustment to the opening balance of retained earnings as at 1 July 2018. Comparative financial information is not restated under this approach.

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 16 Leases

This standard replaces AASB 117 *Leases* and some lease-related Interpretations. The most significant impact of the standard for lessees is that, in principle, all operating leases will be measured and accounted 'on-balance sheet', similar to current finance lease accounting. The application date of the standard for the Consolidated Entity will be 1 July 2019.

While the entity is yet to undertake a detailed assessment of the impact of AASB 16, this work will be performed to enable impact disclosures to be provided in the 30 June 2019 financial report.

Spirit Telecom Limited
Notes to the financial statements
31 December 2018

Note 3. 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 half year ended 31 December 2018 there are no individual customer's which account for 5% or more of sales.

Note 4. Revenue

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
<i>Sales revenue</i>		
Recurring sales revenue	7,489,754	7,373,131
Non-recurring sales revenue	662,864	706,949
Profit/(Loss) on sale of assets	-	(1,541)
	<u>8,152,618</u>	<u>8,078,539</u>
<i>Other revenue</i>		
Interest	<u>32,402</u>	<u>2,374</u>
Revenue	<u><u>8,185,020</u></u>	<u><u>8,080,913</u></u>

Note 5. Other income

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Government grants	<u>18,792</u>	<u>18,792</u>

Note 6. Current assets - trade and other receivables

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$
Trade receivables	331,248	454,407
Less: Allowance for expected credit losses	<u>(36,316)</u>	<u>(91,862)</u>
	<u>294,932</u>	<u>362,545</u>
Other receivables	<u>36,264</u>	<u>36,265</u>
	<u><u>331,196</u></u>	<u><u>398,810</u></u>

Spirit Telecom Limited
Notes to the financial statements
31 December 2018

Note 7. Non-current assets - property, plant and equipment

	Consolidated	
	31 December	30 June 2018
	2018	2018
	\$	\$
Leasehold improvements - at cost	-	30
Less: Accumulated depreciation	-	(3)
	<u>-</u>	<u>27</u>
Plant and equipment - at cost	10,725,154	8,907,954
Less: Accumulated depreciation	(3,612,823)	(2,833,950)
	<u>7,112,331</u>	<u>6,074,004</u>
Motor vehicles - at cost	84,101	84,101
Less: Accumulated depreciation	(36,473)	(21,763)
	<u>47,628</u>	<u>62,338</u>
Furniture & Fixtures at Cost	281,406	406,143
Less: Accumulated depreciation	(48,011)	(97,954)
	<u>233,395</u>	<u>308,189</u>
Work in progress	1,553	-
	<u>7,394,907</u>	<u>6,444,558</u>

Reconciliations

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

Consolidated	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Furniture & Fixtures \$	Work in progress \$	Total \$
Balance at 1 July 2018	27	6,074,004	62,338	308,189	-	6,444,558
Additions/transfers	-	1,817,200	-	(124,737)	1,553	1,694,016
Disposals	(27)	-	-	-	-	(27)
Depreciation expense	-	(778,873)	(14,710)	49,943	-	(743,640)
Balance at 31 December 2018	<u>-</u>	<u>7,112,331</u>	<u>47,628</u>	<u>233,395</u>	<u>1,553</u>	<u>7,394,907</u>

Note 8. Non-current assets - intangibles

	Consolidated	
	31 December	30 June 2018
	2018	2018
	\$	\$
Goodwill	6,196,853	6,196,853
Software	905,575	866,832
Less: Accumulated amortisation	(171,311)	(96,223)
	<u>734,264</u>	<u>770,609</u>
Other intangible assets	2,003,640	2,003,390
	<u>8,934,757</u>	<u>8,970,852</u>

Spirit Telecom Limited
Notes to the financial statements
31 December 2018

Note 8. Non-current assets - intangibles (continued)

Reconciliations

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

Consolidated	Goodwill \$	Software \$	Other intangibles \$	Total \$
Balance at 1 July 2018	6,196,853	770,609	2,003,390	8,970,852
Additions	-	38,743	250	38,993
Amortisation expense	-	(75,088)	-	(75,088)
Balance at 31 December 2018	<u>6,196,853</u>	<u>734,264</u>	<u>2,003,640</u>	<u>8,934,757</u>

Note 9. Current liabilities - trade and other payables

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$
Trade payables	415,403	210,910
Unearned revenue	360,283	227,425
GST payable	173,827	41,004
Other payables	575,871	814,439
	<u>1,525,384</u>	<u>1,293,778</u>

Note 10. Current liabilities - borrowings

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$
Bank loans	<u>1,200,000</u>	<u>1,200,000</u>

Note 11. Non-current liabilities - borrowings

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$
Bank loans	<u>3,300,000</u>	<u>3,600,000</u>

Total secured liabilities

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

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$
Bank loans	<u>4,500,000</u>	<u>4,800,000</u>

Spirit Telecom Limited
Notes to the financial statements
31 December 2018

Note 11. Non-current liabilities - borrowings (continued)

Assets pledged as security

The bank loan of \$4,500,000 is secured first over the assets and undertakings of Spirit Telecom (Australia) Pty Ltd, and Spirit Telecom Limited.

Note 12. Non-current liabilities - other

	Consolidated	
	31 December	30 June 2018
	2018	2018
	\$	\$
Unearned revenue	763,532	-
Other payables	20,258	15,265
	<u>783,790</u>	<u>15,265</u>

Unearned revenue represents Government grant proceeds primarily related to Horsham high speed internet project that will be recognised in unison with the depreciation of the network once complete and in service.

Note 13. Equity - issued capital

	Consolidated			
	31 December	30 June 2018	31 December	30 June 2018
	2018	2018	2018	2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>245,041,155</u>	<u>243,759,535</u>	<u>18,160,872</u>	<u>18,140,872</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	243,759,535		18,140,872
Shares issued on conversion of vested performance rights	6 July 2018	1,200,600	-	-
Shares issued to incentivise employees	20 November 2018	<u>81,020</u>	\$0.247	<u>20,000</u>
Balance	31 December 2018	<u>245,041,155</u>		<u>18,160,872</u>

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.

Spirit Telecom Limited
Notes to the financial statements
31 December 2018

Note 14. Equity - reserves

	Consolidated	
	31 December	
	2018	30 June 2018
	\$	\$
Options reserve	317,450	269,115
Capital reserve	6,196	6,196
	<u>323,646</u>	<u>275,311</u>

Note 15. Equity - dividends

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

Note 16. Events after the reporting period

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.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 17. Earnings per share

	Consolidated	
	31 December	31 December
	2018	2017
	\$	\$
Profit/(loss) after income tax attributable to the owners of Spirit Telecom Limited	<u>(562,010)</u>	<u>238,077</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	244,960,135	201,894,402
Adjustments for calculation of diluted earnings per share:		
Rights over ordinary shares	-	2,570,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>244,960,135</u>	<u>204,464,402</u>
	Cents	Cents
Basic earnings per share	(0.229)	0.118
Diluted earnings per share	(0.229)	0.116

Note 18. Related party transactions

Parent entity

Spirit Telecom Limited is the parent entity.

Key management personnel

Directors are listed in the Directors report.

Terry Gray (Spirit Telecom Director) was paid a consulting fee for corporate M&A advice of \$10,000.

Spirit Telecom Limited
Directors' declaration
31 December 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



James Joughin
Non-Executive Chairman

28 February 2019

Independent Auditor's Review Report to the Members of Spirit Telecom Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Spirit Telecom Limited (the Company) and its subsidiaries (the Group) which comprises the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

PKF
Melbourne, 28 February 2019

Steven Bradby
Partner

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