



SPIRIT TELECOM LIMITED

ABN 73 089 224 402

**APPENDIX 4D HALF YEAR REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

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 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	53.3% to	8,080,913
Underlying EBITDA*	up	117.3% to	1,529,594
Profit from ordinary activities after tax attributable to the owners of Spirit Telecom Limited	up	303.9% to	238,077
Profit for the half-year attributable to the owners of Spirit Telecom Limited	up	303.9% to	238,077

Dividends

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

Comments

The profit for the consolidated entity after providing for income tax amounted to \$238,077 (31 December 2016: \$58,939).

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	1.53	0.21

4. Control gained over entities

Name of entities (or group of entities)	World Without Wires Pty Ltd
Date control gained	1 July 2017

	\$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	803,597
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	587,875

Spirit Telecom Limited
Appendix 4D
Half-year report

World Without Wires does not receive any allocations of acquisition costs, corporate overhead, listing, finance, or other overhead costs which is all absorbed by Spirit's core operations. Spirit's business growth generates increased revenue opportunities across the entire Spirit network which are also reflected in the revenue performance of World Without Wires.

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 Company's 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 2017 is attached.

12. Signed



Signed _____

Date: 21 February 2018

James Joughin
Non-Executive Chairman

Spirit Telecom Limited

ABN 73 089 224 402

Interim Report - 31 December 2017

Spirit Telecom Limited

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Spirit Telecom Limited
Corporate directory
31 December 2017

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 2017

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 2017.

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) (appointed 1 October 2017)

Principal activities

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

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

Review of operations

The profit for the Consolidated Entity after providing for income tax amounted to \$238,077 (31 December 2016: \$58,939).

Total revenue for the Consolidated Entity for the financial half year ended 31 December 2017 was \$8,099,705 (31 December 2016: \$5,271,336)

The Gross Profit for the Consolidated Entity increased by \$2,240,887 compared to the previous corresponding period.

The following table summarises key financial metrics for the period:

	Half-year ended 31 December 2017	Half-year ended 31 December 2016	% Change
Revenue	8,099,705	5,271,336	53.7%
Gross Profit	5,440,194	3,200,848	70.0%
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	1,227,242	490,760	150.1%
Business acquisition & integration costs	302,352	213,163	41.8%
Underlying EBITDA excluding business acquisition & integration costs	1,529,594	703,923	117.3%
Profit after income tax expense	238,077	58,939	303.9%

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 increased by \$6,102,834 to \$12,067,469 as at 31 December 2017 (30 June 2017: \$5,964,635). During the financial half-year, the Consolidated Entity undertook two capital raisings which resulted in raising \$4,500,000 before costs, in conjunction with the acquisition of the World Without Wires acquisition and to support further growth and expansion.

During the period the Consolidated Entity deployed and expanded its Superfast Internet and, where applicable, ancillary services into buildings. The Consolidated Entity's on-net buildings now exceeds 400, throughout Victoria, NSW and Queensland.

Spirit Telecom Limited
Directors' report
31 December 2017

Significant changes in the state of affairs

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

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

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

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

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

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

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

No matter or circumstance has arisen since 31 December 2017 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

21 February 2018

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 2017, 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 Audit & Assurance



Steven Bradby

Director

Melbourne, 21 February 2018

Spirit Telecom Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

		Consolidated	
	Note	31 December 2017	31 December 2016
		\$	\$
Revenue	4	8,080,913	5,271,336
Other income	5	18,792	-
Cost of sales		(2,640,719)	(2,070,488)
Expenses			
Depreciation and amortisation expense		(600,421)	(314,898)
Share based payments		(77,093)	(38,550)
Administration		(3,227,763)	(1,966,618)
Business acquisition & integration costs		(302,352)	(213,163)
Selling		(308,518)	(327,950)
Marketing		(316,018)	(163,807)
Finance costs		(141,778)	(68,138)
Profit before income tax expense		485,043	107,724
Income tax expense		(246,966)	(48,785)
Profit after income tax expense for the half-year attributable to the owners of Spirit Telecom Limited		238,077	58,939
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Spirit Telecom Limited		<u>238,077</u>	<u>58,939</u>
		Cents	Cents
Basic earnings per share	17	0.118	0.035
Diluted earnings per share	17	0.116	0.035

Tax expense of \$247k for the period includes the impact of the change in tax rate from 30% to 27.5% on the deferred tax asset (\$60K) and non-deductible acquisition costs (\$83k), offset by previously unrecognised deferred tax assets (\$29k).

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 2017

		Consolidated	
		31 December	
	Note	2017	30 June 2017
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,418,650	1,211,469
Trade and other receivables	6	718,473	1,248,217
Inventories		283,817	60,352
Income tax refund due		-	55,782
Other		721,703	61,653
Total current assets		<u>5,142,643</u>	<u>2,637,473</u>
Non-current assets			
Receivables		55,707	54,195
Property, plant and equipment	7	5,506,346	3,294,653
Intangibles	8	8,592,786	5,576,988
Deferred tax assets		590,085	716,844
Total non-current assets		<u>14,744,924</u>	<u>9,642,680</u>
Total assets		<u>19,887,567</u>	<u>12,280,153</u>
Liabilities			
Current liabilities			
Trade and other payables	9	1,816,543	2,204,537
Borrowings	10	1,200,000	874,870
Income tax		1,072	-
Provisions		132,263	131,133
Total current liabilities		<u>3,149,878</u>	<u>3,210,540</u>
Non-current liabilities			
Borrowings	11	4,500,000	2,980,783
Deferred tax liabilities		964	917
Provisions		169,256	123,278
Total non-current liabilities		<u>4,670,220</u>	<u>3,104,978</u>
Total liabilities		<u>7,820,098</u>	<u>6,315,518</u>
Net assets		<u>12,067,469</u>	<u>5,964,635</u>
Equity			
Issued capital	12	15,096,967	9,298,343
Reserves	13	209,712	143,579
Accumulated losses		<u>(3,239,210)</u>	<u>(3,477,287)</u>
Total equity		<u>12,067,469</u>	<u>5,964,635</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 2017

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2016	7,112,970	6,196	(3,904,970)	3,214,196
Profit after income tax expense for the half-year	-	-	58,939	58,939
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	58,939	58,939
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	2,265,990	-	-	2,265,990
Share-based payments	-	38,550	-	38,550
Capital raising costs	(80,597)	-	-	(80,597)
Balance at 31 December 2016	<u>9,298,363</u>	<u>44,746</u>	<u>(3,846,031)</u>	<u>5,497,078</u>
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 (note 12)	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>

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 2017

		Consolidated	
		31 December 2017	31 December 2016
	Note	\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		8,477,821	5,741,724
Payments for business acquisition & integration costs		(302,352)	(213,163)
Payments to suppliers and employees (inclusive of GST)		<u>(7,348,503)</u>	<u>(5,282,381)</u>
		826,966	246,180
Interest received		659	14,265
Interest and other finance costs paid		(124,005)	(68,138)
Government grants		9,000	-
Income taxes paid		<u>-</u>	<u>(33,323)</u>
Net cash from operating activities		<u>712,620</u>	<u>158,984</u>
Cash flows from investing activities			
Payments for property, plant and equipment	7	(1,237,563)	(751,140)
Payments for intangibles	8	(209,978)	(106,895)
Net payments to acquire business	15	(3,152,245)	(4,090,270)
Proceeds from disposal of property, plant and equipment		<u>20,000</u>	<u>9,750</u>
Net cash used in investing activities		<u>(4,579,786)</u>	<u>(4,938,555)</u>
Cash flows from financing activities			
Proceeds from issue of shares	12	4,500,000	2,251,990
Share issue transaction costs		(270,000)	(80,597)
Proceeds from borrowings		6,000,000	4,200,000
Repayment of borrowings		<u>(4,155,653)</u>	<u>(2,113,130)</u>
Net cash from financing activities		<u>6,074,347</u>	<u>4,258,263</u>
Net increase/(decrease) in cash and cash equivalents		2,207,181	(521,308)
Cash and cash equivalents at the beginning of the financial half-year		<u>1,211,469</u>	<u>2,254,258</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>3,418,650</u></u>	<u><u>1,732,950</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 2017

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	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 21 February 2018.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 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 general purpose 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 2017 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, unless otherwise stated.

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.

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 2017 there are no individual customer's which account for 5% or more of sales.

Spirit Telecom Limited
Notes to the financial statements
31 December 2017

Note 4. Revenue

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
<i>Sales revenue</i>		
Sales revenue	8,080,080	5,255,774
Profit/(Loss) on sale of assets	(1,541)	1,297
	<u>8,078,539</u>	<u>5,257,071</u>
<i>Other revenue</i>		
Interest	2,374	14,265
Revenue	<u>8,080,913</u>	<u>5,271,336</u>

Note 5. Other income

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Government grants	<u>18,792</u>	<u>-</u>

Note 6. Current assets - trade and other receivables

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Trade receivables	730,178	1,282,011
Less: Provision for impairment of receivables	(76,661)	(38,101)
	<u>653,517</u>	<u>1,243,910</u>
Other receivables	<u>64,956</u>	<u>4,307</u>
	<u>718,473</u>	<u>1,248,217</u>

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

Spirit Telecom Limited
Notes to the financial statements
31 December 2017

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

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Leasehold improvements - at cost	10,766	10,736
Less: Accumulated depreciation	(7,449)	(6,650)
	<u>3,317</u>	<u>4,086</u>
Plant and equipment - at cost	2,041,936	309,543
Less: Accumulated depreciation	(370,909)	(238,706)
	<u>1,671,027</u>	<u>70,837</u>
Motor vehicles - at cost	74,338	50,610
Less: Accumulated depreciation	(4,512)	(9,938)
	<u>69,826</u>	<u>40,672</u>
Furniture & Fixtures at Cost	355,194	111,282
Less: Accumulated depreciation	(79,989)	(66,706)
	<u>275,205</u>	<u>44,576</u>
Other plant and equipment at Cost	5,094,039	4,376,866
Less: Accumulated depreciation	(1,607,068)	(1,242,384)
	<u>3,486,971</u>	<u>3,134,482</u>
	<u><u>5,506,346</u></u>	<u><u>3,294,653</u></u>

Reconciliations

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

	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Furniture & Fixtures \$	Plant and equipment - other \$	Total \$
Consolidated						
Balance at 1 July 2017	4,086	70,837	40,672	44,576	3,134,482	3,294,653
Additions	30	232,394	-	243,912	764,225	1,240,561
Additions through business combinations (note 15)	-	1,500,000	60,000	-	-	1,560,000
Disposals	-	-	(21,541)	-	-	(21,541)
Depreciation expense	(799)	(132,204)	(9,305)	(13,283)	(411,736)	(567,327)
Balance at 31 December 2017	<u>3,317</u>	<u>1,671,027</u>	<u>69,826</u>	<u>275,205</u>	<u>3,486,971</u>	<u>5,506,346</u>

Note 8. Non-current assets - intangibles

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Goodwill	6,156,521	3,317,607
Other intangible assets	518,776	310,731
Less: Accumulated amortisation	(64,437)	(31,341)
	<u>454,339</u>	<u>279,390</u>
Indefinite life intangibles	1,981,926	1,979,991
	<u>8,592,786</u>	<u>5,576,988</u>

Reconciliations

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

Consolidated	Goodwill	Indefinite life	Other	Total
	\$	intangibles	intangibles	\$
		\$	\$	
Balance at 1 July 2017	3,317,607	1,979,991	279,390	5,576,988
Additions	-	1,935	208,043	209,978
Additions through business combinations (note 15)	2,838,914	-	-	2,838,914
Amortisation expense	-	-	(33,094)	(33,094)
Balance at 31 December 2017	<u>6,156,521</u>	<u>1,981,926</u>	<u>454,339</u>	<u>8,592,786</u>

The provisional fair values of the identifiable net assets acquired in relation to World Without Wires are disclosed in note 15.

Note 9. Current liabilities - trade and other payables

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Trade payables	620,769	610,502
Unearned revenue	281,119	794,349
GST payable	101,644	62,155
Other payables	813,011	737,531
	<u>1,816,543</u>	<u>2,204,537</u>

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

Spirit Telecom Limited
Notes to the financial statements
31 December 2017

Note 10. Current liabilities - borrowings

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Bank loans	1,200,000	840,000
Hire purchase	-	34,870
	<u>1,200,000</u>	<u>874,870</u>

The hire purchase noted above has been secured against property plant and equipment.

Note 11. Non-current liabilities - borrowings

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Bank loans	4,500,000	2,940,000
Hire purchase	-	40,783
	<u>4,500,000</u>	<u>2,980,783</u>

Total secured liabilities

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

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Bank loans	5,700,000	3,780,000
Hire purchase	-	75,653
	<u>5,700,000</u>	<u>3,855,653</u>

Assets pledged as security

The bank loan of \$5,700,000 is secured first over the assets and undertakings of Spirit Telecom (Australia) Pty Ltd, and Spirit Telecom Limited.

Note 12. Equity - issued capital

	Consolidated			
	31 December	30 June 2017	31 December	30 June 2017
	2017	2017	2017	2017
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>227,837,268</u>	<u>184,050,420</u>	<u>15,096,967</u>	<u>9,298,343</u>

Spirit Telecom Limited
Notes to the financial statements
31 December 2017

Note 12. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2017	184,050,420		9,298,343
Issue of shares	30 August 2017	12,500,000	\$0.120	1,500,000
Issue of shares	4 September 2017	10,595,785	\$0.140	1,483,410
Conversion of vested performance rights	5 September 2017	599,400	\$0.000	-
Issue of shares	10 October 2017	91,663	\$0.120	10,959
Placement	11 December 2017	20,000,000	\$0.150	3,000,000
Costs of capital raising		-		(195,745)
Balance	31 December 2017	<u>227,837,268</u>		<u>15,096,967</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.

Note 13. Equity - reserves

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Options reserve	203,516	137,383
Capital reserve	<u>6,196</u>	<u>6,196</u>
	<u>209,712</u>	<u>143,579</u>

Note 14. Equity - dividends

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

Note 15. Business combinations

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

The provisional 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	115,061
Inventory	252,880
Fixed assets	1,560,000
Net GST	(38,996)
Trade payables	(255,911)
Net PL impact amounts	<u>(17,849)</u>
Net assets acquired	1,649,523
Goodwill	<u>2,838,914</u>
Acquisition-date fair value of the total consideration transferred	<u><u>4,488,437</u></u>
Acquisition costs expensed to profit or loss	<u><u>302,352</u></u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	4,488,438
Less: cash and cash equivalents	<u>(10,370)</u>
Net cash used	<u><u>4,478,068</u></u>

i.Consideration transferred

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

ii.Identifiable net assets

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

iii.Goodwill

Goodwill of \$2,838,914 was primarily related to the Company's growth expectations through network and customer expansion.

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

iv.Contribution to the Consolidated Entity's results

World Without Wires contributed revenues of \$1,557,600 and net profit before tax of \$803,597 to the Consolidated Entity from the date of the acquisition to 31 December 2017. World Without Wires does not receive any allocations of acquisition costs, corporate overhead, listing, finance, or other overhead costs which is all absorbed by Spirit's core operations. Spirit's business growth generates increased revenue opportunities across the entire Spirit network which are also reflected in the revenue performance of World Without Wires.

Note 16. Events after the reporting period

No matter or circumstance has arisen since 31 December 2017 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 2017	31 December 2016
	\$	\$
Profit after income tax attributable to the owners of Spirit Telecom Limited	<u>238,077</u>	<u>58,939</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	201,894,402	168,942,332
Adjustments for calculation of diluted earnings per share:		
Rights over ordinary shares	<u>2,570,000</u>	<u>168,525</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>204,464,402</u>	<u>169,110,857</u>
	Cents	Cents
Basic earnings per share	0.118	0.035
Diluted earnings per share	0.116	0.035

Note 18. Related party transactions

Parent entity

Spirit Telecom Limited is the parent entity

Key management personnel

Directors are listed in the Directors report.

Lodge Corporate Pty Ltd were paid \$138,000 upon successful completion of the acquisition of World Without Wires Pty Ltd. In addition to this they were also paid a capital raising fee of \$90,000. Terence Gray is a Director of Spirit Telecom Limited and a consultant with Lodge Corporate Pty Ltd.

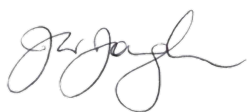
Spirit Telecom Limited
Directors' declaration
31 December 2017

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 2017 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

21 February 2018

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 consolidated entity) which comprises the statement of financial position as at 31 December 2017, 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 consolidated entity is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its 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 consolidated entity 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 consolidated entity's financial position as at 31 December 2017 and its 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 consolidated entity, 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 Audit & Assurance Pty Ltd
Melbourne, 21 February 2018



Steven Bradby
Director