

Spirit Telecom Limited

(Formerly known as Arunta Resources Limited)

ABN 73 089 224 402

Annual Report - 30 June 2016

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
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30 June 2016

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The Internet's more fun when it's this fast.



Directors

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

Company secretary

Melanie Leydin

Registered office

Level 4, 100 Albert Road
South Melbourne Victoria 3205

**Principal place of
business**

Level 2, 240 Chapel Street,
Prahran Victoria 3181

Share register

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross Western Australia 6153

Auditor

Advantage Advisors Audit Partnership
Level 7, 114 William Street
Melbourne Victoria 3000

Stock exchange listing

Spirit Telecom Limited shares are listed on the Australian
Securities Exchange (ASX code: ST1, ST10)

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Chairman's letter
30 June 2016

Dear Shareholders

I am pleased to present to you the Spirit Telecom Limited 2016 Annual Report. The 2016 financial year was a year of change and accelerating momentum for the business, with growth across the core business areas and Spirit Telecom achieving a reverse takeover listing on the Australian Stock Exchange.

It has been the intention of the founders and key investors to build a niche, modern telecommunications business to capitalise on the need for tailored products and services to meet the underpinning global trend of the increasing use of data for personal and business use. One of the natural steps to achieving the strategy was to join the ASX to access capital to allow the business to take full advantage of the demand for its services.

Acquisition of Spirit Telecom by Arunta Resources Limited

On 16th June 2016 the shareholders of the Spirit Telecom Australia Pty Ltd ('the Company') were acquired by Arunta Resources Limited and I officially joined the Board on the same day. The Company was reinstated to the official list of the ASX following a capital raising, a new Board and a name change to Spirit Telecom Limited to reflect the operations of the business and the new direction of the listed entity. The results herein reflect the activities of the Spirit Telecom business, and the end of our first financial year as a listed entity.

FY2016 Results

The Spirit Telecom business has delivered quality results - revenue up 43% to \$8.84 million with continuing and growing demand for our services. There was an increase in operating gross margin derived from scale and the ever increasing use of 'Spirit Air' which utilises radio technology to deliver our superfast internet product.

The Company is led by one of Spirit's founders, Mr. Geoff Neate who started the business approximately 11 years ago. Mr. Neate has 20 years' telecoms experience and is well qualified to drive the business within a competitive landscape. He has assembled a great team of focused individuals to assist him and I am confident that he and the team will provide ongoing growth in shareholder value.

The FY2016 earnings result reflects the technical accounting treatment of a 'reverse acquisition' where the Company is deemed to have acquired Arunta Resources Ltd. As such the costs associated with the acquisition are expensed through the profit and loss account which had the primary effect of delivering a Net Reported Loss of \$2.3 million. To assist the reader to understand the underlying performance of the Company we believe it is appropriate to consider Earnings before Interest, Tax and Depreciation ('EBITDA') prior to the acquisition costs.

When adjusting only for these effects and once off items, the Underlying EBITDA for the year is \$0.995 million, as follows:

		\$million
Net profit (loss) before tax (NPBT)		(\$2.858)
Add back:		
Listing expense	\$1.913	
Depreciation and amortisation	\$0.581	
Interest	\$0.149	
Acquisition and float costs	\$0.691	
Change in accounting policy, restructure costs and investment in dealer network	<u>\$0.519</u>	<u>\$3.853</u>
Underlying EBITDA		<u>\$0.995</u> Million

The Cash at Bank is \$2.25 million which provides working capital to support the Company's activities.

Capital Management

Spirit Telecom's objectives when managing capital is to remain prudent and to maintain an optimum capital structure to reduce the cost of capital so that it can provide returns for shareholders.

Continued solid revenue growth and sensible management of the balance sheet, including relatively low gearing, enables the Company to consider various capital management initiatives to support further growth.

The Company will continue to pursue appropriate and strategic investments and acquisitions and the Company is currently reviewing a number of opportunities but these will only be implemented if they meeting the Board's investment hurdles.

Board, Governance and Management

The Board recognises the importance of governance, and strong management as a positive factor for shareholders, employees and customers. The Board is committed to ensuring that our business is conducted in accordance with high standards of corporate governance.

The relationship between the Board and management is strong. It is an integral part of the strategy to encourage innovation through new products, entering new markets, compelling business models and through acquisitions to provide opportunities to increase revenue, margin and productivity and profit.

The Company's Future

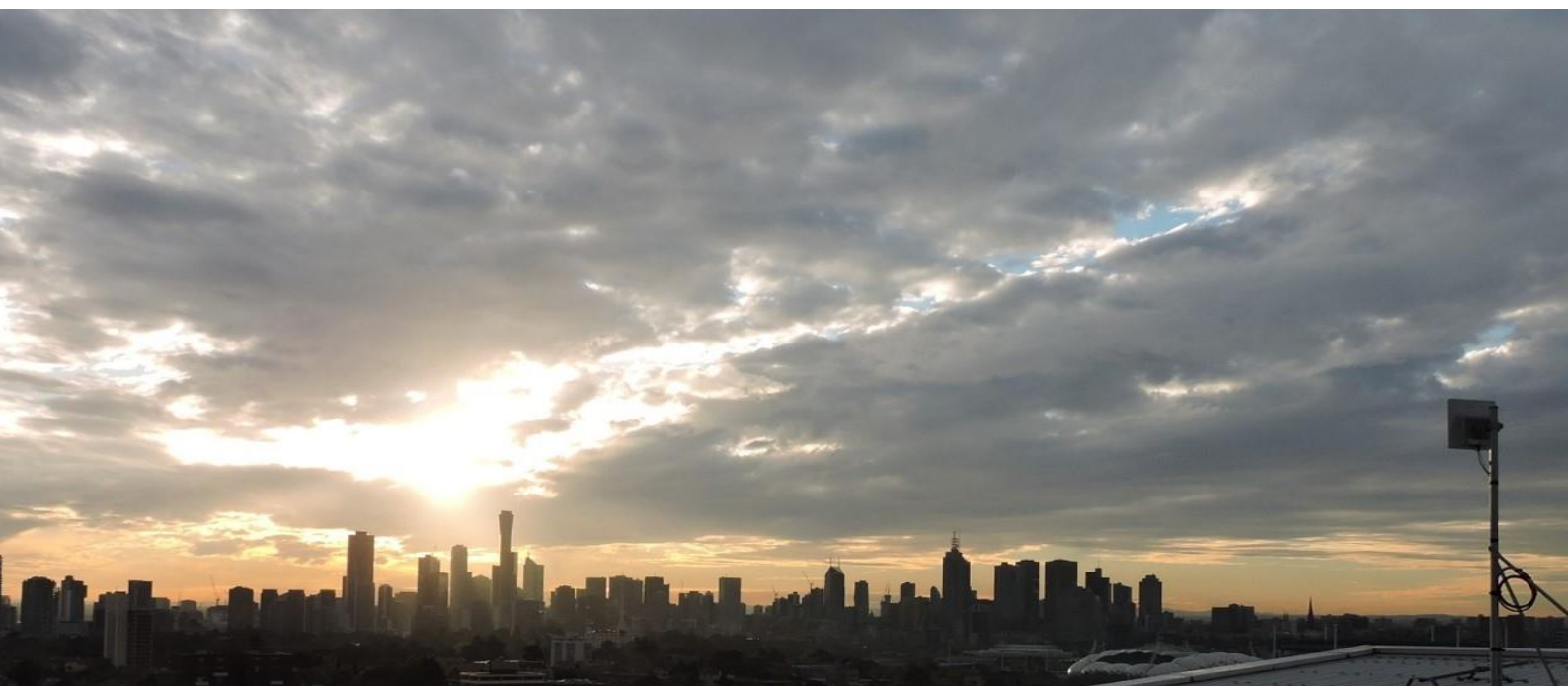
The 2017 financial year will provide significant opportunities for Spirit Telecom and we expect growth to continue with an increase in revenue expected to be greater than 30%. The increase in revenue, with an improving gross margin from scale, will see a significant uplift in earnings. The roll out of our network in Sydney and Brisbane markets will provide further growth opportunities and the small business sector is creating demand, as they switch to more cloud based operating systems which Spirit is well placed to provide the internet speed required to support this market.

The telecommunications industry is dynamic and fast moving and Spirit can respond quickly and decisively to new opportunities. The key success drivers of Spirit Telecom continue to be a leading position in the provision of super-fast internet at a competitive offering and focusing on our niche markets.

On behalf of the Board, let me close by thanking the team at Spirit Telecom for their huge effort during this past year. And of course, thank you to our shareholders, my fellow Directors and all our stakeholders for their continued support.

James W Joughin

Chairman



Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Letter from the managing director
30 June 2016

Dear Shareholders,

It's been an eventful year at Spirit and the most significant in our 11 year history. The transition to a publically listed company saw operational and governance change throughout. We welcomed Mr James Joughin onto the board as Chairman and said farewell and thank you to 3 long standing board members - Messer's Michael Allen, Enrico Lenzi and Bill Sipek. The change at Board level is representative of the magnitude of transition that Spirit experienced throughout the operation.

As reviewed by My Joughin, our financials were pleasing, with a significant growth in revenue and underlying EBITDA. It has provided a robust platform of customers and projects for our future growth.

Operational Overview

There have been several highlights throughout FY16. Not least of which has been the integration of the 'My Telecom' business, that was acquired in May 2015. This acquisition has assisted the increase of revenue and margin over the year, as well as Spirit gaining a valuable strategy and model for the deployment of radio based broadband services.

The flexibility and reach in the use of radio has assisted in our growth, both in terms of speed of delivery, as well as providing a lot more flexibility than terrestrial fibre. We have been able to provide solutions to customers not previously in our fibre reach. Most importantly this has been achieved without sacrificing latency or bandwidth, thereby maintaining a high level of end-customer experience.

Spirit finished the year with over 200 buildings being provided with superfast Internet, via terrestrial or radio technologies. The design and installation of our radio based network has assisted in our speed to deploy, as well as contributing to our ever growing gross margin percentage.

We were pleasantly surprised and delighted to be awarded Australia's fastest Internet supplier, by PCMag, in August 2015. This was an unsolicited award and strengthened our resolve that the deployment of our service is second to none. It is also a great vindication for our network engineering team, that their hard work in designing a more scalable network has been recognised. Further recognition was received by supplying our third series of 'The Block' and, as noted by host Scott Cam, Spirit made 'The Block.' Arguably the fastest residential apartment building in Australia"

On the regulatory front, since listing Spirit has become a licensed carrier and also participated in discussions concerning the mixture of technologies that are being deployed as superfast Internet solutions. Discussions with the then Communications Minister, Mr Malcom Turnbull, the legislators being the Department of Communications and the Arts and the ACCC, in a bid to establish regulatory certainty, are continuing as changes are being effected. Although Spirit is exempt from the ACCC's recent interim declaration of access to superfast broadband services, Spirit is developing plans to establish a wholesale stream. In working with the regulatory bodies we have not lowered our plans or goals and will continue to work closely to assist in guiding the industry to a workable outcome.

Spirit finished the year with the successful completion of a reverse takeover, resulting in the honour and prestige of being listed on the ASX. This has been a tribute to our patient and inspiring shareholders.

Outlook

Spirit would not have chosen the listed path if there was not something special about the business model. Our focus is to demonstrate this in 2017. Our high gross margin, high operating leverage, low capital expenditure model will see all of our key financial metrics improve over the next 12 months. We also plan to review other companies, that complement this business model, with an eye to acquisitions.

Our target segments, in commercial and residential, each have a need for Spirit's superfast Internet, Hosted PBX, teleconferencing or inbound services and, to that end, the team will work hard at selling to and servicing these markets.

We are well aware that there is increasing competition coming into our market, through a variety of established companies diversifying, along with startup companies attracted to the markets we explore. This does not mitigate our targets or longer term ambitions.

Finally, I would like to thank the previous and current Board, the shareholders of Spirit Telecom Limited and the former Arunta Resources and the staff of Spirit, for without your significant contribution and support we would not be where we are today.

I look forward to sharing an exciting Financial Year 2017 with you.

Everyone at Spirit Telecom are very excited about the growth potential and development opportunities ahead for the company, and hope you will continue to be part of our journey.

Geoff Neate
Managing Director

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Directors' report
30 June 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Spirit Telecom Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

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

Mr James Joughin (appointed 16 June 2016)
Mr Geoff Neate (appointed 16 June 2016)
Mr Terence Gray (appointed 16 June 2016)
Mr Francis Galbally (resigned 16 June 2016)
Mr Angus Edgar (resigned 16 June 2016)
Mr Greg Bound (appointed 12 November 2015, resigned 16 June 2016)
Mr Adrien Wing (resigned 12 November 2015)

Principal activities

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

- completing the acquisition by Arunta Resources Limited (re-named Spirit Telecom Limited on 20 June 2016) of Spirit Telecom (Australia) Pty Ltd ("Spirit"), which took effect on 16 June 2016; and
- the disposal by Arunta Resources Limited of its former activity by the demerger of its former wholly-owned subsidiary, Davenport Resources Limited, on 26 February 2016.

The consolidated entity's business principal activity is the provision of telecommunications services, being the acquired business and operations of Spirit.

Spirit provides Superfast Internet services to a range of residential and commercial buildings in Sydney, Melbourne and Brisbane.

Dividends

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

Review of operations

The loss for the Consolidated Entity after providing for income tax amounted to \$2,336,065 (30 June 2015: \$162,390).

The net assets of the consolidated entity increased by \$2,001,921 to \$3,214,196 as at 30 June 2016 (2015: \$1,212,275). During the financial year, the Company undertook a capital raising which resulted in raising \$2,620,640 before costs, in conjunction with the acquisition of Spirit Telecom (Australia) Pty Ltd.

The Consolidated Entity's working capital, being current assets less current liabilities was \$1,335,941 at 30 June 2016 (2015: \$239,349). During the period the Consolidated Entity had net cash outflows from operating activities of (\$19,699) (2015: inflows \$1,558,273).

Significant changes in the state of affairs

On 4 September 2015 the Company, Spirit Telecom (Australia) Pty Ltd ("Spirit") and the share and equity holders of Spirit entered into a share sale agreement for the acquisition of Spirit by the Company ("Share Sale Agreement"), subject to a number of conditions, all of which were subsequently fulfilled. The Share Sale Agreement replaced a terms sheet for the acquisition, previously entered into on 24 June 2015.

Spirit Telecom Limited
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On 19 February 2016 the Company's shareholders agreed to dispose of the Company's then-main undertaking by way of an in specie distribution of its shareholding in Davenport Resources Limited ("Davenport") to the Company's shareholders. Davenport was a holder of mining exploration tenements and conducted mining exploration activities. This demerger of Davenport was completed on 26 February 2016.

Upon the completion of the Davenport demerger the exercise prices of the Company's issued options were reduced as follows:

ASX-listed options (ASX:ARJO): exercise price reduced from \$0.002 (0.2 cents) to \$0.001712 (0.1712 cents)
Unlisted options: exercise price reduced from \$0.03 (3 cents) to \$0.029712 (2.9712 cents)

On 4 March 2016 the Company placed 333,333,334 new fully paid ordinary shares at an issue price of \$0.00075 (0.075 cents) per share, raising \$250,000. On the same date 26 shares were issued at \$0.02 (2 cents) per share upon the exercise of options.

On 18 April 2016 the Company's shareholders approved the following:

- to make a significant change to the nature and scale of the activities of the Company, being the undertaking of telecommunications activities, by way of the acquisition of Spirit and its existing internet service business via a reverse acquisition;
- to consolidate the Company's issued shares on a 23 to 1 basis;
- to issue shares and options to the vendors of Spirit as consideration for the Company's acquisition of Spirit;
- to elect Mr James Joughin, Mr Geoffrey Neate and Mr Terence Gray as directors, with effect from the completion of the Company's acquisition of Spirit;
- to change the name of the Company, with effect from the completion of the Company's acquisition of Spirit;
- the Company's Officers' and Employees' Option Plan.

On 18 April 2016 the Company's shares were placed in voluntary suspension following the shareholder approval of the acquisition of Spirit, with the voluntary suspension to be lifted upon the completion of the Company's acquisition of Spirit and an associated capital raising, and the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

On 26 April 2016 the Company lodged a Prospectus for the public offer of between 100,000,000 and 150,000,000 New Shares at an issue price of \$0.02 (2 cents) per New Share to raise between \$2,000,000 and \$3,000,000 before costs.

On 29 April 2016 the Company completed the consolidation of its issued securities on a 23 to 1 basis, following shareholder approval, as follows:

ASX-listed shares (ASX:ARJ): reduced from 2,160,289,380 issued shares to 93,925,860 issued shares

ASX-listed options (ASX:ARJO):

- reduced from 590,586,803 issued options to 25,677,769 issued options
- exercise price reduced from \$0.001712 (0.1712 cents) to \$0.039376 (3.9376 cents)

Unlisted options:

- reduced from 15,000,000 issued options to 652,174 issued options
- exercise price reduced from \$0.029712 (2.9712 cents) to \$0.683376 (68.3376 cents)

On 4 May 2016 the Company lodged a Supplementary Prospectus to provide additional information in relation to the proposed public offer of shares. The Supplementary Prospectus replaced the Prospectus issued on 26 April 2016.

On 27 May 2016 the Company announced that its public offer closed, raising \$2,620,640 before costs. Following this, the following took place:

- the acquisition of Spirit by the Company was completed;
- the Company issued 611,250,000 shares to the vendors of Spirit;
- the Company issued 197,594,357 options to the vendors of Spirit, expiring 31 July 2019, with an exercise price of \$0.039376 (3.9376 cents) per option;
- the Company issued 131,032,000 shares pursuant to the Prospectus at an issue price of \$0.02 (2 cents) per share;
- the appointments of Mr James Joughin, Mr Geoffrey Neate and Mr Terence Gray as directors took effect;
- Mr Francis Galbally, Mr Angus Edgar and Mr Greg Bound resigned as directors;
- the voluntary suspension of the Company's shares was lifted and the shares recommenced trading on the ASX.

Spirit Telecom Limited
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Directors' report
30 June 2016

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Likely developments and expected results of operations

The Company is well placed to continue its recent growth trajectory in FY17 and is expected to generate more than a 30% increase in revenue. The increase use of the Spirit Air model of delivery will improve gross margins and provide overall better capital returns on top of the attractive margins already received from Fibre To The Basement model.

Environmental regulation

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

Information on directors

Name:	Mr James Joughin
Title:	Non-Executive Chairman (appointed 16 June 2016)
Qualifications:	Bachelor of Business, CPA, GAIDC
Experience and expertise:	James Joughin brings over 30 years of general corporate experience, having been a senior partner of Ernst & Young until 2013. He was a partner of that firm for 17 years and headed the Mergers and Acquisitions division in Melbourne. James is also an experienced company director and holds non-executive directorships of a number of private companies and a public company. He is currently chair of a private engineering and planning group and previously chair of the finance and risk committee at both private and not for profit organisations. For most of his career, James has been providing advice to Boards in relation to growth strategies, improving shareholder value, mergers and acquisitions, funding (both debt and equity) and IPOs (Initial Public Offerings).
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	5,199,276 fully paid ordinary shares
Interests in options:	Nil
Name:	Mr Geoff Neate
Title:	Managing Director (appointed 16 June 2016)
Qualifications:	Bachelor of Business (Monash), Masters of Marketing (Melb)
Experience and expertise:	Geoff is a co-founder of Spirit Telecom, starting the business in 2005. Geoff has been a senior executive with several established organisations such as Primus Telecom, RACV, Telstra and Lend Lease Corporate Services. His three years at Primus Telecom as General Manager of the Consumer Division, included managing near 500 staff, \$8 million marketing spend and \$47 million operational expenses. With over 20 years' experience in telecommunications, he has witnessed the industry transform and has shaped Spirit's activities accordingly.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	166,205,900 fully paid ordinary shares
Interests in options:	53,493,929 listed options with exercise price of \$0.039376 (3.9376 cents), expiring 31 July 2019

Spirit Telecom Limited
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Name:	Mr Terence Gray (appointed 16 June 2016)
Title:	Non-Executive Director
Qualifications:	B.Bus, Grad Dip App Fin
Experience and expertise:	Terence is a corporate consultant to Lodge Partners Pty Ltd offering investment management and corporate advisory services. He has over 20 years' financial markets experience including funds management and corporate finance. Terence has held roles as Head of Equities at ANZ Funds Management, Chief Investment Officer at Allianz Equity Management, Head of Research, Allianz Dresdner Asset Management and Director of Corporate Finance, Grange Securities. He has deep knowledge of funds management and the Australian equity market. His grounding as an institutional investor running large investment teams and as a corporate advisor to junior companies provides insight and expertise in company valuation, corporate fund raising and M&A activity.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	8,313,377 fully paid ordinary shares
Interests in options:	813,419 listed options with exercise price of \$0.039376 (3.9376 cents), expiring 31 July 2019
Name:	Mr Francis Galbally
Title:	Non-Executive Chairman (appointed 11 March 2015, resigned 16 June 2016)
Qualifications:	LL.B (Hons)
Experience and expertise:	Mr Galbally has over 30 years' experience in international business and commercial law. He is a graduate (first class honours) in Law at Melbourne University and worked in a professional legal practice for 15 years, specialising in business law. He was a partner in the leading law firm Galbally and O'Bryan during which time he successfully led a number of landmark commercial litigation cases. Mr Galbally has had first-hand operational experience in growing small cap companies and has been a director and chairman of a number of ASX listed companies. He is Chairman of Senetas Corporation Limited (ASX: SEN), a leading developer and manufacturer of certified network data encryption hardware.
Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Interests in shares:	N/A
Interests in options:	N/A
Name:	Mr Angus Edgar
Title:	Executive Director (appointed 28 May 2003, resigned 16 June 2016)
Experience and expertise:	Angus Edgar has been employed in the finance/stockbroking industry since 1985 with the majority of that time employed with various share broking companies. During that period he has been directly involved with providing corporate advisory services to private and ASX listed companies and the listing of several new companies onto the ASX.
Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Interests in shares:	N/A
Interests in options:	N/A

Spirit Telecom Limited
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Name: Greg Bound
Title: Non-Executive Director (appointed 12 November 2015, resigned 16 June 2016)
Experience and expertise: Greg has 18 years of international management and marketing experience in a number of industries. He has successfully developed businesses in the technology, media, health, leisure & tourism and financial services industries. For the past 10 years he has been active in the technology businesses as a director of ASX listed technology investor m2m Corporation Limited. In addition to m2m Greg is active in a number of private companies involved in hospitality, publishing and internet marketing. In addition to operating his own successful businesses he has held senior executive and international business development roles with Adacel Technologies Ltd (ASX), National Insurance System and the Titan Group. Greg has developed a sound knowledge of "convergent technologies" and business models. He remains active in advising small to medium sized technology companies in sectors such as telecommunications, publishing, broadcasting, marketing and eCommerce.

Other current directorships: N/A
Former directorships (last 3 years): N/A
Interests in shares: N/A
Interests in options: N/A

Name: Mr Adrien Wing
Title: Non-Executive Director (appointed 5 May 2011, resigned 12 November 2015)
Qualifications: CPA
Experience and expertise: Mr Adrien Wing is CPA qualified. He practised in the audit and corporate divisions of a chartered accounting firm before working with a number of public companies listed on the Australian Stock Exchange as a corporate/accounting consultant and company secretary.

Other current directorships: N/A
Former directorships (last 3 years): N/A
Interests in shares: N/A
Interests in options: N/A

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

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

Company secretary

Ms Melanie Leydin was appointed Company Secretary on 16 June 2016. Ms Leydin is a Chartered Accountant and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer. Ms Leydin has over 23 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations and is a director and company secretary for a number of oil and gas, junior mining and exploration entities listed on the Australian Securities Exchange.

Spirit Telecom Limited
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Directors' report
30 June 2016

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board Attended	Held
Mr Geoff Neate	1	6
Mr Terence Gray	1	6
Mr James Joughin	1	6
Mr Francis Galbally	5	6
Mr Angus Edgar	5	6
Mr Greg Bound	4	6
Mr Adrien Wing	4	6

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

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

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

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Consolidated Entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

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

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

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

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

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

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

Non-executive directors remuneration

From the date of completion of the acquisition of Spirit the annual non-executive Directors' fees are \$60,000 per annum payable to the Chairman, and \$30,000 per annum payable to each other non-executive Director.

Under the Constitution, the Directors decide the total amount paid to each Director as remuneration for their services. Under ASX Listing Rules, the total amount paid to all non-executive Directors must not exceed in total in any financial year the amount fixed at a general meeting of the Company, which is presently \$200,000. Remuneration must not include a commission on, or a percentage of, the profits or income of the Company.

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

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

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

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

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

Consolidated entity performance and link to remuneration

Given that the Consolidated Entity has only recently restructured, remuneration for certain individuals is not current directly linked to performance of the Consolidated Entity. An individual member of staff's performance assessment is carried out by reference to their contribution to the Company's overall operational achievements.

Spirit Telecom Limited
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Details of remuneration

Amounts of remuneration

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

Other than the Directors of Spirit Telecom Limited (formally known as Arunta Resources Limited), there are no other key management personnel. The key management personnel of the Consolidated Entity consisted of the following directors of Spirit Telecom Limited:

- James Joughin, Non-Executive Chairman (appointed 16 June 2016)
- Geoff Neate, Managing Director (appointed 16 June 2016)
- Terence Gray, Non-Executive Director (appointed 16 June 2016)

Details/Amounts of remuneration:

The remuneration table listed below relates to that of the legal parent entity (Spirit Telecom Ltd, previously Arunta Resources Limited) and Spirit Telecom (Australia) Pty Ltd for the 12 months to 30 June 2016. The remuneration table containing 2015 comparative information has also been included as disclosed in the 2015 Annual Report.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2016	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
James Joughin****	20,000	-	-	-	-	-	20,000
Terence Gray**	30,000	-	-	-	-	-	30,000
Francis Galbally*	35,000	-	-	-	-	-	35,000
Greg Bound*	17,500	-	-	-	-	-	17,500
<i>Executive Directors:</i>							
Geoff Neate***	339,539	-	11,051	25,007	4,754	-	380,351
Angus Edgar*	40,000	-	-	-	-	-	40,000
	<u>482,039</u>	<u>-</u>	<u>11,051</u>	<u>25,007</u>	<u>4,754</u>	<u>-</u>	<u>522,851</u>

* Mr Francis Galbally, Mr Angus Edgar, and Mr Greg Bound resigned as Director's on 16 June 2016, and remuneration has been disclosed to this date.

** Mr Terence Gray was appointed as a Director on 16 June 2016.

*** Mr Geoff Neate was appointed as a Director on 16 June 2016. His remuneration shown above comprised \$250,038 in relation to wages and salaries, and \$89,501 in relation to an annual leave payout.

**** Mr James Joughin was appointed as a Director on 16 June 2016. His remuneration shown above comprised \$5,000 in relation to Directors fees, and \$15,000 in consulting fees prior to his appointment as a Director.

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Directors' report
30 June 2016

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2015	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Angus Edgar	60,000	-	-	-	-	-	60,000
Adrien Wing	40,000	-	-	-	-	-	40,000
Neil Biddle**	72,000	-	-	-	-	-	72,000
Francis Galbally*	20,000	-	-	-	-	-	20,000
	192,000	-	-	-	-	-	192,000

* Appointed 11 March 2015

** Resigned 8 April 2015

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2016	2015	2016	2015	2016	2015
<i>Non-Executive Directors:</i>						
James Joughin	100%	-	-	-	-	-
Terence Gray	100%	-	-	-	-	-
Francis Galbally	100%	100%	-	-	-	-
Adrien Wing	100%	100%	-	-	-	-
Greg Bound	100%	-	-	-	-	-
<i>Executive Directors:</i>						
Geoff Neate	100%	-	-	-	-	-
Angus Edgar	100%	100%	-	-	-	-

Service agreements

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

Name:	Geoff Neate
Title:	Managing Director
Agreement commenced:	24 June 2016
Term of agreement:	No fixed term. The Company may terminate the agreement by giving 6 months' notice. The Company may make payment in lieu of part or all of the notice period. Mr Neate may terminate his employment agreement by providing the Company with 3 months written notice.
Details:	Fixed remuneration of \$305,159 per annum, plus statutory superannuation contributions. Mr Neate will be eligible to receive a short term incentive from the Company (STI), which will be structured as a cash payment subject to achievement of relevant key financial and non-financial milestones. Mr Neate's maximum entitlement to receive an STI is 30% of his Base Salary with the key milestones to be achieved by no later than 30 June 2017. Mr Neate is also eligible to receive a long term incentive subject to shareholder and all other regulatory approvals, the Company proposes to grant the issue of up to \$100,000 performance rights subject to achievement of relevant TSR and return on capital measures.

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

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Directors' report
30 June 2016

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2016.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2016.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016.

Additional information

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	Listing date - 27 June 2016 30 June 2016	
Share price at re-listing date/financial year end (\$)	0.023	0.025

As the Company was re-listed on the Australian Securities Exchange (ASX) on 27 June 2016, following the reverse acquisition in relation to the Spirit Telecom business, there is no relevant information regarding the Consolidated Entity's earnings and performance in the reporting period or past financial years. The table above shows, for information purposes, the closing market price of the Company's shares on the ASX on the re-listing date of 27 June 2016 and the last day of the reporting period, 30 June 2016.

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Other	Balance at the end of the year
<i>Ordinary shares</i>					
James Joughin	-	-	-	5,199,276	5,199,276
Geoff Neate	-	-	-	166,205,900	166,205,900
Terence Gray	-	-	-	8,313,377	8,313,377
Francis Galbally	-	-	18,172,810	(18,172,810)	-
Angus Edgar	237,612,310	-	-	(237,612,310)	-
Adrien Wing	85,505,273	-	14,554,727	(100,060,000)	-
	<u>323,117,583</u>	<u>-</u>	<u>32,727,537</u>	<u>(176,126,567)</u>	<u>179,718,553</u>

* James, Geoff, and Terence were appointed as Directors during the financial year.

** Francis, Angus, and Adrien resigned as Directors during the financial year, and their holding at the end of the financial year is no longer required.

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Directors' report
30 June 2016

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Geoff Neate	-	-	-	53,493,929	53,493,929
Terence Gray	-	-	-	813,419	813,419
Angus Edgar	90,998,841	-	-	(90,998,841)	-
Adrien Wing	36,535,137	-	-	(36,535,137)	-
	<u>127,533,978</u>	<u>-</u>	<u>-</u>	<u>(73,226,630)</u>	<u>54,307,348</u>

This concludes the remuneration report, which has been audited.

Shares under option

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

Description	Expiry date	Exercise price	Number under option
Listed options (ASX:ST1O)	31 July 2019	\$0.039	25,677,688
Unlisted options	18 December 2016	\$0.683	652,174
Listed options Spirit vendor options	31 July 2019	\$0.039	<u>197,594,465</u>
			<u><u>223,924,327</u></u>

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

Shares issued on the exercise of options

There were no ordinary shares of Spirit Telecom Limited issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

**Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Directors' report
30 June 2016**

Proceedings on behalf of the Company

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

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the Company who are former partners of Advantage Advisors Audit Partnership

There are no officers of the Company who are former partners of Advantage Advisors Audit Partnership.

Auditor's independence declaration

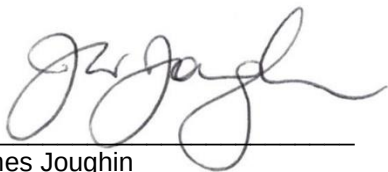
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Advantage Advisors Audit Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'J. Joughin', written over a horizontal line.

James Joughin
Non-Executive Chairman

29 September 2016

Advantage Advisors Audit Partnership

Audit & Assurance Services

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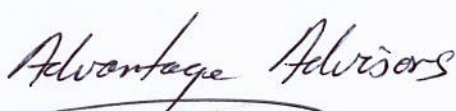
audit@advantageadvisors.com.au

advantageadvisors.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SPIRIT TELECOM LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

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



**ADVANTAGE ADVISORS AUDIT PARTNERSHIP
CHARTERED ACCOUNTANTS**



**KEN GLYNN
PARTNER**

Dated in Melbourne on this 27th day of September, 2016

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 \$	2015 \$
Revenue	6	8,844,047	6,163,568
Other income	7	11,441	-
Expenses			
Depreciation and amortisation expense	9	(580,898)	(233,364)
Cost of sales		(4,138,781)	(3,277,438)
Administration expenses		(4,246,642)	(2,418,170)
Arunta transaction fees		(244,500)	-
Listing expense on reverse acquisition	8	(1,912,963)	-
Selling expenses		(212,299)	(154,711)
Marketing expenses		(228,335)	(104,206)
Finance costs	9	(149,136)	(96,723)
Loss before income tax (expense)/benefit		(2,858,066)	(121,044)
Income tax (expense)/benefit	10	522,001	(41,346)
Loss after income tax (expense)/benefit for the year attributable to the owners of Spirit Telecom Limited	26	(2,336,065)	(162,390)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Spirit Telecom Limited		<u>(2,336,065)</u>	<u>(162,390)</u>
		Cents	Cents
Basic earnings per share	39	(0.38)	(0.03)
Diluted earnings per share	39	(0.38)	(0.03)

Refer to note 4 for detailed information on Restatement of comparatives.

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

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Statement of financial position
As at 30 June 2016

	Note	Consolidated 2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	11	2,254,258	721,379
Trade and other receivables	12	835,794	728,732
Inventories	13	38,242	24,116
Other	14	42,391	-
Total current assets		<u>3,170,685</u>	<u>1,474,227</u>
Non-current assets			
Receivables	15	7,040	7,040
Property, plant and equipment	16	2,097,614	1,794,411
Intangibles	17	1,084,491	1,077,251
Deferred tax	18	949,842	427,841
Total non-current assets		<u>4,138,987</u>	<u>3,306,543</u>
Total assets		<u>7,309,672</u>	<u>4,780,770</u>
Liabilities			
Current liabilities			
Trade and other payables	19	1,645,696	969,284
Borrowings	20	61,899	79,531
Provisions	21	127,149	186,063
Total current liabilities		<u>1,834,744</u>	<u>1,234,878</u>
Non-current liabilities			
Borrowings	22	2,143,302	2,240,278
Provisions	23	117,430	93,339
Total non-current liabilities		<u>2,260,732</u>	<u>2,333,617</u>
Total liabilities		<u>4,095,476</u>	<u>3,568,495</u>
Net assets		<u>3,214,196</u>	<u>1,212,275</u>
Equity			
Issued capital	24	7,112,970	2,774,984
Reserves	25	6,196	6,196
Accumulated losses	26	(3,904,970)	(1,568,905)
Total equity		<u>3,214,196</u>	<u>1,212,275</u>

Refer to note 4 for detailed information on Restatement of comparatives.

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

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Statement of changes in equity
For the year ended 30 June 2016

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2014	2,774,984	6,196	(1,406,515)	1,374,665
Loss after income tax expense for the year	-	-	(162,390)	(162,390)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(162,390)	(162,390)
Balance at 30 June 2015 (restated)	<u>2,774,984</u>	<u>6,196</u>	<u>(1,568,905)</u>	<u>1,212,275</u>

Refer to note 4 for detailed information on Restatement of comparatives.

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2015	2,774,984	6,196	(1,568,905)	1,212,275
Loss after income tax benefit for the year	-	-	(2,336,065)	(2,336,065)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,336,065)	(2,336,065)
Deemed value of AJR shares upon acquisition	1,878,517	-	-	1,878,517
Share issue by public offer	2,620,640	-	-	2,620,640
Capital raising costs	(161,171)	-	-	(161,171)
Balance at 30 June 2016	<u>7,112,970</u>	<u>6,196</u>	<u>(3,904,970)</u>	<u>3,214,196</u>

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

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Statement of cash flows
For the year ended 30 June 2016

	Note	Consolidated 2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		8,718,855	6,492,091
Payments to suppliers and employees (inclusive of GST)		<u>(8,599,423)</u>	<u>(4,865,263)</u>
		119,432	1,626,828
Interest received		10,005	19,357
Interest and other finance costs paid		<u>(149,136)</u>	<u>(87,912)</u>
Net cash from/(used in) operating activities	37	<u>(19,699)</u>	<u>1,558,273</u>
Cash flows from investing activities			
Payments for property, plant and equipment	16	(910,043)	(1,760,003)
Payments for intangibles	17	(32,440)	(576,891)
Net proceeds of cash and loans from acquisition of business		4,536	-
Proceeds from disposal of property, plant and equipment		<u>31,056</u>	<u>-</u>
Net cash used in investing activities		<u>(906,891)</u>	<u>(2,336,894)</u>
Cash flows from financing activities			
Proceeds from issue of shares	24	2,620,640	-
Proceeds from borrowings		-	1,500,000
Share issue transaction costs		<u>(161,171)</u>	<u>-</u>
Net cash from financing activities		<u>2,459,469</u>	<u>1,500,000</u>
Net increase in cash and cash equivalents		1,532,879	721,379
Cash and cash equivalents at the beginning of the financial year		<u>721,379</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year	11	<u><u>2,254,258</u></u>	<u><u>721,379</u></u>

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

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Notes to the financial statements
30 June 2016

Note 1. General information

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

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

Registered office	Principal place of business
Level 4, 100 Albert Road South Melbourne, Victoria, 3205	2/240 Chapel Street Pahran, Victoria, 3181

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 29 September 2016. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

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

In accordance with Australian Accounting Standards, Spirit Telecom Limited has adopted AASB 118 for revenue recognition and for the purposes of comparability, has restated the impact of the change on the 2015 accounts.

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

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 34.

Note 2. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Spirit Telecom Limited ('Company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Spirit Telecom Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

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

Reverse asset acquisition

On 16 June 2016, Spirit Telecom Ltd (formerly Arunta Resources Limited) ("ST1") completed the acquisition of high-speed internet service provider Spirit Telecom (Australia) Pty Ltd ("STAPL") ("Acquisition"). The Acquisition has been accounted for using the principles for reverse acquisitions in AASB 3 Business Combinations because, as a result of the Acquisition, the former shareholders of STAPL (the legal subsidiary) obtained accounting control of ST1 (the legal parent).

The Acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations as the acquiree was deemed not to be a business for accounting purposes and, therefore, the transaction was not a business combination within the scope of AASB 3. Instead the Acquisition has been accounted for as a share-based payment transaction using the principles of share based payment transactions in AASB 2, and in particular the guidance in AASB 2 that any difference between the fair value of the shares issued by the accounting acquirer (STAPL) and the fair value of the accounting acquiree's (ST1's) identifiable net assets represents a service received by STAPL, including payment for a service of an ASX stock exchange listing which will be expensed through the consolidated entity's profit and loss statement in the 2016 financial year.

Accordingly the consolidated financial report of ST1 has been prepared as a continuation of the business and operations of STAPL. As the deemed accounting acquirer STAPL has accounted for the acquisition from 16 June 2016. The comparative information for the 12 months ended 30 June 2015 presented in the financial report is that of STAPL. The impact of the reverse asset acquisition on each of the primary statements is as follows:

Consolidated statement of comprehensive income:

- The statement for the period ended 30 June 2016 comprises 12 months of operating results of STAPL and the operating results of ST1 from 16 June 2016.
- The statement for the period to 30 June 2015 comprises 12 months of operating results STAPL.

Consolidated statement of financial position:

- The consolidated statement of financial position at 30 June 2016 contains the assets and liabilities of STAPL and ST1 as at that date.
- The consolidated statement of financial position at 30 June 2015 represents the assets and liabilities of STAPL as at that date.

Note 2. Significant accounting policies (continued)

Statement of changes in equity:

- The consolidated statement of changes in equity for the period ended 30 June 2016 comprises the STAPL balance at 1 July 2015, its loss for the 12 months and transactions with equity holders for 12 months. It also comprises ST1 transactions with equity holders for the period from Acquisition to 30 June 2016 and the equity balances of STAPL and ST1 at 30 June 2016.
- The consolidated statement of changes in equity for the period ended 30 June 2015 comprises 12 months of STAPL's changes in equity.

Statement of cash flows:

- The consolidated cash flow statement for the period ended 30 June 2016 comprises the cash balance of STAPL, as at 1 July 2015, the cash transactions for the 12 months (12 months for STAPL and the period from Acquisition to 30 June 2016 for ST1 and the cash balance of STAPL and ST1 at 30 June 2016.
- The consolidated cash flow statement for the period ended 30 June 2015 comprises 12 months of ST1 cash transactions.

References throughout the financial statements to “reverse acquisition” or “reverse takeover” are in reference to the above-mentioned Acquisition and the accounting treatment described above.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

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

Revenue recognition

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

Non-recurring revenue

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

Note 2. Significant accounting policies (continued)

Recurring revenue

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

Interest

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

Other revenue

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

Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Current and non-current classification

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

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

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

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

Note 2. Significant accounting policies (continued)

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

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

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

Inventories

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

Property, plant and equipment

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

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

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

Building installations and switches	2 – 5 years
Custom installations	2 – 5 years
Plant, furniture and equipment	3 – 10 years
Computer Equipment	3 years
Leasehold improvements	10 years

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

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

Leases

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

Note 2. Significant accounting policies (continued)

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

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

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

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

Intangible assets

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

Goodwill

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

Goodwill is subsequently measured at cost less any impairment losses.

Goodwill is subject to impairment testing 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.

Other Intangible Assets

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

Software

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

Trade and other payables

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

Borrowings

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

Note 2. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Fair value measurement

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

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

Issued capital

Ordinary shares are classified as equity.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Note 2. Significant accounting policies (continued)

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2016. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 9 Financial Instruments

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

AASB 15 Revenue from Contracts with Customers

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

Note 2. Significant accounting policies (continued)

AASB 16 Leases

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

This standard:

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

The consolidated entity will adopt this standard from 1 January 2019. The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 31 December 2019 includes:

- there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet;
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities;
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses; and
- Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

Note 3. Critical accounting judgements, estimates and assumptions

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

Provision for impairment of receivables

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

Estimation of useful lives of assets

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

Goodwill and other indefinite life intangible assets

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

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

Impairment of property, plant and equipment

The Consolidated Entity assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets

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

Note 4. Restatement of comparatives

Spirit has adopted a change of revenue recognition policy that complies with AASB 118. In adopting this policy, the accounts prepared in 2015 have been adjusted to show the impact of the change on the prior year results. Spirit recognises Income in Advance as a liability on the Balance sheet and has matched expenses according to the recognition criteria as outline in the framework.

The result of the restatement was a reduction in earnings for 2015 of \$34,856, and a reversal of the same amount in 2016.

Statement of profit or loss and other comprehensive income

	2015	Consolidated	2015
Extract	\$	\$	\$
	Reported	Adjustment	Restated
Revenue	6,511,449	(347,881)	6,163,568
Expenses			
Depreciation and amortisation expense	-	(233,364)	(233,364)
Cost of sales	(3,590,463)	313,025	(3,277,438)
Administration	(2,651,534)	233,364	(2,418,170)
Loss before income tax expense	(86,188)	(34,856)	(121,044)
Income tax expense	(41,346)	-	(41,346)
Loss after income tax (expense)/benefit for the year attributable to the owners of Spirit Telecom Limited	(127,534)	(34,856)	(162,390)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year attributable to the owners of Spirit Telecom Limited	(127,534)	(34,856)	(162,390)
	Cents	Cents	Cents
	Reported	Adjustment	Restated
Basic earnings per share	(0.02)	(0.01)	(0.03)
Diluted earnings per share	(0.02)	(0.01)	(0.03)

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Note 4. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

	2015 \$ Reported	Consolidated \$ Adjustment	2015 \$ Restated
Extract			
Liabilities			
Current liabilities			
Trade and other payables	934,428	34,856	969,284
Total current liabilities	<u>1,200,022</u>	<u>34,856</u>	<u>1,234,878</u>
Total liabilities	<u>3,533,639</u>	<u>34,856</u>	<u>3,568,495</u>
Net assets	<u>1,247,131</u>	<u>(34,856)</u>	<u>1,212,275</u>
Equity			
Accumulated losses	<u>(1,534,049)</u>	<u>(34,856)</u>	<u>(1,568,905)</u>
Total equity	<u>1,247,131</u>	<u>(34,856)</u>	<u>1,212,275</u>

The below tables shows the result of the restatement for the current financial year under the previous policy.

Statement of profit or loss and other comprehensive income

	2016 \$ Reported	Consolidated \$ Adjustment	2016 \$ Previous Policy
Extract			
Revenue	8,844,047	157,534	9,001,581
Expenses			
Cost of sales	<u>(4,138,781)</u>	<u>135,072</u>	<u>(4,003,709)</u>
Loss before income tax expense	<u>(2,858,066)</u>	<u>292,606</u>	<u>(2,565,460)</u>
Income tax expense	<u>522,001</u>	<u>(87,782)</u>	<u>434,219</u>
Loss after income tax (expense)/benefit for the year attributable to the owners of Spirit Telecom Limited	<u>(2,336,065)</u>	<u>204,824</u>	<u>(2,131,241)</u>
Other comprehensive income for the year, net of tax	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to the owners of Spirit Telecom Limited	<u>(2,336,065)</u>	<u>204,824</u>	<u>(2,131,241)</u>

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Statement of financial position at the end of the earliest comparative period

	2016	Consolidated	2016
	\$	\$	\$
Extract	Reported	Adjustment	Previous Policy
Total assets	<u>7,309,672</u>	<u>(87,782)</u>	<u>7,221,890</u>
Liabilities			
Current liabilities			
Trade and other payables	<u>1,645,696</u>	<u>(292,606)</u>	<u>1,353,090</u>
Total current liabilities	<u>1,834,744</u>	<u>(292,606)</u>	<u>1,542,138</u>
Total liabilities	<u>4,095,476</u>	<u>(292,606)</u>	<u>3,802,870</u>
Net assets	<u><u>3,214,196</u></u>	<u><u>204,824</u></u>	<u><u>3,419,020</u></u>
Equity			
Accumulated losses	<u>(3,904,970)</u>	<u>204,824</u>	<u>(3,700,146)</u>
Total equity	<u><u>3,214,196</u></u>	<u><u>204,824</u></u>	<u><u>3,419,020</u></u>

Note 5. Operating segments

Identification of reportable operating segments

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

Major customers

During the year ended 2016 there no individual customer's which accounted for 5% or more of sales.

Note 6. Revenue

	Consolidated	
	2016	2015
	\$	\$
<i>Sales revenue</i>		
Sales revenue	<u>8,834,042</u>	<u>6,144,210</u>
<i>Other revenue</i>		
Interest	<u>10,005</u>	<u>19,358</u>
Revenue	<u><u>8,844,047</u></u>	<u><u>6,163,568</u></u>

Note 7. Other income

	Consolidated	
	2016	2015
	\$	\$
Profit on sale of assets	<u><u>11,441</u></u>	<u><u>-</u></u>

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Note 8. Listing expense on reverse acquisition

	Consolidated	
	2016	2015
	\$	\$
Listing expense	<u>1,912,963</u>	<u>-</u>

The steps for calculating the acquisition account items reflect the following rationale:

- Spirit Telecom (Australia) Pty Ltd ("STAPL") is deemed to make a share-based payment to acquire the existing shareholders' interest in the net assets of Spirit Telecom Ltd ("ST1") following the Acquisition;
- the total consideration deemed to be paid by STAPL at the Acquisition (by way of the share-based payment) is calculated as follows:
 - o nature of deemed consideration – shares in STAPL;
 - o value of ST1 share – cannot be determined as no active market for ST1 shares at time of acquisition;
 - o therefore assess value of ST1 shares deemed to be issued by reference to the fair value of ST1 assets acquired;
 - o fair value of ST1 assets acquired (number of ST1 shares on issue prior to Acquisition being 93,925,860 multiplied by the fair value of each ST1 share immediately prior to Acquisition being \$0.02 (2 cents)).

As the shares of ST1 were not being traded at the time of the Acquisition (the shares were suspended pending the outcome of the transaction) there was no active market for those shares. Accordingly the fair value of the shares was determined as 2 cents per share, this being the price at which ST1 shares had been issued pursuant to the Prospectus, which was the last transaction for ST1 shares immediately prior to the Acquisition.

The total consideration deemed to be paid by STAPL was then compared to the net assets of ST1 at the Acquisition, as calculated below. The excess of the consideration paid over the value of the net assets of ST1 is expensed as a listing fee in the consolidated statement of profit or loss and other comprehensive income.

	Consolidated	
	2016	2015
Calculation of listing expense on reverse acquisition		
Deemed fair value of consideration shares paid on acquisition (93,925,860 fully paid ordinary shares @ \$0.02 (2 cents))	1,878,517	-
Cash and cash equivalents	(4,536)	-
Trade and other receivables	(59,225)	-
Trade and other payables	<u>98,207</u>	<u>-</u>
Listing expense recognised on reverse acquisition	<u>1,912,963</u>	<u>-</u>

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Note 9. Expenses

	Consolidated	
	2016	2015
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	5,062	-
Plant and equipment	543,915	217,337
Motor vehicles	10,099	16,027
Furniture and fixtures	16,708	-
Total depreciation	<u>575,784</u>	<u>233,364</u>
<i>Amortisation</i>		
Software	5,114	-
Total depreciation and amortisation	<u>580,898</u>	<u>233,364</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	149,136	96,723
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	-	48,835
<i>Superannuation expense</i>		
Defined contribution superannuation expense	157,316	99,708
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	1,702,567	1,094,904
<i>Impairment of receivables</i>		
Bad debts*	87,368	-

*The Consolidated Entity has recognised a loss of \$87,638 in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

Note 10. Income tax expense/(benefit)

	Consolidated	
	2016	2015
	\$	\$
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Loss before income tax (expense)/benefit	(2,858,066)	(121,044)
Tax at the statutory tax rate of 30%	(857,420)	(36,313)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Listing expense on reverse acquisition	573,889	-
Opening timing differences not previously recognised	(113,490)	-
Origination and reversal of temporary differences	(124,980)	77,659
Income tax expense/(benefit)	<u>(522,001)</u>	<u>41,346</u>

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Note 11. Current assets - cash and cash equivalents

	Consolidated	
	2016	2015
	\$	\$
Cash at bank	1,504,258	721,379
Cash on deposit	750,000	-
	<u>2,254,258</u>	<u>721,379</u>

Note 12. Current assets - trade and other receivables

	Consolidated	
	2016	2015
	\$	\$
Trade receivables	858,589	655,764
Less: Provision for impairment of receivables	(87,638)	-
	<u>770,951</u>	<u>655,764</u>
Other receivables	27,529	72,968
GST receivable	37,314	-
	<u>835,794</u>	<u>728,732</u>

Impairment of receivables

The Consolidated Entity has recognised a loss of \$87,638 in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

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

	Consolidated	
	2016	2015
	\$	\$
0 to 3 months overdue	34,433	-
3 to 6 months overdue	12,111	-
Over 6 months overdue	41,094	-
	<u>87,638</u>	<u>-</u>

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

	Consolidated	
	2016	2015
	\$	\$
Additional provisions recognised	<u>87,638</u>	<u>-</u>

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Note 13. Current assets - inventories

	Consolidated	
	2016	2015
	\$	\$
Stock on hand - at cost	38,242	24,116

Note 14. Current assets - other

	Consolidated	
	2016	2015
	\$	\$
Prepayments	42,391	-

Note 15. Non-current assets - receivables

	Consolidated	
	2016	2015
	\$	\$
Other receivables	7,040	7,040

Note 16. Non-current assets - property, plant and equipment

	Consolidated	
	2016	2015
	\$	\$
Leasehold improvements - at cost	10,736	9,886
Less: Accumulated depreciation	(5,063)	(1)
	5,673	9,885
Plant and equipment - at cost	308,548	308,548
Less: Accumulated depreciation	(196,947)	(136,291)
	111,601	172,257
Motor vehicles - at cost	51,174	109,290
Less: Accumulated depreciation	(19,352)	(61,208)
	31,822	48,082
Furniture & Fixtures at Cost	83,361	61,985
Less: Accumulated depreciation	(56,818)	(37,487)
	26,543	24,498
Other plant and equipment at Cost	2,714,473	1,850,757
Less: Accumulated depreciation	(792,498)	(311,068)
	1,921,975	1,539,689
	2,097,614	1,794,411

Spirit Telecom Limited
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Note 16. Non-current assets - property, plant and equipment (continued)

Reconciliations

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

Consolidated	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Furniture & Fixtures \$	Plant and equipment - other \$	Total \$
Balance at 1 July 2014	-	62,279	64,109	19,474	121,910	267,772
Additions	9,886	167,333	-	8,588	1,574,196	1,760,003
Depreciation expense	(1)	(57,355)	(16,027)	(3,564)	(156,417)	(233,364)
Balance at 30 June 2015	9,885	172,257	48,082	24,498	1,539,689	1,794,411
Additions	850	-	24,101	21,376	863,716	910,043
Disposals	-	-	(31,056)	-	-	(31,056)
Depreciation expense	(5,062)	(60,656)	(9,305)	(19,331)	(481,430)	(575,784)
Balance at 30 June 2016	<u>5,673</u>	<u>111,601</u>	<u>31,822</u>	<u>26,543</u>	<u>1,921,975</u>	<u>2,097,614</u>

Property, plant and equipment secured under finance leases

Refer to note 32 for further information on property, plant and equipment secured under finance leases.

Note 17. Non-current assets - intangibles

	Consolidated 2016 \$	2015 \$
Goodwill - at cost	480,274	500,360
Software - at cost	32,440	-
Less: Accumulated amortisation	(5,114)	-
	<u>27,326</u>	<u>-</u>
Other intangible assets - at cost	576,891	576,891
	<u>1,084,491</u>	<u>1,077,251</u>

Spirit Telecom Limited
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Note 17. Non-current assets - intangibles (continued)

Reconciliations

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

Consolidated	Goodwill at cost \$	Other intangibles at cost \$	Software at cost \$	Total \$
Balance at 1 July 2014	500,360	576,891	-	1,077,251
Balance at 30 June 2015	500,360	576,891	-	1,077,251
Additions	-	-	32,440	32,440
Revaluation decrements	(20,086)	-	-	(20,086)
Amortisation expense	-	-	(5,114)	(5,114)
Balance at 30 June 2016	<u>480,274</u>	<u>576,891</u>	<u>27,326</u>	<u>1,084,491</u>

Goodwill & Intangible Assets w Indefinite Useful Lives

Impairment Tests for cash generating units containing goodwill

At June 30 2016, Spirit's Intangible assets, including goodwill were reviewed by identifying the appropriate cash generating unit's specific to the individual carrying amount. Discounted cash flow models are designed to determine whether an impairment has occurred. Determining whether goodwill is impaired involves estimating the value-in-use of the CGU's to which goodwill has been allocated. The model takes into account the following;

- A discount rate 18% is applied to factor in associated risks
- All costs associated with the cash generating unit are applied
- Revenues are applied with conservative growth rates
- Current year data has been used to in calculating PV of cashflows
- Models are built with 5 years of data and reviewed annually

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

Note 18. Non-current assets - deferred tax

	Consolidated	
	2016	2015
	\$	\$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	949,842	427,841
Deferred tax asset	<u>949,842</u>	<u>427,841</u>

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Note 19. Current liabilities - trade and other payables

	Consolidated	
	2016	2015
	\$	\$
Trade payables	581,382	468,203
Unearned revenue	554,179	382,669
Other payables	510,135	118,412
	<u>1,645,696</u>	<u>969,284</u>

Refer to note 28 for further information on financial instruments.

Note 20. Current liabilities - borrowings

	Consolidated	
	2016	2015
	\$	\$
Hire purchase	61,899	79,531
	<u>61,899</u>	<u>79,531</u>

Refer to note 28 for further information on financial instruments.

Note 21. Current liabilities - provisions

	Consolidated	
	2016	2015
	\$	\$
Annual leave	127,149	186,063
	<u>127,149</u>	<u>186,063</u>

Note 22. Non-current liabilities - borrowings

	Consolidated	
	2016	2015
	\$	\$
Bank loans	1,500,000	1,500,000
Loans - unsecured	575,000	575,000
Hire purchase	68,302	165,278
	<u>2,143,302</u>	<u>2,240,278</u>

Refer to note 28 for further information on financial instruments.

Spirit Telecom Limited
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Notes to the financial statements
30 June 2016

Note 22. Non-current liabilities - borrowings (continued)

Total secured liabilities

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

	Consolidated	
	2016	2015
	\$	\$
Bank loans	1,500,000	1,500,000
Hire purchase	130,201	244,809
	<u>1,630,201</u>	<u>1,744,809</u>

Assets pledged as security

The bank loan of \$1,500,000 are secured first over the assets and undertakings of Spirit Telecom (Australia) Pty Ltd, and Spirit Telecom Limited.

Note 23. Non-current liabilities - provisions

	Consolidated	
	2016	2015
	\$	\$
Long service leave	<u>117,430</u>	<u>93,339</u>

Note 24. Equity - issued capital

	2016	Consolidated	
	Shares	2015	2016
		Shares	\$
Ordinary shares - fully paid	<u>836,207,860</u>	<u>1,214,934</u>	<u>7,112,970</u>
			<u>2,774,984</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2014	<u>1,214,934</u>		<u>2,774,984</u>
Balance	30 June 2015	1,214,934		2,774,984
Elimination of issued shares of STA at acquisition	16 June 2016	(1,214,934)	\$0.000	-
Existing AJR shares at acquisition of AJR by STA	16 June 2016	93,925,860	\$0.000	-
Issue of shares to vendor of STA as consideration for acquisition of STA	16 June 2016	611,250,000	\$0.000	-
Deemed value of shares deemed to be issued to existing shareholders of AJR upon reverse acquisition	16 June 2016	-	\$0.000	1,878,517
Shares issued via Public Offer	16 June 2016	131,032,000	\$0.020	2,620,640
Share issue costs				<u>(161,171)</u>
Balance	30 June 2016	<u>836,207,860</u>		<u>7,112,970</u>

Spirit Telecom Limited
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Notes to the financial statements
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Note 24. Equity - issued capital (continued)

Movements in listed options (ST1O)

Details	Date	Listed options	\$
Balance	30 June 2015	590,586,829	-
Exercise of options	4 March 2016	(26)	-
Share consolidation/split	29 April 2016	(564,909,007)	-
Issue of options	16 June 2016	197,594,357	-
Balance	30 June 2016	<u>223,272,153</u>	<u>-</u>

Movements in unquoted options

Details	Date	Unquoted options	\$
Balance	30 June 2015	15,000,000	-
Share consolidation/split	29 April 2016	(14,347,826)	-
Balance	30 June 2016	<u>652,174</u>	<u>-</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.

Capital risk management

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

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

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

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

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

Spirit Telecom Limited
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Note 25. Equity - reserves

	Consolidated	
	2016	2015
	\$	\$
Capital reserve	<u>6,196</u>	<u>6,196</u>

Note 26. Equity - accumulated losses

	Consolidated	
	2016	2015
	\$	\$
Accumulated losses at the beginning of the financial year	(1,568,905)	(1,406,515)
Loss after income tax (expense)/benefit for the year	<u>(2,336,065)</u>	<u>(162,390)</u>
Accumulated losses at the end of the financial year	<u>(3,904,970)</u>	<u>(1,568,905)</u>

Note 27. Equity - dividends

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

Note 28. Financial instruments

Financial risk management objectives

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

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

Market risk

Foreign currency risk

The Consolidated Entity does not current undertake transactions denominated in foreign currencies and is therefore not exposed to foreign currency risk. Customer Care are located in Manilla and cost around \$3,360 USD per week. Payments are made twice monthly and conversion is the applicable exchange rate at the time the transaction is authorised. No hedging activity is undertaken to minimise currency fluctuations.

Price risk

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

Interest rate risk

The Consolidated Entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Consolidated Entity to interest rate risk. Borrowings obtained at fixed rates expose the Consolidated Entity to fair value interest rate risk.

The Consolidated Entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Consolidated Entity to interest rate risk. Borrowings obtained at fixed rates expose the Consolidated Entity to fair value interest rate risk. The entire Facility is exposed to variable interest rates. The Consolidated Entity paid \$78,429 in interest during the 2016 financial year. Currently no payments are made to reduce the principle amount borrowed.

Note 28. Financial instruments (continued)

As at the reporting date, the Consolidated Entity had the following variable rate borrowings BBSW plus 3%.

	2016		2015	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Consolidated				
Bank loan	5.23%	1,500,000	5.29%	1,500,000
Other loans	9.74%	575,000	9.90%	575,000
Net exposure to cash flow interest rate risk		<u>2,075,000</u>		<u>2,075,000</u>

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

For the Consolidated Entity the bank loans outstanding, totalling \$1.5m (2015: \$1.5m), are interest payment loans. Monthly cash outlays of approximately \$6,500 per month are required to service the interest payments. An official increase/decrease in interest rates of 2% would have an adverse/favourable effect on profit before tax of \$30,000 per annum

Credit risk

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

With regards to Debtors, amounts older than 30 days owing are taken up as a provision for doubtful debts. This process is completed monthly. As at 30 June 2016 \$87,638 was expensed as a provision for doubtful debts against the total amount owed by debtors. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

Liquidity risk

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

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

Spirit Telecom Limited
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Note 28. Financial instruments (continued)

Remaining contractual maturities

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

Consolidated - 2016	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	581,382	-	-	-	581,382
Unearned revenue	-	554,179	-	-	-	554,179
Other payables	-	510,135	-	-	-	510,135
<i>Interest-bearing - variable</i>						
Bank overdraft	5.23%	-	1,500,000	-	-	1,500,000
Other loans	9.74%	-	575,000	-	-	575,000
<i>Interest-bearing - fixed rate</i>						
Hire purchase	6.59%	61,899	68,302	-	-	130,201
Total non-derivatives		<u>1,707,595</u>	<u>2,143,302</u>	<u>-</u>	<u>-</u>	<u>3,850,897</u>

Consolidated - 2015	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	468,203	-	-	-	468,203
Unearned revenue	-	382,669	-	-	-	382,669
Other payables	-	118,412	-	-	-	118,412
<i>Interest-bearing - variable</i>						
Bank loans	5.29%	-	1,500,000	-	-	1,500,000
Other loans	9.90%	-	575,000	-	-	575,000
<i>Interest-bearing - fixed rate</i>						
Hire purchase	6.59%	79,531	165,278	-	-	244,809
Total non-derivatives		<u>1,048,815</u>	<u>2,240,278</u>	<u>-</u>	<u>-</u>	<u>3,289,093</u>

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

Fair value of financial instruments

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

Spirit Telecom Limited
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Note 29. Key management personnel disclosures

Directors

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

Mr James Joughin
Mr Geoff Neate
Mr Terence Gray
Mr Francis Galbally
Mr Angus Edgar
Mr Greg Bound
Mr Adrien Wing

Compensation

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

	Consolidated	
	2016	2015
	\$	\$
Short-term employee benefits	493,090	192,000
Post-employment benefits	25,007	-
Long-term benefits	4,754	-
	<u>522,851</u>	<u>192,000</u>

The remuneration amounts seen above relate to that of the legal parent entity (Spirit Telecom Ltd, previously Arunta Resources Limited) and Sprit Telecom (Australia) Pty Ltd for the 12 months to 30 June 2016. Please refer to the remuneration table contained in the directors' report for further information.

Note 30. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Advantage Advisors Audit Partnership, the auditor of the Company:

	Consolidated	
	2016	2015
	\$	\$
<i>Audit services - Advantage Advisors Audit Partnership</i>		
Audit or review of the financial statements	<u>59,400</u>	<u>28,545</u>

Note 31. Contingent liabilities

There were no contingent liabilities at 30 June 2016 and 30 June 2015.

Spirit Telecom Limited
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Notes to the financial statements
30 June 2016

Note 32. Commitments

	Consolidated	
	2016	2015
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	45,000	54,000
One to five years	-	45,000
	<u>45,000</u>	<u>99,000</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	61,899	79,530
One to five years	68,302	165,278
	<u>130,201</u>	<u>244,808</u>
Total commitment	130,201	244,808
Less: Future finance charges	14,293	25,287
	<u>115,908</u>	<u>219,521</u>
Net commitment recognised as liabilities	<u>115,908</u>	<u>219,521</u>

Operating lease commitments includes contracted amounts for the Consolidated Entity's offices under non-cancellable operating leases expiring within 1 year with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 33. Related party transactions

Parent entity

Spirit Telecom Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 35.

Key management personnel

Disclosures relating to key management personnel are set out in note 29 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2016	2015
	\$	\$
Payment for other expenses:		
Consulting fees paid to Angus Edgar (Mungala)	20,000	-
Consulting fees paid to Adrien Wing	7,000	-
Lodge Corporate Pty Ltd	524,328	132,066
Other expenses paid to Melbourne Capital in relation to rental (an entity related to Angus Edgar)	11,546	-
Other expenses paid to CLT Net in relation to rental (an entity related to Greg Bound)	4,364	-

Spirit Telecom Limited
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Notes to the financial statements
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Note 33. Related party transactions (continued)

Lodge Corporate Pty Ltd were paid \$366,750 upon successful completion of the reverse takeover of Arunta Resources. In addition to this they were also paid a capital raising fee of \$157,238. Terry Gray is a Director of Spirit Telecom Limited and a consultant with Lodge Corporate Pty Ltd.

Receivable from and payable to related parties

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

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2016	2015
	\$	\$
Non-current borrowings:		
Loan from Eloise Leighton Pty Ltd (an entity related to Geoff Neate, a director of the Company)	250,000	250,000
Loan from Geoff Neate (director of the Company)	100,000	100,000
Loan from SharJoe Pty Ltd (an entity related to Joe Tigel, employee and shareholder of Spirit)	225,000	225,000

Terms and conditions

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

The loans to the Consolidated Entity from Geoff Neate and his related entity and SharJoe are made on the following terms: All loans have a repayment date of 1 July 2017. The interest rate is based on the CBA published rate for Better Business Variable Rate Loan (Security other than residential) + 1.5% fixed margin. Interest only payments calculated on the prevailing interest rate plus fixed margin on loan balance and paid on the last business day of each month.

Note 34. Legal parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2016	2015
	\$	\$
Loss after income tax	<u>(920,526)</u>	<u>(2,699,225)</u>
Total comprehensive income	<u>(920,526)</u>	<u>(2,699,225)</u>

Spirit Telecom Limited
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Notes to the financial statements
30 June 2016

Note 34. Legal parent entity information (continued)

Statement of financial position

	Parent	
	2016	2015
	\$	\$
Total current assets	45,638	628,625
Total assets	14,925,282	1,074,410
Total current liabilities	51,373	144,582
Total liabilities	51,373	156,582
Equity		
Issued capital	43,987,121	29,058,225
Capital reserve	160,000	166,651
Accumulated losses	(29,227,574)	(28,307,048)
Total equity	14,919,547	917,828

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

There is an unlimited Commercial Guarantee and Indemnity secured first over the assets and undertakings of Spirit Telecom (Australia) Pty Ltd and Spirit Telecom Limited. Spirit Telecom Limited is the Guarantor.

The parent entity had no other guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

Significant accounting policies

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

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

Note 35. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2016	2015
		%	%
Spirit Telecom (Australia) Pty Ltd (acquired 16 June 2016)	Australia	100.00%	-

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

Spirit Telecom Limited
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Notes to the financial statements
30 June 2016

Note 36. Events after the reporting period

No matter or circumstance has arisen since 30 June 2016 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 37. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax (expense)/benefit for the year	(2,336,065)	(162,390)
Adjustments for:		
Depreciation and amortisation	580,898	233,364
Listing expense on reverse acquisition	1,912,963	-
Profit on asset disposal	11,441	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(107,062)	(147,163)
Increase in inventories	(14,126)	(24,116)
Decrease/(increase) in deferred tax assets	(522,001)	41,346
Increase in prepayments	(42,391)	-
Increase in trade and other payables	646,075	557,091
Increase/(decrease) in employee benefits	(34,823)	33,234
Increase/(decrease) in other provisions	(114,608)	1,026,907
Net cash from/(used in) operating activities	<u>(19,699)</u>	<u>1,558,273</u>

Note 38. Non-cash investing and financing activities

On 16 June 2016, the Company completed the reverse acquisition of Spirit Telecom (Australia) Pty Ltd ("STAPL") in which the legal parent entity (Spirit Telecom Ltd) ("ST1") issued a total of 611,250,000 fully paid ordinary shares to the vendors of STAPL as approved by shareholders at the general meeting held on 18 April 2016.

Note 39. Earnings per share

In accordance with the principles of reverse acquisition accounting, the weighted average number of ordinary shares outstanding during the period ended 30 June 2016 has been calculated as the weighted average number of ordinary shares of Spirit Telecom (Australia) Pty Ltd outstanding during the period before acquisition multiplied by the exchange ratio established in the acquisition accounting, and the actual number of ordinary shares of Spirit Telecom Ltd outstanding during the period after acquisition.

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax attributable to the owners of Spirit Telecom Limited	<u>(2,336,065)</u>	<u>(162,390)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>619,854,945</u>	<u>611,250,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>619,854,945</u>	<u>611,250,000</u>

Spirit Telecom Limited
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Note 39. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(0.38)	(0.03)
Diluted earnings per share	(0.38)	(0.03)

Note 40. Variation from Appendix 4E Preliminary Final Report

An adjustment has been made to the figures presented in the 30 June 2016 Appendix 4E and Preliminary Final Report which was lodged with the ASX on 31 August 2016.

The audit continued to be in progress at 31 August 2016 and the results lodged at this time were unaudited. Following finalisation of the audit a further adjustment has been made to the deferred tax asset calculation in relation to the reverse acquisition.

The audited annual report includes an adjustment to the deferred tax asset amounting to \$191,862 which results in a decrease in the net asset position of the company from \$3,406,058 to \$3,214,196 and an increase in loss after income tax expense of \$191,862.

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Directors' declaration
30 June 2016

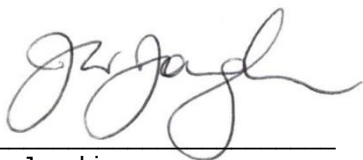
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



James Joughin
Non-Executive Chairman

29 September 2016

Advantage Advisors Audit Partnership

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SPIRIT TELECOM LIMITED
(Formerly Arunta Resources Limited)**

Report on the Financial Report

We have audited the accompanying financial report of Spirit Telecom Limited and its controlled entities, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including 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 company'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 company'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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SPIRIT TELECOM LIMITED (Continued)**

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Spirit Telecom Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

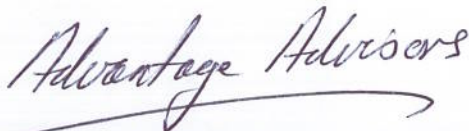
- (a) the financial report of Spirit Telecom Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

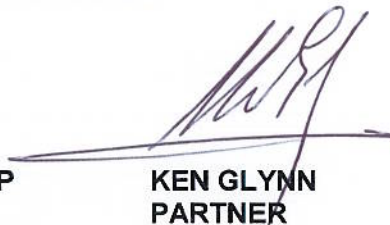
We have audited the Remuneration Report included in pages 11 to 16 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Spirit Telecom Limited for the year ended 30 June 2016 complies with section 300A of the Corporations Act 2001.



**ADVANTAGE ADVISORS AUDIT PARTNERSHIP
CHARTERED ACCOUNTANTS**



**KEN GLYNN
PARTNER**

Dated in Melbourne on this 29th day of September 2016

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Shareholder information
30 June 2016

The shareholder information set out below was applicable as at 26 September 2016

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	78	65
1,001 to 5,000	38	36
5,001 to 10,000	26	15
10,001 to 100,000	240	51
100,001 and over	376	67
	758	234
Holding less than a marketable parcel	201	167

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares Number held	% of total shares issued
Joshart Inv	168,338,743	20.13
Chloedarcy Inv Pty Ltd (Neate Fam A/C)	165,481,262	19.79
Magnum Opus Hldgs Pty Ltd (Magnum Opus S/F A/C)	67,000,000	8.01
Wignell Inv Pty Ltd	36,345,869	4.35
Lenzi Susan (Lenzi Fam A/C)	25,162,742	3.01
J P Morgan Nominees Aust Ltd	23,949,419	2.86
UBS Nominees Pty Ltd	13,825,668	1.65
Tempest Asset Mgmt	13,825,668	1.65
Melbourne Cap Ltd	12,500,000	1.49
HSBC Custody Nominees Aust Ltd	12,377,426	1.48
Vendaso Pty Ltd (Relly Hldg Staff S)	7,500,000	0.90
Kennedy Joseph Paul (J P Kennedy S/F A/C)	7,500,000	0.90
Oceanic Cap Pty Ltd	6,355,523	0.76
Biddle Ptnrs Pty Ltd	5,992,647	0.72
Trg Pty Ltd	5,797,102	0.69
David A Phillips Pty Ltd	5,591,765	0.67
Penbury Grange Pty Ltd	5,199,276	0.62
Mikado Corp Pty Ltd	5,077,294	0.61
Serec Pty Ltd	4,312,158	0.52
Loosemore John C + S M (Loosemore S/F A/C)	4,300,000	0.51
	596,432,562	71.32

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Shareholder information
30 June 2016

	Options over ordinary shares	ordinary shares % of total options issued
	Number held	
Joshart Inv	54,417,646	24.37
Chloedarcy Inv Pty Ltd (Neate Fam A/C)	53,493,929	23.96
Magnum Opus Hldgs Pty Ltd (Magnum Opus S/F A/C)	27,656,203	12.39
Wignell Inv Pty Ltd	11,749,266	5.26
Lenzi Susan (Lenzi Fam A/C)	8,134,177	3.64
HSBC Custody Nom Aust Limited	7,150,934	3.20
UBS Nominees Pty Ltd	4,469,324	2.00
Tempest Asset Mgmt	4,469,324	2.00
Crow Geoffrey Stuart	2,972,419	1.33
Oceanic Cap Pty Ltd	2,779,211	1.24
Serec Pty Ltd	2,156,079	0.97
Mikado Corp Pty Ltd (JFC Super A/C)	2,066,668	0.93
Biddle Ptnrs Pty Ltd (Biddle S/F A/C)	1,993,261	0.89
David A Phillips Pty Ltd	1,807,609	0.81
Jacobs Declan + Mahmud J	1,708,178	0.81
Marcus Dell Pty Ltd	1,651,957	0.77
Northern Start Nominees Pty Ltd	1,539,572	0.69
Wignell Stephanie	1,355,723	0.61
Wignell John	1,355,723	0.61
Serec Pty Ltd	1,288,021	0.58
	<u>194,215,224</u>	<u>87.06</u>

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	652,174	1

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares % of total shares issued
	Number held
Joshart Inv	168,338,743
Chloedarcy Inv Pty Ltd (Neate Fam A/C)	165,481,262
Magnum Opus Hldgs Pty Ltd (Magnum Opus S/F A/C)	67,000,000
	8.01

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

Consistency with business objectives - ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Group states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily related to production expansion, including scaling in marketing, sales and operational staff to acquire new customers in existing and new markets and geographical expansion Building Fitouts. It also includes core network and building network expansion & updates relating to the provision of high speed internet and telecommunications services, to commercial and residential customers within Australia. The Consolidated Entity believes it has used its cash in a consistent manner to which was disclosed under the Replacement Prospectus dated 4 May 2016, and the Prospectus dated 26 March 2016.