

SPIRIT TELECOM LIMITED
ABN 73 089 224 402

APPENDIX 4D HALF YEAR REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Appendix 4D
Half-year report

1. Company details

Name of entity:	Spirit Telecom Limited
ABN:	73 089 224 402
Reporting period:	For the half-year ended 31 December 2016
Previous period:	For the half-year ended 31 December 2015

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	23.2%	to	5,271,336
Underlying EBITDA *	up	67.5%	to	703,923
Profit from ordinary activities after tax attributable to the owners of Spirit Telecom Limited	up	23.4%	to	58,939
Profit for the half-year attributable to the owners of Spirit Telecom Limited	up	23.4%	to	58,939

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

Comments
The profit for the Consolidated Entity after providing for income tax amounted to $58,939 (31 December 2015: $47,754). Further details of the results for half year can be found in the 'Review of operations' section of the Directors' report in the attached Interim Report.

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.05)	17.90

The Consolidated Entity's recent acquisition of Phone Name Marketing Pty Ltd (and associated entities) has been recognised largely as an intangible asset and was, in part, funded by a $4.2 million bank facility. Therefore, whilst it is revenue generating, both the customer base and over 2,200 phone Names have been treated as intangible and excluded in net tangible assets.

The previous period result relates to Spirit Telecom (Australia) Pty Ltd and not the listed entity.

4. Control gained over entities

Name of entities (or group of entities)	Phone Name Marketing Australia Pty Ltd & Inbound Telecommunications Unit Trust (together known as 'Phone Name' business)
Date control gained	1 December 2016

	$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	67,989
Profit/(loss) from ordinary activities before income tax of the Controlled Entity (or group of entities) for the whole of the previous period was	208,132

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

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

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Appendix 4D
Half-year report

11. Attachments

Details of attachments (if any):

The Interim Report of Spirit Telecom Limited for the half-year ended 31 December 2016 is attached.

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12. Signed

Signed _____ Signed _____ Date: 27 February 2017

James Joughin
Chairman

Geoff Neate
Managing Director

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
ABN 73 089 224 402



Interim Report - 31 December 2016

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
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31 December 2016

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Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Corporate directory
31 December 2016

Directors	James Joughin (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, ST1O)

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Directors' report
31 December 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 half-year ended 31 December 2016.

Directors

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

Mr James Joughin (Non-executive Director & Chairman)
Mr Geoff Neate (Managing Director)
Mr Terence Gray (Non-executive Director)

Principal activities

During the financial year the principal activities of the Consolidated Entity consisted of:

- The Consolidated Entity's business principal activity is the provision of telecommunications services, Spirit provides Superfast Internet services to a range of residential and commercial buildings in Sydney, Melbourne and Brisbane.
- Completing the acquisition of Phone Name Marketing Australia Pty Ltd and an associated entity Inbound Telecommunications Unit Trust (together referred to as the “Phone Name” business), with effective control gained on 1 December 2016.

Review of operations

The profit for the Consolidated Entity after providing for income tax amounted to $58,939 (31 December 2015: $47,754). Total revenue for the Consolidated Entity for the financial half year ended 31 December 2017 was $5,271,336 (31 December 2015: $4,278,168)
The Gross Profit for the Consolidated Entity increased by $971,088 compared to the previous corresponding period.

The following table summarises key financial metrics for the period:

	Half-year ended 31 December 2016	Half-year ended 31 December 2015	% Change
Revenue	5,271,336	4,278,168	23.2%
Gross Profit	3,200,848	2,229,760	43.6%
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	490,760	420,132	17.0%
Business acquisition & integration costs	213,163	-	100.0%
Underlying EBITDA excluding business acquisition & integration costs	703,923	420,132	67.5%
Profit after income tax expense	58,939	47,754	23.4%

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

The net assets of the Consolidated Entity increased by $2,282,882 to $5,497,078 as at 31 December 2016 (30 June 2016: $3,214,196). During the financial year, the Consolidated Entity undertook a capital raising which resulted in raising $2,251,990 million before costs, in conjunction with the acquisition of the Phone Name business.

During the period the Consolidated Entity deployed and expanded its 'superfast' internet and, where applicable, ancillary services into 59. The Consolidated Entity's on-net buildings now exceeds 250, throughout Victoria, NSW and Queensland.

Significant changes in the state of affairs

On 13 December 2016 the Consolidated Entity issued 83,407,037 fully paid ordinary shares at an issue price of $0.027 (2.7 cents) per share raising a total of $2,251,990 before costs. The proceeds were utilised primarily for the finalisation of the acquisition of Phone Name.

On 20 December 2016 the Consolidated Entity announced that it had completed the acquisition of Phone Name and its associated entity for consideration of $4.2 million.

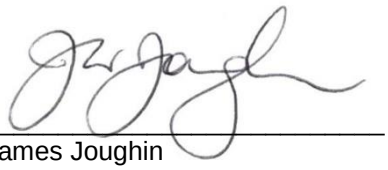
There were no other significant changes in the state of affairs of the Consolidated Entity during the financial half-year.

Auditor's independence declaration

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

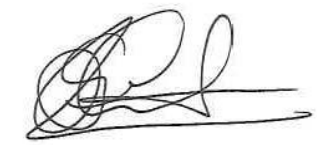
This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



James Joughin
Chairman

27 February 2017



Geoff Neate
Managing Director

27 February 2017

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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 half-year ended 31 December 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

ADVANTAGE ADVISORS AUDIT PARTNERSHIP
CHARTERED ACCOUNTANTS

BEN BESTER
PARTNER

Dated in Melbourne on this 27th day of February 2017

Spirit Telecom Limited
(Formerly known as Arunta Resources Limited)
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Note	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Revenue	5	5,271,336	4,278,168
Cost of sales		(2,070,488)	(2,048,408)
Gross Profit		3,200,848	2,229,760
Expenses			
Depreciation and amortisation expense		(314,898)	(241,724)
Share based payments		(38,550)	-
Administration		(1,966,618)	(1,588,349)
Business acquisition & integration costs	15	(213,163)	-
Selling		(327,950)	(156,799)
Marketing		(163,807)	(64,480)
Finance costs		(68,138)	(81,961)
Profit before income tax expense		107,724	96,447
Income tax expense		(48,785)	(48,693)
Profit after income tax expense for the half-year attributable to the owners of Spirit Telecom Limited		58,939	47,754
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Spirit Telecom Limited		58,939	47,754
		Cents	**Cents**
Basic earnings per share	17	0.007	3.931
Diluted earnings per share	17	0.007	3.931

Earnings per share for previous period is Spirit Telecom (Australia) Pty Ltd and not the listed entity

Refer to note 3 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 31 December 2016

	Note	Consolidated 31 December 2016 $	30 June 2016 $
Assets			
Current assets			
Cash and cash equivalents		1,732,950	2,254,258
Trade and other receivables	6	1,089,716	835,794
Inventories		142,229	38,242
Other		80,316	42,391
Total current assets		3,045,211	3,170,685
Non-current assets			
Receivables		34,858	7,040
Property, plant and equipment	7	2,535,337	2,097,614
Intangibles	8	5,925,820	1,084,491
Deferred tax assets		1,006,672	949,842
Total non-current assets		9,502,687	4,138,987
Total assets		12,547,898	7,309,672
Liabilities			
Current liabilities			
Trade and other payables	9	1,963,703	1,645,696
Borrowings	10	879,508	61,899
Provisions		163,926	127,149
Total current liabilities		3,007,137	1,834,744
Non-current liabilities			
Borrowings	11	3,412,563	2,143,302
Deferred tax liabilities		513,424	-
Provisions		117,696	117,430
Total non-current liabilities		4,043,683	2,260,732
Total liabilities		7,050,820	4,095,476
Net assets		5,497,078	3,214,196
Equity			
Issued capital	12	9,298,363	7,112,970
Reserves	13	44,746	6,196
Accumulated losses		(3,846,031)	(3,904,970)
Total equity		5,497,078	3,214,196

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 half-year ended 31 December 2016

Consolidated	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2015	2,774,984	6,196	(1,568,905)	1,212,275
Profit after income tax expense for the half-year	-	-	47,754	47,754
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	47,754	47,754
Balance at 31 December 2015	2,774,984	6,196	(1,521,151)	1,260,029

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

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 half-year ended 31 December 2016

	Note	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		5,741,724	4,742,265
Payments for business acquisition & integration costs	15	(213,163)	-
Payments to suppliers and employees (inclusive of GST)		(5,282,381)	(4,342,998)
		246,180	399,267
Interest received		14,265	5,609
Interest and other finance costs paid		(68,138)	(81,961)
Income taxes paid		(33,323)	-
Net cash from operating activities		158,984	322,915
Cash flows from investing activities			
Payments for property, plant and equipment	7	(751,140)	(388,155)
Payments for intangibles	8	(106,895)	-
Net payments to acquire business	15	(4,090,270)	-
Proceeds from disposal of property, plant and equipment		9,750	24,151
Net cash used in investing activities		(4,938,555)	(364,004)
Cash flows from financing activities			
Proceeds from issue of shares	12	2,251,990	-
Share issue transaction costs		(80,597)	-
Proceeds from borrowings		4,200,000	-
Repayment of borrowings		(2,113,130)	(62,761)
Net cash from/(used in) financing activities		4,258,263	(62,761)
Net decrease in cash and cash equivalents		(521,308)	(103,850)
Cash and cash equivalents at the beginning of the financial half-year		2,254,258	721,379
Cash and cash equivalents at the end of the financial half-year		1,732,950	617,529

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

Note 1. General information

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

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

Registered office	Principal place of business
Level 4, 100 Albert Road South Melbourne, Victoria, 3205	Level 2, 240 Chapel Street Prahran, 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 24 February 2017.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The Consolidated Entity has adopted all of the new, revised or 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 31 December 2015 comparative accounts.

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

Note 3. Restatement of comparatives

Change in accounting policy
The Consolidated Entity adopted a change of revenue recognition policy in June 2016 that complies with AASB 118. In adopting this policy, the accounts prepared at December 2015 have been adjusted to show the impact of the change on those results and ensure the current year results are comparable on a like for like basis. The Consolidated Entity recognises income in advance as a liability on the balance sheet and has matched expenses according to the recognition criteria as outlined by the AASB.

The result of the restatement was a reduction in earnings for the December 2015 Half Year of $156,696 before tax.

Note 3. Restatement of comparatives (continued)

Statement of profit or loss and other comprehensive income

	Consolidated		
Extract	**31 December 2015 $ Reported**	**$ Adjustment**	**31 December 2015 $ Restated**
Revenue	4,365,658	(87,490)	4,278,168
Expenses			
Cost of sales	(1,984,702)	(63,706)	(2,048,408)
Administration	(1,582,849)	(5,500)	(1,588,349)
Profit before income tax expense	253,143	(156,696)	96,447
Income tax expense	(95,701)	47,008	(48,693)
Profit after income tax expense for the half-year attributable to the owners of Spirit Telecom Limited	157,442	(109,688)	47,754
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year attributable to the owners of Spirit Telecom Limited	157,442	(109,688)	47,754
	Cents Reported	**Cents Adjustment**	**Cents Restated**
Basic earnings per share	12.960	(9.029)	3.931
Diluted earnings per share	12.960	(9.029)	3.931

Earnings per share for previous period is Spirit Telecom (Australia) Pty Ltd and not the listed entity

Note 4. Operating segments

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

Major customers
During the half year ended 31 December 2016 there were no individual customers which accounted for 5% or more of sales.

Note 5. Revenue

	Consolidated	
	31 December 2016	31 December 2015
	$	$
Sales revenue		
Sales revenue	5,255,774	4,264,719
Profit on sale of assets	1,297	7,840
	5,257,071	4,272,559
Other revenue		
Interest	14,265	5,609
Revenue	5,271,336	4,278,168

Note 6. Current assets - trade and other receivables

	Consolidated	
	31 December 2016	30 June 2016
	$	$
Trade receivables	1,218,760	858,589
Less: Provision for impairment of receivables	(129,044)	(87,638)
	1,089,716	770,951
Other receivables	-	27,529
GST receivable	-	37,314
	1,089,716	835,794

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

	Consolidated	
	31 December 2016	**30 June 2016**
	$	**$**
Leasehold improvements - at cost	10,736	10,736
Less: Accumulated depreciation	(5,865)	(5,063)
	4,871	5,673
Plant and equipment - at cost	309,148	308,548
Less: Accumulated depreciation	(220,077)	(196,947)
	89,071	111,601
Motor vehicles - at cost	50,610	51,174
Less: Accumulated depreciation	(4,352)	(19,352)
	46,258	31,822
Furniture & Fixtures at Cost	111,282	83,361
Less: Accumulated depreciation	(60,830)	(56,818)
	50,452	26,543
Other plant and equipment at Cost	3,410,584	2,714,473
Less: Accumulated depreciation	(1,065,899)	(792,498)
	2,344,685	1,921,975
	2,535,337	2,097,614

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

Consolidated	Leasehold improvements $	Plant and equipment $	Motor vehicles $	Furniture & Fixtures $	Plant and equipment - other $	Total $
Balance at 1 July 2016	5,673	111,601	31,822	26,543	1,921,975	2,097,614
Additions	-	600	26,508	27,921	696,111	751,140
Disposals	-	-	(8,453)	-	-	(8,453)
Depreciation expense	(802)	(23,130)	(3,619)	(4,012)	(273,401)	(304,964)
Balance at 31 December 2016	4,871	89,071	46,258	50,452	2,344,685	2,535,337

The property plant and equipment are secured under finance leases.

Note 8. Non-current assets - intangibles

	Consolidated	
	31 December 2016	**30 June 2016**
	$	**$**
Goodwill	3,553,424	480,274
Software	139,335	32,440
Less: Accumulated amortisation	(15,048)	(5,114)
	124,287	27,326
Other intangible assets	2,248,109	576,891
	5,925,820	1,084,491

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

Consolidated	**Goodwill** **$**	**Smart Numbers** **$**	**Other intangibles** **$**	**Software** **$**	**Total** **$**
Balance at 1 July 2016	480,274	-	576,891	27,326	1,084,491
Additions	-	-	-	106,895	106,895
Additions through business combinations (note 15)	3,073,150	1,671,218		-	4,744,368
Amortisation expense	-	-	-	(9,934)	(9,934)
Balance at 31 December 2016	3,553,424	1,671,218	576,891	124,287	5,925,820

The provisional fair values of the identifiable net assets acquired in relation to Phone Name are disclosed in note 15.

Note 9. Current liabilities - trade and other payables

	Consolidated	
	31 December 2016	**30 June 2016**
	$	**$**
Trade payables	787,963	581,382
Unearned revenue	743,592	554,179
GST payable	45,891	-
Other payables	386,257	510,135
	1,963,703	1,645,696

Note 10. Current liabilities - borrowings

	Consolidated	
	31 December 2016 $	30 June 2016 $
Bank loans	840,000	-
Hire purchase	39,508	61,899
	879,508	61,899

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

Note 11. Non-current liabilities - borrowings

	Consolidated	
	31 December 2016 $	30 June 2016 $
Bank loans	3,360,000	1,500,000
Loans - unsecured	-	575,000
Hire purchase	52,563	68,302
	3,412,563	2,143,302

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

	Consolidated	
	31 December 2016 $	30 June 2016 $
Bank loans	4,200,000	1,500,000
Hire purchase	92,071	130,201
	4,292,071	2,205,201

Assets pledged as security
The bank loan of $4,200,000 is secured first over the assets and undertakings of Spirit Telecom Limited and entities under its control.

Note 12. Equity - issued capital

	Consolidated			
	31 December 2016 Shares	30 June 2016 Shares	31 December 2016 $	30 June 2016 $
Ordinary shares - fully paid	920,251,253	836,207,860	9,298,363	7,112,970

Note 12. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date		Shares	
Balance	1 July 2016	836,207,860		7,112,970
Issue of shares	6 October 2016	636,356	$0.022	14,000
Issue of shares	13 December 2016	83,407,037	$0.027	2,251,990
Share issue costs		-	-	(80,597)
Balance	31 December 2016	920,251,253		9,298,363

Movements in unquoted options

Details	Date	Shares	Issue price	$
Balance	1 July 2016	652,174		-
Expiry of options	18 December 2016	(652,174)	$0.000	-
Issue of options	20 December 2016	12,500,000	$0.000	-
Balance	31 December 2016	12,500,000		-

Movements in listed Options

Balance	Date	Shares	Issue Price	$
	1 July 2016	223,272,153	$0.039	-
Balance	31 December 2016	223,272,153	$0.039	-

Unlisted Performance Rights

Grant Date	Expiry Date	Exercise Price	Balance at Start of the Year	Granted	Exercised	Expired / forfeited	Balance at the end of the year
30-Sep-16	30-Jun-17	$0.00	0	2,997,000			2,997,000
30-Sep-16	30-Jun-18	$0.00	0	6,003,000			6,003,000
24-Nov-16	24-Nov-19	$0.00	0	3,850,000			3,850,000
				12,850,000			12,850,000

The performance rights have the following vesting conditions:

The performance rights granted on 30 September 2016 have a time based vesting condition only which is considered a 'non-market condition'

The performance rights granted on 24 November 2016 will vest based on a split of 50% subject to meeting a Total Shareholder Return ("TSR") condition and 50% subject to exceeding the budgeted return on capital.

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.

Note 12. Equity - issued capital (continued)

Share buy-back
There is no current on-market share buy-back.

Note 13. Equity - reserves

	Consolidated	
	31 December 2016	30 June 2016
	$	$
Options reserve	38,550	-
Capital reserve	6,196	6,196
	44,746	6,196

Note 14. Equity - dividends

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

Note 15. Business combinations

Spirit Telecom Ltd acquired 100% of Phone Name Marketing Australia Pty Ltd and Inbound Telecommunications Unit Trust ("Phone Name"), with effective control on 1 December 2016. The acquisition has been accounted as a Business Combination under AASB 3. Phone Name owns and markets inbound 13/1300/1800 Smart Numbers and owns approximately 2,200 phone names. The acquisition was undertaken by the Company to expand its asset base, and provided a strategic fit with cross selling and growth opportunities.

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

	Fair value $
Cash and cash equivalents	310,023
Trade receivables	84,142
Other receivables	75,185
Intangible assets	1,671,218
Deferred tax asset	71,685
Trade payables	(168,047)
Deferred tax liability	(501,892)
Unearned revenue	(109,435)
Provisions	(105,736)
Net assets acquired	1,327,143
Goodwill	3,073,150
Fair value of the total consideration transferred	4,400,293
Acquisition costs expensed to profit or loss	213,163
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	4,200,000
Working capital adjustments paid in cash	200,293
Fair value of the total consideration transferred	4,400,293
Less: cash and cash equivalents	(310,023)
Net cash used	4,090,270

i. Consideration transferred
Acquisition & integration costs amounting to $ 213,163 are not included as part of consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

ii. Identifiable net assets
The fair value of the trade receivables acquired as part of the business combination amounted to $84,142. As of the acquisition date, the Company's best estimate is that all cash will be collected.

iii. Goodwill
Goodwill of $3,073,150 was primarily related to the Company's growth expectations through Smart Numbers and cross selling.

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

iv. Contribution to the Consolidated Entity's results
Phone Name contributed revenues of $111,013 and net profit of $47,592 to the Consolidated Entity from the date of the acquisition to 31 December 2016. Had the acquisition occurred on 1 July 2016, the consolidated revenues and net loss would have been $788,597 and ($3,605) respectively. Prior to acquisition, Phone Name only adopted accrual accounting in November for the first time, affecting results, but not operational performance.

Note 16. Events after the reporting period

No matter or circumstance has arisen since 31 December 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 17. Earnings per share

	Consolidated	
	31 December 2016 $	31 December 2015 $
Profit after income tax attributable to the owners of Spirit Telecom Limited	58,939	47,754
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	844,664,671	1,214,934
Adjustments for calculation of diluted earnings per share:		
Rights over ordinary shares	4,506,522	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	849,171,193	1,214,934
	Cents	**Cents**
Basic earnings per share	0.007	3.931
Diluted earnings per share	0.007	3.931

Earnings per share for the previous period is Spirit Telecom (Australia) Pty Ltd and not the listed entity.

Earnings per share for previous period is Spirit Telecom (Australia) Pty Ltd and not the listed entity

Note 18. Related party transactions

Parent entity
Spirit Telecom Limited is the parent entity.

Key management personnel
Directors are listed in the Directors report.

Lodge Corporate Pty Ltd were paid $158,600 upon successful completion of the acquisition of Phone Name Marketing Pty Ltd and related entities. In addition to this they were also paid a capital raising fee of $81,223. Terry Gray is a Director of Spirit Telecom Limited and a consultant with Lodge Corporate Pty Ltd.

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

	Consolidated	
	31 December 2016 $	31 December 2015 $
Non-current borrowings:		
Loan from Eloise Leighton Pty Ltd (an entity related to Geoff Neate, a director of the Company)	0	250,000
Loan from Geoff Neate (director of the Company)	0	100,000
Loan from SharJoe Pty Ltd (an entity related to Joe Tigel, Key Management Executive)	0	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 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. In December 2016 these loans were paid down, with the balance owing at Dec 31 2016 being nil.

Directors Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

James Joughin
Chairman

27 February 2017

Geoff Neate
Managing Director

27 February 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SPIRIT TELECOM LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Spirit Telecom Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year period.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Spirit Telecom Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

Independence
In conducting our review, 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 review report.

Opinion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Spirit Telecom Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

ADVANTAGE ADVISORS AUDIT PARTNERSHIP
CHARTERED ACCOUNTANTS

BEN BESTER
PARTNER

Dated in Melbourne on this 27th day of February 2017