Spirit Telecom (Australia) Pty Ltd

ABN 99 112 320 804

Financial Statements

For the period from 1 July 2015 to 31 December 2015

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

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Spirit Telecom (Australia) Pty Ltd

ABN 99 112 320 804

Statement of Profit or Loss and Other Comprehensive Income

For the period 1 July 2015 to 31 December 2015

	Note	6 months to Dec 2015	12 months to June 2015
Revenue	2	4,352,209	6,492,091
Other revenue	2	5,609	19,357
Cost of sales		(1,984,702)	(3,590,463)
Gross profit		**2,373,116**	**2,920,985**
Other income	2	7,840	-
Marketing		(64,480)	(104,206)
Selling expenses		(156,799)	(154,711)
Administration expenses		(1,824,573)	(2,651,533)
Finance Costs		(81,961)	(96,723)
Profit before income tax		**253,143**	**(86,187)**
Income tax expense		95,701	41,346
Profit for the year	3	**157,442**	**(127,534)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Total other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**157,442**	**(127,534)**

The accompanying notes form part of these financial statements.

Spirit Telecom (Australia) Pty Ltd

ABN 99 112 320 804

Statement of Financial Position as at 31 December 2015

	Note	Dec 2015 $	June 2015 $
Assets			
Current Assets			
Cash assets	4	617,529	721,379
Receivables	5	778,700	735,817
Inventories		24,598	24,116
Other	7	45,000	-
Total Current Assets		**1,465,827**	**1,481,311**
Non-Current Assets			
Property, plant and equipment	8	1,950,937	1,794,410
Intangible assets	9	1,077,251	1,077,251
Deferred tax assets	6	332,140	427,841
Other	7	7,041	-
Total Non-Current Assets		**3,367,369**	**3,299,503**
Total Assets		**4,833,196**	**4,780,814**
Liabilities			
Current Liabilities			
Payables	10	816,642	862,817
Financial liabilities	11	69,796	79,531
Current tax liabilities	12	71,168	71,655
Provisions	13	186,571	186,063
Total Current Liabilities		**1,144,176**	**1,200,066**
Non-Current Liabilities			
Financial liabilities	11	2,187,252	2,240,278
Provisions	13	97,195	93,339
Total Non-Current Liabilities		**2,284,447**	**2,333,617**
Total Liabilities		**3,428,623**	**3,533,683**
Net Assets		**1,404,573**	**1,247,131**
Equity			
Issued capital	14	2,774,984	2,774,984
Reserves		6,196	6,196
Retained profits / (Accumulated losses)		(1,376,607)	(1,534,049)
Total Equity		**1,404,573**	**1,247,131**

The accompanying notes form part of these financial statements.

Note 1: Summary of Significant Accounting Policies

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

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

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

(a) Income Tax

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

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

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

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

(b) Property, Plant and Equipment (PPE)

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

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

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted in determining recoverable amounts.

(c) Intangibles

Goodwill

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

Goodwill is subsequently measured at cost less any impairment losses.

Goodwill is subject to impairment testing when the directors consider that there is objective evidence the business has been impaired. Impairment losses are calculated based on the director's assessment of the business's recoverable amount. Recoverable amount is assessed on the basis of the expected net cash flows that will be received fron the asset's employment and subsequent disposal

Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold.

(d) Employee Benefits

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

(e) Cash and Cash Equivalents

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

(f) Revenue and Other Income

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

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

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

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

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

(g) Leases

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

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

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

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

(h) Goods and Services Tax (GST)

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

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

(i) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received, or contracted for, by the company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(j) Trade and Other Receivables

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

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

(k) Business Combinations

Business combinations occur when an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.
The business combination will be accounted for from the date that control is attained, whereby the fair value of the identified assets acquired and liabilities assumed are recognised.
All transaction costs incurred in relation to the business combination other than those associated with the issue of financial instruments are recognised as part of the acquisition.

(l) Comparative Figures

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

(m) Inventories

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

Spirit Telecom (Australia) Pty Ltd
ABN 99 112 320 804
Notes to the Financial Statements
For the period 1 July 2015 to 31 December 2015

	Dec 2015	June 2015

Note 2: Revenue

Operating Activities:

Non-primary production trading revenue	4,352,209	6,492,091
Interest revenue	5,609	19,357
	4,357,818	**6,511,448**

Note 3: Profit from Ordinary Activities

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

Crediting as Income:

Net gain on disposal of property, plant & equipment	7,840	-
	-	-

Charging as Expense:

Bad and doubtful debts	48,862	72,206
Borrowing costs	78,896	87,912
Cost of non-primary production goods traded	1,984,702	3,590,463
Depreciation of non-current assets:		
- Plant and equipment	236,536	217,337
- Motor vehicles	5,188	16,027
Total depreciation expenses	241,724	233,364

Note 4: Cash assets

Bank accounts:		
BankWest Operating Account	103,683	78,443
BankWest Trading Account	38,798	32,609
BankWest BPAY Clearing Account	1	1
BankWest Telenet Account	472,838	607,644
Bank - NAB	2,209	2,682
	617,529	**721,379**

	Dec 2015	June 2015

Note 5: Receivables

Current

Trade debtors	784,188	655,764
Sundry Debtors		
My Telecom	43,214	72,968
PayPal Ebay	235	-
Rental bond	-	7,040
Spirit Social Club	(75)	45
Provision for doubtful debts	(48,862)	-
	778,700	735,817
	778,700	**735,817**

Note 6: Tax Assets

Non-Current

Deferred tax asset	332,140	427,841
	332,140	**427,841**

Note 7: Other Assets

Current

Prepayments	45,000	-
	45,000	**-**

Non Current

Other	7,041	-
	7,041	**-**

	Dec 2015	June 2015

Note 8: Property, Plant and Equipment

Leasehold improvements:		
- At cost	10,736	9,886
- Less: Accumulated depreciation	(125)	(1)
	10,611	9,885
Plant and equipment:		
- At cost	326,358	308,548
- Less: Accumulated depreciation	(169,917)	(136,291)
	156,441	172,257
Other plant and equipment:		
- At cost	2,228,534	1,850,757
- Less: Accumulated depreciation	(511,231)	(311,068)
	1,717,303	1,539,689
Motor vehicles:		
- At cost	74,925	109,290
- Less: Accumulated depreciation	(48,342)	(61,208)
	26,583	48,082
Other property, plant and equipment:		
- At cost	80,108	61,985
- Less: Accumulated depreciation	(40,110)	(37,487)
	39,998	24,498
	1,950,937	**1,794,410**

Note 9: Intangible Assets

Goodwill:		
- At cost	500,360	500,360
- Less: Accumulated amortisation	-	-
	500,360	500,360
Other intangibles:		
- At cost	576,891	576,891
- Less: Accumulated amortisation	-	-
	576,891	576,891
	1,077,251	**1,077,251**

	Dec 2015	June 2015

Note 10: Payables

Unsecured:		
- Trade creditors	816,642	862,817
	816,642	862,817
	816,642	**862,817**

Note 11: Financial Liabilities

Current

Secured*:		
Chattel Mortgage		
Chattel mortgage - Kia Sorrento YKX878	8,649	8,649
Chattel mortgage - VW Jetta YSA605	5,845	5,845
Chattel mortgage - Mitsubishi ASX	-	5,957
Chattel mortgage - Cisco Catalyst Server	10,659	12,266
Chattel mortgage - IP Trade Equipment	13,932	16,103
Chattel mortgage - Cisco ASR1001 & VDX	30,711	30,711
	69,796	79,531
	69,796	**79,531**

	Dec 2015	June 2015
Non-Current		
Unsecured:		
Loans from other persons		
Loan - Eloise Leighton P/L	250,000	250,000
Loan - Shajoe P/L	225,000	225,000
Loan - Geoff & Jennifer Neate	100,000	100,000
	575,000	575,000
Secured*:		
- Bank loans	1,500,000	1,500,000
Chattel Mortgage		
Chattel mortgage - Kia Sorrento YKX878	10,422	14,624
Chattel mortgage - VW Jetta YSA605	9,671	12,198
Chattel mortgage - Mitsubishi ASX	-	18,819
Chattel mortgage - Cisco Catalyst Server	-	4,366
Chattel mortgage - IP Trade Equipment	-	5,696
Chattel mortgage - Cisco ASR1001 & VDX	92,159	109,575
	1,612,252	1,665,278
	2,187,252	**2,240,278**

* Total Current and Non-Current Secured Liabilities

Bank loans	1,500,000	1,500,000
Hire purchase liabilities	182,048	244,809
	1,682,048	**1,744,809**

Note 12: Tax Liabilities

Current

GST on sales	564,287	188,533
GST on purchases	(547,789)	(162,055)
Payroll tax payable	3,465	8,766
PAYG withholding	30,512	26,753
Superannuation payable	20,693	9,658
	71,168	**71,655**

	Dec 2015	June 2015

Note 13: Provisions

Current

Employee entitlements*	186,571	186,063
	186,571	**186,063**

Non Current

Employee entitlements*	97,195	93,339
	97,195	**93,339**
* Aggregate employee entitlements liability	283,766	279,402

Note 14: Contributed Capital

1214934 Ordinary shares	**2,774,984**	**2,774,984**

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

Spirit Telecom (Australia) Pty Ltd

ABN 99 112 320 804

Directors' Declaration

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

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

The directors of the company declare that:

1. the financial statements and notes, present fairly the company's financial position as at 31 December 2015 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements;

2. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors' declaration is signed in accordance with the resolution of the Directors made pursuant to s.295(5)(a) of the Corporations Act 2001.

Geoff Neate
Director

~~Enrico Lerzi~~ MIKE Allen
~~Director~~ CHAIRMAN

Dated: 22 February 2016

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Spirit Telecom (Australia) Pty Ltd, which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information.

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 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 Australian Accounting Standards. As the auditor of Spirit Telecom (Australia) Pty Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the review.

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.

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

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

Conclusion
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 (Australia) Pty Ltd does not present fairly in all material respects, the Spirit Telecom (Australia) Pty Ltd financial position as at 31 December 2015 and of its financial performance and its cash flows for the year ended on that date in accordance with the Australian Accounting Standards.

Advantage Advisors

ADVANTAGE ADVISORS AUDIT PARTNERSHIP
CHARTERED ACCOUNTANTS

KEN GLYNN
PARTNER

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