SPIRIT'S ANNUAL REPORT 2020

The birth of the Modern Telco.

Spirit Telecom Limited

Spirit
Internet & IT

2020, the birth of the Modern Telco.

Contents

LETTER FROM THE CHAIR

Dear Shareholders,

I am delighted to present Spirit's 2020 Annual Report.

This transformational year has been marked by significant growth as we build a modern telecommunications company of scale for small to medium-sized businesses (SMBs). We are fast reaching our goal of becoming Australia's leading provider of Information Technology & Telecommunications (IT&T) services.

Modern SMBs have modern requirements. They operate their businesses via the cloud, rather than internal IT servers, so they require more solutions. They need fast Internet and tools to migrate to the cloud for online activities and management of many types of devices. Major telcos are ill-equipped to help SMBs transition to this new work environment. Spirit is filling this gap. **We are now the "one-stop-shop" for businesses.**

Pursuing this strategy has required another year of significant corporate activity, with seven acquisitions and the successful completion of a capital raise. We have taken a disciplined approach to acquisitions, paying fair value, ensuring the right strategic fit and integrating expertly and quickly. I am pleased to welcome several new and important business leaders to Spirit by way of these acquisitions.

Our acquisitions of managed IT businesses includes Cloud Business Technology. Its product offering of cloud and security services has significant product cross-sell opportunity into the expanding Spirit customer base nationally. The acquisition provides growth and expansion of Internet, cloud and managed IT services in Sydney and regional NSW.

We acquired large managed services providers Trident and Neptune Group (TBG), entering a new high-growth vertical offering cloud, security and IT solutions. This transaction provides Spirit with further additional revenue opportunities by cross-selling the Spirit Sky-Speed data network into TBG's client base. The highly strategic move has also seen Spirit expand its product sets and offerings. Trident is focused on delivering custom-designed cloud-based IT and Internet solutions for high growth verticals such as Schools, Hospitals, Aged Care and Medium Sized Businesses.

In late June this year, Spirit entered an agreement to acquire VPD Group, marking our most transformational transaction to date. VPD Group is an established voice, data and cloud services provider across Qld and NSW. This will see Spirit create a new wholesale channel, Spirit Partners, to focus on distributing its range of services via channel partners across Australia. Through the acquisition, Spirit will build and strengthen its cloud, security, data and managed IT services capabilities whilst providing entry into Qld and NSW for verticals such as Mining, Industrials and Aged Care.

As part of this new strategy, we re-branded to Spirit Internet & IT, and our new digital sales platform Spirit X has become the pillar for organic growth. Spirit X was rolled out in December and is now the largest digital aggregator of Internet products to Australian businesses. It provides a platform to purchase their ideal Internet plan online, within three clicks and qualifies available services in seconds. We will now add our entire suite of products to this platform and create a central marketplace for our distribution partners and customers.

We have welcomed several new institutional investors to the register and have had strong support across the market. We have strengthened our balance sheet with equity and debt funding. This will be used to drive the accelerated acquisition strategy and growth of the Spirit X digital platform, and the expansion of our wholesaler dealer network, Spirit Solution Partners.

As we set out on our journey last year, we could not have foreseen the impact that the COVID-19 pandemic would have on the economy and the lives of people and businesses around Australia. We have proven to be a resilient business, continuing to deliver growth despite the economic uncertainty arising from the pandemic. We have also shown that we can deliver essential support to help businesses quickly adapt – from the launch of new work-from-home products, to helping our education customers rapidly scale up their networks for a shift to remote schooling. We have again demonstrated the essence of what has endeared Spirit to our growing base of business customers.

We welcomed Sol Lukatsky as Managing Director of Spirit this financial year. Sol has been vital in the development and execution of our growth strategy, both organically and across our large volume of M&A activities this year. We also welcomed Paul Miller as Chief Financial Officer as we reorganised our executive team and our new growth strategy began to take form.

Also, joining the Board of Directors are two highly esteemed new members, Inese Kingsmill and Greg Ridder. Inese is recognised as one of Australia's most effective customer-focused business leaders, with more than 20 years of marketing experience with major brands and with a focus on the SMB sector.
Greg is the current Chairman of Kogan.com and is experienced in leading businesses in multiple countries, cultures, economic circumstances and market conditions. He brings invaluable ecommerce experience to the Board.

Spirit has experienced transformational growth in FY20 against the backdrop of the COVID-19 pandemic and associated economic downturn. Our momentum is increasing as we grow both organically and through acquisitions. We are excited about the growth opportunities before us as we enter FY21.

On behalf of the Board and the team at Spirit, I thank you, our shareholders, for your ongoing support.

James Joughin | Chair

A WORD FROM THE MANAGING DIRECTOR

Dear Shareholders,

I would like to start by thanking you for your support during Financial Year 2020, my first year as Managing Director of the company and a year of transformation at Spirit Telecom.

We entered this year with a clear vision: to become THE destination for Australian businesses to meet all of their IT and telecommunication needs, not just high-speed Internet. We set out to give Aussie businesses the service they deserve along with an integrated product suite, one monthly bill and one provider to manage their needs from managed IT services, cloud migration, high-speed data and cyber security.

While the premise is simple, putting this all together isn't easy. That's why Spirit has been able to fill a major gap in the market where the big players have fallen short. We also haven't been afraid to leverage our challenger brand status and talk to our customers in a language they understand. We have responded to the pain points that left them feeling underwhelmed and underserviced by the big end of town.

We have created a truly modern telco business.

Our focus over the past year was to:

- Create the product stack and deliver it with outstanding service;
- Achieve scale via M&A and organic growth;
- Grow our B2B recurring revenue with a focus on the essential services industries (Healthcare, Aged Care and Education).

I'm pleased that this effort has delivered results. Revenue for the year was $34.9 million, representing an impressive 100% increase on the previous year (FY19: $17.4 million). This revenue growth demonstrates the strong customer demand for our products, contribution from our acquisition strategy and the efficient integration of our newly acquired companies and associated synergies. It also demonstrates the resilience of the business and the value of our recurring revenue streams as we successfully navigate the COVID-19 pandemic.

B2B revenue has grown strongly this year and now accounts for 90% of Spirit's revenue. This growth has come through managed IT services and data, via acquisition and organic growth. Our recurring contractual revenue has grown strongly, up 48% this year.

Gross profit followed the trajectory of our revenue, growing 70% to $21.7 million and now represents 63% of sales revenue.

Underlying EBITDA was $3.73 million, representing an 88% increase on FY19. Full year EBIDTA contributions flowing from the recent Cloud BT, Trident and Neptune Group acquisitions are yet to fully vest, as they're only included from February 2020 onwards.

Acquisitions: Core to our strategy

Over the past 12 months (to June 30, 2020), we have acquired seven businesses. As noted in the Chair's report, the acquisition of businesses, including Trident and Neptune Group and Cloud Business Technology, have enabled us to broaden our product offering, expand into new geographies and build our business customer base.

We've taken a disciplined approach to M&A, acquiring only right-fit, right-price businesses that align with our strategic roadmap. Importantly, we have integrated quickly and skillfully, enabling us to leverage the significant cross-sell opportunities that have been created.

These acquisitions have enabled us to create a company of scale that can service the IT&T needs of Australian businesses. Our ability to bundle these services and provide a seamless product and outstanding customer service has underpinned our organic growth, particularly during COVID-19.

We are excited about our most recent acquisition of VPD, which will allow us to expand our Spirit Solution Partners network nationally for the reselling our products. This has created a strong platform for further growth, both organic and acquisitive, as we go into FY21.

Spirit X: A platform for organic growth

Our Spirit X platform has provided us a fundamental channel for sales generation and organic growth. We saw an immediate impact on new sales when it launched in December. This continued throughout FY20, with 12,000 unique address qualifications coming through the platform in H2 FY20 alone. We recently added NBN Enterprise Ethernet (NBN EE) to the platform, expanding the market opportunity for Spirit X to cover 80% of Australian businesses.

As we expand our wholesale distribution network, we envisage that Spirit X will be a central platform for our dealers and customers to connect and find the right products and service providers quickly.

Building a national brand

In line with our expanding geographic footprint, we are leveraging our expertise in sales and marketing to build a national brand. We have taken advantage of historically low media-buy rates during COVID-19 to launch our first national advertising campaign. This campaign has contributed to record high levels of visitors to the Spirit website. Lead generation conversion rates show continual improvement.

During the year, we delivered on both of our regional fixed wireless broadband contracts with the Victorian Government and launched high-speed Internet to regional areas of Horsham and Morwell. These developments bridge the divide between regional Victoria and Melbourne, and regional businesses now enjoy speeds comparable to those in major cities. They are now able to compete on a national and global stage.

A healthy balance sheet

We continued to strengthen our balance sheet this year, positioning us well for further growth in FY21. This was achieved in a number of ways:

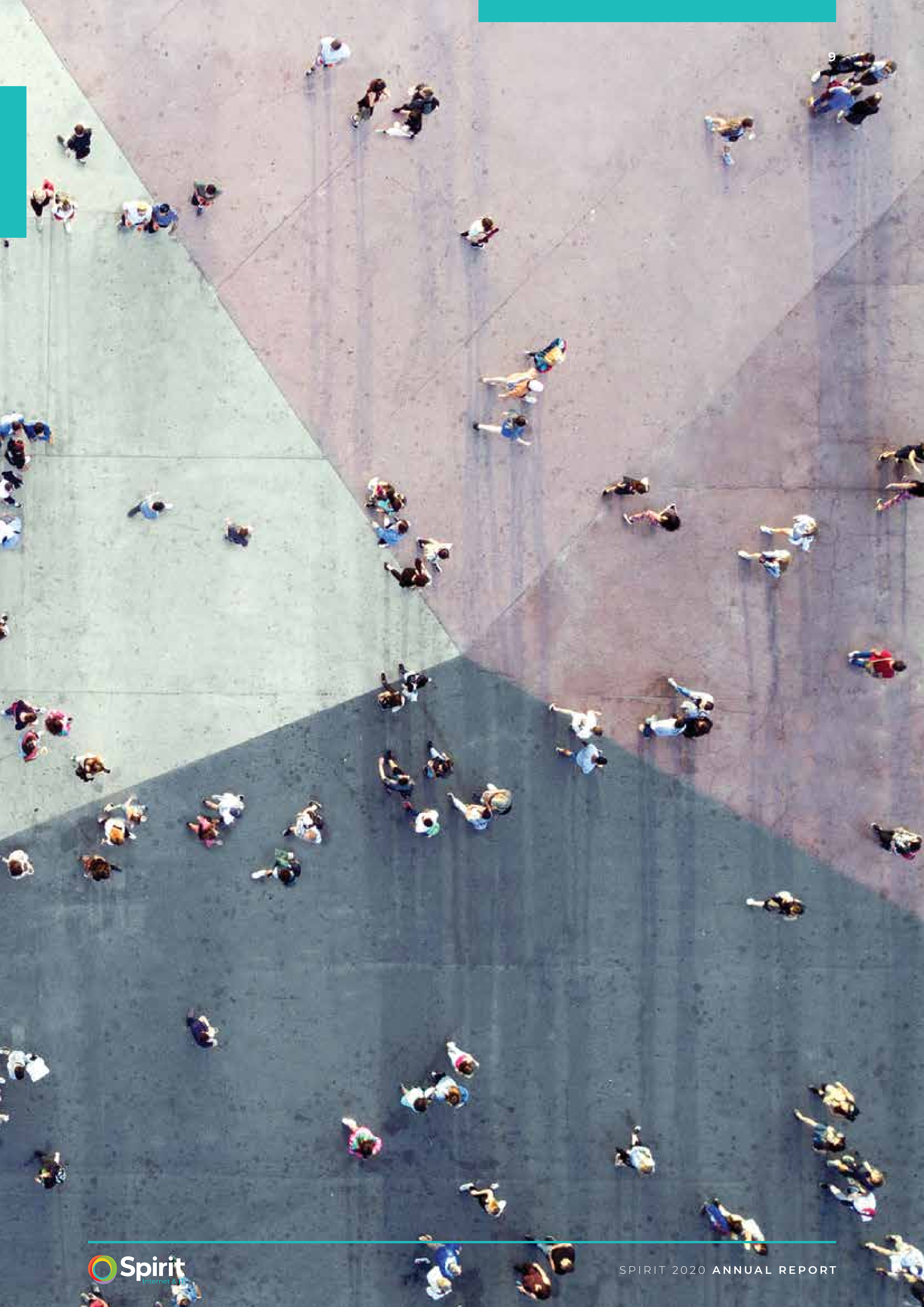
- Raised $9.2 million via placement;
- Expanded CBA debt facility to $10.9 million to pursue acquisitions;
- Healthy balance sheet with $14M of cash and available debt as of June 30 (VPD settled 1 July with $6.0 million drawdown).

In closing, I would like to thank my fellow Board members and the entire Spirit team for their energy, commitment and contribution to achieving our vision. The tremendous growth we have seen this year could not have been possible without our people.

During the year, the shape of our organisation has changed dramatically – through multiple acquisitions – and against a backdrop of the COVID-19 pandemic which has created a very challenging environment. Through all of this, our team has been strong, and our expanded Spirit family has come together to support each other and our customers.

To our shareholders, thank you for your support of the company. We look forward to sharing the next phase of our growth with you.

Sol Lukatsky | Managing Director



HIGHLIGHTS OF THE YEAR

Arinda

JULY 2019
Joined forces with Bigscreensound Pty Ltd, trading as Arinda IT

Phoenix Austec

JULY 2019
Joined forces with Phoenix Austec Group Pty Ltd (Phoenix)

HORSHAM NETWORK LAUNCH

OCTOBER 2019
Built and launched Horsham's regional Sky-Speed Internet network

SPIRIT X PARTNER LAUNCH

NOVEMBER 2019
Spirit X launched to Spirit Dealer & Wholesale Partners

SPIRIT X END-CUSTOMER LAUNCH

DECEMBER 2019
Spirit X launches for all Australian businesses to use

CloudBT Trident

FEBRUARY 2020
Joined forces with Cloud Business Technology, trading as Cloud BT
Joined forces with Trident Computer Services Pty Ltd and Neptune Managed Services Pty Ltd (Trident Business Group)

$ $ $ ACQUIRED CAPTIAL

APRIL 2020
Spirit raised **$9.2m** in a placement to institutional investors and expanded the CBA debt facility to **$10.9m** to pursue acquisitions

MORWELL NETWORK LAUNCH

MAY 2020
Built and launched Morwell's regional Sky-Speed Internet network

VOICE PRINT DATA

JULY 2020
Joined forces with Now IT Solutions Pty Ltd, Live Call Pty Ltd and Voice Print and Data Australia Pty Ltd (VPD Group)

THE MODERN TELCO

is needed now more than ever...

MODERN BUSINESSES HAVE MODERN REQUIREMENTS

- Distributed workforce
- Conduct all activities online (support, sales, digital store-fronts, cloud-based software)
- High-speed Internet
- Integrate and manage many device types
- Migrating to cloud-based digital tools

The problems we're solving:

- Major telcos are not equipped to help SMBs transition to this new work environment
- Business owners have to go to multiple service providers to create a single solution
- No service provider is accountable if issues arise with the business solution
- A significant gap exists for a modern telco to be a 'one-stop-shop' for businesses in the current market

> “We are filling the gap in a **$49B** Australian industry.”

SPIRIT TELECOM

Australia’s leading provider of bundled IT&T services to SMBs and Essential Service Providers

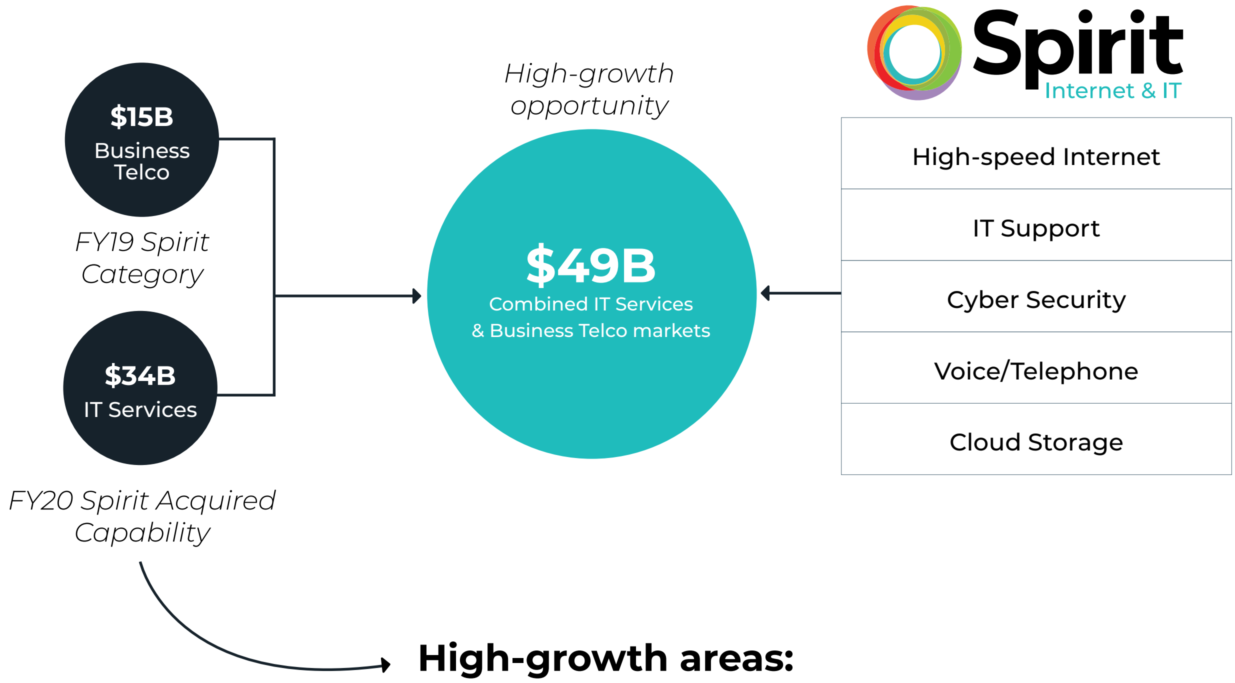
Spirit has completed seven acquisitions in the last 12 months to build the Modern Telco

THE MODERN TELCO

IN-DEMAND SERVICES	LARGE SERVICE & BRAND REACH
High-speed Internet	Spirit X Digital Aggregation Platform
Managed IT Support	Wholesale Dealer Network
Cyber Security	Challenger Brand - 'Taking on the major Telcos'
Voice/Telephone	
Cloud Storage	

- Modern Telco solution for businesses with distributed workers requiring the next generation of digital services
- The Modern Telco is proactive and helpful to Australian businesses - a stark contrast to the traditional major Telcos
- Ability to bundle essential technology requirements under one roof
- Single solution provider, single monthly bill, superior support
- Generates ‘stickier’ recurring revenues than a simple ISP

COMBINING THE OPPORTUNITIES OF TELCO & IT MARKETS

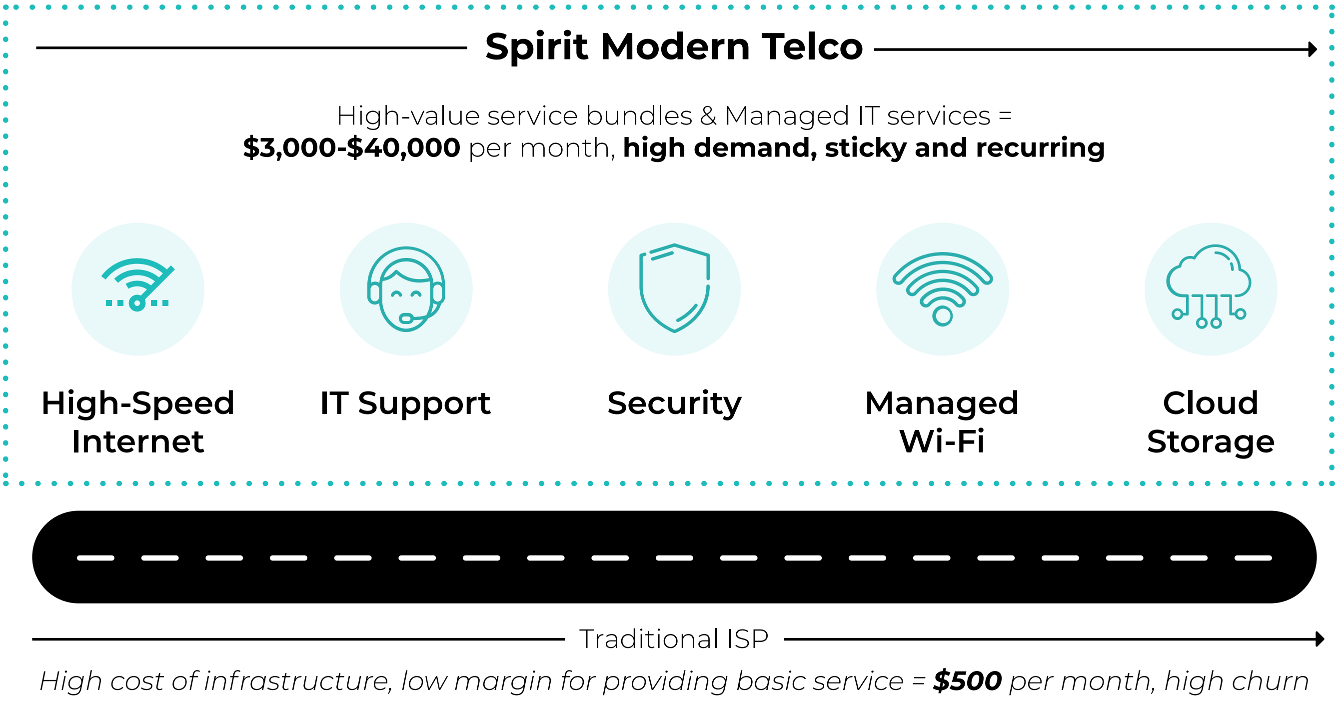


High-growth areas:

- Cloud Services
- Cyber Security
- Managed Services

THE OPPORTUNITY: OWNING THE CUSTOMER JOURNEY

A traditional Internet Service Provider model is like owning a road. But customers on the road use many other services that the toll provider does not share in. Spirit adds more toll gates on the "tolled road" and increases share of wallet by inserting itself into the customer journey.



BOOSTING VALUE BY TARGETING INDUSTRY SECTORS

Spirit Internet & IT

MODERN TELCO OFFERING

~90% of ST1 revenue is now B2B

High-speed Internet — IT Support — Cyber Security — Voice/ Telephone — Cloud Storage

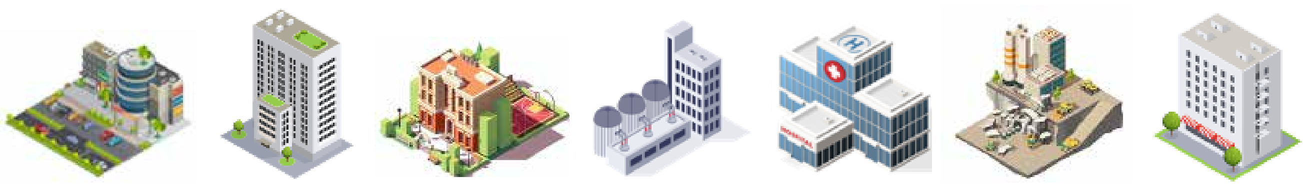
More in-demand services + large industry clients = High-value recurring revenue with long tenure

Spirit IT&T

Historical Markets

NEW TTS & VPD ACQUISITIONS

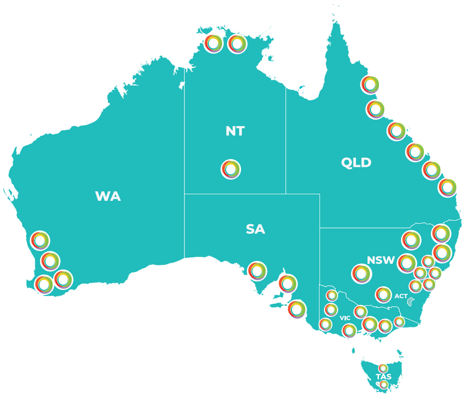
Newly Acquired Markets & Geographies in Qld & NSW



Industrial Parks | Office | Education | Industrial | Health | Mining | Aged Care

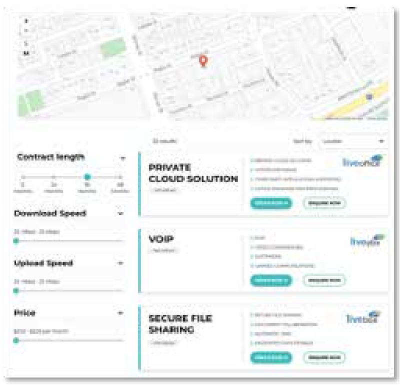
OUTLOOK Q1 & Q2 EXECUTION: SPIRIT X REACHING SCALE QUICKLY

+300 hungry wholesale telco dealer network by December 2020...



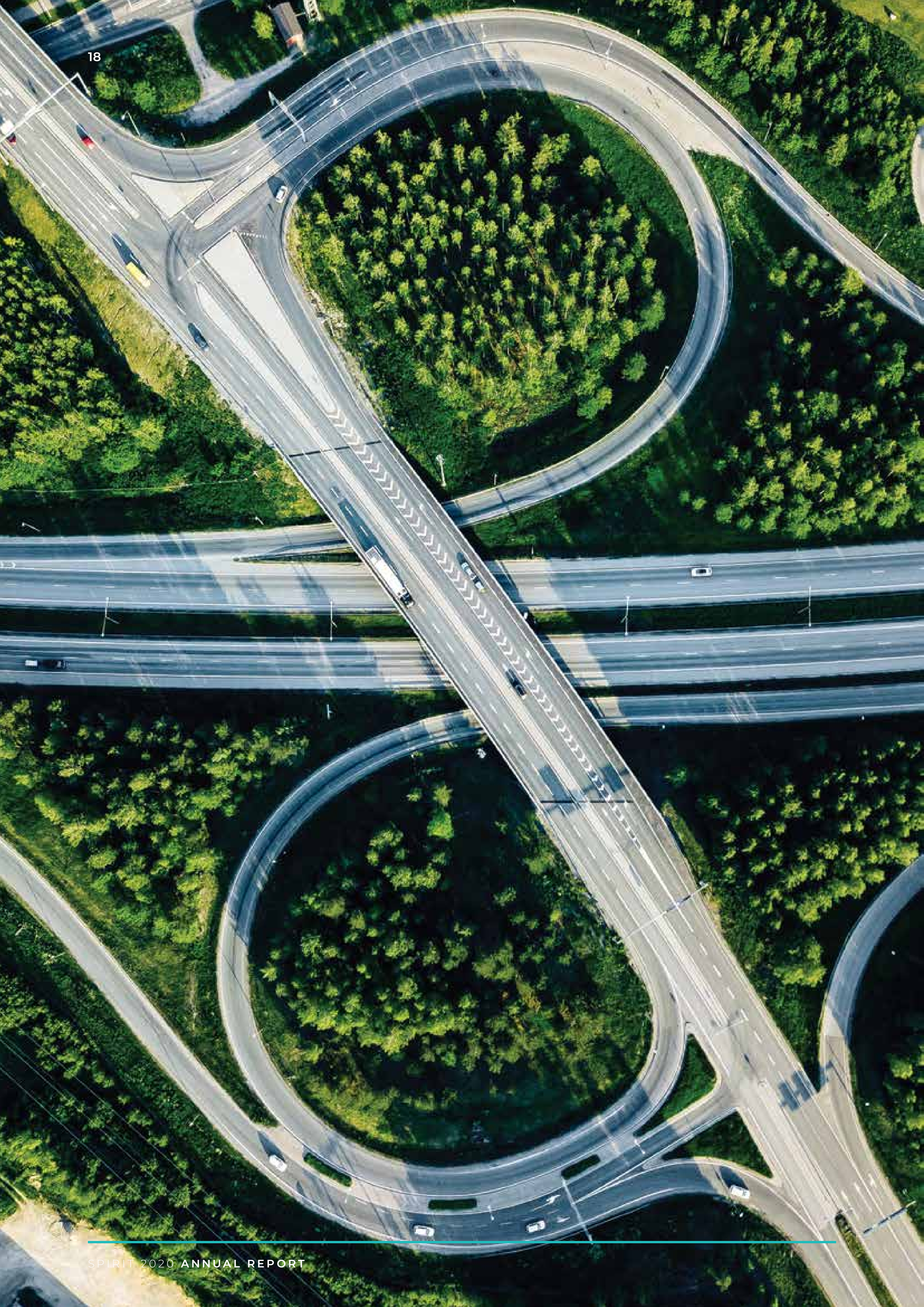
...with new services to offer their existing client base via a digital platform

SpiritX digital service aggregation platform...



...with instant provisioning of services to customers in Q3-Q4

- Spirit has a growing network of Telco & IT dealers
- Historically only supplied basic Telco services
- Access to the Spirit suite of services
- Powered by Spirit X for online sales
- Digital fulfilment = happy partners & customers



BOARD OF DIRECTORS

JAMES JOUGHIN
CHAIRMAN

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 the firm for 17 years and headed the Mergers and Acquisitions division in Melbourne.

James is an experienced company director and holds non-executive directorships of a number of private companies and a public company. He was previously chair of a private engineering and planning group, and 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.

SOL LUKATSKY
MANAGING DIRECTOR

Sol is a C-Suite Executive experienced with multiple company transactions across ASX and private equity backed companies. He has over 15 years in senior leadership roles covering marketing, sales management, digital, customer experience, big data, capital markets, innovation and operations. He has worked with blue chip organisations such as Dun & Bradstreet, Challenger Financial Services and NAB.

In addition, as CEO he has led two private equity backed companies in the online services and digital technology markets (GLS and Workstar). Responsibilities included Global P&L, plus over 650 team members across offices in Australia, Asia and Europe.

Sol was educated at Harvard, Melbourne Business School, RMIT and awarded a Fellowship by Leadership Victoria.

MARK DIOGUARDI
COO & EXECUTIVE DIRECTOR

Mark is an experienced CTO and COO with over 30 years' experience, predominantly in Tier 1 and 2 Telco operators in Australia and Asia. A qualified engineer, Mark commenced his career in engineering and engineering construction management with Telstra. He went on to build his corporate career as CTO at Maxis, where he led 1,350 engineers and managed a USD $600 million budget to grow their network.

Mark then moved into a Chief Operating Officer role at Maxis before returning to Australia to join iiNet as Chief Technology Officer. Mark joined Spirit as Chief Operating Officer in November 2018 to develop and lead Spirit's network growth and drive operational excellence across the business. He is also an Executive Director of Spirit and a Non-Executive Director of TIME dotCom.

INESE KINGSMILL
NON-EXECUTIVE DIRECTOR

Inese brings over 20 years of experience in major corporations and is recognised as one of Australia's most effective customer-focused business leaders. Her wealth of experience has seen Inese drive growth and transform brands and culture across large enterprises, including Microsoft, Telstra and Virgin Australia. Inese is currently a Non-Executive Director of ASX-listed IT Professional Services company, Rhipe Limited.

Inese spent 16 years leading various functions at Microsoft, including oversight of marketing, the SMB customer segment and partner channel. She has held multiple senior roles with Telstra, driving enterprise-wide transformation of the business, culture and brand. More recently, Inese held the position of Chief Marketing Officer at Virgin Australia where she was accountable for growth of the digital channel as well as marketing.

She is a graduate of Western Sydney University, with a BA in Marketing, and is a member of the Australian Institute of Company Directors.

GREG RIDDER
NON-EXECUTIVE DIRECTOR

Greg is currently the Chairman of Kogan.com. Formerly Asia Pacific Regional President at NYSE-listed Owens-Illinois, Greg led growth and diversification from its traditional Australian base through joint ventures and acquisitions in China and Southeast Asia. Recently he has focused on intensive business improvement, acting as CEO at the Australian Institute of Architects, CEO at Phoenix Australia and as CFO at World Vision Australia. Greg is experienced in leading businesses in multiple countries, cultures, economic circumstances and market conditions.

DIRECTORS' REPORT

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 2020.

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 (Non-Executive Chairman)
Mr Sol Lukatsky (Managing Director) (appointed as Executive Director 21 June 2019, becoming Managing Director on 2 September 2019)
Mr Mark Dioguardi (Executive Director)
Mr Gregory Ridder (Non-Executive Director) (appointed on 21 November 2019)
Ms Inese Kingsmill (Non-Executive Director) (appointed on 1 July 2020)
Mr Terence Gray (Non-Executive Director) (resigned on 7 July 2020)
Mr Geoff Neate (Managing Director) (resigned on 2 September 2019)
Mr Luke Waldren (Non-Executive Director) (resigned 3 July 2019)

Principal activities

During the financial year the principal activities of the Consolidated Entity consisted of the provision of IT&T services. This included the provision of Telecommunication services, Cloud services, Managed IT services and Cyber Security services to small and medium size businesses.

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 $1,514,501 (30 June 2019: $823,742).

Total revenue and other income for the Consolidated Entity for the financial year ended 30 June 2020 was $34,873,578 (30 June 2019: $17,452,445).

The following table summarises key financial metrics for the period:

	2020 **$**	**2019** **$**	**Change** **$**	**Change** **%**
Sales revenue	34,428,845	17,365,108	17,063,737	98%
Other income	444,733	87,337	357,396	409%
Earnings before interest, taxes, depreciation & amortisation (EBITDA) **	2,182,364	1,545,661	636,703	41%
Business acquisition & integration costs	639,711	236,892	402,819	170%
Business restructuring costs	426,368	-	426,368	100%
Share based payments	478,651	200,523	278,128	139%
Underlying EBITDA* excluding business acquisition & integration costs, Share based payments & Restructuring costs **	**3,727,094**	**1,983,076**	**1,744,018**	**87.9%**

*EBITDA is a financial measure which is not prescribed by Australian Accounting Standard ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude business acquisition & integration costs, business restructuring costs and share based payments.

**AASB 16 Leases was adopted for the first time requiring capitalisation and amortisation of the company's Right of Use Assets, as outlined in note 2 of the financial statements. The modified retrospective approach was used and as such the comparatives have not been restated in the financial statements. However, the 2019 EBITDA and Underlying EBITDA comparative in the table above has been restated to reflect the notional AASB 16 adjustment had it been effected during that year. Had the Consolidated Entity early adopted AASB 16 from 1 July 2018, $354,373 in lease rental expenses would have been reversed and replaced by depreciation and interest totalling $397,489.

The net assets of the Consolidated Entity increased by $16,009,428 to $38,064,084 as at 30 June 2020 (30 June 2019: $22,054,656).

During the period the Consolidated Entity continued deployment and expansion of its Superfast Internet and extended its portfolio of services to progress the strategy to be a leading provider of IT&T services to Small & Medium Sized Businesses (SMB's).

Over the course of the financial year Spirit has evolved to become a Modern Telco, from solely being focused on Superfast internet to now providing a complete offering across Telecommunications, Internet, Cloud, IT Managed Services and Cyber Security. As part of the evolution to a Modern Telco, our proprietary Spirit X digital sales platform will continue to become an effective driver of lead generation and source of organic growth. As announced on 27 May 2020, the NBN Enterprise Ethernet range was added to the platform, expanding the market opportunity for Spirit X to cover 80% of Australian business premises.

Spirit accelerated its acquisition strategy to enable the Consolidated Entity to create a truly contemporary and customer relevant Telco & IT company for Australian businesses.

Significant changes in the state of affairs

On 2 July 2019, the Consolidated Entity announced that it had entered into an agreement to acquire 100% of Bigscreensound Pty Ltd, trading as Arinda IT, effective 1 July 2019 for upfront consideration of $2.7 million, with the consideration payable 80% in cash and 20% in script.

The Consolidated Entity completed the acquisition on 12 July 2019 and issued 2,380,952 fully paid ordinary shares (subject to voluntary escrow until 11 July 2020), at a fair value issue price of $0.255 (25.5 cents) per share.

On 4 July 2019, the Consolidated Entity issued 1,508,509 fully paid ordinary shares at an issue price of $0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 10 July 2019, the Consolidated Entity issued 13,326,593 fully paid ordinary shares at an issue price of $0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 16 July 2019, the Consolidated Entity issued 3,233,587 fully paid ordinary shares at an issue price of $0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 17 July 2019, the Consolidated Entity issued 1,250,000 fully paid ordinary shares at an issue price of $0.19 (19 cents) per share pursuant to the exercise of unlisted options.

On 24 July 2019, the Consolidated Entity announced that it had entered into an agreement to acquire 100% of Phoenix Austec Group Pty Ltd, effective 1 July 2019 for upfront consideration of $1.6 million, with the consideration payable 80% in cash and 20% in script.

On 29 July 2019, the Consolidated Entity announced the completion of acquisition of Phoenix Austec Group and issued 1,333,333 fully paid ordinary shares at a deemed issue price of $0.24 (24 cents) per share to the vendor. The shares issued were subject to voluntary escrow until 29 July 2020.

On 25 July 2019, the Consolidated Entity issued 742,906 fully paid ordinary shares at an issue price of $0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 26 July 2019, the Consolidated Entity issued 158,806 fully paid ordinary shares at an issue price of $0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 2 August 2019, the Consolidated Entity issued 8,137,215 fully paid ordinary shares at an issue price of $0.19688 (19.688 cents) per share pursuant to the exercise of listed options.

On 9 August 2019, the Consolidated Entity issued 1,624,640 fully paid ordinary shares pursuant to the underwriting arrangement for the listed options at an issue price of $0.19688 (19.688 cents) per share.

On 2 September 2019, Mr Geoff Neate (Managing Director) tendered his resignation, effective the same date. Sol Lukatsky was appointed as Managing Director.

On 16 September 2019 the Consolidated Entity issued 88,480 fully paid ordinary shares with a deemed issue price of $0.226 per share to incentivise employees of the Company (non-directors).

On 22 November 2019, the Consolidated Entity issued 1,250,000 fully paid ordinary shares at an issue price of $0.19 (19 cents) per share pursuant to the exercise of unlisted options.

On 20 December 2019, the Consolidated Entity issued 332,084 fully paid ordinary shares, upon conversion of vested performance rights.

On 28 January 2020, the Consolidated Entity announced the acquisition of Sydney based cloud & managed IT services business assets, Cloud Business Technology, for $700,000 with the consideration payable 80% in cash and 20% in script.

The acquisition was completed on 3 February 2020 and 700,000 fully paid ordinary shares were issued (subject to voluntary escrow until 3 February 2021), at a fair value issue price of $0.185 (18.5 cents) per share.

On 14 February 2020, the Consolidated Entity announced the acquisition of Trident & Neptune Group ("TBG"), including Trident Computer Services Pty Ltd (Trident) and Neptune Managed Services Pty Ltd (Neptune), an established managed IT services and security business. The total purchase price of up to $6.9 million, which includes an earnout component, will be paid as a combination of cash and Spirit equity being a split of 75% cash and 25% Spirit shares if hurdles are met in CY2020 and FY2021.

The acquisition was completed on 18 February 2020 and 5,818,750 fully paid ordinary shares were issued (subject to voluntary escrow until 18 February 2021), at a fair value issue price of $0.21 (21 cents) per share.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally as well as in Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19 and therefore the Company has taken precautionary measures by temporarily closing the Company's offices (for all but essential services) and having arranged for its the employees to work remotely, as well as curtailing travel. At the date of this report, the impact of these measures is not expected to significantly affect Spirit's business operations. The Board and management continue to monitor and manage the operations in view of the dynamic nature of the events and will update the market if our outlook changes.

On 15 April 2020, the Consolidated Entity announced that:

- it successfully raised $9.2M in a strongly supported capital raising, which comprised an unconditional placement of approximately $8.662M to professional and sophisticated Investors (tranche 1) and Conditional Placement to Directors, Founders and Employees (tranche 2) of approximately $0.5M (subject to shareholder approval). The shares in relation to the tranche 1 placement were issued on 20 April 2020 and the shares in relation to the tranche 2 placement were issued 1 June 2020 (post Shareholder approval).
- CBA (the Group's banker) had expanded the Spirit Telecom Limited debt facility based on business performance to $10.9M.

The additional capital raised was deployed to drive the accelerated acquisition strategy and growth of the Spirit X digital platform.

On 22 April 2020, the Consolidated Entity issued 653,943 performance rights to employees pursuant to the terms of the Spirit Telecom Employee Incentive Plan, vesting on satisfaction of certain performance hurdles over a three-year performance period, expiring on or before 22 April 2023.

On 26 June 2020, the Consolidated Entity announced the acquisition of the VPD Group (comprising Now IT Solutions Pty Ltd, Live Call Pty Ltd and Voice Print and Data Australia Pty Ltd) an established Voice, Data and Cloud Services provider across Queensland and NSW. The acquisition will see Spirit create a new wholesale business, Spirit Partners, to focus on distributing its range of products via channel partners across Australia.

The upfront purchase price of $14.0M was settled by a combination of cash & equity being $7.0M cash (gross of a $1M cash retention to allow for any completion adjustments) and $5.8M Spirit shares (equity component adjusted after net debt adjustment on completion). The Share Purchase Agreement includes an earnout component comprised of Tranches 2 and 3 future payments payable where EBITDA performance exceeds performance targets for FY21 & FY22 respectively with payment at 5x any over-achievement. Total maximum purchase price is $27.5M.

The acquisition of the VPD Group was completed on 1 July 2020 and its contribution will therefore only be included in the forthcoming (FY 2021) financial year.

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

The acquisition of the VPD Group was completed on 1 July 2020 and 29,000,000 fully paid ordinary shares were issued (subject to voluntary escrow until 1 July 2021), at a deemed issue price of $0.20 (20 cents) per share. As at the date of preparation of this financial report the initial accounting of the business combination for the VPD Group is incomplete.

No other matter or circumstance has arisen since 30 June 2020 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 Consolidated Entity is well placed to continue its recent growth trajectory in FY21 as it accelerates the integration of recent acquisitions and leverages its ability to provide end to end IT&T solutions across the expanded customer base.

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
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 has wide business experience and has previously held the position of Chair of a private company and currently Chair of a number of Risk and Audit Committees. 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 IPO's.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member, Audit and Risk Committee, Member, Nomination and Remuneration Committee
Interests in shares:	4,045,455 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	Mr Sol Lukatsky
Title:	Managing Director (appointed as Executive Director 21 June 2019, becoming Managing Director on 2 September 2019)
Qualifications:	Masters of Marketing, Bachelor of Business (Marketing)
Experience and expertise:	Mr Lukatsky is a C-Suite Executive with multiple company transactions across: ASX and Private Equity backed companies. He has over 15 years in senior leadership roles covering: marketing, sales management, digital, customer experience, big data, capital markets, innovation and operations within blue chip organisations including: Dun & Bradstreet, Challenger Financial Services and NAB. In addition, as CEO he has led two Private Equity backed companies in the online services and digital technology markets (GLS & Workstar). This included, Global P&L responsibilities, +650 team members with offices across Australia, Asia and Europe. Educated at Harvard, Melbourne Business School, RMIT and awarded a Fellowship by Leadership Victoria.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	2,957,755 fully paid ordinary shares
Interests in options:	3,000,000 unlisted options, vesting on 1 July 2022, exercisable at $0.15 (15 cents) per option, expiring 1 July 2023; 3,000,000 unlisted options, vesting on 1 July 2022, exercisable at $0.18 (18 cents) per option, expiring 1 July 2023; 3,000,000 unlisted options, vesting on 1 July 2022, exercisable at $0.215 (21.5 cents) per option, expiring 1 July 2023.
Interests in rights:	247,059 performance rights

Name:	Mr Mark Dioguardi
Title:	Executive Director (appointed 21 June 2019)
Qualifications:	Master of Business Administration, Bachelor of Engineering Hons
Experience and expertise:	Mr Dioguardi is an experienced CTO and COO with over 25 years' experience predominantly in Tier 1 and 2 Telco operators in Australia and Asia. A qualified engineer, Mark commenced his career in engineering and engineering construction management in Telstra before building his corporate career as CTO at Maxis, where he led 1350 engineers and managed a USD600mil budget to grow their network. He then moved into a Chief Operating Officer role at Maxis before returning to Australia to join iiNet as Chief Technology Officer. Mark joined Spirit as Chief Operating Officer in November 2018 to develop and lead Spirit's network growth and drive operational excellence across the business. He is also an Executive Director of Spirit and a Non-Executive Director of TimedotCom (a listed Malaysia telecommunications company).
Other current directorships:	TimedotCom
Former directorships (last 3 years):	None
Interests in shares:	1,287,878 fully paid ordinary shares
Interests in options:	3,000,000 unlisted options, vesting on 1 July 2022, exercisable at $0.15 (15 cents) per option, expiring 1 July 2023; 3,000,000 unlisted options, vesting on 1 July 2022, exercisable at $0.18 (18 cents) per option, expiring 1 July 2023; 3,000,000 unlisted options, vesting on 1 July 2022, exercisable at $0.215 (21.5 cents) per option, expiring 1 July 2023;
Interests in rights:	520,000 performance rights

Name:	Mr Gregory Ridder
Title:	Non-Executive Director (appointed 21 November 2019)
Qualifications:	BBus (Acc), Grad Dip (Mktg), GAICD, CPA
Experience and expertise:	Mr Ridder is currently the Chairman of Kogan.com. Formerly Asia Pacific Regional President at NYSE listed Owens-Illinois, Greg led growth and diversification from its traditional Australian base through joint ventures and acquisitions in China and Southeast Asia. Recently he has focused on intensive business improvement, acting as CEO at the Australian Institute of Architects, CEO at Phoenix Australia and as CFO at World Vision Australia. Greg is experienced in leading businesses in multiple countries, cultures, economic circumstances and market conditions.
Other current directorships:	Chairman, Kogan.com Limited (ASX: KGN)
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair, Nomination and Remuneration Committee; Member, Nomination and Remuneration Committee from 15 July 2020 Member, Audit and Risk Committee; Chair, Audit and Risk Committee from 15 July 2020
Interests in shares:	1,000,000 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	Ms Inese Kingsmill
Title:	Non-Executive Director (appointed 1 July 2020)
Qualifications:	B. Bus in Marketing, MAICD
Experience and expertise:	Inese brings over 20 years of experience in major corporations and is recognised as one of Australia's most effective customer-focused business leaders. Her wealth of experience saw Inese drive growth and transform brands and culture across large enterprises including Microsoft, Telstra, Virgin Australia and is currently a Non-Executive Director of ASX listed IT Professional Services company, Rhipe Limited. Inese spent 16 years leading various functions at Microsoft, including oversight of marketing, the SMB customer segment and partner channel. She has held multiple senior roles with Telstra, driving enterprise wide transformation of the business, culture and brand. More recently, Inese held the position of Chief Marketing Officer at Virgin Australia where she was accountable for growth of the digital channel as well as marketing.
Other current directorships:	Non-Executive Director, Rhipe Limited (ASX: RHP)
Former directorships (last 3 years):	None
Special responsibilities:	Chair, Nomination and Remuneration Committee from 15 July 2020 Member, Audit and Risk Committee from 15 July 2020
Interests in shares:	Nil
Interests in options:	Nil
Interests in rights:	Nil

Name:	Mr Luke Waldren
Title:	Non-Executive Director (resigned 3 July 2019)
Experience and expertise:	Mr Waldren has over 30 years' experience in Advertising, Communications and Marketing, having held senior roles in Australia and USA. Previous roles include several agency roles, culminating as Chief Executive Officer of Grey Group Australia (WPP). Experience in senior roles include General Manager, Marketing at Sportsbet and Executive General Manager with TABCorp.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair, Remuneration and Nomination Committee Member, Audit and Risk Committee.
Interests in shares:	108,917 fully paid ordinary shares (on the date of resignation)
Interests in options:	Nil
Interests in rights:	Nil

Name:	Mr Terence Gray
Title:	Non-Executive Director (resigned on 7 July 2020)
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 with Allianz Dresdner Asset Management and Director of Corporate Finance with 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:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair, Audit and Risk Committee Member, Nomination and Remuneration Committee
Interests in shares:	1,825,360 fully paid ordinary shares (on the date of resignation)
Interests in options:	Nil
Interests in rights:	Nil

Name:	Mr Geoff Neate
Title:	Managing Director (resigned on 2 September 2019)
Qualifications:	Bachelor of Business (Monash), Master 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 nearly 500 staff, an $8 million marketing spend and $47 million in 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:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	34,616,586 fully paid ordinary shares (on the date of resignation)
Interests in options:	Nil
Interests in rights:	1,282,820 performance rights (on the date of resignation)

'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, BBus (Acc. Corp Law) CA FGIA

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia 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 Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the resources, technology, bioscience, biotechnology and health sectors.

Melanie has over 25 years' experience in the accounting profession and over 15 years as a Company Secretary. She 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.

Meetings of directors
The number of meetings of the Company's Board of Directors ('the Board') and of each Board Committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr James Joughin	14	14	3	3	3	3
Mr Sol Lukatsky	14	14	-	-	-	-
Mr Mark Dioguardi	14	14	-	-	-	-
Mr Gregory Ridder	8	8	2	2	1	2
Mr Terence Gray	13	14	3	3	3	3
Mr Geoff Neate	3	3	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

* Mr Luke Waldren resigned from the Board on 3 July 2019. No Board meeting was held from the start of the financial year to the date of his resignation.

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, particularly growth in share price, and delivering constant or increasing return on capital as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

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
The non-executive Directors’ fees for the financial year are $80,000 per annum payable to the Chairman, and $60,000 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 the general meeting of the Company held on 23 November 2017, which is presently $300,000. 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. No advice was sought during the course of the financial year. 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's 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 retirement benefit schemes for Directors other than statutory superannuation contributions.

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
- long term incentives in the form of 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
As many of the executive joined during the course of the financial year, remuneration for certain individuals is not currently 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.

Voting and comments made at the Company's 20 November 2019 Annual General Meeting ('AGM')
At the 20 November 2019 AGM, 99.94% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration
The key management personnel of the Consolidated Entity consisted of the following directors and executives of Spirit Telecom Limited:
- James Joughin, Non-Executive Chairman
- Sol Lukatsky, Managing Director (appointed as Executive Director 21 June 2019, becoming Managing Director on 2 September 2019)
- Mark Dioguardi, Executive Director
- Gregory Ridder, Non-Executive Director (appointed on 21 November 2019)
- Inese Kingsmill, Non-Executive Director (appointed 1 July 2020)
- Terence Gray, Non-Executive Director (resigned 7 July 2020)
- Geoff Neate, Managing Director (resigned on 2 September 2019)
- Luke Waldren, Non-Executive Director (resigned 3 July 2019)
- Paul Miller, Chief Financial Officer (appointed on 25 November 2019)
- Donovan Newton, Chief Financial Officer (resigned on 30 August 2019)

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

2020 (****)	Short-term benefits Cash salary and fees $	 Cash bonus $	 Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled $	 Total $
Non-Executive Directors:							
James Joughin	73,357	-	-	5,336	-	-	78,693
Terence Gray*	59,000	-	-	-	-	-	59,000
Gregory Ridder	35,500	-	-	-	-	-	35,500
Executive Directors:							
Sol Lukatsky **	277,577	90,000	-	27,758	5,068	211,731	612,134
Mark Dioguardi***	250,667	20,000	-	27,067	2,376	218,006	518,116
Geoff Neate	311,934	-	-	21,270	-	34,320	367,524
Other Key Management Personnel:							
Paul Miller	131,827	-	-	13,183	440	3,314	148,764
Donovan Newton***	93,812	27,864	-	10,836	-	-	132,512
	1,233,674	137,864	-	105,450	7,884	467,371	1,952,243

* Mr Terence Gray resigned from the Board on 7 July 2020.

** Mr Sol Lukatsky was awarded a cash bonus in respect of his FY20 performance, determined and payable in FY21.

*** Mr Mark Dioguardi and Mr Donovan Newton were awarded cash bonuses in respect of their FY19 performance, determined and paid in FY20.

**** Following the outbreak of COVID-19 in March 2020, the Directors elected to take a short term 10% pay reduction whilst the Company assessed the impacts. As outlined, there has not been a material impact to business operations and accordingly the pay reduction was only applied for a two-month period.

2019	Short-term benefits Cash salary and fees $	 Cash bonus $	 Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled $	 Total $
Non-Executive Directors:							
James Joughin	80,000	-	-	-	-	8,390	88,390
Terence Gray	60,000	-	-	-	-	8,390	68,390
Luke Waldren*	60,000	-	-	-	-	-	60,000
Executive Directors:							
Geoff Neate***	317,613	30,000	-	34,761	5,006	53,670	441,050
Sol Lukatsky**	205,961	-	-	20,596	-	35,892	262,449
Mark Dioguardi**	157,500	-	-	15,750	-	32,484	205,734
Other Key Management Personnel:							
Donovan Newton***	240,541	21,000	-	26,154	-	23,412	311,107
	1,121,615	51,000	-	97,261	5,006	162,238	1,437,120

* Mr Luke Waldren resigned from the Board on 3 July 2019.
** Mr Sol Lukatsky and Mr Mark Dioguardi were appointed as Executive Directors on 21 June 2019. The remuneration information included above relates to the period subsequent to commencing their executive roles with the Company.
*** Mr Geoff Neate and Mr Donovan Newton were awarded cash bonuses in respect of their FY18 performance, determined and paid in FY19.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2020	2019	2020	2019	2020	2019
Non-Executive Directors:						
James Joughin	100%	91%	-	-	-	9%
Terence Gray	100%	88%	-	-	-	12%
Gregory Ridder	100%	-	-	-	-	-
Luke Waldren*	-	100%	-	-	-	-
Executive Directors:						
Geoff Neate	91%	81%	-	7%	9%	12%
Sol Lukatsky	51%	86%	15%	-	34%	14%
Mark Dioguardi	54%	84%	4%	-	42%	16%
Other Key Management Personnel:						
Paul Miller	98%	-	-	-	2%	-
Donovan Newton	79%	92%	21%	-	-	8%

* Mr Luke Waldren resigned from the Board on 3 July 2019. No remuneration was awarded in 2020 financial year.

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:	Sol Lukatsky
Title:	Managing Director
Agreement commenced:	23 April 2018; terms revised on 27 July 2020
Term of agreement:	No fixed term. Ongoing until terminated by either party with three months written notice.
Details:	Effective 1 July 2020, fixed remuneration of $400,000 per annum, plus 10% superannuation. In 2021 financial year Mr Lukatsky will be entitled to a potential short-term incentive (STI) of up to $200,000, representing 50% of his base remuneration (excluding superannuation), with KPI's to be determined no later than September 30, 2020. Mr Lukatsky will also be entitled to a potential long-term incentive (LTI) of up to $200,000, representing 50% of his base remuneration (excluding superannuation) subject to shareholder approval. The performance measures will be determined no later than September 30, 2020.

Name:	Mr Mark Dioguardi
Title:	Executive Director and Chief Operating Officer
Agreement commenced:	7 November 2018, terms revised on 27 July 2020
Term of agreement:	No fixed term. Ongoing until terminated by either party with three months written notice.
Details:	Effective 1 July 2020, fixed remuneration of $330,000 per annum, plus 10% superannuation. In 2021 financial year Mr Dioguardi will be entitled to a potential short-term incentive (STI) of up to $110,000, representing 33.3% of his base remuneration (excluding superannuation), with KPI's to be determined no later than September 30, 2020. Mr Dioguardi will also be entitled to a potential long-term incentive (LTI) of up to $110,000, representing 33.3% of his base remuneration (excluding superannuation) subject to shareholder approval. The performance measures will be determined no later than September 30, 2020.

Name:	Geoff Neate
Title:	Managing Director (resigned on 2 September 2019)
Agreement commenced:	24 June 2016
Term of agreement:	No fixed term. The Company may terminate the agreement by giving six 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 $320,341 per annum, plus statutory superannuation contributions. Mr Neate was eligible to receive a short-term incentive from the Company (STI) which was 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 2019. Mr Neate was also eligible to receive a long-term incentive subject to shareholder and all other regulatory approvals.

Name:	Mr Paul Miller
Title:	Chief Financial Officer (appointed 25 November 2019)
Agreement commenced:	25 November 2019
Term of agreement:	No fixed term. Ongoing until terminated by either party with three months written notice.
Details:	Fixed remuneration of $225,000 per annum, plus $25,000 statutory superannuation contributions. Mr Miller will be invited to participate in the Spirit Short Term Incentive program (STI). The STI plan is paid at the discretion of Spirit with target potential 25% of fixed base pay. Mr Miller is eligible to participate in the Spirit Long Term Incentive program (LTI).

Name:	Donovan Newton
Title:	Chief Financial Officer (resigned on 30 August 2019)
Agreement commenced:	3 July 2017
Term of agreement:	No fixed term. The Company may terminate the agreement by giving two months' notice. The Company may make payment in lieu of part or all of the notice period. Mr Newton may terminate his employment agreement by providing the Company with two months written notice.
Details:	Fixed remuneration of $241,500 per annum, plus statutory superannuation contributions. Mr Newton was eligible to receive a short-term incentive from the Company (STI) which was structured as a cash payment subject to achievement of relevant key financial and non-financial milestones. Mr Newton's maximum entitlement to receive an STI is 25% of his Base Salary with the key milestones to be achieved by no later than 30 June 2019. Mr Newton was also eligible to receive a long-term incentive subject to shareholder and all other regulatory approvals.

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

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 2020.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
14 May 2019	1 July 2022	1 July 2023	$0.150	$0.0780
14 May 2019	1 July 2022	1 July 2023	$0.180	$0.0690
14 May 2019	1 July 2022	1 July 2023	$0.215	$0.0600

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Sol Lukatsky	3,000,000	14 May 2019	1 July 2022	1 July 2023	$0.150	$0.0780
Sol Lukatsky	3,000,000	14 May 2019	1 July 2022	1 July 2023	$0.180	$0.0690
Sol Lukatsky	3,000,000	14 May 2019	1 July 2022	1 July 2023	$0.215	$0.0600
Mark Dioguardi	3,000,000	14 May 2019	1 July 2022	1 July 2023	$0.150	$0.0780
Mark Dioguardi	3,000,000	14 May 2019	1 July 2022	1 July 2023	$0.180	$0.0690
Mark Dioguardi	3,000,000	14 May 2019	1 July 2022	1 July 2023	$0.215	$0.0600

Options granted carry no dividend or voting rights.

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 2020.

Performance rights
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
12 September 2018	1 July 2021	12 September 2021	-	$0.1692
12 September 2018	1 July 2021	12 September 2021	-	$0.2000
20 November 2018	1 July 2020	20 November 2020	-	$0.1194
20 November 2018	1 July 2020	20 November 2020	-	$0.1600
18 February 2019	1 July 2021	18 February 2022	-	$0.0355
18 February 2019	1 July 2021	18 February 2022	-	$0.1400
22 April 2020	1 July 2022	22 April 2023	-	$0.1084
22 April 2020	1 July 2022	22 April 2023	-	$0.1250

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
Sol Lukatsky	123,530	12 September 2018	1 July 2021	12 September 2021	-	$0.1692
Sol Lukatsky	123,529	12 September 2018	1 July 2021	12 September 2021	-	$0.2000
Donovan Newton	278,654	12 September 2018	1 July 2021	12 September 2021	-	$0.1692
Donovan Newton	278,654	12 September 2018	1 July 2021	12 September 2021	-	$0.2000
Geoff Neate	256,410	20 November 2018	1 July 2020	20 November 2020	-	$0.1194
Geoff Neate	256,410	20 November 2018	1 July 2020	20 November 2020	-	$0.1600
Mark Dioguardi	260,000	18 February 2019	1 July 2021	18 February 2022	-	$0.0355
Mark Dioguardi	260,000	18 February 2019	1 July 2021	18 February 2022	-	$0.1400
Paul Miller	164,634	22 April 2020	1 July 2022	22 April 2023	-	$0.1084
Paul Miller	164,634	22 April 2020	1 July 2022	22 April 2023	-	$0.1250

Performance rights granted carry no dividend or voting rights.

The Performance Rights were issued for $Nil consideration, and the vesting of the rights is contingent on the Company achieving certain hurdles over a two or three year performance period.

The number of Performance Rights which vest is determined by assessing the performance of the Company, as measured by Total Shareholder Return (TSR) at the Performance Date relative to a comparator group of companies. The VWAP of the Shares in the one-month preceding the Performance Date compared to the VWAP of the Shares in the one-month preceding the grant date, will be used in calculating the TSR over the three year period. The TSR incorporate capital returns as well as dividends notionally reinvested and is considered the most appropriate means of measuring the Company’s performance.

The performance hurdles will be split 50% subject to meeting the TSR, and 50% for exceeding the budgeted Return on Invested Capital (ROIC).

For the Performance Rights granted during FY20, 30% of the maximum amount of Performance Rights that may vest are at risk, if appropriate behaviours, as measured by a 360-degree feedback review are not met. An overall 75% of agreed or strongly agreed needs to be achieved in the 360-degree feedback result.

Each year the Board will determine the budgeted ROIC. This budgeted ROIC will be the hurdle return used to calculate the 3 years series return. The Board may exercise its discretion in determining if the rights holder has met the ROIC hurdle at the end of the 3 Years Series Return.

In relation to the 50% portion meeting the TSR, the Performance Rights will only convert to shares subject to the Performance Period being met and subject to the Company's TSR being at least equal to the median of the comparator group performance. The entire annual allocation will convert if the Company's TSR is at the 75th percentile or higher than the comparator group performance. The detailed breakdown of the relationship between the Company's performance and the conversion of Performance Rights is:

- 0% converting if the Company TSR performance is below the median performance of the comparator group.
- Straight line Pro-rata conversion if the Company TSR performance is at or above the median performance of the comparator group, but below the 75th percentile performance of the comparator group.
- 100% converting if the Company TSR performance is at or above the 75th percentile performance of the comparator group.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Number of rights granted during the year 2020	Number of rights granted during the year 2019	Number of rights vested during the year 2020	Number of rights vested during the year 2019
Sol Lukatsky	-	247,059	-	-
Donovan Newton*	-	557,308	-	-
Geoff Neate	-	512,820	-	-
Mark Dioguardi	-	520,000	-	-
Paul Miller	329,268	-	-	-

* Mr Donovan Newton resigned on 30 August 2019. The performance rights issued in 2019 financial year were forfeited.

Additional information

The earnings of the Consolidated Entity for the five years to 30 June 2020 are summarised below:

	2020 $	2019 $	2018 $	2017 $	2016 $
Revenue and other income	34,873,578	17,452,445	16,299,985	11,539,129	8,855,488
Net profit/(loss) before tax	(2,042,398)	(1,009,484)	1,031,166	829,452	(2,858,066)
Net profit/(loss) after tax	(1,514,501)	(823,742)	570,605	468,392	(2,336,065)

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	Balance on the date of appointment	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
James Joughin	2,185,189	-	1,860,266	-	4,045,455
Sol Lukatsky	2,145,633	-	812,122	-	2,957,755
Terence Gray	1,662,676	-	1,412,684	(1,250,000)	1,825,360
Mark Dioguardi	833,333	-	454,545	-	1,287,878
Gregory Ridder	-	200,000	800,000	-	1,000,000
Geoff Neate*	34,616,586	-	-	(34,616,586)	-
Luke Waldren**	108,917	-	-	(108,917)	-
Paul Miller	-	-	121,213	-	121,213
	41,552,334	200,000	5,460,830	(35,975,503)	11,237,661

* Mr Geoff Neate resigned from the Board on 2 September 2019. The balance disclosed in "Disposals/other" column represents his shareholding on the date of resignation.

** Mr Luke Waldren resigned from the Board on 3 July 2019. The balance disclosed in "Disposals/other" column represents his shareholding on the date of resignation.

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
Options over ordinary shares					
Geoff Neate	10,698,786	-	-	(10,698,786)	-
Terence Gray	1,412,684	-	(1,412,684)	-	-
James Joughin	1,250,000	-	(1,250,000)	-	-
Sol Lukatsky	9,000,000	-	-	-	9,000,000
Mark Dioguardi	9,000,000	-	-	-	9,000,000
	31,361,470	-	(2,662,684)	(10,698,786)	18,000,000

* The Board agreed to permit Mr Geoff Neate to trade his Listed Options in the normal blackout paid.

Performance rights holding
The number of performance rights 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	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Geoff Neate	1,282,820	-	(332,084)	(437,916)	512,820
Sol Lukatsky	247,059	-	-	-	247,059
Mark Dioguardi	520,000	-	-	-	520,000
Paul Miller	-	329,268	-	-	329,268
	2,049,879	329,268	(332,084)	(437,916)	1,609,147

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
Unlisted options	1 July 2023	$0.150	6,000,000
Unlisted options	1 July 2023	$0.180	6,000,000
Unlisted options	1 July 2023	$0.215	6,000,000
			18,000,000

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

Grant date	Expiry date	Number under rights
12 September 2018	12 September 2021	247,059
20 November 2018	20 November 2020	512,820
18 February 2019	18 February 2023	520,000
22 April 2020	22 April 2023	653,943
		1,933,822

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

Shares issued on the exercise of options
The following ordinary shares of Spirit Telecom Limited were issued during the year ended 30 June 2020 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
August 2014	$0.196	28,732,256
28 November 2016	$0.190	2,500,000
		31,232,256

Shares issued on the exercise of performance rights
The following ordinary shares of Spirit Telecom Limited were issued during the year ended 30 June 2020 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Conversion price	Number of shares issued
24 November 2016	-	332,084

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.

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
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

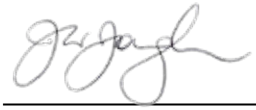
Officers of the Company who are former partners of PKF Melbourne Audit & Assurance Pty Ltd
There are no officers of the Company who are former partners of PKF Melbourne Audit & Assurance Pty Ltd.

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
PKF Melbourne Audit & Assurance Pty Ltd 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



James Joughin
Non-Executive Chairman

17 August 2020

AUDITOR'S INDEPENDENCE DECLARATION

PKF

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

In relation to our audit of the financial report of Spirit Telecom Limited for the year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(b) no contraventions of any applicable code of professional conduct.

PKF
Melbourne, 17 August 2020

Steven Bradby
Partner

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184
Level 12, 440 Collins Street, Melbourne, Victoria 3000
T: +61 3 9679 2222 F: +61 3 9679 2288 www.pkf.com.au

Statement of

PROFIT OR LOSS

and other comprehensive income report

	Note	Consolidated 2020 $	Consolidated 2019 $
Revenue	5	34,428,845	17,365,108
Other income	6	444,733	87,337
Cost of sales		(12,701,210)	(4,556,004)
Expenses			
Depreciation and amortisation expense	7	(3,854,663)	(1,929,333)
Share based payments		(478,651)	(200,523)
Administration		(16,389,757)	(9,439,940)
Business acquisition & integration costs		(639,711)	(236,892)
Selling		(1,590,580)	(832,457)
Marketing		(891,305)	(995,341)
Finance costs	7	(370,099)	(271,439)
Loss before income tax benefit		(2,042,398)	(1,009,484)
Income tax benefit	8	527,897	185,742
Loss after income tax benefit for the year attributable to the owners of Spirit Telecom Limited		(1,514,501)	(823,742)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Adjustment to opening retained earnings on adoption of AASB 15 Revenue from Contract with Customers		-	(202,480)
Other comprehensive income for the year, net of tax		-	(202,480)
Total comprehensive income for the year attributable to the owners of Spirit Telecom Limited		(1,514,501)	(1,026,222)
		Cents	**Cents**
Basic earnings per share	37	(0.42)	(0.32)
Diluted earnings per share	37	(0.42)	(0.29)

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

Statement of

FINANCIAL POSITION

	Note	Consolidated 2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	9	6,400,303	3,376,663
Trade and other receivables	10	4,404,229	456,411
Inventories	11	948,845	998,286
Other	12	843,827	853,551
Total current assets		12,597,204	5,684,911
Non-current assets			
Receivables		234,294	127,697
Property, plant and equipment	13	13,821,495	10,549,758
Right-of-use assets	14	1,562,536	-
Intangibles	15	25,359,870	13,257,188
Deferred tax	16	1,479,155	751,388
Total non-current assets		42,457,350	24,686,031
Total assets		55,054,554	30,370,942
Liabilities			
Current liabilities			
Trade and other payables	17	7,432,048	2,221,767
Borrowings		19,715	1,200,000
Lease liabilities	18	815,866	-
Provisions	19	950,995	349,636
Contingent consideration	33	997,500	-
Total current liabilities		10,216,124	3,771,403
Non-current liabilities			
Borrowings	20	3,267,807	3,000,000
Lease liabilities	21	787,156	-
Provisions	22	165,191	13,959
Contingent consideration	33	997,500	-
Other	23	1,556,692	1,530,924
Total non-current liabilities		6,774,346	4,544,883
Total liabilities		16,990,470	8,316,286
Net assets		38,064,084	22,054,656
Equity			
Issued capital	24	42,852,381	25,511,726
Reserves	25	567,100	475,834
Accumulated losses		(5,355,397)	(3,932,904)
Total equity		38,064,084	22,054,656

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

Statement of

CHANGES IN EQUITY

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2018	18,140,872	275,311	(2,906,682)	15,509,501
Loss after income tax benefit for the year	-	-	(823,742)	(823,742)
Other comprehensive income for the year, net of tax	-	-	(202,480)	(202,480)
Total comprehensive income for the year	-	-	(1,026,222)	(1,026,222)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 24)	7,370,854	-	-	7,370,854
Share-based payments (note 38)	-	200,523	-	200,523
Balance at 30 June 2019	25,511,726	475,834	(3,932,904)	22,054,656

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2019	25,511,726	475,834	(3,932,904)	22,054,656
Loss after income tax benefit for the year	-	-	(1,514,501)	(1,514,501)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,514,501)	(1,514,501)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 24)	14,766,697	-	-	14,766,697
Share-based payments (note 38)	19,996	458,655	-	478,651
Transfers	275,381	(367,389)	92,008	-
Issue of shares to the vendor as part consideration in relation to the Arinda IT acquisition	607,143	-	-	607,143
Issue of shares to the vendor as part consideration in relation to the Phoenix Austec Group acquisition	320,000	-	-	320,000
Issue of shares to the vendor as part consideration in relation to the Cloud Business Technology acquisition	129,500	-	-	129,500
Issue of shares to the vendor as part consideration in relation to the Trident & Neptune Group acquisition	1,221,938	-	-	1,221,938
Balance at 30 June 2020	42,852,381	567,100	(5,355,397)	38,064,084

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

Statement of
CASH FLOWS

	Note	Consolidated 2020 $	2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		41,890,455	20,825,519
Government grants received		991,986	-
Payments to suppliers and employees (inclusive of GST)		(38,856,814)	(18,210,361)
Deposits refunded		82,927	-
Interest received		26,496	59,368
Interest and other finance costs paid		(285,271)	(271,440)
Income taxes paid		(144,559)	(76,259)
Net cash from operating activities	36	3,705,220	2,326,827
Cash flows from investing activities			
Payments for property, plant and equipment		(5,825,783)	(4,208,003)
Payments for intangibles		(1,103,736)	(142,108)
Cash payments to acquire businesses, net of cash acquired	33	(6,778,828)	(3,949,750)
Proceeds from disposal of property, plant and equipment		125,303	5,000
Net cash used in investing activities		(13,583,044)	(8,294,861)
Cash flows from financing activities			
Proceeds from issue of shares	24	15,267,296	5,523,332
Share issue transaction costs		(690,678)	(209,654)
Repayment of borrowings		(932,193)	(600,000)
Repayment of lease liabilities		(742,961)	-
Net cash from financing activities		12,901,464	4,713,678
Net increase/(decrease) in cash and cash equivalents		3,023,640	(1,254,356)
Cash and cash equivalents at the beginning of the financial year		3,376,663	4,631,019
Cash and cash equivalents at the end of the financial year	9	6,400,303	3,376,663

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

Notes to the

FINANCIAL STATEMENTS

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

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 17 August 2020. 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.

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.

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 32.

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 2020 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.

Note 2. Significant accounting policies (continued)

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.

Revenue recognition
Revenue is recognised and measured in accordance with the principles of AASB 15 Revenue from contracts with customers 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.

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Consolidated Entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Recurring revenue
Internet access, equipment rentals, line rentals and managed IT services 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.

Non-recurring revenue
Call charges, hardware sales and set-up charges are recognised in the period in which the services or goods are delivered.

Grants
Grants received on the condition that specified services are delivered, or conditions are fulfilled, are initially recognised as a liability, and revenue is recognised as services are performed or conditions fulfilled. Grants related to assets are presented in the statement of financial position either as deferred income or by deducting the relevant amount in determining the carrying amount of the asset.

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.

Note 2. Significant accounting policies (continued)

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.

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, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

The Consolidated Entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Note 2. Significant accounting policies (continued)

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets
The Consolidated Entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Consolidated Entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

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 unexpired period of the lease or the estimated useful lives of the improvements.

Note 2. Significant accounting policies (continued)

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

Leasehold improvements	7 – 10 years
Plant and equipment*	2 – 10 years
Motor vehicles	4 – 5 years
Furniture and fixtures	2 – 10 years
Right of use assets	1 – 5 years

* Plant and equipment includes network and customer infrastructure.

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.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Consolidated Entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

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 de-recognition 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 on an annual basis. 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.

Note 2. Significant accounting policies (continued)

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 3-5 years.

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

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.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Consolidated Entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Provisions
Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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 at 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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 2. Significant accounting policies (continued)

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

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Note 2. Significant accounting policies (continued)

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business the Consolidated Entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Consolidated Entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

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 mandatorily adopted or available for early adoption
The Consolidated Entity's assessment of the impact of those new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low value assets, right-of-use assets (ROUA) and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact on application

The consolidated entity has adopted AASB 16 using the modified retrospective approach whereby the consolidated entity has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of equity as at 1 July 2019. Accordingly, the consolidated entity has not restated comparative balances in this set of financial statements.

On adoption of AASB 16, the Consolidated Entity recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.27%. The consolidated entity has elected to adopt the modified retrospective approach (with the application of practical expedients), which equates the ‘right-of-use’ asset (ROUA) with the value of the lease liability, therefore there is no requirement to restate either retained earnings or prior period comparatives. The provisions recognised in respect of onerous lease contracts were netted off against the associated right-of-use assets at the date of transition. $1,649,837 of ROUA and lease liability were recognised on adoption.

	Transitional impact at 1 July 2019 $
Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the Group's consolidated financial statements	1,402,181
Additional Right of Use Assets identified on adoption date	247,656
Lease liability recognised at 1 July 2019	1,649,837

Right-of-use assets

Note 2. Significant accounting policies (continued)

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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 various other factors, including expectations of future events management believes to be reasonable under the circumstances. Where relevant, current assessment incorporated a consideration of uncertainties associated with COVID-19. 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.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each company. These assumptions include recent sales experience and historical collection rates.

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 other events. 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 impaired.

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

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.

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.

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.

Business combinations
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed, and consideration payable are initially estimated by the Consolidated Entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 4. Operating segments

Identification of reportable operating segments
The Consolidated Entity is organised into one operating segment, being the provision of IT&T services. This included the provision of Telecommunication services, Cloud services, Managed IT services and Cyber Security services to small and medium size businesses.

Major customers
During the year ended 30 June 2020 there are no individual customers which accounted for 5% or more of sales.

Note 5. Revenue

	Consolidated	
	2020	**2019**
	$	**$**
Sales revenue	34,428,845	17,365,108

Note 5. Revenue (continued)

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 2020 $	Consolidated 2019 $
Major product lines		
Internet and data services	15,695,752	12,708,085
Voice services	4,024,307	3,124,923
Managed services	14,018,114	-
Other	690,672	1,532,100
	34,428,845	17,365,108
Geographical regions		
Australia	34,428,845	17,365,108
Timing of revenue recognition		
Goods transferred at a point in time	10,771,576	723,724
Services transferred over time	23,657,269	16,641,384
	34,428,845	17,365,108

Note 6. Other income

	Consolidated 2020 $	Consolidated 2019 $
Government grants	399,861	37,584
Interest income	26,496	49,753
Profit on sale of assets	1,965	-
Miscellaneous income	16,411	-
Other income	444,733	87,337

Note 7. Expenses

	Consolidated 2020 $	Consolidated 2019 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	4,208	-
Plant and equipment	2,644,601	1,695,091
Motor vehicles	51,964	34,358
Furniture and fixtures	48,921	(29,442)
Total depreciation	2,749,694	1,700,007
Amortisation		
Right-of-use assets	691,471	-
Software and projects	413,498	229,326
Total amortisation	1,104,969	229,326
Total depreciation and amortisation	3,854,663	1,929,333
Finance costs		
Interest and finance charges paid/payable on:		
Borrowings	285,271	271,439
Finance leases	84,828	-
	370,099	271,439
Superannuation expense		
Defined contribution superannuation expense	912,988	472,583
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	10,095,399	4,871,494
Impairment of receivables		
Bad debts*	279,634	80,902

*The Consolidated Entity has recognised a loss of $279,634 in profit or loss in respect of impairment of receivables for the year ended 30 June 2020 (2019: $80,902), which amounts include additions to and releases from the allowance for expected credit losses (Note 10).

Note 8. Income tax benefit

	Consolidated 2020 $	Consolidated 2019 $
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(2,042,398)	(1,009,484)
Tax at the statutory tax rate of 27.5%	(561,659)	(277,608)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Acquisition related	50,261	12,272
Share options and employee shares scheme	131,629	55,144
Other balances and permanent differences	(148,128)	24,450
Income tax benefit	(527,897)	(185,742)

Note 9. Current assets - cash and cash equivalents

	Consolidated 2020 $	Consolidated 2019 $
Cash at bank	6,400,303	3,376,663

Note 10. Current assets - trade and other receivables

	Consolidated 2020 $	Consolidated 2019 $
Trade receivables	4,580,552	522,258
Less: Allowance for expected credit losses	(176,323)	(65,847)
	4,404,229	456,411

Allowance for expected credit losses
The Consolidated Entity retains a provision of $176,323 in respect of impairment of receivables for the year ended 30 June 2020 (2019: $65,847).

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Consolidated 2020 $	Consolidated 2019 $
3 to 6 months overdue	98,428	16,333
Over 6 months overdue	77,895	49,514
	176,323	65,847

Note 10. Current assets - trade and other receivables (continued)

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2020 $	2019 $
Opening balance	65,847	91,862
Additions and releases	110,476	(26,015)
Closing balance	176,323	65,847

Note 11. Current assets - inventories

	Consolidated 2020 $	2019 $
Stock on hand - at cost	1,003,840	998,286
Less: Provision for impairment	(54,995)	-
	948,845	998,286

Note 12. Current assets - other

	Consolidated 2020 $	2019 $
Accrued revenue	244,375	217,058
Prepayments	588,174	636,493
Other current assets	11,278	-
	843,827	853,551

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2020 $	Consolidated 2019 $
Leasehold improvements - at cost	103,195	-
Less: Accumulated depreciation	(80,188)	-
	23,007	-
Plant and equipment - at cost	21,027,471	13,975,194
Less: Accumulated depreciation	(7,538,479)	(4,527,792)
	13,488,992	9,447,402
Motor vehicles - at cost	293,781	141,101
Less: Accumulated depreciation	(232,030)	(56,121)
	61,751	84,980
Furniture & Fixtures at Cost	592,311	301,988
Less: Accumulated depreciation	(353,316)	(68,512)
	238,995	233,476
Work in progress	8,750	783,900
	13,821,495	10,549,758

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 $	Work in progress $	Total $
Balance at 1 July 2018	27	6,074,004	62,338	308,189	-	6,444,558
Additions/transfers	-	3,539,446	-	(124,155)	783,900	4,199,191
Additions through business combinations (note 33)	-	1,529,043	57,000	20,000	-	1,606,043
Disposals	(27)	-	-	-	-	(27)
Depreciation expense	-	(1,695,091)	(34,358)	29,442	-	(1,700,007)
Balance at 30 June 2019	-	9,447,402	84,980	233,476	783,900	10,549,758
Additions/transfers	4,464	6,453,968	16,567	125,934	(775,150)	5,825,783
Additions through business combinations (note 33)	22,751	264,341	35,200	28,506	-	350,798
Disposals	-	(32,118)	(23,032)	(100,000)	-	(155,150)
Depreciation expense	(4,208)	(2,644,601)	(51,964)	(48,921)	-	(2,749,694)
Balance at 30 June 2020	23,007	13,488,992	61,751	238,995	8,750	13,821,495

Note 14. Non-current assets - right-of-use assets

	Consolidated 2020 $	Consolidated 2019 $
Right-of-use assets	2,254,007	-
Less: Accumulated amortisation	(691,471)	-
	1,562,536	-

Note 15. Non-current assets - intangibles

	Consolidated 2020 $	Consolidated 2019 $
Goodwill - at cost	23,974,241	10,557,157
Software	2,125,320	1,021,582
Less: Accumulated amortisation	(739,691)	(326,191)
	1,385,629	695,391
Other intangible assets	-	2,004,640
	25,359,870	13,257,188

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 $	Software & projects at cost $	Indefinite life intangibles at cost $	Total $
Balance at 1 July 2018	6,196,853	770,609	2,003,390	8,970,852
Additions	-	142,108	1,250	143,358
Additions through business combinations (note 33)	4,360,304	12,000	-	4,372,304
Amortisation expense	-	(229,326)	-	(229,326)
Balance at 30 June 2019	10,557,157	695,391	2,004,640	13,257,188
Reclassification	2,004,640	-	(2,004,640)	-
Additions	-	1,103,736	-	1,103,736
Additions through business combinations (note 33)	11,412,444	-	-	11,412,444
Amortisation expense	-	(413,498)	-	(413,498)
Balance at 30 June 2020	23,974,241	1,385,629	-	25,359,870

Goodwill & Intangible Assets with Indefinite Lives
Goodwill and other indefinite life intangibles, including those acquired during the year, have been allocated to a single cash-generating unit (CGU), that being the Consolidated Entity's single reportable operating segment, providing Information Technology and Telecommunications (IT&T) services.

Note 15. Non-current assets - intangibles (continued)

Intangible assets that have indefinite useful lives are tested annually for impairment. The recoverable amount of the CGU to which those indefinite life intangibles are allocated is determined based on value-in-use calculations. These calculations use cash flow projections prepared by Management based on the Board approved financial budget for the 12 months immediately following the reporting date, with earnings beyond the budget period extrapolated through a 5-year outlook utilising annual growth rates based on current and forecast trading conditions and the growth objectives of business plans, and a terminal value growth rate of 3%.

A pre-tax discount rate of 14.0% (2019: 15.7%) has been used in discounting the projected cashflows, based on the Consolidated Entity's weighted average cost of capital adjusted to reflect an estimate of specific risks assumed in the cashflow projections.

The Board has reviewed and is comfortable with the significant assumptions determined by Management and utilised in the value-in-use calculations.

Impairment conclusion

As a result of the impairment testing and evaluation, it has been determined that the carrying value of goodwill and indefinite life intangibles does not exceed their value-in-use, and no impairment charge is required.

Testing the sensitivity of key assumptions

Sensitivity analysis on the key assumptions employed in the value-in-use calculations has been performed by Management. The sensitivities applied were decreasing sales and associated cost of goods sold by 10% throughout the model period (whilst holding operating costs stable), increasing the post-tax discount rate by 2-3% percentage points and reducing the terminal value growth rate by half.

These sensitivity tests did not result in the CGU's carrying amounts exceeding their recoverable amount, giving rise to impairment.

Note 16. Non-current assets - deferred tax

	Consolidated	
	2020	**2019**
	$	**$**
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	318,382	99,989
Expenses deductible in future periods	293,539	138,643
Other provisions/accruals	445,786	225,138
Tax credits from tax losses	421,448	287,618
Deferred tax asset	1,479,155	751,388

Note 17. Current liabilities - trade and other payables

	Consolidated 2020 $	Consolidated 2019 $
Trade payables	4,047,946	1,055,934
Unearned revenue	1,775,442	467,358
GST payable	318,808	80,153
Other payables	1,289,852	618,322
	7,432,048	2,221,767

Refer to note 27 for further information on financial instruments.

Note 18. Current liabilities - lease liabilities

	Consolidated 2020 $	Consolidated 2019 $
Lease liability	815,866	-

Refer to note 27 for further information on financial instruments.

Note 19. Current liabilities - provisions

	Consolidated 2020 $	Consolidated 2019 $
Annual leave	667,944	178,737
Long service leave	249,198	170,899
Provision for income tax	33,853	-
	950,995	349,636

Note 20. Non-current liabilities - borrowings

	Consolidated 2020 $	Consolidated 2019 $
Bank loans	3,267,807	3,000,000

Refer to note 27 for further information on financial instruments.

Note 20. Non-current liabilities - borrowings (continued)

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

	Consolidated 2020 $	2019 $
Bank loans	3,267,807	4,200,000
Hire purchase	19,715	-
	3,287,522	4,200,000

Assets pledged as security
The bank loan of $3,267,807 (2019: $4,200,000) is secured first over the assets and undertakings of Spirit Telecom Limited and its wholly owned subsidiaries.

Note 21. Non-current liabilities - lease liabilities

	Consolidated 2020 $	2019 $
Lease liability	787,156	-

Refer to note 27 for further information on financial instruments.

Note 22. Non-current liabilities - provisions

	Consolidated 2020 $	2019 $
Long service leave	165,191	13,959

Note 23. Non-current liabilities - other

	Consolidated 2020 $	2019 $
Unearned revenue – deferred grant income	1,556,692	1,506,339
Other non-current liabilities	-	24,585
	1,556,692	1,530,924

Note 24. Equity - issued capital

	Consolidated 2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares - fully paid	430,909,320	305,723,988	42,852,381	25,511,726

Note 24. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2018	243,759,535		18,140,872
Shares issued on conversion of vested performance rights	6 July 2018	1,200,600	$0.000	-
Shares issued to incentivise employees	20 November 2018	81,020	$0.247	20,000
Placement	10 April 2019	32,500,000	$0.120	3,900,000
Issue of shares to the vendors as part consideration in relation to the LinkOne Group acquisition	1 May 2019	13,076,923	$0.130	1,700,000
Issue of shares	9 May 2019	8,333,378	$0.120	1,000,005
Placement	9 May 2019	2,500,000	$0.120	300,000
Issue of shares to the vendors as consideration in relation to the Building Connect acquisition	20 May 2019	1,772,533	$0.150	265,880
Issue of shares as part of the additional placement	7 June 2019	833,333	$0.120	100,000
Issue of shares as part of the additional placement	17 June 2019	1,666,666	$0.120	200,000
Costs of capital raising		-	-	(115,031)
Balance	30 June 2019	305,723,988		25,511,726
Exercise of ST1O listed options	4 July 2019	1,508,509	$0.196	296,995
Exercise of ST1O listed options	10 July 2019	13,326,593	$0.196	2,623,740
Issue of shares to the vendor as part consideration in relation to the Arinda IT acquisition	11 July 2019	2,380,952	$0.255	607,143
Exercise of ST1O listed options	16 July 2019	3,233,587	$0.196	636,629
Exercise of unlisted options	17 July 2019	1,250,000	$0.190	237,500
Exercise of ST1O listed options	25 July 2019	742,906	$0.196	146,263
Exercise of ST1O listed options	26 July 2019	158,806	$0.196	31,266
Issue of shares to the vendor as part consideration in relation to the Phoenix Austec Group acquisition	29 July 2019	1,333,333	$0.240	320,000
Exercise of ST1O listed options	2 August 2019	8,137,215	$0.196	1,602,055
Issue of shares pursuant to the underwriting arrangement for ST1O listed options	9 August 2019	1,624,640	$0.196	319,859
Issue of shares to incentivise employees	16 September 2019	88,480	$0.226	19,996
Exercise of unlisted options	22 November 2019	1,250,000	$0.190	237,500
Conversion of vested performance rights	20 December 2019	332,084	-	-
Issue of shares to the vendor as part consideration in relation to the Cloud Business Technology acquisition	3 February 2020	700,000	$0.185	129,500
Issue of shares to the vendor as part consideration in relation to the Trident & Neptune Group acquisition	18 February 2020	5,818,750	$0.210	1,221,938
Issue of Tranche 1 Placement shares	20 April 2020	78,754,022	$0.110	8,662,942
Issue of Tranche 2 Placement shares	1 June 2020	4,545,455	$0.110	500,000
Transfer from option reserve		-	-	275,381
Cost of capital raising		-	-	(528,052)
Balance	30 June 2020	430,909,320		42,852,381

Note 24. Equity - issued capital (continued)

Movements in listed options

Details	Date	Listed options	$
Balance	1 July 2018	28,732,256	-
Balance	30 June 2019	28,732,256	-
Exercise of options	4 July 2019	(1,508,509)	-
Exercise of options	10 July 2019	(13,326,593)	-
Exercise of options	16 July 2019	(3,233,587)	-
Exercise of options	25 July 2019	(742,906)	-
Exercise of options	26 July 2019	(158,806)	-
Exercise of options	2 August 2019	(8,137,215)	-
Exercise of options	9 August 2019	(1,624,640)	-
Balance	30 June 2020	-	-

Movements in unquoted options

Details	Date	Options	$
Balance	1 July 2018	2,500,000	-
Issue of unlisted options	14 May 2019	18,000,000	-
Balance	30 June 2019	20,500,000	-
Exercise of unlisted options	17 July 2019	(1,250,000)	-
Exercise of unlisted options	22 November 2019	(1,250,000)	-
Balance	30 June 2020	18,000,000	-

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.

All issued shares carrying voting rights on a one-for-one basis.

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 Company's current share price at the time of the investment.

Note 24. Equity - issued capital (continued)

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.

The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

Note 25. Equity - reserves

	Consolidated 2020 $	Consolidated 2019 $
Share based payments reserve (Note 38)	560,904	469,638
Capital reserve	6,196	6,196
	567,100	475,834

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Capital reserve $	Share based payments reserve $	Total $
Balance at 1 July 2018	6,196	269,115	275,311
Share based payments expense	-	200,523	200,523
Balance at 30 June 2019	6,196	469,638	475,834
Share based payments expense	-	458,655	458,655
Transfers	-	(367,389)	(367,389)
Balance at 30 June 2020	6,196	560,904	567,100

Note 26. Equity - dividends

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

Note 27. 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 the guidance of 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 business. Finance reports to the Board on a monthly basis.

Note 27. Financial instruments (continued)

Market risk

Foreign currency risk
The Consolidated Entity undertakes minimal transactions denominated in foreign currencies and therefore has nominal exposure to foreign currency risk. Offshore Customer Care, Service delivery and Finance teams are located in Manilla and cost around $11,000 USD per week. Payments are made monthly and conversion is at 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 entire Facility is exposed to variable interest rates. The Consolidated Entity paid $285,271 in interest during the 2020 financial year (2019: $271,439).

As at the reporting date the Consolidated Entity had the following variable rate borrowings BBSY plus 3.6%.

	2020		2019	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Bank loan	4.99%	3,267,807	5.57%	4,200,000
Net exposure to cash flow interest rate risk		3,267,807		4,200,000

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 $3.3m (2019: $4.2m), are interest bearing loans. As announced to the market on 15 April 2020 the debt facility was increased to $10.9m and further amendments were agreed to remove the quarterly amortisation of the principal and amend the Gross Leverage ratio for the life of the facility.

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.

The Consolidated Entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. The credit loss model takes into consideration the industry dynamics and exposures of the customer base.

With regards to trade receivables, amounts older than 90 days owing are reviewed and where appropriate impaired. As at 30 June 2020 $176,323 was recognised as an allowance for impairment and expected credit losses 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 its customers to mitigate risk.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Note 27. Financial instruments (continued)

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.

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.

Consolidated - 2020	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						
Non-interest bearing						
Trade payables	-	4,047,946	-	-	-	4,047,946
Other payables	-	1,289,852	-	-	-	1,289,852
Contingent consideration	-	997,500	997,500	-	-	1,995,000
Interest-bearing - variable						
Bank loan	4.99%	-	3,267,807	-	-	3,267,807
Lease Liability	5.27%	815,866	518,500	268,656	-	1,603,022
Total non-derivatives		7,151,164	4,783,807	268,656	-	12,203,627

Consolidated - 2019	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						
Non-interest bearing						
Trade payables	-	1,055,934	-	-	-	1,055,934
Other payables	-	629,722	-	-	-	629,722
Interest-bearing - variable						
Bank loan	5.57%	1,200,000	3,000,000	-	-	4,200,000
Total non-derivatives		2,885,656	3,000,000	-	-	5,885,656

Fair value of financial instruments

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

Note 28. Key management personnel disclosures

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

Mr James Joughin (Non-Executive Chairman)
Mr Sol Lukatsky (Managing Director) (appointed as Executive Director 21 June 2019, becoming Managing Director on 2 September 2019)
Mr Mark Dioguardi (Executive Director)
Mr Gregory Ridder (Non-Executive Director) (appointed on 21 November 2019)
Ms Inese Kingsmill (Non-Executive Director) (appointed on 1 July 2020)
Mr Terence Gray (Non-Executive Director) (resigned on 7 July 2020)
Mr Geoff Neate (Managing Director) (resigned on 2 September 2019)
Mr Luke Waldren (Non-Executive Director) (resigned 3 July 2019)

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, during the financial year:

Paul Miller (Chief Financial Officer) (appointed on 25 November 2019)
Donovan Newton (Chief Financial Officer) (resigned on 30 August 2019)

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

	Consolidated	
	2020	**2019**
	$	**$**
Short-term employee benefits	1,371,538	1,172,615
Post-employment benefits	105,450	97,261
Long-term benefits	7,884	5,006
Share-based payments	467,371	162,238
	1,952,243	1,437,120

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PKF Melbourne Audit & Assurance Pty Ltd, the auditor of the Company:

	Consolidated	
	2020	**2019**
	$	**$**
Audit services - PKF Melbourne Audit & Assurance Pty Ltd		
Audit or review of the financial statements	90,000	53,000
Other services - PKF Melbourne Audit & Assurance Pty Ltd		
Income tax compliance and consulting services	53,500	21,000
	143,500	74,000

Note 30. Contingent liabilities

There were no contingent liabilities at 30 June 2020 and 30 June 2019.

Note 31. Related party transactions

Parent entity
Spirit Telecom Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 34.

Key management personnel
Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2020	**2019**
	$	**$**
Payment for other expenses:		
Tegis Pty Ltd (a related party of Mr Terence Gray)	-	10,000
Wages paid to Jennifer Neate in relation to casual employment (a related party of Mr Geoff Neate)	6,799	25,002

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

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

Note 32. 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	
	2020	**2019**
	$	**$**
Profit after income tax	94,182	40,254
Total comprehensive income	94,182	40,254

Note 32. Legal parent entity information (continued)

Statement of financial position

	Parent 2020 $	Parent 2019 $
Total current assets	5,114,722	2,625,846
Total assets	48,409,094	27,266,704
Total current liabilities	1,043,875	1,241,898
Total liabilities	6,114,501	2,498,214
Equity		
Issued capital	42,852,381	25,511,726
Reserves (Note 25)	567,100	475,834
Accumulated losses	(1,124,888)	(1,219,070)
Total equity	42,294,593	24,768,490

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The bank loan of $3,267,807 is secured first over the assets and undertakings of Spirit Telecom Limited and its wholly owned subsidiaries.

The parent entity had no other guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

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 33. Business combinations

Acquisition of Arinda IT

Spirit Telecom Ltd acquired 100% of Bigscreensound Pty Ltd, trading as Arinda IT, with effective control on 1 July 2019. The acquisition has been accounted as a Business Combination under AASB 3. Arinda IT was a long-term partner of Spirit's having worked together on mutual customers and the acquisition was undertaken by the Company to expand its product offering and the flagship entry into the Managed Service Provider (MSP) sector

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

	Fair value $
Cash and cash equivalents	163,089
Trade receivables	415,132
Prepayments	128,568
Deposits	12,980
Property, plant and equipment	33,000
Trade and other payables	(354,852)
Provision for income tax	(40,044)
Employee benefits	(66,157)
Unearned revenue	(171,424)
Finance leases	(26,863)
Net assets acquired	93,429
Goodwill	2,732,221
Acquisition-date fair value of the total consideration transferred	2,825,650
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,825,650
Less: shares issued by Company as part of consideration	(607,143)
Net cash used	2,218,507

i. Consideration transferred

Acquisition-related costs amounting to $40,766 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

ii. Identifiable net assets

The fair value of the trade receivables acquired as part of the business combination amounted to $415,132. As of the acquisition date, the Company's best estimate is that all cash will be collected.

iii. Goodwill

Goodwill of $2,732,221 was primarily related to the Company's growth expectations through customer expansion.

The consolidated entity operates as one operating segment and goodwill was allocated to the IT&T 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

Arinda IT's operations were fully absorbed into Spirit Telecom (Australia) Pty Ltd during the course of the 2020 financial year. Accordingly, separate disclosure of revenues and EBITDA directly attributable to this operation as a stand alone entity is not achievable.

Note 33. Business combinations (continued)

Acquisition of Phoenix Austec Group Pty Ltd

Spirit Telecom Ltd acquired 100% of Phoenix Austec Group Pty Ltd, trading as 'Phoenix Austec' (Phoenix), with effective control on 1 July 2019 for upfront consideration of $1.5 million. The acquisition has been accounted as a Business Combination under AASB 3. Phoenix has been operating since 2007 providing Small-Medium Enterprise's (SME) with managed IT support, IT security and consulting services. The acquisition was undertaken by the Company to expand and strengthen Spirit's entry into the Managed Service Provider (MSP) sector for SMEs.

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

	Fair value $
Cash and cash equivalents	170,866
Trade receivables	74,575
Trade and other payables	(218,539)
Provision for income tax	(47,482)
Employee benefits	(67,031)
Net liabilities acquired	(87,611)
Goodwill	1,633,658
Acquisition-date fair value of the total consideration transferred	1,546,047
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,546,047
Less: shares issued by Company as part of consideration	(320,000)
Net cash used	1,226,047

i. Consideration transferred

Acquisition-related costs amounting to $38,772 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

ii. Identifiable net assets

The fair value of the trade receivables acquired as part of the business combination amounted to $74,575. As of the acquisition date, the Company's best estimate is that all cash will be collected.

iii. Goodwill

Goodwill of $1,633,658 was primarily related to the Company's growth expectations through customer expansion. The consolidated entity operates as one operating segment and goodwill was allocated to the IT&T 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

Phoenix's operations were fully absorbed into Spirit Telecom (Australia) Pty Ltd during the course of the 2020 financial year. Accordingly, separate disclosure of revenues and EBITDA directly attributable to this operation as a stand alone entity is not achievable.

Note 33. Business combinations (continued)

Acquisition of Cloud Business Technology
Spirit Telecom Ltd acquired the business assets and liabilities of Cloud Business Technology ("Cloud BT"), with effective control on 1 February 2020. The acquisition has been accounted as a Business Combination under AASB 3. This acquisition provides growth and expansion of Internet, Cloud and managed IT services in the Sydney market.

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

	Fair value $
Employee benefits	(26,013)
Net liabilities acquired	(26,013)
Goodwill	689,500
Acquisition-date fair value of the total consideration transferred	663,487
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	663,487
Less: shares issued by Company as part of consideration	(129,500)
Net cash used	533,987

i. Consideration transferred
Acquisition-related legal costs amounting to $15,277 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

ii. Identifiable net assets
As of the acquisition date, the Company acquired only the employee benefits.

iii. Goodwill
Goodwill of $689,500 was primarily related to the Company’s growth expectations through customer expansion. The consolidated entity operates as one operating segment and goodwill was allocated to the IT&T 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
Cloud BT’s operations were fully absorbed into Spirit Telecom (Australia) Pty Ltd from the date of acquisition. Accordingly, separate disclosure of revenues and EBITDA directly attributable to this operation as a stand alone operation is not achievable.

Note 33. Business combinations (continued)

Acquisition of Trident & Neptune Group

Spirit Telecom Ltd acquired 100% of Trident Computer Services Pty Ltd and Neptune Managed Services Pty Ltd referred to as ("TBG"), with effective control on 1 February 2020. The acquisition has been accounted as a Business Combination under AASB 3. TBG is an established managed IT services and security business. This highly strategic move created a new business division, Trident IT Solutions. Spirit's new division will focus on delivering custom designed cloud-based IT & Internet solutions for high growth verticals such as Schools, Hospitals, Aged Care and Medium sized businesses. These types of clients are moving through a major generational technology change as they migrate to the cloud and require high speed Internet and specialised IT services which Spirit can now provide nationally.

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

	Fair value $
Cash and cash equivalents	103,872
Trade receivables	7,470,324
Other receivables	5,293
Prepayments	64,363
Deposits	45,302
Inventories	900,063
Property, plant and equipment	317,798
Trade and other payables	(7,122,324)
GST payables	(414,016)
Unearned revenue	(619,166)
Provision for income tax	(89,787)
Employee benefits	(544,028)
Net assets acquired	117,694
Goodwill	6,356,440
Acquisition-date fair value of the total consideration transferred	6,474,134
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	6,474,134
Less: contingent consideration	(1,995,000)
Less: shares issued by Company as part of consideration	(1,221,938)
Net cash used	3,257,196

i. Consideration transferred

Acquisition-related legal costs amounting to $58,228 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

ii. Identifiable net assets

The fair value of the trade receivables acquired as part of the business combination amounted to $7,470,324. As of the acquisition date, the Company's best estimate is that all cash will be collected.

iii. Goodwill

Goodwill of $6,356,440 was primarily related to the Company's growth expectations through customer expansion. The consolidated entity operates as one operating segment and goodwill was allocated to the IT&T cash generating unit as at acquisition date. The goodwill that arose from this business combination is not deductible for tax purposes.

Note 33. Business combinations (continued)

iv. Contingent consideration
The acquisition of TBG included a contingent consideration element whereby 30% of the total consideration has been agreed to be applied to an earn-out structure in equal proportion based upon EBITDA performance over a 12 month period ended 30 November 2020 (CY20) and the Financial Year ended 30 June 2021 (FY21).The earnout consideration is to be split in the same proportion of cash (75%) and equity (25%) as the upfront consideration.

The earn-out structure facilitates a scaled achievement of the CY20 and FY21 targets whereby the contingent consideration is payable in a range of 80% - 110% achievement for CY20 and in a range of 90% - 115% achievement for FY21. At the date of acquisition, the Board and management have assessed the likelihood of achieving the relevant EBITDA performance targets at the 100% level for both periods with the CY20 hurdle consideration of $997,500 (classified as current) and the FY21 hurdle consideration of $997,500 (classified as non-current).

v. Contribution to the Consolidated Entity's results
TBG contributed revenues of $9,856,515 to the Consolidated Entity from the date of the acquisition to 30 June 2020. TBG does not receive any allocations of acquisition costs, corporate overhead, listing, finance, or other overhead costs which is all absorbed by Spirit's core operations. Spirit's business growth generates increased revenue opportunities across the entire Spirit network which are also reflected in the revenue performance of TBG.

Acquisition of Voice Print Data Group
Spirit Telecom Ltd acquired 100% of Voice Print Data Group ("VPD"), with effective control on 1 July 2020. VPD becomes the new Wholesale Business arm for Spirit selling a range of Cloud, Internet and Voice services via its channel partners.

The upfront purchase price was of $14.0M settled by a combination of cash & equity being $7.0M cash (gross of a $1M cash retention to allow for any completion adjustments) and $5.8M Spirit shares (equity component adjusted after net debt adjustment on completion). The Share Purchase Agreement includes an earnout component being comprised of Tranches 2 and 3 future payments payable where EBITDA performance exceeds performance targets for FY21 & FY22 with payment at 5x any over-achievement. Total maximum purchase price of up to $27.5M.

The acquisition will be accounted for as a Business Combination under AASB 3.

As at the date of preparation of this financial report the initial accounting of the business combination for the VPD Group is incomplete.

Note 33. Business combinations (continued)

Acquisition of LinkOne Group during the previous financial year
Spirit Telecom Limited acquired 100% of LinkOne Group of companies ("LinkOne") including Anttel Communications Group Pty Ltd, LinkOne Pty Ltd, Ignite Broadband Pty Ltd and Wells Research Pty Ltd, with effective control 1 April 2019. The acquisition has been accounted as a Business Combination under AASB 3. LinkOne is a licensed telecommunications carrier operating a predominantly Fixed Wireless network via 44 points of presence (PoPs), including 25 in Brisbane, 9 in Sydney and 10 in Melbourne. This enabled immediate geographic expansion into the target markets of Brisbane and Sydney with the launch of Spirit's Sky Speed range of B2B data and voice services on the LinkOne network.

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

	Fair value $
Cash and cash equivalents	346,440
Trade receivables	83,652
Inventories	113,481
Other	31,710
Property, plant and equipment	1,390,300
Trade and other payables	(463,559)
Net assets acquired	1,502,024
Goodwill	4,197,976
Acquisition-date fair value of the total consideration transferred	5,700,000
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	5,700,000
Less: cash and cash equivalents	(346,440)
Less: shares issued by Company as part of consideration	(1,700,000)
Net cash used	3,653,560

Goodwill acquired was primarily related to the Company's growth expectations through network and customer expansion. The acquiree's operations were merged with those of Spirit to expand one operating segment and goodwill was allocated to the IT&T cash generating unit as at acquisition date.

LinkOne contributed revenues of $696,956, $286,976 of EBITDA and net profit before tax of $232,686 to the Consolidated Entity from the date of the acquisition to 30 June 2019.

Note 33. Business combinations (continued)

Acquisition of Building Connect Pty Ltd during the previous financial year
Spirit Telecom Limited acquired 100% of Building Connect Pty Ltd, with effective control on 1 April 2019. The acquisition has been accounted as a Business Combination under AASB 3. This acquisition provides significant opportunity for Spirit to expand its fixed wireless network in Sydney, enabling more businesses in Australia's fastest growing economic region of Western Sydney to access its high-speed Sky-Speed Internet range. Building Connect extends Spirit's network across 31 buildings/business parks, servicing 200 business customers and provides immediate geographic expansion into Western Sydney.

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

	Fair value **$**
Cash and cash equivalents	3,957
Trade receivables	9,813
Inventory	4,500
Other	5,246
Property, plant and equipment	215,743
Trade and other payables	(101,587)
Net assets acquired	137,672
Goodwill	162,328
Acquisition-date fair value of the total consideration transferred	300,000
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	300,000
Less: cash and cash equivalents	(3,957)
Less: shares issued by Company as consideration	(300,000)
Net cash received	(3,957)

Goodwill acquired was primarily related to the Company's growth expectations through network and customer expansion. The acquiree's operations were merged with those of Spirit to expand one operating segment and goodwill was allocated to the IT&T cash generating unit as at acquisition date.

Building Connect contributed revenues of $122,730, $42,661 of EBITDA and net profit before tax of $32,750 to the Consolidated Entity from the date of the acquisition to 30 June 2019.

Note 34. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Spirit Telecom (Australia) Pty Ltd	Australia	100%	100%
Phone Name Marketing Australia Pty Ltd	Australia	100%	100%
World Without Wires Pty Ltd	Australia	100%	100%
Anttel Communications Group Pty Ltd	Australia	100%	100%
Ignite Broadband Pty Ltd	Australia	100%	100%
LinkOne Pty Ltd	Australia	100%	100%
Wells Research Pty Ltd	Australia	100%	100%
Building Connect Pty Ltd	Australia	100%	100%
Bigscreensound Pty Ltd, trading as Arinda IT	Australia	100%	-
Phoenix Austec Group Pty Ltd	Australia	100%	-
Trident Computer Services Pty Ltd	Australia	100%	-
Neptune Managed Services Pty Ltd	Australia	100%	-

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

Note 35. Events after the reporting period

The acquisition of the VPD Group was completed on 1 July 2020 and 29,000,000 fully paid ordinary shares were issued (subject to voluntary escrow until 1 July 2021), at a deemed issue price of $0.20 (20 cents) per share. As at the date of preparation of this financial report the initial accounting of the business combination for the VPD Group is incomplete.

Management and the Directors note the dynamic nature of the COVID-19 outbreak and measures taken in response, particularly the Melbourne-wide Stage 4 restrictions and regional Victoria Stage 3 restrictions that took effect from 2 August 2020. Consistent with the Company’s assessment of COVID-19 impacts on the business through the reporting date, at the date of this report, the recent events are not expected to significantly affect Spirit’s business operations.

No other matter or circumstance has arisen since 30 June 2020 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 36. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated 2020 $	Consolidated 2019 $
Loss after income tax benefit for the year	(1,514,501)	(823,742)
Adjustments for:		
Depreciation and amortisation	3,854,663	1,929,333
Net gain on disposal of property, plant and equipment	(1,965)	-
Share-based payments	478,651	200,523
Capital raise fees tax impact	189,937	57,000
Interest and other finance costs included in financing activities	84,828	271,439
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	3,998,012	(57,601)
Decrease/(increase) in inventories	949,503	(582,525)
Increase in deferred tax assets	(727,767)	(271,556)
Decrease/(increase) in prepayments	173,841	(250,899)
Increase/(decrease) in trade and other payables	(3,616,704)	927,989
Increase/(decrease) in employee benefits	(127,951)	42,623
Other	(35,327)	884,243
Net cash from operating activities	3,705,220	2,326,827

Note 37. Earnings per share

	Consolidated 2020 $	Consolidated 2019 $
Loss after income tax attributable to the owners of Spirit Telecom Limited	(1,514,501)	(823,742)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	357,066,698	256,206,001
Adjustments for calculation of diluted earnings per share:		
Dilutive potential ordinary shares	-	31,232,256
Weighted average number of ordinary shares used in calculating diluted earnings per share	357,066,698	287,438,257
	Cents	Cents
Basic earnings per share	(0.42)	(0.32)
Diluted earnings per share	(0.42)	(0.29)

Note 38. Share-based payments

During the financial year ended 30 June 2020, a total of 653,943 performance rights were granted to certain employees which have a 2-year term and are subject to certain performance hurdles being met in order for them to vest which are split 50% subject to meeting the Total Shareholder Return (TSR) and 50% for exceeding the budgeted return on capital.

Note 38. Share-based payments (continued)

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Set out below are summaries of options granted under the Spirit Telecom Long Term Incentive Plan:

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/11/2016	24/11/2019	$0.190	2,500,000	-	(2,500,000)	-	-
14/05/2019	01/07/2023	$0.150	6,000,000	-	-	-	6,000,000
14/05/2019	01/07/2023	$0.180	6,000,000	-	-	-	6,000,000
14/05/2019	01/07/2023	$0.215	6,000,000	-	-	-	6,000,000
			20,500,000	-	(2,500,000)	-	18,000,000
Weighted average exercise price			$0.183	-	$0.190	-	$0.182

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/11/2016	24/11/2019	$0.190	2,500,000	-	-	-	2,500,000
14/05/2019	01/07/2023	$0.150	-	6,000,000	-	-	6,000,000
14/05/2019	01/07/2023	$0.180	-	6,000,000	-	-	6,000,000
14/05/2019	01/07/2023	$0.215	-	6,000,000	-	-	6,000,000
			2,500,000	18,000,000	-	-	20,500,000
Weighted average exercise price			$0.190	$0.182	-	-	$0.183

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2020 Number	2019 Number
24/11/2016	24/11/2019	-	2,500,000
		-	2,500,000

Set out below are summaries of performance rights granted under the plan:

2020

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
24/11/2016	24/11/2019	770,000	-	(332,084)	(437,916)	-
12/09/2018	12/09/2021	1,239,598	-	-	(992,539)	247,059
20/11/2018	20/11/2020	512,820	-	-	-	512,820
18/02/2019	18/02/2023	520,000	-	-	-	520,000
22/04/2020	22/04/2023	-	653,943	-	-	653,943
		3,042,418	653,943	(332,084)	(1,430,455)	1,933,822

Note 38. Share-based payments (continued)

2019

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/11/2016	24/11/2019	1,970,600	-	(1,200,600)	-	770,000
12/09/2018	12/09/2021	-	1,642,798	-	(403,200)	1,239,598
20/11/2018	20/11/2020	-	512,820	-	-	512,820
18/02/2019	18/02/2023	-	520,000	-	-	520,000
		1,970,600	2,675,618	(1,200,600)	(403,200)	3,042,418

Set out below are the performance rights exercisable at the end of the financial year:

Grant date	Expiry date	2020 Number	2019 Number
24/11/2016	24/11/2019	-	770,000
		-	770,000

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
14/05/2019	01/07/2023	$0.165	$0.150	52.50%	-	1.32%	$0.0780
14/05/2019	01/07/2023	$0.165	$0.180	52.50%	-	1.32%	$0.0690
14/05/2019	01/07/2023	$0.165	$0.215	52.50%	-	1.32%	$0.0600

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
12/09/2018	12/09/2021	$0.200	107.94%	-	2.02%	$0.1692
12/09/2018	12/09/2021	$0.200	107.94%	-	2.02%	$0.2000
20/11/2018	20/11/2020	$0.160	70.00%	-	2.04%	$0.1194
20/11/2018	20/11/2020	$0.160	70.00%	-	2.04%	$0.1600
18/02/2019	18/02/2022	$0.145	52.50%	-	1.69%	$0.1400
18/02/2019	18/02/2022	$0.145	52.50%	-	1.69%	$0.0355
22/04/2020	22/04/2023	$0.125	60.00%	-	0.27%	$0.1084
22/04/2020	22/04/2023	$0.125	60.00%	-	0.27%	$0.1250

	Consolidated	
	2020 $	**2019 $**
Share based payments expense reconciliation		
Issue of share options to directors and employees under incentive option scheme	397,353	100,660
Issue of performance rights to directors and employees under performance rights plan	61,302	79,863
Issue of shares to employees	19,996	20,000
Total share-based payments expense reconciliation	478,651	200,523

DIRECTORS' DECLARATION

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 2020 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

17 August 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Spirit Telecom Limited

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

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Spirit Telecom Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2020, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Company and 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.

In our opinion, the financial report of Spirit Telecom Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matter – Business combinations

As described in note 33, the Company entered into agreements to acquire 100% of the equity in Bigscreens Sound Pty Ltd, trading as Arinda IT ('Arinda'), Phoenix Austec Group Pty Ltd ('Phoenix'), Trident Computer Services Pty Ltd ('Trident') and its subsidiary Neptune Managed Services Pty Ltd ('Neptune'). The consolidated entity also acquired the business assets and liabilities of Cloud Business Technology ('CloudBT').

The acquisitions were accounted in accordance with AASB 3 *Business Combinations*.

The acquisition-date fair value of the total consideration transferred in respect of each acquisition amounted to:

- Arinda IT: $2,825,650
- Phoenix: $1,546,047
- Trident and Neptune: $6,474,134
- CloudBT: $663,487

How our audit addressed this matter

Our procedures included, but were not limited to, the following:

- evaluating the consolidated entity's accounting treatment against the requirements of AASB 3, key transaction agreements, our understanding of each business acquired and its industry;
- assessing the methodology applied to recognise the fair value of identifiable assets and liabilities;
- validating inputs of the components of the business combinations to underlying support including settlement contracts;
- assessing Management's determination of the point at which control was gained of each acquiree;
- assessing the calculation of the contingent consideration and its accuracy in accordance with the contractual arrangements and relevant accounting standards;
- reviewing the accounting entries associated with the business combinations; and

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Key audit matter – Business combinations (continued)

Significant judgements were formed by Management in valuing the acquired identifiable assets and allocation to goodwill. Based on this we have considered these business combinations to be a Key Audit Matter.

How our audit addressed this matter (continued)

- reviewing the related financial statement disclosures for the acquisitions for consistency with the relevant financial reporting standards.

Key audit matter – Impairment of goodwill and indefinite life intangibles

As at 30 June 2020, the carrying value of goodwill and indefinite life intangibles was $23,974,241 (2019: $12,561,797), as disclosed in note 15 of the financial report. The accounting policy in respect of these assets is outlined in note 2 *Intangibles*.

An annual impairment test for goodwill and other indefinite life intangibles is required under AASB 136 *Impairment of Assets*. Management's testing has been performed using a discounted cash flow model (Impairment model) to estimate the value-in-use of the Cash Generating Unit (CGU) to which the intangible assets have been allocated.

The evaluation of the recoverable amount requires the consolidated entity to exercise significant judgement in determining key assumptions, which include:

- 5-year cash flow forecast;
- growth rate and terminal growth factor; and
- discount rate.

The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangibles is an area of significant Management estimation and judgement, and a Key Audit Matter.

How our audit addressed this matter

Our procedures included, but were not limited to, assessing and challenging:

- the appropriateness of Management's determination of the CGU to which goodwill and indefinite life intangibles are allocated;
- the application of an indefinite useful life to these intangible assets;
- the reasonableness of the financial year 2021 budget approved by the Directors, comparing to current actual results, and considering trends, strategies and outlooks;
- the testing of inputs used in the impairment model, including the approved budget;
- the determination of the discount rate applied in the impairment model, comparing to available industry data;
- the short to medium term growth rates applied in the forecast cash flow, considering historical results and available industry data;
- the arithmetic accuracy of the impairment model;
- Management's sensitivity analysis around the key drivers of the cash flow projections, to consider the likelihood of such movements occurring sufficient to give rise to an impairment; and
- the appropriateness of the disclosures including those relating to sensitivities in assumptions used in note 15.

Key audit matter – Revenue recognition

The consolidated entity's sales revenue amounted to $34,457,306 during the year (2019: $17,414,861). Note 2 *Revenue Recognition* describes the following accounting policies applicable to distinct revenue streams in accordance with AASB 15 *Revenue from Contracts with Customers:*

- Recurring revenue such as internet access, equipment rentals and line rentals, in addition to installation revenue bundled into underlying contracts, are recognised over the period during which the contracted service provision occurs.
- Non-recurring revenue such as call charges and hardware sales are recognised at the point in time the service is delivered.

In addition, the consolidated entity receives grant revenue which is deferred and recognised as services are performed or conditions fulfilled in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. Unearned revenue is disclosed in notes 17 and 23.

How our audit addressed this matter

Our procedures included, but were not limited to, the following:

- for a sample of contracts across each revenue stream, evaluating the contracts and agreeing revenue amounts to the records accumulated as inputs to the financial statements, including supporting billing systems and bank records; these procedures enabled our assessing the values recorded and the timing of revenue recognition as appropriate to the completion of performance obligations and the timeframe of product delivery or period of service provision;
- assessing the accuracy of revenue cut off and completeness of revenue deferred in accordance with the principles of AASB 15 as of the year-end;
- assessing through analytical review the reasonableness of revenue streams by data analytics and comparison to prior year and budgeted results; and

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Key audit matter – Revenue recognition (continued)	*How our audit addressed this matter (continued)*
The recognition of revenue and associated unearned revenue is considered a Key Audit Matter due to the varied timing of revenue recognition relative to the different revenue streams, consideration of business combinations, and the relative complexity of processes supporting the accounting for each.	• assessing the consistency of the consolidated entity's accounting policies in respect of revenue recognition with the criteria prescribed by AASB 15 and AASB 120.

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the other information and in doing so, we consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors' 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 preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue the auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Spirit Telecom Limited for the year then ended complies with Section 300A of the *Corporations Act 2001*.

PKF
Melbourne, 17 August 2020

Steven Bradby
Partner

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 17 August 2020.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of ordinary shares	% of ordinary shares	Number of holders of unquoted options	Number of unquoted options	% of unquoted options	Number of holders of performance rights	Number of performance rights	% of Performance rights
1 to 1,000	148	21,291	-	-	-	-	-	-	
1,001 to 5,000	493	1,596,090	0.35%	-	-	-	-	-	
5,001 to 10,000	355	2,934,089	0.64%	-	-	-	-	-	
10,001 to 100,000	795	29,419,403	6.40%	-	-	-	-	-	
100,001 and over	227	425,938,447	92.61%	2	18,000,000	100.00%	5	1,933,822	100.00%
	2,018	459,909,320	100.00%	2	18,000,000	100.00%	5	1,933,822	100.00%
Holding less than a marketable parcel	158	33,596	0.01%	-	-	-	-	-	

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	Ordinary shares % of total shares issued
1. CRAZY DIAMOND PTY LTD	51,000,000	11.09
2. MR PETER DIAMOND & MRS DIANA DIAMOND (P & D DIAMOND SUPER FUND A/C)	48,000,000	10.44
3. UBS NOMINEES PTY LTD	44,452,433	9.67
4. CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	26,689,683	5.80
5. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	23,785,939	5.17
6. NATIONAL NOMINEES LIMITED	20,736,328	4.51
7. BRIGGS GROUP CONSULTING PTY LTD (L & C BRIGGS FAMILY A/C)	12,578,750	2.74
7. WADE TECHNOLOGIES PTY LTD (THE WADE FAMILY A/C)	12,578,750	2.74
8. CITICORP NOMINEES PTY LIMITED	12,520,087	2.72
9. MR TODD MAUNDER	6,584,346	1.43
10. THE BENTLEY GROUP (AUST) PTY LTD (MOONRIVER HOLDINGS A/C)	5,818,750	1.27
11. MRS LEORA SHAMGAR	5,500,000	1.20
12. MDJD PTY LTD (MARK DIAMOND SUPER FUND A/C)	5,200,000	1.13
13. CS FOURTH NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 11 A/C)	5,084,005	1.11
14. SEABIRD INVESTMENTS (WA) PTY LTD (THE JA SUPERANNUATION A/C)	5,000,000	1.09
15. BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT DRP)	4,197,022	0.91
16. PENBURY GRANGE PTY LTD (JOUGHIN FAMILY S/F A/C)	4,045,455	0.88
17. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,008,018	0.87
18. THREE ZEBRAS PTY LTD (JUDD FAMILY A/C)	4,000,000	0.87
19. BRISPOT NOMINEES PTY LTD (HOUSE HEAD NOMINEE A/C)	3,509,506	0.76
20. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,363,786	0.73
	308,652,858	67.11

	Number on issue	Number of holders
Unquoted options over ordinary shares on issue	18,000,000	2
Performance rights over ordinary shares on issue	1,933,822	5

The following persons hold 20% or more of unquoted equity securities:

Name	Class	Number held
Solomon Lukatsky	Unquoted options	9,000,000
Mark Dioguardi	Unquoted options	9,000,000
Geoffrey Neate	Unquoted performance rights	512,820
Dioguardi Family Trust	Unquoted performance rights	520,000

Substantial holders in the Company, as disclosed in substantial holding notices given to the Company, are set out below:

	Ordinary shares	
	Number held	% of total shares issued
CRAZY DIAMOND PTY LTD / MR PETER DIAMOND & MRS DIANA DIAMOND	99,000,000	21.53
REGAL FUNDS MANAGEMENT PTY LTD (RFM)	81,508,469	17.72

Voting rights
The voting rights attached to each class of equity security are set out below:

Ordinary shares
All issued shares carrying voting rights on a one-for-one basis.

Unquoted options
There are no voting rights attached to unquoted options.

Performance rights
There are no voting rights attached to performance rights.

There are no other classes of equity securities.

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Ordinary fully paid shares	3 February 2021	700,000
Ordinary fully paid shares	18 February 2021	5,818,750
Ordinary fully paid shares	1 July 2021	29,000,000
		35,518,750

Corporate Governance Statement

Refer to the Company's Corporate Governance statement at: https://spirit.com.au/investor-centre/

CORPORATE DIRECTORY

Directors

James Joughin (Non-Executive Chairman)

Sol Lukatsky (Managing Director)

Mark Dioguardi (Executive Director)

Gregory Ridder (Non-Executive Director)

Inese Kingsmill (Non-Executive Director)

Company secretary

Melanie Leydin

Registered office

Level 4, 100 Albert Road

South Melbourne, Victoria 3205

Phone: 03 9692 7222

Principal place of business

Level 2, 19-25 Raglan Street

South Melbourne, Victoria 3205

Phone: 1300 007 001

Share register

Automic Group

Level 5, 126 Phillip Street

Sydney, New South Wales 2000

Phone: 1300 288 664 (within Australia)

+61 (0) 2 9698 5414 (International)

Auditor

PKF Melbourne Audit & Assurance Pty Ltd

Level 12, 440 Collins Street

Melbourne, Victoria 3000

Stock exchange listing

Spirit Telecom Limited securities are listed

on the Australian Securities Exchange

(ASX code: ST1)

ACN 089 224 402

Website

spirit.com.au

Thanks for reading.

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