Annual Report 2022

Do IT with Spirit

Spirit Technology Solutions

ASX:ST1

Table of Contents

A Letter From

The Chairman

Dear Shareholders,

I'm pleased to present our Annual Report for 2022 – a year that presented numerous challenges for Spirit and carried a theme of transforming the company toward its long-term ambition of being one of Australia's leading providers of modern and secure digital workplaces.

It is acknowledged upfront that the financial outcomes for the year ended 30 June 2022 (FY22) fell well short of our goals. As outlined below and within the Directors' Report, the Board has responded to those shortcomings and implemented restructuring measures to materially improve the forward financial performance of the Group. That noted, the Board remains firm that the vision and ambition are sound and the underlying foundation for success and growth is now in place.

As part of the ongoing evolution of the operating structure, we matured to a more defined segment reporting framework comprising Collaboration and Communication, Cyber Security, and Managed Services. Noting the challenging operating environment in the first half of FY22 (impacted by state lockdowns) the Board is pleased with the ongoing performance of the Collaboration and Communication and Cyber Security divisions. Revenue and earnings growth remain solid reflecting the maturity and stability of the operating structures and teams in those businesses. The financial performance challenges have been constrained to the Managed Services segment, which is the product of numerous factors inclusive of inflationary labour and margin pressures. We also acknowledge that our recent acquisitive growth resulted in a complexity of product offerings, customer sizes, and systems, with these factors placing strain on backend support structures. Management is focused on rectifying these matters to streamline the operations and improve financial outcomes.

Due to the matters facing the Managed Services segment, an impairment expense was booked in FY22 that contributed predominantly to the Net Loss After Tax recorded.

It is important to highlight that significant progress was made on transitioning Spirit to its long-term strategic focus of being a technology solutions provider and with less focus on telecommunications. In this regard, the company divested non-core assets inclusive of its consumer broadband and fixed wireless broadband holdings. This strategy focuses Spirit on sales and an improved customer experience and less on capital intensive infrastructure. Importantly, these asset divestments released $18.5M capital to invest in growth products and transformation.

Spirit is now well placed to help Australian businesses establish the technology required to facilitate remote and hybrid employment options, and unlock the freedom associated with working from anywhere. This positioning is typified by our new modular approach to service delivery that sees the presentation of Spirit's four distinct solution categories under the 'SpiritONE' guide – Workspace, Meet, Connect, and Guardian.

This is business IT solutions made simple and we look forward to seeing our customers embrace this transparent and uncomplicated approach. This fits with Spirit's vision of building long-term business partnerships based on trust and mutually beneficial outcomes.

We enter the new financial year (FY23) a more streamlined and focused company, but also acknowledge we still have significant work to do in 'right-sizing' to realise our full capabilities.

As part of our move to focus on solutions enabled by technology, we were very pleased to appoint Michelle Bendschneider as a Non-Executive Director to the Board. Michelle is an experienced Executive, with an expansive background in building growth businesses in technology and professional services. We were also pleased to welcome Julian Haber to the Board as an Executive Director. Julian is currently CEO of Spirit's Cyber Security business and brings a lens of cyber strategy and growth experience to overlay on the Group.

As Spirit moves to its next phase of strategic positioning and focus on organic growth, the Board was also very pleased to welcome Julian Challingsworth as CEO and Managing Director of the Company on 11 July 2022. Julian is a proven ASX listed CEO, with a strong professional services and corporate finance background and his experience will see a more targeted focus on organic earnings growth.

Finally, I also wish to acknowledge Sol Lukatsky, who led the company through a significant growth phase in our transition from a wireless telco into a full range IT technology solutions provider.

I would like to thank our shareholders for your continued support. There is much to be optimistic about as Spirit continues its drive to be a leading provider of modern and secure digital workplaces to Australian businesses.

James Joughin
Chairman

A Letter From

The Managing Director

Dear Shareholders,

I would first like to acknowledge your support for Spirit during the Financial Year 2022. I began this role 11 July 2022 and am genuinely excited about the opportunity that lies ahead of us.

The year presented unique challenges for companies within our sector. Facing these challenges, the Spirit team has worked with vigour to consolidate acquired brands, pivot toward emerging trends, and capitalise on opportunities presented by the current hybrid workplace movement.

We were not immune to wider financial headwinds during this period, as evidenced by the presentation of our company accounts and addressed in the Chairman's letter. Behind the numbers, our team is extremely passionate about delivering our customers with market leading solutions across the three business units: Collaboration and Communication, Cyber Security and Managed Services. Spirit is becoming a modern workplace market leader, resilience within our team is strong, morale is strengthening, and we are determined to bring our ambitious vision to life.

Moving forward, our long-term success is contingent upon enabling our customers to succeed in adopting new technologies that improve their business performance, making them more successful and resilient to change.

This financial year saw Spirit make some redefining movements. We welcomed a significant volume of new talent into our ranks, with a strong focus on uplifting our capabilities and performance. An industry as dynamic as ours requires constant renewal, and I am driven to ensure that our success in collaboration and communication, and cyber security units will enable us to deliver a fruitful restructure to our managed services arm. This will provide the framework for improved group profitability and deliver a strong foundation that enables us to grow profitability in all our target sectors.

The pandemic era forced many organisations to deeply consider the nature of human endeavour, and more specifically, the way we work. What does a professional role look like today? How will that change in the coming years? How does management keep a geographically dispersed team engaged, focussed, motivated, united, aligned, productive, connected, and secure? What will be the lasting implications to the way humans address their work-life balance? These are some of the questions we consider daily.

We craft our solutions by enabling Spirit customers to address these questions, redefine their organisations and deliver their ambitions in a complex and challenging environment.

In the short-term, we are committed to creating secure, modern digital workplaces that capitalise on cloud-based solutions, collaborative software products, all protected by robust cyber security which is at the core of everything we do. We are moving towards a fully integrated business technology company that can deliver holistic managed IT services to Australian businesses of sufficient growth potential. We are purposefully re-sizing over the next 12 months to focus on more profitable sectors and client groups that are aligned with our capabilities. We have expanded our national reach. We have bolstered the industry accreditations of our people to deliver at scale our key solutions.

We have also reviewed and radically refined our vendor relationships, focusing on a streamlined offering that can ensure we deliver excellence. This was evident in our recent Cisco announcement where we were listed as their number one partner for communication in Asia pacific, China and Japan.

We have sharpened our sales focus. We have simplified our service offerings to deliver simple, scalable, and modular modern workplace solutions. We have enhanced our marketing and communication strategy to drive transparency and accountability to our shareholders. With the combined impact of these improvements just beginning to manifest, I am confident we are now repositioned to reap the rewards of this hard and meaningful work.

If we look forward, the coming workplace revolutions will focus on IoT, process automation, machine learning, and the increasing value of data accumulation and analysis. The business technology world is in a state of constant and necessary change. As a future-oriented company, we aim to be at the forefront of these exciting opportunities and developments. Our team is increasingly light, nimble, and poised to rapidly transition into emerging growth markets and products.

In summary, 2022 path has been beset with rocky patches, but I am confident we have the tools, plan, strategy, skills, team, and vision to successfully navigate the next part of the journey.

I look forward to continued collaboration with my fellow Board and team members as we head boldly into the future.

Thanks again for your ongoing support,

Julian Challingsworth
Chief Executive Officer & Managing Director

The Spirit Group's

Board Members

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 and public companies. 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.

Julian Challingsworth

Chief Executive Officer & Managing Director

Julian is a proven leader of ASX-listed companies, with a strong professional service and corporate finance background. He has extensive experience managing enterprise, government, and critical infrastructure clients. During his most recent appointment as Co-Chief Executive Officer of Tesserent, Julian oversaw a period of significant growth achieved via both acquisition and organic means.

Julian Haber

Executive Director

Julian is a highly regarded leader in cyber security and information technology, having built one of Australia's most reputable cyber security companies, Intalock Technologies, which was acquired by Spirit in December 2020. Intalock provides mission critical services to Australia's largest enterprises. Having a wealth of experience, Julian has been invited to sit on numerous Global and Regional Partner Advisory Boards for some of the world's largest technology companies.

Michelle Bendschneider

Non-Executive Director

Michelle is an experienced executive with an impressive technology and business leadership background that includes stints with IBM, Telstra, and CBA.

She has held multiple senior positions across professional and managed services, consulting, technology innovation, cyber security solutions, cloud services, and digital transformation. Her impressive skill set is an instrumental asset as we transform from a telco into a full business technology solutions provider.

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, also serves on the board of Life Without Barriers and PNG Sustainable Development Program. Greg is experienced in leading businesses in multiple countries, cultures, economic circumstances and market conditions.

The Spirit Group's

Executive Members

Julian Challingsworth

Chief Executive Officer & Managing Director

Julian is a proven leader of ASX-listed companies, with a strong professional service and corporate finance background. He has extensive experience managing enterprise, government, and critical infrastructure clients. During his most recent appointment as Co-Chief Executive Officer of Tesserent, Julian oversaw a period of significant growth achieved via both acquisition and organic means.

Elie Ayoub

Co-CEO Nexgen

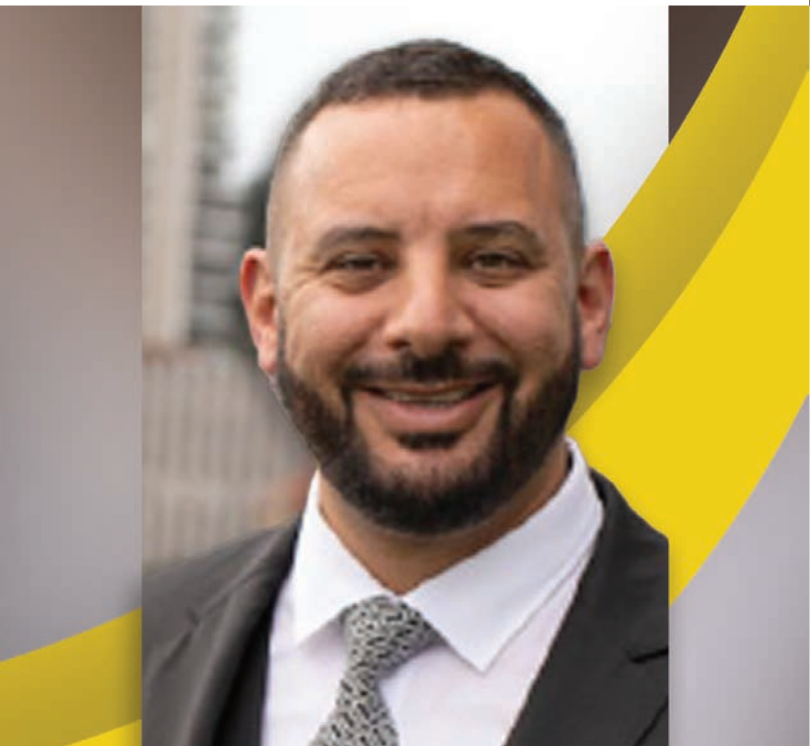
Elie co-founded Nexgen in 2009 and has over 24 years' experience in the communications industry across SMB, residential, corporate and government segments.

Paul Miller
Chief Financial Officer

Paul is a Chartered Accountant with more than 25 years of financial experience. Having commenced his career with PwC in Australia and London, Paul has specialised expertise working in high growth companies.

Julian Haber
CEO Intalock

As the founder of Intalock, Julian has over 20 years' experience in Data Information and is a highly respected cyber security leader.



James Harb
Co-CEO Nexgen

Along with Elie, James co-founded Nexgen in 2009 and has over 20 years' experience in the communications industry.

Mark Dioguardi

Chief Technology & Information Officer

Mark 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 1,350 engineers and managed a USD600mil budget to grow their network.

Zoe Rosenwax

Head of People

Zoe is an experienced people and culture leader, with over 10 years experience leading the HR function for some of Australia's leading businesses.

Previously filling senior positions at BHP, VicTrack, Deloitte and Sportsbet, Zoe holds the reins for Spirit's cultural strategy and is an advocate for creating an inclusive, diverse and enjoyable environment for our staff and customers.


SHANGRI-LA HOTEL
FOUR SEASONS HOTEL

A single technology partner to enable Aussie businesses

The Spirit difference

SpiritONE™

Workspace

Managed services, devices, software & more

Guardian

Cyber security - At the centre of everything

Connect

Fixed wireless, fibre, ethernet & more

Meet

Collaboration tools, voice platforms & more

FY22 has been a pivotal year for Spirit,

We continue to innovate with our partners to deliver value to our customers

2021

Oct

Spirit divests consumer assets for $5.1M

Spirit completes divestment of consumer assets

Nov

Spirit places in the AFR Fast 100

FINANCIAL REVIEW FAST 100 2021

2022

Jan

Largest Varonis deal in Southern Hemisphere

Secures largest Varonis deal in southern hemisphere to date

Intalock Cyber Security VARONIS

Customer expansion with mid market and corporate wins

(Healthcare, Banking and Financial Services, Mining)

Sophos Platinum Partner · aruba Solution Provider Gold Partner · Gold Microsoft Partner · datto Blue Diamond Global Partner Program · veeam Gold propartner · hp

> *Gartner has projected a total Australian IT spend of AU$117.2 billion in 2022 in its latest forecast, increasing by 13.1% from 2021**

https://www.crn.com.au/news/aussie-it-spend-to-grow-13-percent-to-117-billion-in-2022-578444

Apr

Spirit places at Deloitte Technology Fast 50

Technology **Fast 50**
2021 AUSTRALIA
Deloitte.

May

Agrees to sell fixed wireless assets

Sol Lukatsky steps down

Julian Haber interim MD

Jun

Spirit divests fixed wireless network

Spirit completes divestment of fixed wireless assets for up to $21M

Implementation update

Spirit Strategy - implementation update

Jul

New MD and CEO

Appointment of Julian Challingsworth

Cisco deal

Spirit subsidiary announces Cisco deal

Directors' Report

Spirit Technology Solutions Ltd
Directors' report
30 June 2022

The Directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of Spirit Technology Solutions Ltd (referred to hereafter as the 'Company', 'parent entity' or 'Spirit') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors
The following persons were Directors of Spirit Technology Solutions Ltd 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 Julian Challingsworth (Managing Director and Chief Executive Officer - appointed 11 July 2022)
Mr Julian Haber (Executive Director - appointed 1 April 2022) & Interim Managing Director (16 May 2022 to 11 July 2022)
Mr Sol Lukatsky (Managing Director - resigned 2 July 2022)
Mr Gregory Ridder (Non-Executive Director)
Mr Mark Dioguardi (Executive Director - resigned 1 April 2022)
Ms Michelle Bendschneider – (Non-Executive Director - appointed 1 April 2022)
Ms Inese Kingsmill (Non-Executive Director - resigned 30 September 2021)

Principal activities

During the financial year the principal activities of the Consolidated Entity consisted of the provision of Collaboration and Communication services, Cyber Security services and Managed IT services.

Dividends

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

Operating and Financial Review

Entity's operations

The Consolidated Entity continued its evolution to become one of Australia's leading providers of modern and secure digital workplaces with a focus purely on the business-to-business market by providing a complete offering across Telecommunications, Internet, Cloud, IT Managed Services and Cyber Security, backed by service excellence. The Spirit business model offers the full solution for the modern-day business to communicate with its staff and customers whilst also protecting the business' data and infrastructure. The Company remains positioned to capitalise on the ongoing structural changes occurring in the modern workplace in terms of cyber risk, remote worker needs, demand for data, cloud and shortage of IT skills being seen by all markets through its range of technology and IT offerings.

The Company progressed its strategy to divest non-core assets inclusive of its consumer broadband and fixed wireless broadband assets. This strategy focuses Spirit on sales and service and less on capital intensive infrastructure. Importantly these asset divestments released capital back to invest in growth products and transformation.

The financial year to 30 June 2022 ("FY22") represented a very challenging period. The first half of FY22 was dominated by COVID-19 related lockdowns which stretched across Sydney, Melbourne and Brisbane and constrained the ability of the Consolidated Entity to fully execute on required installations across the three capital cities. This represented one of the most difficult markets seen in generations and the resilience of revenue in the first half reflected the strength of the business model in terms of product and geographic diversification. That resilience in revenues however, did not translate into earnings resilience. The Company overall continued to manage with supply chain disruptions and ongoing technology sector labour market challenges in the form of both retention and increased labour costs. The second half of FY22 saw revenues increase relative to the first half by 5% but well below the Company's stated objective. Furthermore, underlying EBITDA* remained under significant pressure and did not recover and grow. These revenue and earnings pressures were largely attributable to the Managed Services (IT&T) business unit with the other two operating divisions exceeding internal expectations.

As a consequence of a change in strategic financial objectives, divestments, internal realignment of business accountabilities and profitability pressures, the Consolidated Entity moved to a more defined segment reporting framework that aligns to the following key operating businesses (as outlined in Note 4 to the Financial Statements):

- Collaboration and Communication offering award-winning voice solutions, data and office technology for small business;
- Cyber security offering specialist cyber managed services and industry leading solutions to corporate and enterprise customers delivered through a 24/7 Security Operations Centre and professional service teams. This capability also enables Spirit to put cyber security at the core of all key market solutions provided across our segments, improving the resilience and security of all our customers;
- Managed Services (IT&T) offering a comprehensive range of managed IT and professional services including end-user, public cloud, infrastructure and networking, data and voice solutions to SMB and mid-market customers.

Review of operations and financial position

The loss for the Consolidated Entity after providing for income tax amounted to $53.166M (30 June 2021: profit $1.157M). Total revenue and other income for the Consolidated Entity for the financial year ended 30 June 2022 was $138.7M (30 June 2021: $104.5M). The following table summarises the key financial metrics for the period:

	2022 $'000	**2021 $'000**	**Change $'000**
Revenue (refer Note 5 to the financial statements)	135,338	102,786	32,552
Other income (refer Note 6 to the financial statements)	3,394	1,683	1,711
Revenue and other income	**138,732**	**104,469**	**34,263**
Earnings before interest, taxes, depreciation & amortisation (EBITDA*)	(46,216)	8,619	(54,835)
Profit on divestment of consumer & fixed wireless assets (refer Note 6 & Note 35 to the financial statements)	(1,823)	-	(1,823)
Acquisition, divestment and integration costs**	2,040	2,100	(60)
Restructuring costs**	1,413	-	1,413
Net fair value loss on remeasurement of contingent consideration on business combinations**	2,747	168	2,579
Impairment of non-current assets**	48,374	-	48,374
Share-based payments**	721	620	101
Underlying EBITDA*	**7,256**	**11,507**	**(4,251)**
(Loss)/profit after income tax benefit/(expense)	**(53,166)**	**1,157**	**(54,323)**

* 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 acquisition, divestment & integration costs, net fair value loss on remeasurement of contingent consideration on business combinations, restructuring costs, impairment of non-current assets and share-based payments. Underlying EBITDA for the year ended 30 June 2022 also excludes gain/(loss) on divestment of consumer and fixed wireless assets. The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

**Refer Statement of profit or loss and other comprehensive income.

Despite growing sales revenue (up 32% on the full year ended 30 June 2021), underlying EBITDA* was down 37%. This was driven by a combination of ongoing scaling investment in the corporate functions combined with challenging cost pressures across the business through needing to maintain staff levels during lockdowns, supply chain delays and inflationary labour and margin pressures. Sales revenue and associated gross margins did not sufficiently compensate for the downside cost impacts.

As detailed in Note 4 of the financial statements, the Managed Services (IT&T) segment struggled to achieve a positive profitability position at an underlying EBITDA* level. The earnings shortfall within this segment was the product of numerous factors over a challenging period. In addition to the cost pressures noted above, the complexity and breadth of product sets, range of customer sizes, vendors and systems (that flowed from a fast-paced acquisition strategy) placed strain on the delivery and backend support structures to enable a streamlined and efficient customer experience. As was highlighted in our interim report for the period to 31 December 2021, Spirit has a well-defined standard operating environment ("SOE") and a history of integrating acquired operations into that SOE. The integration program in FY22 completed its core objective of moving acquired entities into the SOE with consistent platforms and processes to minimise risk and reduce cost. However, acceleration is now required to move from integration to transformation to realise further efficiencies, improve the customer experience and release ongoing synergy savings.

In recognition of the financial performance shortfall in this segment, a strategic review was undertaken with the objective to uplift profitability and cashflow returns over the ensuing 6-12 months. The immediate outcome of that review was acknowledgement that the customer base, and associated supporting overhead structure, needed refinement to concentrate on a more defined target base being mid-market customers where the business can focus on providing secure and connected modern workplace solutions.

Following this review, the Board implemented a restructuring plan that will likely result in an initial reduction in revenue for the Managed Services (IT&T) operating segment over the short to medium term. This revenue reduction will be accompanied by a reduction in operating costs within that operating segment and at the Corporate level. An initial restructuring provision of $1.1M was recognised as at 30 June 2022 to provide for estimated costs associated with employee restructuring costs at the Corporate level. Further once off costs are expected in the financial year to 30 June 2023 as the Managed Services (IT&T) restructuring is executed.

That restructuring program carries both opportunity and risk. Given the historic financial performance, the ongoing medium term inflationary environment and restructuring risks, conservative assumptions were adopted in the value-in-use calculations to assess the recoverable amounts of assets within that cash generating unit (CGU). The outputs from that calculation for the Managed Services (IT&T) CGU resulted in the carrying amount of the underlying assets, which included goodwill, to exceed their recoverable amounts. Accordingly, a non-cash impairment expense of $48.4M was booked in the financial year ended 30 June 2022 (of which $43.1M was directly related to goodwill).

The Board remains of the view that the forward opportunities within this segment to crystalise growth and medium-term earnings stability remains attainable and progress on that improvement will be communicated to all stakeholders through the Company's forward ASX and Half Yearly reporting platforms.

Noting the impact on profitability associated with the Managed Services (IT&T) segment and the Corporate division, the Board is pleased with the financial performance of the other two segments as outlined in Note 4 of the financial statements. The Collaboration and Communication division (Nexgen brand) achieved an underlying EBITDA* for FY22 of $9.9M on a full year sales revenue of $34.98M. Revenue in the first half of FY22 was constrained given the lockdowns at $15.57M relative to H2 FY22 of $19.41M (up 25%). The Cyber Security division (Intalock brand) achieved an underlying EBITDA* for FY22 of $2.4M on a full year sales revenue of $31.4M. Performance was steady throughout the year reflecting the stability of the demand for cyber security related products and services.

Cash inflows from operating activities were $3.6M for the year ended 30 June 2022 (2021: $5.0M). This reflects the cash impact of the forementioned ongoing cost pressures and revenue shortfalls. Cash obligations associated with business acquisitions and capital investment were largely satisfied from the proceeds on divestment of the non-core consumer and fixed wireless assets. Net cash outflows from investing activities were $1.4M (2021: $52.9M). During the financial year the Company drew down net debt from its banking facility of $3M as part of its capital management.

The basic and diluted earnings per share for the financial year ended 30 June 2022 was a loss of 8.08 cents (30 June 2021: profit of 0.21 cents).

The net assets of the Consolidated Entity decreased by $50.3M to $59.4M as at 30 June 2022 (30 June 2021: $109.7M). This decrease primarily reflects the non-cash impairment of non-current assets.

Prospects for future financial years and Business Risks

The Consolidated Entity has evolved significantly over the last two years as it has progressed its transition into a Modern Technology service provider. That evolution has been accelerated through a period of acquisition and organic growth, and more recently through a divestment phase of non-core assets. Spirit is positioned to leverage the solution and product sets it has assembled to drive future organic growth and deliver a solution focused customer experience.

The Company's immediate strategic priorities are improved profitability performance, driving organic growth and increasing positive cash flows from its operations. As part of that focus, there will be ongoing business restructuring within the Managed Services (IT&T) business segment to accelerate that division's more sharpened customer focus. In conjunction the Consolidated Entity needs to maintain its investment in human capital and technology platforms to build a sustainable and profitable business generating long-term shareholder returns.

The evolutionary path of building a scalable and profitable company inherently involves risk. Those risk factors change over time in both nature and weighting. Management and the Board of the Company actively manage risk and apply mitigation strategies (where possible) to reduce the impact of the stated risk on the Company's achievement of its goals. The key forward material business risks that the Company foresees that could impede the achievement of its future operational and financial success at the time of signing the Directors' Report are set out below.

Ongoing Supply Chain Disruption

As a continuing consequence of the COVID-19 pandemic, and other global disruption factors, there remains ongoing supply chain disruption which impacts the ability of the Company to secure product delivery on time and at guaranteed price levels. This remains largely outside the control of the Company and has impacts on revenue recognition alongside gross margin stability. Customer contracts are typically priced and ordered in advance and due to a competitive landscape, the Company may need to absorb any price fluctuations that cannot otherwise be passed through to the customer. Management of this risk involves active communication, planning and forecasting of customer requirements and supply chain management and leverage. Spirit has invested in establishing an experienced procurement team and supply chain systems enhancements.

Labour Market Shortages and Inflationary Pressures

Access to required human capital talent within the Australian employment pool remains a key business risk. The Company operates in a highly competitive industry and requires a mix of skilled professionals to execute its business plan. Spirit, like all companies, is not immune to the ongoing challenges in sourcing and retaining skilled staff in a wage inflationary environment. Mitigation of this risk is largely only possible through immigration and broader opening of international borders.

Spirit has developed strategies to retain its workforce team and will continue to invest in not only employee retention programs but also the enhancement of initiatives to be an employer of choice.

Funding Risk

In recognition of the profitability outcomes in the financial year ended 30 June 2022, the Company is focused on earnings growth alongside managing residual acquisition contingent and deferred consideration obligations over the ensuing 12 months. The Consolidated Entity will continue to require access to external capital in addition to its own operational cash flow generation abilities. The funding strategy includes utilising and sourcing a mix of debt funding, non-core asset divestment funding and shareholder equity. During the year ended 30 June 2022, the Company divested its consumer broadband and fixed wireless broadband assets that collectively returned $18.5M to its balance sheet, net of divestment costs. As at 30 June 2022 the Company had a net debt position of $1.3M and net current liability position of $10M (30 June 2021 net current liability position: $14.8M) which is primarily associated with the residual business acquisition liabilities linked with the acquisitions of Intalock Technologies Pty Ltd ("Intalock") and Nexgen Investment Group Pty Ltd ("Nexgen").

As outlined in Note 34 Business Combinations to the financial statements, the forward contingent consideration payments primarily relate to Nexgen and are based on historic and forward earnings performance against baseline targets for Calendar 2022 and Calendar H1 2023. Any contingent consideration payable is not capped and out performance against those targets will result in additional consideration payable that may be over and above what the Company estimated as at the acquisition date. The earn-out consideration is settled 30% in shares of the Company and 70% in cash. Accordingly, there are funding obligations and funding risks associated with these payments.

Cyber Risks

Cyber related attacks are an inherent risk faced by every organisation and the financial and operational impact that this risk can have on an organisation is very high. Accordingly, as a material business risk it requires constant management and risk mitigation. In December 2020 Spirit acquired Intalock Technologies Pty Ltd. Intalock is one of Australia's leading cyber security services companies and operates a Security Operations Centre providing 24/7 monitoring, technical services and support for enterprise size clients including banks and other similar high risk profile organisations. Intalock also provides internal support services for Spirit. The Consolidated Entity therefore has the internal capability of this division to provide proactive and reactive solutions management of any Cyber related events that present against Spirit and its customer base. Cyber Security services are now a fundamental risk management requirement for any organisation and is a critical defence mechanism for all companies across their IT infrastructure and software layers.

Aspirational Risk

The Consolidated Entity can still be classified as a small company as measured against other companies listed on the ASX. As the Company continues to achieve growth and scale, the potential complexity and degree of risk may also increase in the absence of mitigation strategies. The Company's forward strategic goal is also to accelerate entry into the mid-market customer space. That strategy will increasingly focus on targeting more complex mid-market customers and transactions. To achieve these goals, this process will involve an ongoing investment in people, marketing/branding and systems enhancements.

Spirit had pursued accelerated growth through an acquisition strategy. Acquisitions carry risk in terms of successful execution, integration and achieving pro-forma contributions of the acquired business. It also carries cultural integration risk.

Pandemic and Global Stability Risk

There remains ongoing risk associated with the COVID-19 global pandemic and other international stability risks. At the date of this Directors' Report, local and international markets are in a delicate recovery mode, tempered by inflationary pressures. Given the fluid and unpredictable nature of these external factors there remains ongoing risk that further disruptions may occur that impact the ability of the Consolidated Entity to achieve its stated forward objectives.

Significant changes in the state of affairs

On 9 September 2021, the Consolidated Entity announced the results of earn-out incentives for performance of businesses acquired by the Consolidated Entity.

The total incentive payments in respect of the period ended 30 June 2021 in relation to the acquisitions of Trident Technology Solutions, Altitude IT, Beachhead Group and Reliance IT was $1,940,041 in cash and equity in the amount of $675,721, issued in the Company's fully paid ordinary shares, in accordance with the terms of the respective Share Purchase Agreements for each acquisition.

Additionally, Beachhead Group and Intalock Technologies both had deferred consideration amounts payable which totalled $3,773,164 in cash and an additional $318,785 in shares, in accordance with the terms of the respective Share Purchase Agreements for each acquisition. All payments were factored into Spirit's FY21 contingent and deferred consideration liabilities as recorded in the 30 June 2021 audited accounts.

On 9 September 2021, the Consolidated Entity announced the issue of 4,059,173 fully paid ordinary shares for no cash consideration, of which:

- 1,024,218 fully paid ordinary shares, issued at a fair value price of $0.245 (24.5 cents) per fully paid ordinary share were issued in relation to Target 2 Incentive Shares associated with the Trident acquisition;
- 1,648,142 fully paid ordinary shares at a fair value issue price of $0.245 (24.5 cents) per fully paid ordinary share in relation to deferred consideration and incentive payments to Beachhead Group; and
- 1,386,813 fully paid ordinary shares at a fair value issue price of $0.245 (24.5 cents) per fully paid ordinary share in relation to Incentive payments for Reliance IT and Altitude IT.

On 10 September 2021, the Consolidated Entity issued 49,338 fully paid ordinary shares to Mr Sol Lukatsky (or his nominee) in relation to the exercise of vested performance rights.

On 29 October 2021, the Consolidated Entity announced the completion of the sale of its non-core consumer residential Internet business to Melbourne based broadband and telecommunications provider DGtek Pty Ltd (DGtek) for a cash transaction value of $5.1M. Under the agreement, DGtek acquired the consumer business including the customer base and relevant infrastructure assets.

On 11 January 2022, the Consolidated Entity issued 103,844 fully paid ordinary shares to Mr Mark Dioguardi (or his nominee) in relation to the exercise of vested performance rights.

On 31 January 2022, the Consolidated Entity announced that it was in an exclusive period of due diligence with the preferred buyer of its fixed wireless tower assets after receiving and considering multiple all cash offers.

On 31 March 2022, the Consolidated Entity announced the issue of 8,219,178 fully paid ordinary shares for no cash consideration, issued at a fair value price of $0.145 (14.5 cents) per fully paid ordinary share, as part of the deferred consideration in relation to the Nexgen acquisition. The shares are subject to voluntary escrow until 9 April 2022.

On 7 April 2022, the Consolidated Entity announced the issue of a total of 13,000,000 Performance Rights to Directors and Employees in relation to FY22, pursuant to the terms of the Spirit Employee Incentive Plan. The Performance Rights vest on satisfaction of performance hurdles over a three-year period (being 1 July 2021 to 30 June 2024), expiring 7 April 2025. The Director Performance Rights were approved by shareholders at the Annual General Meeting held on 29 November 2021, pursuant to Resolutions 8 and 9.

On 9 May 2022, the Consolidated Entity announced it had entered into an agreement for the sale of its fixed wireless assets to Maret Infrastructure Pty Ltd for $15M upfront consideration, plus up to $6M in earn-out payments over two years, subject to revenue targets being achieved.

On 16 May 2022, the Consolidated Entity announced that Managing Director, Mr Sol Lukatsky, was stepping down from his role with the agreement of the Board with effect from 2 July 2022. Mr Julian Haber assumed the role of interim Managing Director, whilst a search for a permanent replacement was found.

On 1 June 2022, the Consolidated Entity announced the completion of the sale of its fixed wireless assets to Maret Infrastructure Pty Ltd. The sale had effect from 1 June 2022.

On 30 June 2022, the Consolidated Entity provided an update on steps to progress an acceleration in its financial profitability and cash flow position.

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

On 7 July 2022, the Consolidated Entity announced the appointment of Mr Julian Challingsworth as Managing Director and Chief Executive Officer of the Company, effective 11 July 2022. On 11 July 2022, the Company issued 6,250,000 Performance Rights to Mr Julian Challingsworth (or his nominee) as part of his employment agreement. The Performance Rights vest over a three-year period (1 July 2022 to 30 June 2025) subject to continued employment and satisfaction of a relative Total Shareholder Return (TSR) performance hurdle measured against a comparator group of companies, expiring 30 June 2026.

No other matter or circumstance has arisen since 30 June 2022 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

Refer 'Entity's operations' and 'Prospects for future financial years'.

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 31 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 and public companies. He has wide business experience and has previously held the position of Chair of a private company and is 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:	MyDeal.com.au Ltd (ASX: MYD) Bio-Gene Technology Ltd (ASX:BGT)
Former Directorships (last 3 years):	None
Special responsibilities:	Member, Audit and Risk Committee, Chair, Nomination and Remuneration Committee (Member up to 19 April 2022 and Chair from 20 April 2022)
Interests in shares:	4,764,936 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	Mr Julian Challingsworth
Title:	Managing Director and Chief Executive Officer (appointed 11 July 2022)
Qualifications:	Julian has a Masters of Organisational Consulting from Ashridge Business School (UK), a Graduate Diploma in IT, Swinburne University (Aust) and a Bachelor of Business, Accounting, RMIT (Aust). Julian is a member of Chartered Accountants (CAANZ), Fellow Australian CPA (FCPA) and a Graduate, Australian Institute of Company Directors (GAICD).
Experience and expertise:	Julian has been the Co-Chief Executive Officer of Tesserent, (ASX TNT) Tesserent provides cybersecurity to enterprise, government and critical infrastructure customers. Under Julian's leadership the organisation grew significantly through both acquisitive and organic means. Julian spent 3 years in the role before he resigned and stepped down from his role as Co-Chief Executive in November 2021. Julian joined Tesserent after serving as Managing Director and a Partner of The Litmus Group for over ten years and a board member and Partner of PPB Advisory. In addition to advising over twenty organisations on growth acceleration strategies in Australia, Asia and Europe, Julian was a key driver in growing Litmus in Australia and internationally before it was acquired by PPB Advisory. Julian was a Director of Cordence Worldwide, a global consulting partnership with 2,800 consultants across 60+ locations. Julian worked with the international team to develop sales and growth strategies for the 8 member firms. Julian is a proven ASX listed CEO, with a strong professional services and corporate finance background.
Other current Directorships:	None
Former Directorships (last 3 years):	Tesserent Limited (ASX: TNT)
Interests in shares:	Nil
Interests in options:	Nil
Interests in rights:	6,250,000 Performance Rights

Name:	Mr Julian Haber
Title:	Executive Director (appointed 1 April 2022), Interim Managing Director (16 May 2022 to 11 July 2022)
Qualifications:	Nil
Experience and expertise:	Julian is a highly regarded leader in Cyber Security and Information Technology, having built one of Australia's most reputable Cyber Security companies, Intalock Technologies over the last 11 years which was acquired by Spirit in December 2020. During that time Intalock evolved from being a small start-up to providing mission critical services to Australia's largest enterprises and government departments across Australia, including Whole-of-Government cyber services protecting the G20 Brisbane summit. As CEO of Intalock (Spirit's Cyber business), Julian oversees the strategy and growth of the company ensuring that it continues to innovate and deliver sophisticated cyber security solutions to its managed and professional services customers across varied industries. Previously at Symantec, the world's largest Information Management and Cyber Security company at the time, Julian was responsible for the Public Sector - Queensland, Northern Territory and Pacific Islands. Under his five years of leadership, this region delivered annual revenue growth of over 300% and resulted in some of the largest and most loyal customers in the ANZ region. Having a wealth of experience, Julian has been invited to sit on numerous Global and Regional Partner Advisory Boards for some of the world's largest technology companies.
Other current Directorships:	None
Former Directorships (last 3 years):	None
Interests in shares:	5,693,092 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	Mr Sol Lukatsky
Title:	Managing Director (resigned 2 July 2022)
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 16 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:	3,354,421 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:	2,905,102 Performance Rights (relates to balance retained at cessation on 2 July 2022)

Name:	Mr Mark Dioguardi
Title:	Executive Director (resigned 1 April 2022)
Qualifications:	Master of Business Administration, Bachelor of Engineering Hons
Experience and expertise:	Mr Dioguardi is an experienced CTO and COO with over 26 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 a Non-Executive Director of TimedotCom (a listed Malaysia telecommunications company).
Other current Directorships:	Time Dotcom Bhd (KLSE: TIMECOM)
Former Directorships (last 3 years):	None
Interests in shares:	1,547,972 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:	5,860,018 Performance Rights

Name:	Mr Gregory Ridder
Title:	Non-Executive Director
Qualifications:	BBus (Acc), Grad Dip (Mktg), GAICD, CPA
Experience and expertise:	Mr Ridder is an experienced Non-Executive Director currently serving on the boards of Kogan.com, Life Without Barriers, both of which he chairs, and PNG Sustainable Development Program. Formerly Asia Pacific Regional President at NYSE-listed Owens-Illinois, he led growth and diversification from its traditional Australian base through numerous joint ventures and acquisitions.
Other current Directorships:	Chairman, Kogan.com (ASX: KGN)
Former Directorships (last 3 years):	None
Special responsibilities:	Chair, Audit and Risk Committee from 15 July 2020 Member, Nomination and Remuneration Committee from 15 July 2020
Interests in shares:	1,750,000 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	Ms Michelle Bendschneider
Title:	Non-Executive Director (appointed 1 April 2022)
Qualifications:	Bachelor of Information Technology and GAICD
Experience and expertise:	Michelle is an experienced Executive, with an expansive background in building growth businesses in the Technology, Professional Services and Telecommunications sectors. During her career at IBM, Michelle held multiple Senior Executive roles in Technology services including consulting, professional services, and managed services. At Telstra, she successfully led the formation of a professional services business spanning cutting edge network services, cyber security solutions, collaboration solutions, Cloud services and IoT solutions, through a series of acquisitions and organic growth. Michelle went on to run the Product Group for Telstra Enterprise, where she led the strategy to transition and modernise legacy product portfolios to embrace Software Defined Networking, Cloud Services & Technologies, Cyber Security, IoT and Digital transformation capabilities. At CBA, Michelle led the delivery of technology enabled Security and Privacy solutions, addressing significant areas of risk for the organisation. Michelle is currently the Chief Operating Officer at PaperCut Software, an innovative Australian software company with global presence, with a remit to help steer the company towards growth and transformation.
Other current Directorships:	None
Former Directorships (last 3 years):	None
Special responsibilities:	Member, Nomination and Remuneration Committee from 1 April 2022 Member, Audit and Risk Committee from 1 April 2022
Interests in shares:	Nil
Interests in options:	Nil
Interests in rights:	Nil

Name:	Ms Inese Kingsmill
Title:	Non-Executive Director (resigned 30 September 2021)
Qualifications:	B. Bus in Marketing, MAICD
Experience and expertise:	Over the course of a career spanning 26 years, Inese has earned a reputation as a growth focussed and customer orientated business leader, with leadership experience across a broad spectrum of accountabilities at Microsoft, Telstra and Virgin Australia. Inese has been involved with and led major transformations across a range of scenarios including enterprise wide business restructuring, culture change, digital transformations, customer experience and design, brand re-launches and re-positioning as well as developing fit for purpose operating models. In addition to the Company Directorships detailed below, Inese is also a Director of WorkVentures Ltd and a member of the Advisory Board of Waltzing Matilda Aviation.
Other current Directorships:	Non-Executive Director, Rhipe Limited (ASX: RHP) Non-Executive Director, hipages Group Holdings Limited (ASX: HPG) Non-Executive Director, NobleOak Life Limited (ASX: NOL)
Former Directorships (last 3 years):	None
Special responsibilities:	Chair, Nomination and Remuneration Committee from 15 July 2020 to 30 September 2021 Member, Audit and Risk Committee from 15 July 2020 to 30 September 2021
Interests in shares:	187,500 fully paid ordinary shares (as at date of cessation on 30 September 2021)
Interests in options:	Nil
Interests in rights:	Nil

'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

Ms Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of Chartered Accountants Australia New Zealand, 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 (now part of Vistra). 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.

Ms Leydin has over 26 years' experience in the accounting profession and over 16 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 2022, 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	12	12	8	8	2	2
Mr Julian Haber*	3	3	-	-	-	-
Mr Sol Lukatsky	10	10	-	-	-	-
Mr Mark Dioguardi**	9	9	-	-	-	-
Mr Gregory Ridder	12	12	8	8	2	2
Ms Michelle Bendschneider***	3	3	1	1	-	-
Ms Inese Kingsmill****	3	3	6	6	1	1

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

* Mr Julian Haber was appointed to the Board effective 1 April 2022.
** Mr Mark Dioguardi resigned from the Board effective 1 April 2022.
*** Ms Michelle Bendschneider was appointed to the Board effective 1 April 2022.
**** Ms Inese Kingsmill resigned from the Board effective 30 September 2021.

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 has 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 annual Non-Executive Director Chairman fees are $120,000 per annum, which took effect from 1 July 2021.

The annual Non-Executive Director member fees are $75,000 per annum, which took effect from 1 July 2021.

The annual Chair Fee for the Chair of the Audit and Risk Committee and Nomination and Remuneration Committee are $10,000 per annum, which took effect from 1 July 2021. Committee members do not currently receive any additional fees.

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 annual general meeting of the Company held on 13 October 2020, which is presently $500,000. 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 proposed 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.

Use of remuneration consultants
The Company engages the services of independent and specialist remuneration consultants from time to time to benchmark the remuneration of Directors and Key Management Personnel, and to assist the Company in ensuring that its remuneration arrangements remain competitive. During the year ended 30 June 2022, the Company engaged a specialist remuneration consultant, SLM Corporate for remuneration benchmarking purposes (2022: $31,350; 2021: $11,000).

Consolidated Entity performance and link to remuneration
Currently, the Consolidated Entity assesses its performance from achievement of operational goals and shareholder value. The performance measures for both the Company’s Short-term Incentive Plan (STI Plan) and Long Term Incentive Plan (LTI Plan) are tailored to align at-risk remuneration and performance hurdle thresholds to the delivery of the Consolidated Entity’s operational and financial objectives and sustained shareholder value growth.

This is achieved through certain executives being entitled to both short-term and long-term incentives. The STI Plan primarily incorporates operational and financial performance objectives into its hurdles. The LTI Plan generally incorporates into its performance measures both a Relative Total Shareholder Return (Relative TSR) and Absolute Total Shareholder Return (Absolute TSR) hurdles.

The LTI Plan is part of the Company's remuneration strategy and is designed to align the interests of management and shareholders (Total Shareholder Return measurement) and assist the Company to attract, motivate and retain executives. In particular, the LTI Plan is designed to provide relevant directors and key employees with an incentive to remain with Spirit and contribute to the future performance of the Group over the long term. Further details on the LTI Plan are presented in Share Based Compensation of this Directors' report.

Voting and comments made at the Company's 29 November 2021 Annual General Meeting ('AGM')
At the 29 November 2021 AGM, 95.16% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. 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 the Chief Financial Officer of Spirit Technology Solutions Ltd:

- James Joughin, Non-Executive Chairman
- Sol Lukatsky, Managing Director (resigned 2 July 2022)
- Julian Haber, Executive Director (appointed 1 April 2022) & Interim Managing Director (16 May 2022 to 11 July 2022)
- Gregory Ridder, Non-Executive Director
- Michelle Bendschneider, Non-Executive Director (appointed 1 April 2022)
- Mark Dioguardi, Executive Director (resigned 1 April 2022)
- Inese Kingsmill, Non-Executive Director (resigned 30 September 2021)
- Paul Miller, Chief Financial Officer

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

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2022	$	$	$	$	$	$	$
Non-Executive Directors:							
James Joughin	110,856	-	-	11,085	-	-	121,941
Gregory Ridder	85,000	-	-	-	-	-	85,000
Michelle Bendschneider*	17,045	-	-	1,705	-	-	18,750
Inese Kingsmill**	21,250	-	-	-	-	-	21,250
Executive Directors:							
Julian Haber***	172,532	-	-	17,253	3,929	-	193,714
Sol Lukatsky****+	378,461	35,000	-	57,821	26,942	272,239	770,463
Mark Dioguardi#+	330,000	55,989	-	47,844	15,051	336,812	785,696
Other Key Management Personnel:							
Paul Miller+	291,250	37,500	-	39,688	6,407	54,017	428,862
	1,406,394	128,489	-	175,396	52,329	663,068	2,425,676

* Ms Michelle Bendschneider was appointed to the Board effective 1 April 2022.
** Ms Inese Kingsmill resigned from the Board effective 30 September 2021.
*** Mr Julian Haber was appointed to the Board effective 1 April 2022. The remuneration disclosed represents his remuneration for the period 1 July 2021 to 30 June 2022. The amounts he received pre-1 April 2022 in his capacity as CEO of Intalock Technologies Pty Ltd was $118,740 and post 1 April 2022 in his capacity as Executive Director was $74,974.
**** Mr Sol Lukatsky resigned from the Board on 2 July 2022.
# Mr Mark Dioguardi resigned from the Board on 1 April 2022. The amounts he received pre-1 April 2022 in his capacity as Executive Director was $540,739 and post 1 April 2022 in his capacity as Chief Technology Officer was $244,957.
+ Mr Lukatsky, Mr Dioguardi and Mr Miller were awarded cash bonuses in respect of their FY22 performance, determined and paid in FY23. In addition to statutory superannuation on base salary and the FY22 cash bonus, the superannuation for Mr Lukatsky, Mr Dioguardi and Mr Miller also includes statutory superannuation on the FY21 cash bonus.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2021	$	$	$	$	$	$	$
Non-Executive Directors:							
James Joughin	81,815	-	-	8,181	-	-	89,996
Terence Gray*	1,249	-	-	-	-	-	1,249
Gregory Ridder	66,250	-	-	-	-	-	66,250
Inese Kingsmill**	66,250	-	-	-	-	-	66,250
Executive Directors:							
Sol Lukatsky***	381,538	163,000	-	47,154	14,766	341,092	947,550
Mark Dioguardi***	330,000	89,650	-	33,000	7,016	299,022	758,688
Other Key Management Personnel:							
Paul Miller***	241,667	66,250	-	24,167	2,541	20,069	354,694
	1,168,769	318,900	-	112,502	24,323	660,183	2,284,677

* Mr Terence Gray resigned from the Board on 7 July 2020.
** Ms Inese Kingsmill was appointed to the Board effective 1 July 2020.
*** Mr Lukatsky, Mr Dioguardi and Mr Miller were awarded cash bonuses in respect of their FY21 performance, determined and paid in FY22.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Non-Executive Directors:						
James Joughin	100%	100%	-	-	-	-
Terence Gray	-	100%	-	-	-	-
Gregory Ridder	100%	100%	-	-	-	-
Michelle Bendschneider*	100%	-	-	-	-	-
Inese Kingsmill**	100%	100%	-	-	-	-
Executive Directors:						
Julian Haber ***	100%	-	-	-	-	-
Sol Lukatsky****	60%	47%	5%	17%	35%	36%
Mark Dioguardi#	50%	49%	7%	12%	43%	39%
Other Key Management Personnel:						
Paul Miller	78%	76%	9%	19%	13%	5%

* Ms Michelle Bendschneider was appointed to the Board effective 1 April 2022.
** Ms Inese Kingsmill resigned from the Board effective 30 September 2021.
*** Mr Julian Haber was appointed to the Board effective 1 April 2022.
**** Mr Sol Lukatsky resigned from the Board on 2 July 2022.
# Mr Mark Dioguardi resigned from the Board on 1 April 2022.

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:	Julian Challingsworth
Title:	Managing Director (appointed 11 July 2022)
Agreement commenced:	11 July 2022
Term of agreement:	No fixed term. Ongoing until terminated by either party with three months written notice.
Details:	Effective 11 July 2022, fixed remuneration of $400,000 per annum, plus statutory superannuation. Mr Challingsworth will be entitled to a potential short-term incentive (STI) of up to $100,000 per annum, representing 25% of his base remuneration. The STI is subject to achievement of Key Performance Indicators (KPIs) to be determined from time to time by the Board. On commencement, Mr Challingsworth will receive an initial long-term incentive (LTI) grant of 6,250,000 Performance Rights, vesting over a three-year period (1 July 2022 to 30 June 2025) subject to continued employment and satisfaction of a relative Total Shareholder Return performance hurdles measured against a comparator group of companies. After the initial LTI detailed above for FY2023, from FY2024 Mr. Challingsworth will be entitled to an annual allocation of Performance Rights pursuant to the terms of the Company's Employee Incentive Plan (EIP). An LTI entitlement of 75% of Annual Base Salary can be paid to him from FY2024. Subject to shareholder approval, the LTI will be granted on an annual basis from FY2024, and vesting will be contingent on the achievement of specific performance hurdles. Mr. Challingsworth has agreed to purchase at least $75,000 each year of shares. He must ensure that he complies with the terms of the Securities Trading Policy before doing so. The Company also intends to offer to implement a Loan Share Plan and offer Mr. Challingsworth $380,000 each year to purchase shares on the terms to be finalised in good faith and subject to shareholder approval which is intended to be sought in November 2022.

Name:	Julian Haber
Title:	Executive Director (appointed 1 April 2022) Interim Managing Director (16 May 2022 to 11 July 2022)
Agreement commenced:	16 May 2022
Term of agreement:	No fixed term. Ongoing until terminated by either party with three months written notice.
Details:	As Chief Executive Officer of Intalock Technologies Pty Ltd, fixed remuneration of $137,662 per annum, plus statutory superannuation. Effective 16 May 2022, Mr. Haber was appointed as Interim Managing Director pending a permanent replacement. He held this position until 11 July 2022 when Mr. Julian Challingsworth was appointed in that role. During this period Mr. Haber's fixed remuneration increased to $400,000 per annum, plus statutory superannuation. In the 2023 financial year, Mr. Haber will be entitled to a potential short-term incentive (STI) of up to $200,000 per annum (pro-rated from the commencement date of Mr. Haber's Interim Managing Director role to its conclusion), representing 50% of his base remuneration. No long-term incentive (LTI) will be awarded given the interim nature of the role.

Name:	Sol Lukatsky
Title:	Managing Director (resigned 2 July 2022)
Agreement commenced:	23 April 2018; terms revised on 27 July 2020
Term of agreement:	4 years and termination provisions will be a period of 12 weeks' notice by the employee and 26 weeks' notice by the Company or payment in lieu of notice.
Details:	Effective 1 July 2020, fixed remuneration of $400,000 per annum, plus statutory superannuation. Mr Lukatsky will be entitled to a potential short-term incentive (STI) of up to $200,000, representing 50% of his base remuneration. Mr Lukatsky was also entitled to a long-term incentive (LTI) of up to $200,000, representing 50% of his base remuneration (excluding superannuation), which was approved by shareholders at the Annual General Meeting held on 13 October 2020. In the 2022 financial year, Mr Lukatsky was issued an LTI in the form of 6,000,000 Performance Rights, vesting on satisfaction of performance hurdles, over a three-year performance period commencing on 1 July 2021 and ending on 30 June 2024.

Name:	Mr Mark Dioguardi
Title:	Executive Director (resigned 1 April 2022) and Chief Technology 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 statutory superannuation. In the 2022 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). Mr Dioguardi was also entitled to a long-term incentive (LTI) of up to $110,000, representing 33.3% of his base remuneration (excluding superannuation) which was approved by shareholders at the Annual General Meeting held on 13 October 2020. In the 2022 financial year, Mr Dioguardi was issued an LTI in the form of 5,000,000 Performance Rights, vesting on satisfaction of performance hurdles, over a three-year performance period commencing on 1 July 2021 and ending on 30 June 2024.

Name:	Mr Paul Miller
Title:	Chief Financial Officer
Agreement commenced:	25 November 2019, terms revised on 1 October 2021
Term of agreement:	No fixed term. Ongoing until terminated by either party with three months written notice.
Details:	Effective 1 October 2021, fixed remuneration of $300,000 per annum, plus statutory superannuation. In 2022 financial year Mr Miller is entitled to a potential short-term incentive (STI) of up to $75,000, representing 25% of his base remuneration (excluding superannuation). In the 2022 financial year, Mr Miller was issued an LTI in the form of 1,500,000 Performance Rights, vesting on satisfaction of performance hurdles, over a three-year performance period commencing on 1 July 2021 and ending on 30 June 2024.

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 2022.

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 2022.

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
22 April 2020	1 July 2022	22 April 2023	$0.00	$0.1084
22 April 2020	1 July 2022	22 April 2023	$0.00	$0.1250
13 October 2020	30 June 2023	12 November 2023	$0.00	$0.3417
13 October 2020	1 July 2023	12 November 2023	$0.30	$0.3661
13 October 2020	30 June 2023	12 November 2023	$0.00	$0.3700
11 June 2021	30 June 2023	11 June 2024	$0.00	$0.1815
11 June 2021	30 June 2023	11 June 2024	$0.00	$0.2800
29 November 2021	30 June 2024	7 April 2025	$0.33	$0.0970
29 November 2021	30 June 2024	7 April 2025	$0.00	$0.0540
11 March 2022	30 June 2024	7 April 2025	$0.33	$0.0720
11 March 2022	30 June 2024	7 April 2025	$0.00	$0.0160

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
Paul Miller	164,634	22 April 2020	1 July 2022	22 April 2023	$0.00	$0.1084
Paul Miller	164,634	22 April 2020	1 July 2022	22 April 2023	$0.00	$0.1250
Sol Lukatsky	457,457	13 October 2020	30 June 2023	12 November 2023	$0.00	$0.3417
Sol Lukatsky	457,456	13 October 2020	1 July 2023	12 November 2023	$0.30	$0.3661
Sol Lukatsky	457,456	13 October 2020	30 June 2023	12 November 2023	$0.00	$0.3700
Mark Dioguardi	251,601	13 October 2020	30 June 2023	12 November 2023	$0.00	$0.3417
Mark Dioguardi	356,816	13 October 2020	1 July 2023	12 November 2023	$0.30	$0.3661
Mark Dioguardi	251,601	13 October 2020	30 June 2023	12 November 2023	$0.00	$0.3700
Paul Miller	154,391	11 June 2021	30 June 2023	11 June 2024	$0.00	$0.1815
Paul Miller	154,392	11 June 2021	30 June 2023	11 June 2024	$0.00	$0.2800
Sol Lukatsky	3,000,000	29 November 2021	30 June 2024	7 April 2025	$0.33	$0.0970
Sol Lukatsky	3,000,000	29 November 2021	30 June 2024	7 April 2025	$0.00	$0.0540
Mark Dioguardi	2,500,000	29 November 2021	30 June 2024	7 April 2025	$0.33	$0.0970
Mark Dioguardi	2,500,000	29 November 2021	30 June 2024	7 April 2025	$0.00	$0.0540
Paul Miller	750,000	11 March 2022	30 June 2024	7 April 2025	$0.33	$0.0720
Paul Miller	750,000	11 March 2022	30 June 2024	7 April 2025	$0.00	$0.0160

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 three-year performance period, and in some cases share price performance hurdles.

The performance hurdles for 2022 are based on the Company's TSR performance.

Relative TSR

(a) 50% of the Performance Rights that are subject to the Relative TSR performance hurdle will be eligible to vest and become exercisable into Shares, assuming the relevant performance hurdles are met, at the end of year 2, and the balance at the end of year 3 (with the opportunity for a catch up at the end of year 3 if the milestones are not met at the end of the second year but are met at the end of the third year).

The Relative TSR would only be achieved subject to a minimum share price of $0.33 (33 cents). The vesting schedule would be as set out below:

- If the TSR is at the 50th percentile of the peer group, 65% of the rights will vest;
- If the TSR is at the 90th percentile of the peer group, 100% of the rights will vest; and
- If the TSR is between the 50th and 90th percentile, a pro rata number of rights will vest.

Measurement

The number of Performance Rights which vest is determined by assessing the performance of the Company, as measured by TSR relative to a comparator group of companies. The VWAP of the Shares in the one-month preceding the Performance Dates compared to the VWAP of the Shares in the one month preceding the commencement of the Performance Period, will be used in calculating TSR over the Performance Dates. The TSR incorporates capital returns as well as dividends notionally reinvested and is considered the most appropriate means of measuring the Company's performance.

Absolute TSR

(b) 50% of the Performance Rights that are subject to the Absolute TSR performance hurdle will be eligible to vest and become exercisable into Shares, assuming the relevant performance hurdles are met, at the end of year 2, and the balance at the end of year 3 (with the opportunity for a catch up at the end of year 3 if the milestones are not met at the end of the second year but are met at the end of the third year). The portion of Performance Rights that are subject to the Absolute TSR will only vest and become exercisable into Shares as per the vesting schedule set out below:

- 50% at 33 cents
- 100% at 40 cents
- The difference between 50% and 100% based on a sliding scale between 33 cents and 40 cents.

Measurement

The number of Performance Rights which vest is determined by assessing the Share price performance of the Company. The VWAP of the Shares in the one-month preceding the Performance Dates will be used in calculating Share price performance over the Performance Dates.

The Nomination and Remuneration Committee will test performance against the Performance Hurdles to determine whether the Performance Rights are eligible to vest shortly after the end of Performance Dates.

If the Performance Hurdles are not satisfied by the end of the Performance Period, the Performance Rights will lapse unless the Nomination and Remuneration Committee exercises its discretion to waive the Performance Hurdle in whole or in part.

For the Performance Rights granted during FY20 and FY21, 30% of the maximum amount of Performance Rights that may vest are at risk, if appropriate behaviors, 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. At the Annual General Meeting held on 29 November 2021, the Board sought to change the terms of previously issued Performance Rights to remove the Return on Invested Capital (ROIC) vesting condition and replace it with the TSR performance hurdles as outlined above. The Board considered that the previous ROIC hurdle was no longer fit for purpose or relevant to the Company, as the cost of capital on which the ROIC was based has changed significantly over the years, and establishing the appropriate capital base for the determination of ROIC is challenging considering the business strategy has changed.

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 2022 are set out below:

Name	**Number of rights granted during the year 2022**	**Number of rights granted during the year 2021**	**Number of rights vested during the year 2022**	**Number of rights vested during the year 2021**
Sol Lukatsky*	6,000,000	1,372,369	49,338	-
Mark Dioguardi	5,000,000	860,018	103,844	-
Paul Miller	1,500,000	308,783	-	-

* The balance of these performance rights that remain as at the date of this report is 2,009,124 as a result of the pro-rata lapse of Mr Lukatsky's Performance Rights on his cessation on 2 July 2022.

Additional information
The earnings of the Consolidated Entity for the five years to 30 June 2022 are summarised below:

	2022 $'000	**2021 $'000**	**2020 $'000**	**2019 $'000**	**2018 $'000**
Revenue and other income	138,732	104,469	34,874	17,452	16,300
Net (loss)/profit before tax	(55,041)	1,345	(2,043)	(1,009)	1,031
Net (loss)/profit after tax	(53,166)	1,157	(1,515)	(824)	571
Share price	$0.053	$0.26	$0.24	$0.26	$0.245

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	4,353,736	-	411,200	-	4,764,936
Julian Haber*	-	5,693,092	-	-	5,693,092
Sol Lukatsky	3,252,583	-	101,838	-	3,354,421
Mark Dioguardi**	1,444,128	-	103,844	-	1,547,972
Gregory Ridder	1,650,000	-	100,000	-	1,750,000
Michelle Bendschneider***	-	-	-	-	-
Inese Kingsmill****	187,500	-	-	(187,500)	-
Paul Miller	196,127	-	-	-	196,127
	11,084,074	5,693,092	716,882	(187,500)	17,306,548

* Mr Julian Haber was appointed to the Board effective 1 April 2022. Upon appointment, Mr Haber held 5,693,092 shares in the Company.

** Mr Mark Dioguardi resigned from the Board on 1 April 2022. He remains a key management personnel.

*** Ms Michelle Bendschneider was appointed to the Board effective 1 April 2022. Upon appointment, Ms Bendschneider had no shareholding in the Company.

**** Ms Inese Kingsmill resigned from the Board effective 30 September 2021. The balance disclosed in "Disposals/other" column represents her 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					
Sol Lukatsky	9,000,000	-	-	-	9,000,000
Mark Dioguardi	9,000,000	-	-	-	9,000,000
	18,000,000	-	-	-	18,000,000

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/ exercised	Expired/ forfeited/ other	Balance at the end of the year
Performance Rights over ordinary shares					
Sol Lukatsky*	1,619,428	6,000,000	(49,338)	(197,721)	7,372,369
Mark Dioguardi**	1,380,018	5,000,000	(103,844)	(416,156)	5,860,018
Paul Miller	638,051	1,500,000	-	-	2,138,051
	3,637,497	12,500,000	(153,182)	(613,877)	15,370,438

* Mr Sol Lukatsky resigned from the Board on 2 July 2022. Following his departure 4,467,267 performance rights were forfeited, leaving 2,905,102 retained subject to the terms of the applicable employee incentive plan. This was determined based on the proportion of the vesting period that Mr. Lukatsky was an employee up to his cessation date.

** Mr Mark Dioguardi resigned from the Board on 1 April 2022. He remains a key management personnel.

This concludes the Remuneration Report, which has been audited.

Shares under option

Unissued ordinary shares of Spirit Technology Solutions Ltd 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 Technology Solutions Ltd under Performance Rights at the date of this report are as follows:

Grant date	Expiry date	Number under rights
22 April 2020	22 April 2023	653,943
13 October 2020	12 November 2023	1,755,996
11 June 2021	11 June 2024	620,685
29 November 2021	7 April 2025	7,009,124
11 March 2022	7 April 2025	2,000,000
11 July 2022	30 June 2026	6,250,000
		18,289,748

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
There were no ordinary shares of Spirit Technology Solutions Ltd issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Shares issued on the exercise of Performance Rights
The following ordinary shares of Spirit Technology Solutions Ltd were issued during the year ended 30 June 2022 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
12 September 2018	$0.00	49,338
18 February 2019	$0.00	103,844

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 30 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 30 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.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest ‘000 dollars, or in certain cases, the nearest dollar.

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

24 August 2022

Auditor's Independence Declaration

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SPIRIT TECHNOLOGY SOLUTIONS LTD

In relation to our audit of the financial report of Spirit Technology Solutions Ltd for the year ended 30 June 2022, 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, 24 August 2022

Steven Bradby
Partner

Statement of Profit or Loss and Other Comprehensive Income

Spirit Technology Solutions Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	2021 $'000
Revenue	5	135,338	102,786
Other income	6	3,394	1,683
Cost of sales		(67,523)	(51,220)
Expenses			
Employee benefits expense		(47,923)	(31,550)
Share-based payments	40	(721)	(620)
Administration and corporate expenses		(11,309)	(7,498)
Acquisition, divestment and integration costs		(2,040)	(2,100)
Restructuring costs		(1,413)	-
Selling		(1,199)	(1,163)
Marketing		(1,699)	(1,531)
Net fair value loss on remeasurement of financial liabilities		(2,747)	(168)
Impairment of non-current assets	7	(48,374)	-
Depreciation and amortisation expense	7	(7,655)	(6,666)
Finance costs	7	(1,170)	(608)
(Loss)/profit before income tax benefit/(expense)		(55,041)	1,345
Income tax benefit/(expense)	8	1,875	(188)
(Loss)/profit after income tax benefit/(expense) for the year attributable to the owners of Spirit Technology Solutions Ltd		(53,166)	1,157
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/income for the year attributable to the owners of Spirit Technology Solutions Ltd		(53,166)	1,157

		Cents	Cents
Earnings per share for (loss)/profit attributable to the owners of Spirit Technology Solutions Ltd			
Basic earnings per share	39	(8.08)	0.21
Diluted earnings per share	39	(8.08)	0.21

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

Statement of Financial Position

Spirit Technology Solutions Ltd
Statement of financial position
As at 30 June 2022

	Note	Consolidated 2022	Consolidated 2021 (Restated)
Assets		**$'000**	**$'000**
Current assets			
Cash and cash equivalents	9	11,733	8,493
Trade and other receivables	10	11,575	12,784
Inventories	11	4,281	2,577
Contract assets	13	1,222	143
Other assets	12	4,342	4,130
Total current assets		33,153	28,127
Non-current assets			
Contract assets	13	2,893	1,544
Property, plant and equipment	14	1,415	13,895
Assets held for sale		-	1,301
Right-of-use assets	15	2,577	3,891
Intangible assets	16	78,859	124,561
Deferred tax	17	4,086	2,619
Other assets	12	528	1,375
Total non-current assets		90,358	149,186
Total assets		123,511	177,313
Liabilities			
Current liabilities			
Trade and other payables	18	16,705	16,142
Lease liabilities	19	1,661	2,004
Provisions	20	4,510	3,444
Unearned revenue	24	6,028	3,655
Deferred consideration	21	2,611	15,327
Contingent consideration	34	11,660	2,399
Total current liabilities		43,175	42,971
Non-current liabilities			
Borrowings	22	13,000	10,000
Lease liabilities	19	1,369	2,016
Deferred tax	23	5,544	5,870
Provisions	20	583	352
Unearned revenue	24	422	2,823
Contingent consideration	34	-	3,603
Total non-current liabilities		20,918	24,664
Total liabilities		64,093	67,635
Net assets		**59,418**	**109,678**
Equity			
Issued capital	25	114,874	112,689
Reserves	26	1,826	1,187
Accumulated losses		(57,282)	(4,198)
Total equity		**59,418**	**109,678**

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

Statement of Changes in Equity

Spirit Technology Solutions Ltd
Statement of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021	112,689	1,187	(4,198)	109,678
Loss after income tax benefit for the year	-	-	(53,166)	(53,166)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(53,166)	(53,166)
Transactions with owners in their capacity as owners:				
Share-based payments (Note 40)	-	721	-	721
Transfers	-	(82)	82	-
Issue of shares to the vendor as part of the earnout consideration in relation to the Trident acquisition	251	-	-	251
Issue of shares to the vendor as part of the earnout consideration in relation to the Altitude IT acquisition	77	-	-	77
Issue of shares to the vendor as part of the earnout consideration in relation to the Beachhead acquisition	404	-	-	404
Issue of shares to the vendor as part of the earnout consideration in relation to the Reliance IT acquisition	262	-	-	262
Issue of shares to vendor as part of deferred consideration in relation to the Nexgen acquisition	1,191	-	-	1,191
Balance at 30 June 2022	114,874	1,826	(57,282)	59,418

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

Spirit Technology Solutions Ltd
Statement of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020	42,852	567	(5,355)	38,064
Profit after income tax expense for the year	-	-	1,157	1,157
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,157	1,157
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (Note 25)	44,835	-	-	44,835
Share-based payments (Note 40)	-	620	-	620
Issue of shares to the vendor as part consideration in relation to the VPD Group acquisition	7,250	-	-	7,250
Issue of shares to the vendor as part consideration in relation to the Ancore Pty Ltd acquisition	573	-	-	573
Issue of shares to the vendor as part consideration in relation to the Beachhead acquisition	624	-	-	624
Issue of shares to the vendor as part consideration in relation to the Reliance IT acquisition	1,660	-	-	1,660
Issue of shares to the vendor as part consideration in relation to the Intalock acquisition	2,457	-	-	2,457
Issue of shares to the vendor as part consideration in relation to the Nexgen acquisition	12,164	-	-	12,164
Issue of shares to vendor on achievement of earnout milestone (Trident Group)	274	-	-	274
Balance at 30 June 2021	112,689	1,187	(4,198)	109,678

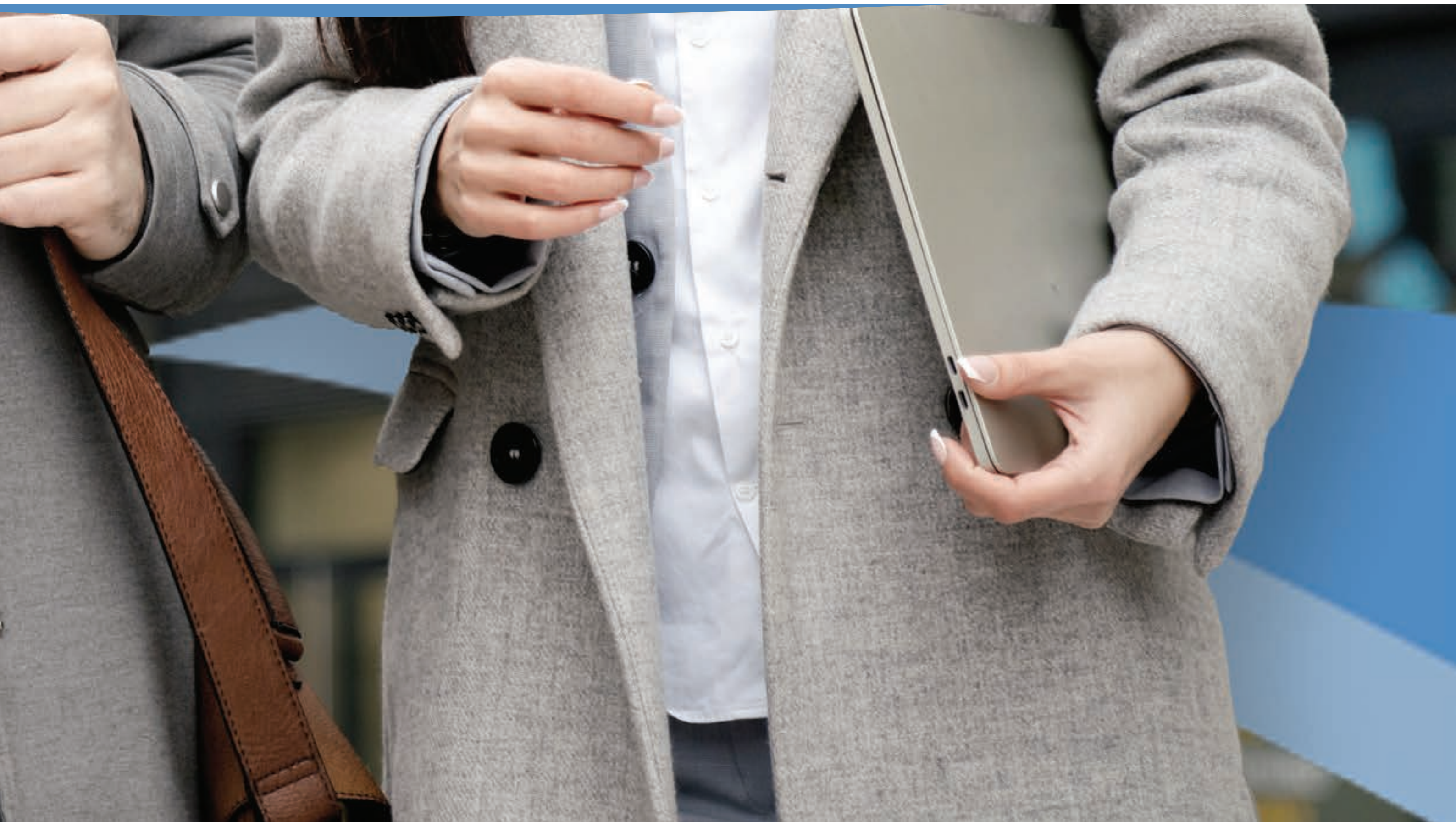
The above statement of changes in equity should be read in conjunction with the accompanying notes

Statement of Cash Flows

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		151,085	110,058
Government grants received		1,184	83
Payments to suppliers and employees (inclusive of GST)		(147,815)	(104,528)
Deposits refunded/(placed)		136	(100)
Interest received		-	3
Interest and other finance costs paid		(980)	(471)
Income taxes paid		-	-
Net cash from operating activities	38	3,610	5,045
Cash flows from investing activities			
Payments for property, plant and equipment	14	(3,004)	(3,482)
Payments for intangibles	16	(1,373)	(1,581)
Cash payments to acquire businesses, net of cash acquired	34	(14,128)	(45,798)
Acquired income tax liabilities paid		(427)	(481)
Business acquisition, divestment and integration costs		(967)	(2,100)
Proceeds from disposal of assets & right of use		18,536	541
Net cash used in investing activities		(1,363)	(52,901)
Cash flows from financing activities			
Proceeds from issue of shares	25	-	47,042
Share issue transaction costs		-	(2,207)
Proceeds from borrowings		21,000	9,732
Repayment of borrowings		(18,000)	(3,000)
Repayment of lease liabilities		(2,007)	(1,618)
Net cash from financing activities		993	49,949
Net increase in cash and cash equivalents		3,240	2,093
Cash and cash equivalents at the beginning of the financial year		8,493	6,400
Cash and cash equivalents at the end of the financial year	9	11,733	8,493

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

Spirit Technology Solutions Ltd 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 24 August 2022. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

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

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

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

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Note 2. Significant accounting policies (continued)

Going concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Consolidated Entity has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Consolidated Entity has a net current liability position as at 30 June 2022 of $10.022M (30 June 2021 net current liability position: $14.844M). This financial position needs to be considered noting the following key factors:

- Current liabilities includes deferred and contingent consideration payable of $14.3M. The estimated cash component of this consideration totals $11.7M. The balance is to be settled in equity. The Consolidated Entity has available cash and debt facilities to settle these cash liabilities.
- Current liabilities includes unearned revenue of $6M. This liability unwinds to revenue rather than being a cash settled liability.
- The Consolidated Entity can access required capital within its banking facilities to meet it projected forward cash flow commitments.
- The Consolidated Entity remains confident that it has the ability to request additional support from existing shareholders if financial assistance is required.

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 33.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Spirit Technology Solutions Ltd ('Company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Spirit Technology Solutions Ltd 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.

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 ('CODMs'). The CODMs are responsible for the allocation of resources to operating segments and assessing their performance. Refer Note 4 Operating segments.

Note 2. Significant accounting policies (continued)

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, managed IT and security 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 and software 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.

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.

Note 2. Significant accounting policies (continued)

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 which is applied at the operating segment level. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

Note 2. Significant accounting policies (continued)

Contract assets
Contract assets are recognised when the Consolidated Entity has transferred goods or services to the customer but where the Consolidated Entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

The contract assets relate to costs incurred to both obtain or fulfil a contract with a customer. Costs typically included sales commissions, customer contract buy-out costs and costs related directly to fulfilling a customer contract such as direct labour. The contract assets are amortised to cost of sales over the average contract life which is assessed to be in the range of 3 - 4 years. There are management judgements required in assessing both the types of costs capitalised and amortisation periods as outlined.

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

Non-current assets or disposal groups classified as held for sale
Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

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, its 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.

Note 2. Significant accounting policies (continued)

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.

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	3 – 5 years
Plant and equipment*	2 – 7 years
Motor vehicles	4 – 5 years
Furniture and fixtures	3 – 7 years
Right of use assets	1 – 5 years

* Plant and equipment disclosed in the financial year ended 30 June 2021 included 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.

Note 2. Significant accounting policies (continued)

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 Directors' assessment of the recoverable amount of the cash-generating unit (CGU). 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.

Intellectual property
Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 7 years.

Brand names
Acquired brand names are stated at cost less any impairment.

Brand names are subject to impairment testing on an annual basis. Impairment losses are calculated based on the Directors' assessment of the CGU's. 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 CGU include the carrying amount of brand names relating to the business sold.

Customer relationships
Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

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.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or CGU to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a CGU.

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.

Note 2. Significant accounting policies (continued)

Employee benefits

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

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

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured 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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Spirit Technology Solutions Ltd, 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.

Basic and diluted earnings per share from operations has been presented in the statement of profit or loss and other comprehensive income. Basic and diluted earnings is presented in Note 39 to the financial statements.

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.

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.

Disclosure of prior period errors
In accounting for the acquisition of Nexgen Australia Group Pty Ltd (“Nexgen"), with effective control on 1 April 2021 (refer Note 34), brand names, customer relationships and other intangible assets were separately identified, however there was no related deferred tax liability recognised reflecting the assets’ recovery through use in the Consolidated Entity’s operations, generating taxable income or capital gain. Accordingly, adjustment has currently been made to the impacted comparative balances as summarised below, to reflect the corrections:

Balance sheet (extract)	**30 June 2021 $'000**	**Increase/ (Decrease) $'000**	**30 June 2021 (Restated) $'000**
Intangible assets (Note 16)	119,403	5,158	124,561
Deferred tax liability (Note 23)	(712)	(5,158)	(5,870)
Net Assets	109,678	-	109,678

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest ’000 dollars, or in certain cases, the nearest dollar.

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. 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.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Consolidated Entity operates.

Revenue recognition
The Consolidated Entity's contracts are recognised as and when performance obligations are met. Identifying performance obligations, allocating the transaction price to performance obligations, and determining the timing of revenue recognition of these contracts at times requires the application of judgement due to the complexity and nature of the customer arrangements. The assumptions made in the estimates are based on the information available to Management at the reporting date. A change in the estimated stage of completion could have an impact on the timing of the revenue recognition. Refer to Note 2 for further information on revenue recognition.

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 customer. 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.

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 each CGU 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.

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

Deferred and contingent consideration
The deferred and contingent consideration liabilities are the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The Consolidated Entity applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, a deferred and contingent consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

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 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.

Allocation of goodwill to divested assets
As detailed in Note 35, the Consolidated Entity divested a range of non-core assets during the financial year ended 30 June 2022. AASB 136 requires that the goodwill that has been allocated to the cash generating unit (CGU) is included in the determination of the associated gain or loss on disposal of those assets. For that purpose, the standard requires that the amount to be included is measured on the basis of the relative values of the assets disposed of and the portion of the CGU retained, unless the entity can demonstrate that some other method better reflects the goodwill associated with the assets disposed of. The standard refers to the ‘relative values’ of the parts without specifying how these are to be calculated. This therefore, requires the application of judgment and that judgment assessment is outlined in Note 35 for each of the divested asset groups.

Note 4. Operating segments

Identification of reportable operating segments

The Consolidated Entity’s business model has evolved significantly over the last two years as a consequence of an aggressive acquisition path associated with a realignment of the strategic direction and vision for the Group. This strategic realignment has seen the divestment of assets no longer considered core to that forward strategic goal alongside the merger of individual business units into a more clearly defined go-to-market divisional structure.

Up until June 2022 (following the fixed wireless divestment and change in Board composition), the Chief Operating Decision Makers (‘CODM’s’) were focused on revenue product line growth and allocating resources to those product lines. Reporting had been targeted at product sets, customer types (B2B & B2C) and revenue derived from the transfer of goods and services over time and at a point in time. Alongside this revenue focus, the Consolidated Entity was still managing through a series of acquisition earn-out arrangements and maintaining separation at an individual entity level to facilitate earn-out reporting. Consequently, the Consolidated Entity was organised into one operating segment, being the provision of IT&T services.

During the course of the second half of financial year 2022, the CODM attention shifted from a revenue product growth focus to an earnings and profitability focus combined with a further refinement of the long-term strategic vision to be one of Australia’s leading providers of secure modern workplaces. That change, combined with the completion of a range of earnout structures, collapsing of historic standalone entities into a ‘standard operating environment’ and appointment of dedicated ‘segment Chief Executive Officers’ (responsible for financial performance), alongside the non-core divestments and restructuring initiatives focused on profitability, saw the CODM operating and reporting structure redefined into three operating segments being:

Note 4. Operating segments (continued)

- Collaboration and Communication offering award-winning voice solutions, data and office technology for small business;
- Cyber security offering specialist cyber managed services and industry leading solutions to corporate and enterprise customers delivered through a 24/7 Security Operations Centre and professional service teams. This capability also enables Spirit to put cyber security at the core of all key market solutions provided across our segments, improving the resilience and security of all our customers;
- Managed Services (IT&T) offering a comprehensive range of managed IT and professional services including end-user, public cloud, infrastructure and networking, data and voice solutions to SMB and mid-market customers.

The CODMs review these segments on an underlying basis down to the underlying (loss)/profit before income tax expense level. Underlying adjustments are reported on a consolidated group basis but attributed to the segments for disclosure purposes.

	Collaboration & Communication	Cyber Security	Managed Services (IT&T)	Corporate	Total
	$'000	$'000	$'000	$'000	$'000
Revenue					
End customer revenue	34,982	30,899	69,457	-	135,338
Intercompany revenue	-	498	158	(656)	-
	34,982	**31,397**	**69,615**	**(656)**	**135,338**
Underlying earnings before interest, taxes, depreciation & amortisation*	**9,885**	**2,432**	**(2,154)**	**(2,907)**	**7,256**
Depreciation and amortisation expense	(1,238)	(447)	(4,776)	-	(6,461)
Finance costs	(61)	(26)	(103)	(980)	(1,170)
Underlying net (loss)/profit before income tax**	**8,586**	**1,959**	**(7,033)**	**(3,887)**	**(375)**
Underlying Adjustments:					
Share based payments	-	-	-	(721)	(721)
Profit on divestment of consumer & fixed wireless assets	-	-	1,823	-	1,823
Acquisition, divestment & integration costs	-	-	-	(2,040)	(2,040)
Restructuring costs	-	-	(275)	(1,138)	(1,413)
Net fair value loss on remeasurement of contingent consideration on business combinations	-	-	-	(2,747)	(2,747)
Impairment of non-current assets	-	-	(48,374)	-	(48,374)
Amortisation of customer relationships	(1,194)	-	-	-	(1,194)
(Loss)/profit before income tax benefit	**7,392**	**1,959**	**(53,859)**	**(10,533)**	**(55,041)**
Income tax benefit					1,875
(Loss) after income tax benefit					**(53,166)**

* 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 acquisition, divestment & integration costs, net fair value loss on remeasurement of contingent consideration on business combinations, restructuring costs, impairment of non-current assets and share-based payments. Underlying EBITDA for the year ended 30 June 2022 also excludes gain/(loss) on divestment of consumer and fixed wireless assets.
** Underlying net (loss)/profit before tax adjusts Underlying EBITDA to deduct depreciation & amortisation (excluding amortisation of customer relationships) and finance costs.
*** The Underlying EBITDA segment results include recharges for a range of costs (such as insurance, IT systems and Group cyber programmes) that the segments may not have incurred on a standalone basis.

Note 4. Operating segments (continued)

	Collaboration & Communication $'000	Cyber Security $'000	Managed Services (IT&T) $'000	Corporate $'000	Total $'000
Total assets	72,938	27,186	17,805	5,582	123,511
Total liabilities	(11,316)	(7,541)	(19,549)	(25,687)	(64,093)
Net assets	**61,622**	**19,645**	**(1,744)**	**(20,105)**	**59,418**

Comparatives
As outlined above, the CODMs historically managed the Company as a single operating segment. The provision of comparative information at the single operating segment for the year ended 30 June 2021 matches the reported comparatives contained within the financial statements. The disaggregation of these comparative numbers into the revised segments is not available and impractical to generate on a reliable basis.

Major customers
During the year ended 30 June 2022 there are no individual customers which accounted for 5% or more of sales.

Note 5. Revenue

	Consolidated 2022 $'000	Consolidated 2021 $'000
Sales revenue	**135,338**	**102,786**

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

	Consolidated 2022 $'000	Consolidated 2021 $'000
Major product lines		
Managed services	39,906	49,959
Internet and data services	22,538	17,586
Security services	33,207	13,369
Voice services	32,817	14,300
Cloud services	5,921	4,428
Other	949	3,144
	135,338	**102,786**
Geographical regions		
Australia	**135,338**	**102,786**
Timing of revenue recognition		
Goods and services transferred at a point in time	74,038	55,127
Services transferred over time	61,300	47,659
	135,338	**102,786**

Note 6. Other income

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Government infrastructure grants	394	665
Government subsidies	1,078	305
Profit on divestment of consumer & fixed wireless assets*	1,823	-
Profit on sale of other assets and right of use	39	529
Miscellaneous income	60	181
Interest income	-	3
* Refer Note 35	**3,394**	**1,683**

Note 7. Expenses

	Consolidated	
(Loss)/profit before income tax includes the following specific expenses:	**2022**	**2021**
Depreciation	**$'000**	**$'000**
Leasehold improvements	179	47
Plant and equipment	2,832	3,928
Motor vehicles	113	62
Furniture and fixtures	85	69
Total depreciation (refer Note 14)	3,209	4,106
Amortisation		
Right-of-use assets	1,983	1,527
Customer relationships	1,194	299
Software and projects	1,128	690
Intellectual property	141	44
Total amortisation (refer Notes 15 and 16)	4,446	2,560
Total depreciation and amortisation	7,655	6,666
Finance costs		
Borrowings	980	471
Finance leases	190	137
Finance costs expensed	1,170	608
Superannuation expense		
Defined contribution superannuation expense	3,883	2,613
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	44,040	28,937
Impairment of receivables		
Bad and doubtful debts expense*	669	321

*The Consolidated Entity has recognised a loss of $669,000 in profit or loss in respect of impairment of receivables for the year ended 30 June 2022 (2021: $321,000), including bad debts expense of $517,000 (2021: $221,000).

Note 7. Expenses (continued)

	Consolidated	
	2022	2021
	$'000	$'000
Impairment of non-current assets		
Property, plant and equipment (refer Note 14)	2,214	-
Right-of-use assets (refer Note 15)	357	-
Intangibles (refer Note 16)	45,803	-
	48,374	-

Note 8. Income tax (benefit)/expense

	Consolidated	
	2022	2021
	$'000	$'000
Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate		
(Loss)/profit before income tax benefit/(expense)	(55,041)	1,345
Tax at the statutory tax rate of 30.0% (30.0% at 30 June 2021)	(16,512)	403
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Acquisition related	824	506
Share options and employee shares scheme	216	-
Impairment of goodwill and other non-tax deductible assets	13,499	-
Impact of change in corporate tax rate	-	(99)
Other balances and permanent differences	98	(622)
Income tax (benefit)/expense	**(1,875)**	**188**

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2022	2021
	$'000	$'000
Cash at bank	**11,733**	**8,493**

Note 10. Current assets - trade and other receivables

	Consolidated	
	2022	2021
	$'000	$'000
Trade receivables	11,870	13,270
Less: Allowance for expected credit losses	(707)	(487)
	11,163	12,783
Other receivables	412	1
	11,575	**12,784**

Allowance for expected credit losses

The Consolidated Entity retains a provision of $707,000 in respect of impairment of receivables for the year ended 30 June 2022 (2021: $487,000).

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

	Consolidated	
	2022	2021
	$'000	$'000
1 to 3 months overdue	140	-
4 to 6 months overdue	463	412
Over 6 months overdue	104	75
	707	487

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

	Consolidated	
	2022	2021
	$'000	$'000
Opening balance	487	176
Additions and releases	220	311
Closing balance	707	487

Note 11. Current assets - inventories

	Consolidated	
	2022	2021
	$'000	$'000
Stock on hand - at cost	4,670	2,801
Less: Provision for impairment	(389)	(224)
	4,281	**2,577**

Note 12. Other assets

	Consolidated 2022 $'000	Consolidated 2021 $'000
Accrued revenue	2,988	3,164
Prepayments	1,475	1,079
Vendor loans	150	532
Other assets	257	730
	4,870	**5,505**

The classification of other assets into current and non-current is set out below:

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current	4,342	4,130
Non-current	528	1,375
	4,870	5,505

Note 13. Contract assets

	Consolidated 2022 $'000	Consolidated 2021 $'000
Contract assets	5,168	1,881
Accumulated release to profit and loss	(1,053)	(194)
	4,115	**1,687**

The classification of contract assets into current and non-current is set out below:

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current	1,222	143
Non-current	2,893	1,544
	4,115	1,687

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

	Consolidated 2022 $'000	Consolidated 2021 $'000
Opening balance	1,687	-
Additions	3,287	1,881
Release to the profit and loss	(859)	(194)
Closing balance	4,115	1,687

Note 14. Non-current assets - property, plant and equipment

	Consolidated 2022 $'000	Consolidated 2021 $'000
Leasehold improvements - at cost	813	599
Less: Accumulated depreciation and impairment	(606)	(195)
	207	404
Plant and equipment at cost	6,936	22,010
Less: Accumulated depreciation and impairment	(6,162)	(8,890)
	774	13,120
Motor vehicles - at cost	671	854
Less: Accumulated depreciation	(456)	(799)
	215	55
Furniture & Fixtures at Cost	848	820
Less: Accumulated depreciation	(629)	(553)
	219	267
Work in progress	-	49
	1,415	**13,895**

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 $'000	Plant and equipment $'000	Motor vehicles $'000	Furniture & Fixtures $'000	Work in progress $'000	Total $'000
Balance at 1 July 2020	**23**	**13,489**	**62**	**239**	**8**	**13,821**
Additions through business combinations (Note 34)	415	1,462	55	79	-	2,011
Transfers to held for sale	-	(1,301)	-	-	-	(1,301)
Additions/transfers	13	3,410	-	18	41	3,482
Disposals	-	(12)	-	-	-	(12)
Depreciation expense	(47)	(3,928)	(62)	(69)	-	(4,106)
Balance at 30 June 2021	**404**	**13,120**	**55**	**267**	**49**	**13,895**
Adjustments through business combinations (Note 34)	(105)	27	298	10	-	230
Additions/transfers	217	2,809	-	27	(49)	3,004
Transfers from held for sale	-	100	-	-	-	100
Disposals on asset divestment (Note 35)	-	(10,347)	-	-	-	(10,347)
Disposals - Other	-	(19)	(25)	-	-	(44)
Depreciation expense	(179)	(2,832)	(113)	(85)	-	(3,209)
Impairment expense	(130)	(2,084)	-	-	-	(2,214)
Balance at 30 June 2022	**207**	**774**	**215**	**219**	**-**	**1,415**

Note 15. Non-current assets - right-of-use assets

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Right-of-use assets	6,379	6,473
Less: Accumulated amortisation and impairment	(3,802)	(2,582)
	2,577	**3,891**

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

	Consolidated	
	2022	**2021**
Consolidated	**$'000**	**$'000**
Opening balance	3,891	1,563
Net additions through business combinations (Note 34)	-	3,473
Additions	1,598	416
Disposals on asset divestment (Note 35)	(325)	-
Disposals - Other	(247)	(34)
Amortisation expense	(1,983)	(1,527)
Impairment expense	(357)	-
	2,577	**3,891**

Note 16. Non-current assets - intangibles

	Consolidated	
	2022	**2021 (Restated)**
	$'000	**$'000**
Goodwill - at cost	63,382	105,245
Intellectual property - at cost	1,412	561
Less: Accumulated amortisation and impairment	(1,412)	(44)
	-	517
Software	5,635	5,305
Less: Accumulated amortisation and impairment	(4,712)	(2,254)
	923	3,051
Brand names - at cost	4,105	4,105
Customer relationships	11,942	11,942
Less: Accumulated amortisation	(1,493)	(299)
	10,449	11,643
	78,859	**124,561**

Note 16. Non-current assets – intangibles (continued)

Reconciliations

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

Consolidated	Goodwill (Restated*) at cost $'000	Brand names at cost $'000	Software & projects at cost $'000	Customer relationships at cost $'000	Intellectual property at cost $'000	Total $'000
Balance at 1 July 2020	**23,974**	**-**	**1,385**	**-**	**-**	**25,359**
Additions through business combinations (Note 34)	81,271	4,105	1,336	11,942	-	98,654
Additions	-	-	1,020	-	561	1,581
Amortisation expense	-	-	(690)	(299)	(44)	(1,033)
Balance at 30 June 2021	**105,245**	**4,105**	**3,051**	**11,643**	**517**	**124,561**
Additions through business combinations (Note 34)*	6,286	-	-	-	-	6,286
Additions	-	-	523	-	850	1,373
Disposals on asset divestment (Note 35)	(5,093)	-	-	-	-	(5,093)
Disposals - Other	-	-	(2)	-	-	(2)
Amortisation expense	-	-	(1,128)	(1,194)	(141)	(2,463)
Impairment expense	(43,056)	-	(1,521)	-	(1,226)	(45,803)
Balance at 30 June 2022	**63,382**	**4,105**	**923**	**10,449**	**-**	**78,859**

***** Refer Note 2 Disclosure of Prior Period Error for a description of the restatement.

Goodwill, Brand Names & Intangible Assets with Indefinite Lives

The addition to goodwill during the financial year ended 30 June 2022 of $6.3M was related to measurement period adjustments in regard to the acquisition accounting for the Nexgen Australia Group Pty Ltd which was acquired 1 April 2021. As at 30 June 2021 the foundation calculation for the Net Debt Working Capital and baseline EBITDA calculations had not concluded sufficiently to form the basis of completing the calculations of deferred and contingent consideration on acquisition. These calculations were completed in the half-year to 31 December 2021.

Following the change in segment reporting (as outlined in Note 4) goodwill and brand names, including those acquired during the year, are allocated to the segment cash-generating units (CGU). The recoverable amount of each CGU is determined based on a value-in-use model which uses cash flow projections based on the financial budget for the 12 months immediately following the reporting date, and cash flows beyond 12 months extrapolated through a 5-year outlook.

The assumptions used for the current reporting period may differ from the assumptions in the past or next reporting period as internal and external circumstances and expectations change. The Consolidated Entity has applied the following assumptions in the 30 June 2022 calculation of value-in-use.

Operating Segment	Goodwill & Brand Names $'000	Years 1 – 3 Average Revenue Annual Growth Rate	Years 4 & 5 Growth Rate	Terminal Growth Rate	Post Tax Discount Rate
Collaboration and Communication	$50,136	9%	10%	3%	12%
Managed Services (IT&T)	Nil	1%	10%	3%	12%
Cyber Security	$17,351	11%	10%	3%	12%

Note 16. Non-current assets – intangibles (continued)

The assumption on the years 1-3 average revenue annual growth rate for the Managed Services (IT&T) operating segment reflects the short to medium term revenue decline expectation as a consequence of the restructuring of the customer base. It is then assumed to return to a longer-term normalised growth rate. Assumptions for gross margins, other operating costs and annual capital expenditure are based on management's expectations for the future performance and forward strategic plans.

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 percentage points and reducing the terminal value growth rate by half.

Upon applying the value-in-use calculations and sensitivity tests across the asset bases, including goodwill, it was determined that the carrying amounts allocated to the Managed Services (IT&T) operating segment exceed their recoverable amount giving rise to an impairment expense as at 30 June 2022 of $48.4M (of which $43.1M was directly related to goodwill).

Note 17. Non-current assets - deferred tax

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	1,136	675
Expenses deductible in future periods	545	775
Other provisions/accruals	2,334	1,169
Tax credits from tax losses	71	-
Deferred tax asset	**4,086**	**2,619**

Note 18. Current liabilities - trade and other payables

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Trade payables	9,450	9,431
GST payable	562	706
Other payables	6,693	6,005
	16,705	**16,142**

Refer to Note 28 for further information on financial instruments.

Note 19. Lease liabilities

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Lease liability	**3,030**	**4,020**

Note 19. Lease liabilities (continued)

The classification of lease liabilities into current and non-current is set out below:

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current	1,661	2,004
Non-current	1,369	2,016
	3,030	**4,020**

Refer to Note 28 for further information on financial instruments.

Note 20. Provisions

	Consolidated 2022 $'000	Consolidated 2021 $'000
Annual leave	2,377	1,999
Long service leave	1,409	1,271
Provision for income tax	(31)	478
Restructuring	1,138	-
Lease make good	200	48
	5,093	**3,796**

The classification of provisions into current and non-current is set out below:

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current	4,510	3,444
Non-current	583	352
	5,093	**3,796**

Note 21. Current liabilities - deferred consideration

	Consolidated 2022 $'000	Consolidated 2021 $'000
Deferred consideration	**2,611**	**15,327**

Refer to Note 34 for further information on deferred consideration.

Note 22. Non-current liabilities - borrowings

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Bank loans	**13,000**	**10,000**

Refer to Note 28 for further information on financial instruments.

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

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Bank loans	13,000	10,000
	13,000	10,000

Assets pledged as security

The bank loan of $13M (2021: $10M) has a first ranking security over the assets and undertakings of Spirit Technology Solutions Ltd and its wholly owned subsidiaries.

Note 23. Non-current liabilities - deferred tax

	Consolidated	
	2022	**2021 (Restated*)**
	$'000	**$'000**
Deferred tax liability comprises temporary differences attributable to:		
Property, plant and equipment	386	712
Identifiable intangible assets	5,158	5,158
Deferred tax liability	**5,544**	**5,870**

* Refer Note 2 Disclosure of Prior Period Error for a description of the restatement.

Note 24. Unearned revenue

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Customer contract unearned revenue	6,450	4,964
Government infrastructure grants	-	1,514
	6,450	**6,478**

The Government infrastructure grants primarily related to the Horsham and Morwell high speed internet projects. This unearned revenue was released to gain/(loss) on divestment of the fixed wireless assets to Maret Infrastructure Pty Ltd effective 1 June 2022. Refer Note 35.

Note 24. Unearned revenue (continued)

The classification of unearned revenue into current and non-current is set out below:

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current	6,028	3,655
Non-current	422	2,823
	6,450	**6,478**

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

Consolidated	**Customer contract unearned revenue $'000**	**Government infrastructure grants $'000**	**Total $'000**
Balance at 1 July 2020	**1,236**	**2,096**	**3,332**
Additions through business combinations (Note 34)	4,059	-	4,059
Net other movements	(331)	(582)	(913)
Balance at 30 June 2021	**4,964**	**1,514**	**6,478**
Additions on asset divestment (Note 35)	720	-	720
Disposals on asset divestment (Note 35)	-	(1,189)	(1,189)
Net other movements	766	(325)	441
Balance at 30 June 2022	**6,450**	**-**	**6,450**

Note 25. Equity - issued capital

	Consolidated 2022 Shares	Consolidated 2021 Shares	Consolidated 2022 $'000	Consolidated 2021 $'000
Ordinary shares - fully paid	664,723,579	652,292,046	114,874	112,689

Note 25. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	30 June 2020	430,909,320		42,852
Issue of shares to the vendor as part consideration in relation to the VPD Group acquisition	1 July 2020	29,000,000	$0.250	7,250
Issue of Tranche 1 Placement shares	27 August 2020	55,881,401	$0.320	17,882
Issue of shares to the vendor as part consideration in relation to the Ancore acquisition	1 September 2020	1,592,988	$0.360	573
Issue of shares to the vendor as part consideration in relation to the Beachhead acquisition	1 September 2020	1,734,888	$0.360	624
Issue of shares to the vendor as part consideration in relation to the Reliance IT acquisition	1 September 2020	4,612,204	$0.360	1,660
Issue of shares in accordance with Share Purchase Plan	18 September 2020	15,624,581	$0.320	5,000
Issue of Tranche 2 Placement shares	22 October 2020	1,125,000	$0.320	360
Conversion of vested Performance Rights	22 October 2020	189,320	$0.000	-
Issue of shares to the vendor as part consideration in relation to the Intalock acquisition	3 December 2020	5,921,053	$0.415	2,457
Issue of shares to the vendor as part of contingent consideration in relation to the Trident acquisition upon achievement of earnout target 1	27 January 2021	703,366	$0.390	274
Issue of placement shares	8 April 2021	72,121,213	$0.330	23,800
Issue of shares to the vendor as part consideration in relation to the Nexgen acquisition	8 April 2021	32,876,712	$0.370	12,164
Cost of capital raising		-	$0.000	(2,207)
Balance	30 June 2021	652,292,046		112,689
Issue of shares to the vendor as part of the earnout consideration in relation to the Trident acquisition	9 September 2021	1,024,218	$0.245	251
Issue of shares to the vendor as part of the earnout consideration in relation to the Altitude IT acquisition	9 September 2021	315,773	$0.245	77
Issue of shares to the vendor as part of the earnout consideration in relation to the Beachhead acquisition	9 September 2021	1,648,142	$0.245	404
Issue of shares to the vendor as part of the earnout consideration in relation to the Reliance IT acquisition	9 September 2021	1,071,040	$0.245	262
Conversion of vested performance rights	10 September 2021	49,338	$0.000	-
Conversion of vested performance rights	11 January 2022	103,844	$0.000	-
Issue of shares to vendor as part of deferred consideration in relation to the Nexgen acquisition	31 March 2022	8,219,178	$0.145	1,191
Balance	30 June 2022	664,723,579		114,874

Movements in unquoted options

Details	Date	Options	$'000
Balance	30 June 2021	18,000,000	-
Balance	30 June 2022	18,000,000	-

Note 25. Equity - issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Share buy-back

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

Capital risk management

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

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

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

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

The Consolidated Entity is subject to certain financing arrangement 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 2021 Annual Report.

Note 26. Equity - reserves

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Share-based payments reserve	1,820	1,181
Capital reserve	6	6
	1,826	**1,187**

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.

Note 26. Equity - reserves (continued)

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

Consolidated	Capital reserve $'000	Share-based payments reserve $'000	Total $'000
Balance at 1 July 2020	6	561	567
Share-based payments expense (Note 40)	-	620	620
Balance at 30 June 2021	**6**	**1,181**	**1,187**
Share-based payments expense (Note 40)	**-**	721	721
Transfers		(82)	(82)
Balance at 30 June 2022	**6**	**1,820**	**1,826**

Note 27. Equity - dividends

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

Note 28. Financial instruments

Financial risk management objectives

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

Risk management is carried out by senior finance executives ('finance') under 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 operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The Consolidated Entity undertakes transactions denominated in foreign currencies and therefore has exposure to foreign currency risk. Offshore Customer Care, Service delivery and Finance teams are located in the Philippines and cost around $21,000 USD per week. The Consolidated Entity also sources security-based software products and spends approximately $3.5M USD per annum. Conversion is at the applicable exchange rate at the time the transaction is authorised.

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 $980,000 in interest during the 2022 financial year (2021: $471,000).

Note 28. Financial instruments (continued)

The facility is structured such that a line fee is payable on the facility limit ($32M), a usage fee payable on funds drawn and an interest charge based on BBSY plus a margin. As at the reporting date the Consolidated Entity had the following variable rate borrowings. The net weighted average interest rate detailed below is calculated on the aggregation of the usage fee and interest charge for the year ended 30 June 2022 of $449,000 (2021: $193,000) over the average balance drawn down during the year ended 30 June 2022 of $22.1M (2021: $6.1M). The line fee for the year ended 30 June 2022 was $531,000 (2021: $278,000).

	2022		2021	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
Consolidated	%	$'000	%	$'000
Bank loan	2.03%	13,000	3.13%	10,000
Net exposure to cash flow interest rate risk		13,000		10,000

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 $13M (2021: $10M), are interest bearing loans. On 22 June 2022, the Consolidated Entity executed a facility renewal with its banker for a further term of 3 years expiring 1 July 2025. The market rate loan facility limit was permanently increased to $32M.

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 Debtors, amounts older than 90 days owing are reviewed and where appropriate taken up as a provision for doubtful debts. This process is completed monthly. As at 30 June 2022 $707,000 was booked as an allowance for 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.

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.

Note 28. Financial instruments (continued)

Remaining contractual maturities

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

Consolidated - 2022	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	16,705	-	-	-	16,705
Contingent consideration	-	11,660		-	-	11,660
Deferred consideration	-	2,611	-	-	-	2,611
Interest-bearing - variable						
Bank loan	2.03%	-	-	13,000	-	13,000
Lease liability	5.27%	1,661	1,369	-	-	3,030
Total non-derivatives		**32,637**	**1,369**	**13,000**	**-**	**47,006**

Consolidated - 2021	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	16,142	-	-	-	16,142
Contingent consideration	-	2,399	3,603	-	-	6,002
Deferred consideration	-	15,327	-	-	-	15,327
Interest-bearing - variable						
Bank loan	3.13%	-	10,000	-	-	10,000
Lease liability	5.27%	2,004	368	1,648	-	4,020
Total non-derivatives		**35,872**	**13,971**	**1,648**	**-**	**51,491**

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

Note 29. Key management personnel disclosures

Directors

The following persons were Directors of Spirit Technology Solutions Ltd during the financial year and up to the date of the financial statements:

Mr James Joughin (Non-Executive Chairman)
Mr Julian Challingsworth (Managing Director and Chief Executive Officer - appointed 11 July 2022)
Mr Julian Haber (Executive Director - appointed 1 April 2022) & Interim Managing Director (16 May 2022 to 11 July 2022)
Mr Sol Lukatsky (Managing Director - resigned 2 July 2022)
Mr Gregory Ridder (Non-Executive Director)
Mr Mark Dioguardi (Executive Director - resigned 1 April 2022)
Ms Michelle Bendschneider – (Non-Executive Director - appointed 1 April 2022)
Ms Inese Kingsmill (Non-Executive Director - resigned on 30 September 2021)

Other key management personnel

The following person 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)

Compensation

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

	Consolidated	
	2022	**2021**
	$	**$**
Short-term employee benefits	1,534,883	1,487,669
Post-employment benefits	175,396	112,502
Long-term benefits	52,329	24,323
Share-based payments	663,068	660,183
	2,425,676	**2,284,677**

Note 30. 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, and its related practices:

	Consolidated	
	2022	**2021**
	$	**$**
Audit and assurance services - PKF Melbourne Audit & Assurance Pty Ltd		
Audit or review of the financial statements	172,000	125,000
Assurance related services in respect of acquisition date accounting	-	68,225
Other services – PKF Melbourne		
Tax compliance services	25,000	24,000
Tax advisory and due diligence services	38,250	31,500
Corporate advisory and due diligence services	45,350	215,416
	280,600	**464,141**

Note 31. Contingent liabilities

There were no contingent liabilities at 30 June 2022 and 30 June 2021.

Note 32. Related party transactions

Parent entity

Spirit Technology Solutions Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 36.

Key management personnel

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

Transactions with related parties

Mr Julian Haber, Executive Director, is also the co-founder of Intalock Technologies Pty Ltd (“Intalock”). As outlined in Note 34, Intalock had an earnout structure as part of the acquisition consideration. Subsequent to the assessment date of 30 June 2022, the amount of contingent consideration payable where the FY22 EBITDA performance target has been exceeded has been estimated to be $3.25M.

There were no other transactions with related parties during the current and previous financial year.

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.

Note 33. 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 2022 $'000	Parent 2021 $'000
Loss after income tax	(61,830)	(17,348)
Total comprehensive income	(61,830)	(17,348)

Statement of financial position

	Parent 2022 $'000	Parent 2021 $'000
Total current assets	1,543	746
Total assets	82,371	125,020
Total current liabilities	1,252	375
Total liabilities	45,973	29,616
Equity		
Issued capital	114,874	112,689
Reserves (Note 26)	1,826	1,187
Accumulated losses	(80,302)	(18,472)
Total equity	36,398	95,404

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

The bank loan of $13M is secured first over the assets and undertakings of Spirit Technology Solutions Ltd and its wholly owned subsidiaries.

The parent entity had no other guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Note 33. Legal parent entity information (continued)

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 34. Business combinations

Acquisition of Voice Print Data Group during the previous financial year

The Company acquired 100% of Voice Print Data Group ("VPD"), with effective control on 1 July 2020. The acquisition has been accounted for as a Business Combination under AASB 3. VPD became the new Wholesale Business arm for Spirit selling a range of Cloud, Internet and Voice services via its channel partners.

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

	Fair value $'000
Cash and cash equivalents	1,302
Trade receivables	1,216
Vendor loan	600
Inventories	103
Prepayments	143
Property, plant and equipment	1,252
Right-of-use assets	934
GST payable	(136)
Trade and other payables	(2,007)
Provision for income tax	(125)
Employee benefits	(480)
Unearned revenue	(2,717)
Finance lease liabilities	(934)
Deferred tax liabilities	(239)
Net liabilities acquired	(1,088)
Goodwill	14,338
Acquisition-date fair value of the total consideration transferred	13,250
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	13,250
Less: shares issued by Company as part of consideration	(7,250)
Net cash used	6,000

i. Consideration transferred
Acquisition-related costs amounting to $226,000 are not included as part of the consideration for the acquisition and were recognised as transaction costs in the 30 June 2021 profit and loss statement.

Note 34. Business combinations (continued)

ii. Identifiable net assets
The fair value of the trade receivables acquired as part of the business combination amounted to $1,216,000. As of the acquisition date, the Company's best estimate was that this asset would be fully realised.

iii. Goodwill
Goodwill of $14,338,000 was primarily related to the Company's growth expectations through customer expansion. As outlined in Note 4, following a reassessment of the Consolidated Entity's operating and reporting structure, the goodwill was reallocated to the Managed Services (IT&T) cash generating unit and was subsequently impaired as part of a review of the carrying value of assets in this segment as at 30 June 2022.

iv. Contingent consideration
The acquisition of VPD included a contingent consideration element by way of an earn-out structure in equal proportion based upon EBITDA performance over the 12-month periods ended 30 June 2021 (FY21) and 30 June 2022 (FY22).

The earnout consideration was split in the proportion of cash (50%) and equity (50%). The earn-out structure facilitated a scaled achievement against targets for FY21 and FY22 and the contingent consideration was payable in a range exceeding 100% against the FY21 target and in a range exceeding 110% of the FY22 target. At the date of acquisition, the Board and management assessed the probability of achieving the relevant EBITDA performance targets and assessed the likelihood to be at or below the minimum hurdles and accordingly no contingent consideration was recognised. Subsequent to acquisition date, the Company and the vendors of VPD signed a variation to the Share Purchase Agreement dated 21 June 2021, agreeing that there would be no contingent consideration payable for FY21 or FY22.

v. Contribution to the Consolidated Entity's results
VPD contributed revenues of $16,714,000 to the Consolidated Entity from the date of the acquisition to 30 June 2021. In FY21, VPD did not receive any allocations of acquisition costs, corporate overhead, listing or finance costs, which were all absorbed by the Consolidated Entity's core operations and accordingly it is impractical to disclose VPD's contribution to the Consolidated Entity's profit.

In FY22, VPD has been merged into the Managed Services (IT&T) reporting segment and accordingly it is impractical to disclose VPD's contribution to the Consolidated Entity's FY22 revenue and profit.

Note 34. Business combinations (continued)

Acquisition of Altitude IT during the previous financial year

The Company acquired 100% of Ancore Pty Ltd (trading as Altitude IT), with effective control on 1 September 2020. The acquisition has been accounted for as a Business Combination under AASB 3. Altitude IT was a Sydney based Managed IT Services Provider with a diverse base of recurring revenue across the commercial & industrial sectors.

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

	Fair value $'000
Cash and cash equivalents	230
Trade receivables	257
Deposits	6
Inventories	6
Vendor loan	141
Property, plant and equipment	41
Trade and other payables	(140)
GST payable	(50)
Provision for income tax	11
Employee entitlements	(93)
Net assets acquired	409
Goodwill	1,711
Net fair value loss on remeasurement of financial liabilities	275
Acquisition-date fair value of the total consideration transferred	2,395
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,395
Less: contingent consideration	(275)
Less: shares issued by Company as part of consideration	(573)
Net cash used	1,547

i. Consideration transferred
Acquisition-related costs amounting to $37,000 are not included as part of the consideration for the acquisition and were recognised as transaction costs in the 30 June 2021 profit and loss statement.

ii. Identifiable net assets
The fair value of the trade receivables acquired as part of the business combination amounted to $257,000. As of the acquisition date, the Company's best estimate was that this asset would be fully realised.

iii. Goodwill
Goodwill of $1,711,000 was primarily related to the Company's growth expectations through customer expansion. As outlined in Note 4, following a reassessment of the Consolidated Entity's operating and reporting structure, the goodwill was reallocated to the Managed Services (IT&T) cash generating unit and was subsequently impaired as part of a review of the carrying value of assets in this segment as at 30 June 2022.

Note 34. Business combinations (continued)

iv. Contingent consideration

The acquisition of Altitude IT included a contingent consideration element by way of an earn-out structure based upon EBITDA performance over a 12-month period ended 30 June 2021 (FY21). The earnout consideration is to be split in the same proportion of cash (70%) and equity (30%) as the upfront consideration.

The earn-out structure facilitated a scaled achievement of the FY21 targets whereby the contingent consideration is payable where FY21 EBITDA exceeds 110% of the agreed target EBITDA. At the date of acquisition, the Board and management assessed the probability of achieving the relevant EBITDA performance target and assessed the likelihood to be at or below the minimum hurdle and accordingly no FY21 contingent consideration had been recognised. Subsequent to the assessment date of 30 June 2021, the amount of contingent consideration paid in FY22 where the FY21 EBITDA performance target was exceeded was $276,301 comprising $198,937 in cash and $77,364 in ST1 equity.

v. Contribution to the Consolidated Entity’s results

Altitude IT contributed revenues of $2,354,000 to the Consolidated Entity from the date of acquisition to 30 June 2021. In FY21, Altitude IT’s employees had been transferred to Spirit Telecom (Australia) Pty Ltd and the Company did not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which were all absorbed by the Consolidated Entity’s core operations and accordingly it was considered impractical to disclose Altitude IT's contribution to the Consolidated Entity's profit.

In FY22, Altitude IT has been merged into the Managed Services (IT&T) reporting segment and accordingly it is impractical to disclose Altitude IT's contribution to the Consolidated Entity's FY22 revenue and profit.

Note 34. Business combinations (continued)

Acquisition of Beachhead Group during the previous financial year

The Company acquired 100% of Beachhead Group Pty Ltd, with effective control on 1 September 2020. The acquisition has been accounted for as a Business Combination under AASB 3. Beachhead Group was a Sydney based Managed IT Services Provider, specialising in Cloud and Infrastructure deployment to businesses and private schools.

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

	Fair value $'000
Cash and cash equivalents	414
Trade receivables	670
Deposit	15
Vendor loan	2
Prepayments	8
Right-of-use assets	97
Deferred tax asset	26
Trade payables	(247)
GST payables	(20)
Deferred revenue	(142)
Provision for income tax	(173)
Deferred tax liability	(2)
Employee entitlements	(99)
Make good provision	(1)
Lease liabilities	(98)
Net assets acquired	450
Goodwill	3,025
Net fair value gain on remeasurement of financial liabilities	(267)
Acquisition-date fair value of the total consideration transferred	3,208
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	3,208
Less: deferred consideration	(1,190)
Less: contingent consideration	(64)
Less: shares issued by Company as consideration	(624)
Net cash used	1,330

i. Consideration transferred
Acquisition-related costs amounting to $44,000 are not included as part of the consideration for the acquisition and were recognised as transaction costs in the 30 June 2021 profit and loss statement.

ii. Identifiable net assets
The fair value of the trade receivables acquired as part of the business combination amounted to $670,000. As of the acquisition date, the Company's best estimate was that this asset would be fully realised.

Note 34. Business combinations (continued)

iii. Goodwill
Goodwill of $3,025,000 was primarily related to the Company's growth expectations through customer expansion. As outlined in Note 4, following a reassessment of the Consolidated Entity's operating and reporting structure, the goodwill was reallocated to the Managed Services (IT&T) cash generating unit and was subsequently impaired as part of a review of the carrying value of assets in this segment as at 30 June 2022.

iv. Deferred consideration
The acquisition of Beachhead Group included a deferred consideration element of $1,091,949 payable by 31 August 2021.The deferred consideration was settled in the same proportion of cash (65% being $773,164) and equity (35% being $318,785) as the upfront consideration.

v. Contingent consideration
The acquisition of Beachhead Group included a contingent consideration element by way of an earn-out structure based upon EBITDA performance over a 12-month period ended 30 June 2021 (FY21). The earnout consideration is to be split in the same proportion of cash (65%) and equity (35%) as the upfront consideration.

The earn-out structure facilitated a scaled achievement of the FY21 target whereby the contingent consideration is payable in a range of 80% - 120% achievement against the FY21 target. At the date of acquisition, the Board and management assessed the likelihood of achieving the relevant EBITDA performance targets at the 100% level with $331,000 of contingent consideration recognised. Subsequent to assessment date of 30 June 2021, the amount of contingent consideration paid in FY22 where the FY21 EBITDA performance target was exceeded was $291,214 comprising $206,204 in cash and $85,010 in ST1 equity.

vi. Contribution to the Consolidated Entity's results
Beachhead Group contributed revenues of $3,931,000 to the Consolidated Entity from the date of the acquisition to 30 June 2021. In FY21, the Beachhead Group's employees had been transferred to Spirit Telecom (Australia) Pty Ltd and the Company did not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which were all absorbed by the Consolidated Entity's core operations and accordingly it was considered impractical to disclose Beachhead Group's contribution to the Consolidated Entity's profit.

In FY22, the Beachhead Group was merged into the Managed Services (IT&T) reporting segment and accordingly it is impractical to disclose Beachhead Group's contribution to the Consolidated Entity's FY22 revenue and profit.

Note 34. Business combinations (continued)

Acquisition of Reliance Technology during the previous financial year

The Company acquired 100% of Reliance Technology Pty Ltd ("Reliance IT"), with effective control on 1 September 2020. The acquisition has been accounted for as a Business Combination under AASB 3. Reliance IT was a Cloud Managed Services Provider based in Central NSW and one of the largest providers of IT services in regional NSW.

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

	Fair value $'000
Cash and cash equivalents	412
Trade and other receivables	212
Inventories	11
Right-of-use assets	142
Trade payables	(42)
GST payables	(67)
Provision for income tax	(146)
Employee entitlements	(134)
Lease liabilities	(142)
Net assets acquired	246
Goodwill	5,609
Net fair value loss on remeasurement of financial liabilities	188
Acquisition-date fair value of the total consideration transferred	6,043
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	6,043
Less: contingent consideration	(913)
Less: shares issued by Company as part of consideration	(1,660)
Net cash used	3,470

i. Consideration transferred
Acquisition-related costs amounting to $44,000 are not included as part of the consideration for the acquisition and were recognised as transaction costs in the 30 June 2021 profit and loss statement.

ii. Identifiable net assets
The fair value of the trade receivables acquired as part of the business combination amounted to $212,000. As of the acquisition date, the Company's best estimate was that this asset would be fully realised.

iii. Goodwill
Goodwill of $5,609,000 was primarily related to the Company's growth expectations through customer expansion. As outlined in Note 4, following a reassessment of the Consolidated Entity's operating and reporting structure, the goodwill was reallocated to the Managed Services (IT&T) cash generating unit and was subsequently impaired as part of a review of the carrying value of assets in this segment as at 30 June 2022.

Note 34. Business combinations (continued)

iv. Contingent consideration

The acquisition of Reliance IT included a contingent consideration element by way of an earn-out structure based upon EBITDA performance over a 12-month period ended 30 June 2021 (FY21). The earnout consideration is split in the same proportion of cash (70%) and equity (30%) as the upfront consideration.

The earn-out structure facilitated a scaled achievement of the FY21 target whereby the contingent consideration is payable in a range exceeding 80% of the FY21 target. At the date of acquisition, the Board and management assessed the likelihood of achieving the relevant EBITDA performance targets at the 111% level with $725,000 of contingent consideration recognised. Subsequent to assessment date of 30 June 2021, the amount of contingent consideration paid in FY22 where the FY21 EBITDA performance target was exceeded was $937,161 comprising $674,756 in cash and $262,405 in ST1 equity.

v. Contribution to the Consolidated Entity’s results

Reliance IT contributed revenues of $3,963,000 to the Consolidated Entity from the date of the acquisition to 30 June 2021. In FY21, the Reliance IT’s employees had been transferred to Spirit Telecom (Australia) Pty Ltd and the Company did not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which were all absorbed by the Consolidated Entity’s core operations and accordingly it was considered impractical to disclose Reliance IT's contribution to the Consolidated Entity's profit.

In FY22, Reliance IT was merged into the Managed Services (IT&T) reporting segment and accordingly it is impractical to disclose Reliance IT's contribution to the Consolidated Entity's FY22 revenue and profit.

Note 34. Business combinations (continued)

Acquisition of Intalock Technologies during the previous financial year

The Company acquired 100% of Intalock Technologies Pty Ltd ("Intalock"), with effective control on 1 December 2020. The acquisition has been accounted for as a Business Combination under AASB 3. Intalock is one of Australia's leading cyber security services businesses with a market leading and sophisticated full Security Operations Centre. This acquisition allows Spirit to cross sell and deliver highly secure bundled Cyber Security Services with Data, Cloud and Voice.

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

	Fair value $'000
Cash and cash equivalents	2,575
Trade and other receivables	2,237
Prepayments	143
Deposits	235
Plant and equipment	150
Right-of-use assets	733
Intangible assets	191
Trade payables	(2,194)
GST payables	(56)
Unearned revenue	(1,200)
Provision for income tax	(279)
Employee entitlements	(275)
Make good provision	(45)
Lease liabilities	(755)
Net assets acquired	1,460
Goodwill	17,351
Net fair value gain on remeasurement of financial liabilities	2,450
Acquisition-date fair value of the total consideration transferred	21,261
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	21,261
Less: deferred consideration	(3,000)
Less: contingent consideration	(3,250)
Less: shares issued by Company as part of consideration	(2,457)
Net cash used	12,554

i. Consideration transferred
Acquisition-related costs amounting to $190,000 are not included as part of the consideration for the acquisition and were 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 $2,237,000. As of the acquisition date, the Company's best estimate was that this asset would be fully realised.

Note 34. Business combinations (continued)

iii. Goodwill
Goodwill of $17,351,000 was primarily related to the Company's growth expectations through customer expansion. As outlined in Note 4, following a reassessment of the Consolidated Entity's operating and reporting structure, Intalock was separated into its own operating segment (Cyber Security) and goodwill on acquisition has been allocated to that segment.

iv. Deferred consideration
The acquisition of Intalock included a deferred consideration element to be settled by 31 August 2021. The deferred consideration is to be settled 100% in cash capped at $3,000,000. This amount was settled in full in FY22.

v. Contingent consideration
The acquisition of Intalock included a contingent consideration element by way of an earn-out structure based upon EBITDA performance over a 12-month period ended 30 June 2022 (FY22). The earnout consideration is to be settled 100% in cash.

The FY22 earnout structure facilitates a scaled achievement of the FY22 target whereby the contingent consideration is payable in a range exceeding 105% of the FY22 Target. At the date of acquisition, the Board and management assessed the likelihood of achieving the relevant EBITDA performance targets at the 105% level with $800,000 of contingent consideration recognised. Subsequent to the assessment date of 30 June 2021, the amount of contingent consideration payable where the FY22 EBITDA is likely to exceed the performance target was estimated to be $623,000. The revised estimated amount of contingent consideration due and payable where the FY22 target has been exceeded is $3.25M in cash (classified as current).

Any contingent consideration payable where the performance targets for FY22 are exceeded is capped to an amount whereby the total purchase price including the upfront consideration, the deferred consideration and the contingent consideration cannot exceed $22.5M.

vi. Contribution to the Consolidated Entity's results
Intalock contributed revenues of $13,369,000 to the Consolidated Entity from the date of the acquisition to 30 June 2021. In FY21, Intalock did not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which were all absorbed by the Consolidated Entity's core operations and accordingly it was considered impractical to disclose Intalock's contribution to the Consolidated Entity's profit.

In FY22, Intalock has been allocated to its own reporting segment (Cyber Security) and accordingly its contribution to the Consolidated Entity's results as disclosed in Note 4 Operating segments are as follows:

	$'000
Revenue	31,397
Underlying earnings before interest, taxes, depreciation & amortisation*	2,432
Underlying net profit before income Tax*	1,959

* Refer Note 4 for definitions.

Note 34. Business combinations (continued)

Acquisition of Nexgen during the previous financial year

The Company acquired 100% of Nexgen Australia Group Pty Ltd (“Nexgen"), with effective control on 1 April 2021. Nexgen sells a range of high growth Data, Security & Voice products. The acquisition brings over 5,000 new B2B clients and some one hundred new sales people to Spirit to drive organic growth, complementary products and scale.

As disclosed in last year's Annual Report for the financial year ended 30 June 2021 (“FY21”), the value of the identifiable net assets of Nexgen had been determined on a provisional basis with the assessment on certain assets and the deferred and contingent consideration amounts not being finalised when the FY21 financial statements were issued. Had the assessment been finalised, the FY21 financial statements would have differed to those previously reported as follows:

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

	Fair value $'000
Cash and cash equivalents	20
Trade and other receivables	271
Inventories	681
Accrued revenue	1,713
Deposits	148
Property, plant and equipment	797
Deferred tax assets	382
Right-of-use assets	1,567
Brand names	4,105
Customer Relationships	11,942
Other intangible assets	1,145
Trade and other payables	(2,969)
GST payables	(106)
Provision for income tax	(167)
Deferred tax liability	(5,158)
Employee benefits	(886)
Lease liability	(1,567)
Net assets acquired	11,918
Goodwill	46,031
Acquisition-date fair value of the total consideration transferred	57,949
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	57,949
Less: deferred consideration	(12,216)
Less: contingent consideration	(8,610)
Less: shares issued by Company as part of consideration	(12,164)
Net cash used	24,959

i. Consideration transferred

Acquisition-related costs amounting to $517,000 are not included as part of the consideration for the acquisition and were recognised as transaction costs in the 30 June 2021 ($423,000) and 30 June 2022 ($94,000) profit and loss statement.

Note 34. Business combinations (continued)

ii. Identifiable net assets
The fair value of the trade receivables acquired as part of the business combination amounted to $271,000. As of the acquisition date, the Company's best estimate was that this asset would be fully realised.

iii. Goodwill
Goodwill of $46,031,000 was primarily related to the Company's growth expectations through customer expansion. As outlined in Note 4, following a reassessment of the Consolidated Entity's operating and reporting structure, Nexgen was separated into its own operating segment (Collaboration & Communication) and goodwill on acquisition has been allocated to that segment.

iv. Deferred consideration
The acquisition of Nexgen included an initial deferred consideration of $11,137,000 which was revised to $12,216,000 as part of the measurement period adjustments outlined in Note 16. The equity component of the deferred consideration was settled in shares of the Company issued on 31 March 2022 (at a fair value of $1,191,000) and the remaining component settled (or to be settled) in cash (being $11,025,000). As at 30 June 2022, $2,611,000 remains as a current liability.

v. Contingent consideration
The acquisition of Nexgen included a contingent consideration element by way of an earn-out structure based upon Milestone Incentives available based on performance targets for FY22 and FY23. The earnout consideration is to be settled 30% in shares of the Company and 70% in cash.

The earnout structure facilitates a scaled achievement of the FY22 and FY23 targets whereby the contingent consideration is payable based on the achievement of the relevant EBTDA performance targets. At the date of acquisition, the Board and management assessed the likelihood of achieving the relevant EBITDA performance targets and accordingly recognised total contingent consideration of $2,980,000, all of which was classified as non-current. Subsequent to the assessment date of 1 April 2021, the amount of contingent consideration payable where the FY22 and HY23 EBITDA is likely to exceed the performance target has been amended to reflect new information obtained about facts and circumstances at the acquisition date that, if known, would have affected the measurement of the contingent consideration. Accordingly, the amended contingent consideration totalling $8,610,000 has been recorded and classified as a current liability at the reporting date.

As a consequence of the ongoing impact of Covid lockdowns during the early part of FY22, it was agreed with the Nexgen founders to amend the earnout measurement periods from the 12 months ended 30 June 2022 (FY22) and 6 months ended 31 December 2022 (HY23) respectively to the twelve months ended 31 December 2022 (CY22) and 6 months ended 30 June 2023 (H223). There was no impact on deferred consideration amounts noted above.

Any contingent consideration payable is not capped.

vi. Contribution to the Consolidated Entity's results
Nexgen contributed revenues of $10,386,000 to the Consolidated Entity from the date of the acquisition to 30 June 2021. In FY21 Nexgen did not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which were all absorbed by the Consolidated Entity's core operations and accordingly it was considered impractical to disclose Nexgen's contribution to the Consolidated Entity's profit.

In FY22 Nexgen has been allocated to its own reporting segment and accordingly its contribution to the Consolidated Entity's results as disclosed in Note 4 Operating segments are as follows:

	$'000
Revenue	34,982
Underlying earnings before interest, taxes, depreciation & amortisation*	9,885
Underlying net profit before income Tax*	8,586

* Refer Note 4 for definitions.

Note 35. Asset Divestments

Divestment of Consumer Assets

On 29 October 2021, the Company completed the sale of its non-core consumer residential Internet business to Melbourne based broadband and telecommunications provider DGtek Pty Ltd (DGtek) for a transaction value of $5.1M. Under the sale agreement, DGtek acquired the consumer business including the customer base and relevant infrastructure assets.

The divestment is in line with the Company's strategy to focus on being a leading and fully integrated technology provider of modern digital workplaces to the business market, from SMB to corporates. The consumer internet business was not critical to future operations and represented less than 2% of the Consolidated Entity's revenue.

	Fair value $'000
Cash proceeds on completion	4,900
Contingent consideration	200
Gross proceeds on sale	5,100
The fair values of the identifiable net assets disposed:	
Assets held for sale	(1,120)
Intangible assets	(1,200)
	(2,320)
Plus: divestment related costs	(411)
	(2,731)
Profit on divestment	2,369

i. Allocation basis of goodwill on disposal

The goodwill disposed originally arose from the acquisition of the LinkOne Group of companies on 1 April 2019. The goodwill allocated to the divested CGU assets of $1.2M represented the proportion of the consumer assets acquired relative to the total fair value of the assets on that acquisition.

ii. Contingent consideration

The sale included contingent consideration of $200,000 which is released based on customer migration milestones being achieved.

Note 35. Asset Divestments (continued)

Divestment of Fixed Wireless Wholesale Assets

On 1 June 2022, the Company completed the sale of its fixed wireless infrastructure assets to Melbourne based Maret Infrastructure Pty Ltd ("Maret Group") for $15M upfront consideration. Under the sale agreement, Maret Group acquired the infrastructure assets with Spirit retaining the business customer relationships and revenues. The Maret Group will charge Spirit wholesale services fees for connected services under a wholesale services agreement between the parties. The two companies will partner to develop and market fixed wireless products using Maret Group's spectrum assets, its new expanded network and Spirit's salesforce. This new partnership aims to create market-leading fixed wireless solutions.

	Fair value $'000
Cash proceeds on completion	14,989
Network and NOC "as a service" fee	(720)
Gross proceeds on sale	14,269
The fair values of the identifiable net assets disposed:	
Inventories	(475)
Other assets	(87)
Plant and equipment	(10,347)
Right-of-use assets	(325)
Intangible assets	(3,893)
Unearned revenue	1,189
Employee benefits	95
	(13,843)
Plus: divestment related costs	(972)
	(14,815)
Loss on divestment	(546)

i. Allocation basis of goodwill on disposal

The goodwill disposed originally arose from the acquisition accounting associated with Anttel Communications Group Pty Ltd, Building Connect Pty Ltd, Wells Research Pty Ltd and World Without Wires Pty Ltd. The total goodwill booked on those acquisitions totalled $7.8M. As outlined in Note 3 (Critical accounting judgements, estimates and assumptions) the allocation of goodwill on divested asset groups requires the application of judgement. On the basis that the sale structure involved Spirit retaining the business customer relationships and revenues it was determined that 50% of the goodwill was related to the infrastructure assets (representing $3.9M) and the residual to the forward customer cash flows retained.

ii. Network and NOC "as a service" fee

As part of the associated Spirit Wholesale Services Agreement with the Maret Group, there is provision for a Network and Network Operations Centre ("NOC") "as a service" fee which commences in month 13 after the completion date. This fee was provided at a 100% discount for the first 12 months as part of the agreed upfront sale price and equates to approximately $60,000 per month. Under AASB 3 *Business Combinations* this component of the transaction price is to be accounted for under AASB 15 *Revenue from Contracts with Customers* and according was allocated to unearned revenue.

Note 35. Asset Divestments (continued)

iii. Contingent consideration

The sale agreement includes up to $6M in earn-out payments over two years, subject to revenue targets being achieved. The variable consideration is accounted for in accordance with AASB 15 *Revenue from Contracts with Customers* which dictates that the amount can only be recognised to the extent that it is highly probable of being earned. As at the reporting date of 30 June 2022, the Company was not in a position to determine the amount with the level or certainty required under the accounting standard.

Note 36. 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:

		Ownership interest	
	Principal place of business /	**2022**	**2021**
Name	**Country of incorporation**	**%**	**%**
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%	100%
Phoenix Austec Group Pty Ltd	Australia	100%	100%
Trident Computer Services Pty Ltd	Australia	100%	100%
Neptune Managed Services Pty Ltd	Australia	100%	100%
VPDA Group Holdings Limited	Australia	100%	100%
Voice Print and Data Australia Pty Ltd	Australia	100%	100%
Live Call Pty Ltd	Australia	100%	100%
Now IT Solutions Pty Ltd	Australia	100%	100%
Ancore Pty Ltd, trading as Altitude IT	Australia	100%	100%
Beachhead Group Pty Ltd	Australia	100%	100%
Reliance Technology Pty Ltd	Australia	100%	100%
Intalock Technologies Pty Ltd	Australia	100%	100%
Nexgen Capital Pty Ltd	Australia	100%	100%
Nexgen Investment Group Pty Ltd	Australia	100%	100%
Business Telecom Australia Pty Ltd	Australia	100%	100%

For the purposes of this note the parent entity has been deemed as the legal parent entity Spirit Technology Solutions Ltd.

Note 37. Events after the reporting period

No other matter or circumstance has arisen since 30 June 2022 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 38. Reconciliation of (loss)/profit after income tax to net cash from operating activities

	Consolidated	
	2022	2021
	$'000	$'000
(Loss)/profit after income tax benefit/(expense) for the year	(53,166)	1,157
Adjustments for:		
Depreciation and amortisation expense	7,655	6,666
Impairment of non-current assets	48,374	-
Net gain on disposal of property, plant and equipment	(1,862)	(529)
Share-based payments	721	620
Acquisition, divestment and integration costs	967	2,100
Net fair value loss on remeasurement of financial liabilities	2,747	168
Interest and other finance costs paid	190	137
Change in operating assets and liabilities:		
Decrease/(Increase) in trade and other receivables	1,089	(3,481)
(Increase) in inventories	(2,179)	(827)
Decrease/(Increase) in other assets	667	(732)
(Increase) in contract assets	(2,428)	(1,687)
(Increase) in deferred tax assets (net)	(1,793)	(138)
Increase in trade and other payables	891	1,213
Increase in provisions	1,236	1,291
Increase/(Decrease) in unearned revenue	501	(913)
Net cash from operating activities	3,610	5,045

Note 39. Earnings per share

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	657,644,431	554,674,861
Weighted average number of ordinary shares used in calculating diluted earnings per share	657,644,431	554,674,861

	2022 Total $'000	2021 Total $'000
(Loss)/profit attributable to the owners of Spirit Technology Solutions Ltd	(53,166)	1,157

	2022 Total Cents	2021 Total Cents
Basic earnings per share	(8.08)	0.21
Diluted earnings per share	(8.08)	0.21

Note 40. Share-based payments

During the financial year ended 30 June 2022, 13,000,000 Performance Rights were granted by the Company to key management personnel and certain employees with a vesting period ending 30 June 2024, of which 6,500,000 Performance Rights have a Relative Total Shareholder Return ("Relative TSR") performance hurdle measured against a peer group, and 6,500,000 Performance Rights have an Absolute Total Shareholder Return (“Absolute TSR") performance hurdle, based on performance of the Company.

During the financial year ended 30 June 2022, the AGM approved the modification of the performance hurdle for certain performance rights to incorporate an Absolute Total Shareholder Return (TSR) in place of Return on Invested Capital (ROIC). As the Absolute TSR is a market-based performance hurdle, the fair value of which is lower than determined on the basis of ROIC, in accordance with AASB 2, no amendment to the fair value of share-based payments expense is required.

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.

Note 40. Share-based payments (continued)

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

2022

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
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
			18,000,000	-	-	-	18,000,000

2021

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
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
			18,000,000	-	-	-	18,000,000
Weighted average exercise price			$0.182	-	-	-	$0.182

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1 year (2021: 2 years).

Note 40. Share-based payments (continued)

Set out below are summaries of Performance Rights granted under the plan:

2022

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
12/09/2018	12/09/2021	247,059	-	(49,338)	(197,721)	-
18/02/2019	18/02/2023	520,000	-	(103,844)	(416,156)	-
22/04/2020	22/04/2023	653,943	-	-	-	653,943
13/10/2020	12/11/2023	2,232,387	-	-	-	2,232,387
11/06/2021	11/06/2024	620,685	-	-	-	620,685
29/11/2021	07/04/2025	-	11,000,000	-	-	11,000,000
11/03/2022	07/04/2025	-	2,000,000	-	-	2,000,000
		4,274,074	13,000,000	(153,182)	(613,877)	16,507,015

2021

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
12/09/2018	12/09/2021	247,059	-	-	-	247,059
20/11/2018	20/11/2020	512,820	-	(189,320)	(323,500)	-
18/02/2019	18/02/2023	520,000	-	-	-	520,000
22/04/2020	22/04/2023	653,943	-	-	-	653,943
13/10/2020	12/11/2023	-	2,232,387	-	-	2,232,387
11/06/2021	11/06/2024	-	620,685	-	-	620,685
		1,933,822	2,853,072	(189,320)	(323,500)	4,274,074

The weighted average remaining contractual life of Performance Rights outstanding at the end of the financial year was 2.47 years (2021: 1.98 years).

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
29/11/2021	07/04/2025	$0.225	60%	-	0.92%	$0.0970
29/11/2021	07/04/2025	$0.225	60%	-	0.92%	$0.0540
11/03/2022	07/04/2025	$0.145	60%	-	1.77%	$0.0720
11/03/2022	07/04/2025	$0.145	60%	-	1.77%	$0.0160

Note 40. Share-based payments (continued)

	Consolidated 2022 $	Consolidated 2021 $
Share-based payments expense reconciliation		
Issue of share options to Directors and employees under incentive option scheme	396	396
Issue of Performance Rights to Directors and employees under Performance Rights plan	325	224
Total share-based payments expense reconciliation	**721**	**620**

Spirit Technology Solutions Ltd
Directors' declaration
30 June 2022

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 2022 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

24 August 2022

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRIT TECHNOLOGY SOLUTIONS LTD

Report on the Financial Report

Auditor's Opinion

We have audited the accompanying financial report of Spirit Technology Solutions Ltd (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 of the Group 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 Technology Solutions Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 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 are independent of the Group 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 (including Independence Standards)* (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.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and 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.

<table>
<tr><th>Key audit matter – Impairment of goodwill and indefinite life intangibles</th><th>How our audit addressed this matter</th></tr>
<tr><td>
As at 30 June 2022, the carrying value of goodwill and indefinite life intangibles totalled $67,487,000 (2021: $109,350,000), as disclosed in note 16 of the financial report. The accounting policy in respect of these assets is outlined in note 2 Intangible Assets.
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 each Cash-Generating Unit (CGU) to which these intangible assets have been allocated.
The evaluation of the recoverable amount requires the Group to exercise significant judgement in determining key assumptions in respect of each CGU, which include:

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

</td><td>
Our procedures included, but were not limited to, assessing and challenging:

the appropriateness of Management's determination of each CGU to which goodwill and indefinite life intangibles are allocated;
the application of an indefinite useful life to these intangible assets;
the arithmetic accuracy of the Impairment Model including the calculation of the impairment expense prepared by Management in relation to the Managed Services (IT&T) CGU;
the reasonableness of the financial year 2023 budget by CGU 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;

continued…
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Key audit matter – Impairment of goodwill and indefinite life intangibles (continued)

The outcome of the impairment assessment could vary if different assumptions were applied.

Current testing led to the impairment of $43,056,000 of the goodwill of the Managed Services (IT&T) CGU.

The evaluation of the recoverable amount of goodwill and indefinite life intangibles is an area of significant Management estimation and judgement, and a Key Audit Matter.

How our audit addressed this matter (continued)

- 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;
- 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 impairment beyond the level recognised; and
- the appropriateness of the disclosures including those relating to sensitivities in assumptions used in note 16.

Key audit matter – Revenue recognition

The Group's sales revenue amounted to $135,338,000 during the year (2021: $102,786,000). Note 2 *Revenue Recognition* describes the accounting policies applicable to distinct revenue streams in accordance with AASB 15 *Revenue from Contracts with Customers.*

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.

How our audit addressed this matter

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

- assessing Management's alignment of the Group accounting policy with the requirements of AASB 15 and application of the policy to the revenue recognition processes, focusing on key areas of risk in respect of Management's determination of:
  - performance obligations;
  - recognition at point of time or over time;
  - significant judgements and estimates; and
  - the impacts of business combinations.
- reconfirming and assessing the design of controls;
- testing the consistent operation of the processes designed to account for the recognition of revenue and related costs of sale, against the design of the Group's accounting policies, using the following techniques:
  - for a sample of contracts across each revenue stream, evaluating the contracts and agreeing recognised revenue to the records accumulated as inputs to the financial statements, while also assessing the timing of revenue recognition against the satisfaction of performance obligations, whether related to product delivery or period of service provision;
  - assessing the accuracy of revenue and related costs cut off, the accuracy of accrued revenue, and completeness of deferred revenue; and
- utilising analytical review to assess the reasonableness of tested revenue streams.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 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.

Directors' Responsibilities 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 Group'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 Group or to 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 an 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, individual 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 Group'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 Group'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 Group 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 Group 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

Auditor's Opinion

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of the Company for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF
Melbourne, 24 August 2022

Steven Bradby
Partner

Additional Shareholder Information

The shareholder information set out below was applicable as at 12 September 2022.

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	188	26,389	0.00%	-	-	-	-	-	-
1,001 to 5,000	942	2,805,139	0.42%	-	-	-	-	-	-
5,001 to 10,000	612	4,847,071	0.73%	-	-	-	-	-	-
10,001 to 100,000	1,158	43,203,759	6.50%	-	-	-	-	-	-
100,001 and over	361	613,841,221	92.35%	2	18,000,000	100.00%	5	18,289,748	100.00%
	3,261	664,723,579	100.00%	2	18,000,000	100.00%	5	18,289,748	100.00%
Holding less than a marketable parcel	1,358	4,195,687	0.63%	-	-	-	-	-	-

Twenty largest quoted equity security holders

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

	Ordinary shares Number held	% of total shares issued
UBS NOMINEES PTY LTD	79,244,922	11.92
MR PETER DIAMOND & MRS DIANA DIAMOND <P & D DIAMOND SUPER FUND A/C>	68,000,000	10.23
CITICORP NOMINEES PTY LIMITED	55,054,464	8.28
CRAZY DIAMOND PTY LTD	39,000,000	5.87
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	24,287,211	3.65
HARB HOLDINGS PTY LTD <THE HARB FAMILY A/C>	20,547,945	3.09
MARQUEE HOLDINGS PTY LTD <E&R FAMILY A/C>	20,547,945	3.09
HURACAN HOLDINGS PTY LTD <THE HURACAN FAMILY A/C>	17,996,664	2.71
BRIGGS GROUP CONSULTING PTY LTD <L & C BRIGGS FAMILY A/C>	12,606,789	1.90
WADE TECHNOLOGIES PTY LTD <THE WADE FAMILY A/C>	12,578,750	1.89
QUANTUM 777 PTY LTD <THE QUANTUM 777 FAMILY A/C>	10,508,095	1.58
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	8,769,927	1.32
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	8,235,469	1.24
THE BENTLEY GROUP (AUST) PTY LTD <MOONRIVER HOLDINGS A/C>	7,546,334	1.14
NIKALA HABER <THE NUMBER ONE FAMILY A/C>	5,693,092	0.86
SEABIRD INVESTMENTS (WA) PTY LTD <THE JA SUPERANNUATION A/C>	5,500,000	0.83
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	5,439,253	0.82
PENBURY GRANGE PTY LTD <JOUGHIN FAMILY S/F A/C>	5,039,936	0.76
MDJD PTY LTD <MARK DIAMOND SUPER FUND A/C>	5,000,000	0.75
CHEMBANK PTY LIMITED <CABAC SUPER FUND A/C>	5,000,000	0.75
B & R JAMES INVESTMENTS PTY LIMITED <JAMES SUPERANNUATION A/C>	5,000,000	0.75
	421,596,796	63.43

Unquoted equity securities	**Number on issue**	**Number of holders**
Unquoted options over ordinary shares on issue	18,000,000	2
Performance rights over ordinary shares on issue	18,289,748	5

Substantial holders
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 / PETER + DIANA DIAMOND ATF (PETER + DIANA DIAMOND SUPER FUND)	107,000,000	16.10
REGAL FUNDS MANAGEMENT PTY LTD	79,604,094	11.98
TIGA TRADING PTY LTD	52,141,281	7.84
THORNEY OPPORTUNITIES LTD	52,141,281	7.84
THORNEY TECHNOLOGIES LTD	52,141,281	7.84
ELIE AYOUB	38,456,945	5.79

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.

Corporate Governance Statement

The Company's 2022 Corporate Governance Statement is available on the Company's website at: https://www.spirit.com.au/investor-centre/

Annual General Meeting

Spirit Technology Solutions Ltd advises that its Annual General Meeting will be held on Thursday, 17 November 2022. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX in due course. In accordance with ASX Listing Rules and the Company's Constitution, the closing date for receipt of nominations for the position of Director are required to be lodged at the registered office of the Company by 5.00pm (AEDT) on 6 October 2022.

Corporate Directory

Directors
James Joughin (Non-Executive Chairman)
Julian Challingsworth (CEO & Managing Director)
Julian Haber (Executive Director)
Gregory Ridder (Non-Executive Director)
Michelle Bendschneider (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.

Locations

Victoria
19-25 Raglan Street,
South Melbourne
VIC 3025

Level 11,
14 - 16 Mason Street,
Dandenong
VIC 3175

Western Australia
1st Floor,
27 Teddington Road,
Burswood
WA 6100

New South Wales
Level 14,
130 Pitt Street,
Sydney
NSW 2000

Level 6,
379 Kent Street,
Sydney
NSW 2000

46A Bultje Street,
Dubbo
NSW 2830

Level 4,
460 Church Street,
Parramatta
NSW 2150

Queensland
Level 7,
60 Edward Street,
Brisbane City
QLD 4000

5 Cribb Street,
Milton
QLD 4064

5 Commercial Dr,
Ashmore
QLD 4214

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