



Appendix 4D

Half-year Report

31st December 2022

ASX:ST1

Spirit Technology Solutions Ltd
Appendix 4D
Half-year report

1. Company details

Name of entity:	Spirit Technology Solutions Ltd
ABN:	73 089 224 402
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$'000
Revenue from ordinary activities	up	2% to	67,289
Underlying NPBT*	up	841% to	1,896
Loss from ordinary activities after tax attributable to the owners of Spirit Technology Solutions Ltd	down	to	(7,786)
Loss for the half-year attributable to the owners of Spirit Technology Solutions Ltd	down	to	(7,786)

Dividends

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

Comments

The loss for the Consolidated Entity for the half-year ended 31 December 2022 after providing for income tax amounted to \$(7,786,000) (31 December 2021: profit \$3,000).

Further details of the results for half year can be found in the 'Review of operations and financial position' section of the Directors' report in the attached Interim Report.

* Underlying Net Profit/(Loss) Before Tax ("NPBT") is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents Profit/(Loss) before income tax benefit/(expense) 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 NPBT also excludes (loss)/gain on divestment of non-core assets and amortisation of customer relationships. The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(4.27)</u>	<u>(2.45)</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

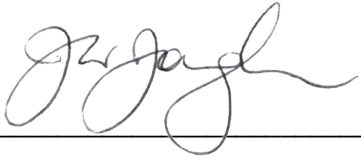
The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Spirit Technology Solutions Ltd for the half-year ended 31 December 2022 is attached.

12. Signed

Signed  _____

Date: 23 February 2023

James Joughin
Non-Executive Chairman

Spirit Technology Solutions Ltd

ABN 73 089 224 402

Interim Report - 31 December 2022

Spirit Technology Solutions Ltd

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Spirit Technology Solutions Ltd
Corporate directory
31 December 2022

Directors	Mr James Joughin (Non-Executive Chairman) Mr Julian Challingsworth (Managing Director and Chief Executive Officer - appointed 11 July 2022) Mr Julian Haber (Interim Managing Director - 16 May 2022 to 11 July 2022) (Executive Director - 1 April 2022 – 17 November 2022) (Non-Executive Director from 18 November 2022) Ms Michelle Bendschneider (Non-Executive Director) Mr Gregory Ridder (Non-Executive Director) Mr Sol Lukatsky (Managing Director - resigned 2 July 2022)
Company secretary	Melanie Leydin
Registered office	Level 4, 100 Albert Road South Melbourne Victoria 3205
Principal place of business	Level 2, 19-25 Raglan Street South Melbourne Victoria 3205
Share register	Automic Group Level 5, 126 Phillip Street Sydney, New South Wales 2000
Auditor	PKF Melbourne Audit & Assurance Pty Ltd Level 12, 440 Collins Street Melbourne Victoria 3000
Stock exchange listing	Spirit Technology Solutions Ltd shares are listed on the Australian Securities Exchange (ASX code: ST1)

Spirit Technology Solutions Limited
Directors' report
31 December 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 half-year ended 31 December 2022.

Directors

The following persons were Directors of Spirit Technology Solutions Ltd during the whole of the financial half-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 (Interim Managing Director - 16 May 2022 to 11 July 2022) (Executive Director - 1 April 2022 – 17 November 2022) (Non-Executive Director from 18 November 2022)

Ms Michelle Bendschneider (Non-Executive Director)

Mr Gregory Ridder (Non-Executive Director)

Mr Sol Lukatsky (Managing Director - resigned 2 July 2022)

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 remains focused on becoming 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 Consolidated Entity's reporting framework aligns to the following key operating segments (as outlined in Note 3 to this Interim Report):

- 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 for the financial half-year ended 31 December 2022 ("H1 FY23") after providing for income tax amounted to (\$7,786,000) (31 December 2021 ("H1 FY22"): profit \$3,000). Total revenue and other income for the Consolidated Entity for H1 FY23 was \$67.3M (H1 FY22: \$69.6M). The following table summarises the key financial metrics for the period:

	31 December 2022 \$'000	31 December 2021 \$'000	Change \$'000
Revenue (refer Note 4 to the financial statements)	67,289	65,886	1,403
Other income (refer Note 5 to the financial statements)	38	3,711	(3,673)
Revenue and other income	67,327	69,597	(2,270)
Earnings before interest, taxes, depreciation & amortisation (EBITDA*)	(5,757)	5,466	(11,223)
Loss/(profit) on divestment of network, consumer & fixed wireless assets (refer Note 5 to the financial statements)	91	(2,469)	2,560
Acquisition, divestment and integration costs***	454	831	(377)
Restructuring costs***	454	-	454
Net fair value loss on remeasurement of contingent consideration on business combinations***	8,385	-	8,385
Share-based payments***	350	396	(46)
Underlying EBITDA*	3,977	4,224	(247)
Depreciation and amortisation expense (exc. amortisation of customer relationships)	(1,472)	(3,925)	2,453
Finance costs (net)	(609)	(555)	(54)
Underlying Profit/(Loss) before income tax benefit/(expense)**	1,896	(256)	2,152
(Loss)/profit before income tax benefit/(expense)***	(8,435)	389	(8,824)

* EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit/(loss) 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 half-year to 31 December 2022 also excludes loss on divestment of network assets (31 December 2021: gain on divestment of consumer assets).

** Underlying net profit/(loss) before income tax benefit/(expense) ("uNPBT") is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and adjusts underlying EBITDA* to deduct depreciation & amortisation (excluding amortisation of customer relationships) and finance costs (net of interest revenue). 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.

The last 18 months has been focused on transitioning the Company away from capital intensive infrastructure to an integrated technology provider focused on providing our target customers with integrated solutions with a focus on service and solution delivery. The consumer broadband business was divested in October 2021, Fixed Wireless broadband business in June 2022 and selected data centre and network assets in December 2022. These divestments have reshaped the profit and loss of the Company (and specifically that of the Managed Services IT&T segment) in so far as a combination of a reduction in revenue (with divested customers), lowering of gross margins (associated with moving to wholesale arrangements), reduction of operating costs and a reduction of depreciation & amortisation with the sale of capital assets. To gain a more useful comparison of performance across half year periods Underlying Profit & Loss before income tax ("uNPBT") is considered a better indicator.

Spirit Technology Solutions Limited
Directors' report
31 December 2022

The Collaboration and Communication segment (Nexgen brand) achieved an uNPBT** for H1 FY23 of \$5.71M on a record half-year sales revenue of \$22.58M (up 45% YoY). This represents an earnings increase of 13% relative to H2 FY22 uNPBT** (\$5.0M) and an increase of 61% on H1 FY22 uNPBT** (\$3.54M).

The segment continues to achieve solid growth and resilient margins reflecting both the demand for the products offered within the SMB market alongside a proven and well disciplined sales methodology. The Board is very pleased with the continued outperformance of this segment and the forward focus is on continued organic growth driven by expansion into new Australian territories and identification of new market offerings, including cyber security, to the customer base of some 6,000 businesses.

The Cyber Security division (Intalock brand) achieved an uNPBT** for H1 FY23 of \$41,000 (H1 FY22: \$0.94M) on half-year sales revenue of \$14.85M. This represents a decrease of 9% relative to H2 FY22 revenue (\$16.37M) and flat relative to H1 FY22 revenue (\$15.03M). This segment suffered from management disruption in Q1 FY23 as a consequence of Julian Haber (former division CEO) taking on the dual role of interim Group CEO during the transition period to find a permanent Group Managing Director. The financial outcomes reflect this distraction combined with significant ongoing investment initiatives to develop new products and automation to drive customer experience, capability and to enable cyber sales into the other Company segments. Key initiatives included:

- Development of new solutions to drive improved customer experience including the development of AI tools (Chat GBT and PIA) to automate cyber incident response capabilities.
- Development of new Microsoft Core to extend the capabilities of the Security Operations Centre to support Microsoft Security opportunities, which is a significant growth area.

These investments in automation and efficiency enhancements is expected to underpin forward profitability. The Board is confident that H2 FY23 will see an uplift in this segment's profitability performance relative to H1 FY23.

The 30 June 2022 Annual Report outlined the restructuring program and initiatives that the Board implemented to drive profitability enhancement across the Group, with a particular focus on the Managed Services (IT&T) segment. H1 FY23 was focused on a progression of this restructuring program which included:

- The Company progressed its strategy to divest non-core assets inclusive of selected data centre and network assets ("Network Assets") which was completed on 1 December 2022. This strategy focuses Spirit on enabling organisations to transfer to secure digital work environments that underpin the connected modern workplace and less on capital intensive infrastructure. This move is a further step of simplification, focus and profitability enhancement and the sale of the assets will significantly reduce forward capital expenditure and resulting depreciation expense. Importantly, the divestment is backed by a sophisticated Wholesale arrangement allowing for a broad set of products and value added support services to our target customer market.
- Review of customer cohorts, and ongoing rationalisation of those cohorts, to enable concentration on a more defined profitable target base being mid-market customers where the business can focus on providing secure and connected modern workplace solutions.
- Product portfolio streamlined to focus on delivering profitable products into growth segments.
- Implementation of new managed services technology platforms to leverage AI in the triage and management of service level 1 calls which will enable a further realignment of the overhead base.
- Progressed implementation of Digital Modern Workplace across our customer base. This enables our customers access to improved collaboration tools that promotes greater teamwork for their employees, increases flexibility in terms of where they work, and provides a more secure environment from Cyber events.
- Nationalisation of the service desk, which involved combining three separate region-based support teams into one centralised Support Centre. This has significantly improved efficiencies by streamlining processes and utilising shared resources, resulting in a drastic improvement in key performance metrics and has led to increased customer satisfaction.

Spirit Technology Solutions Limited
Directors' report
31 December 2022

The Managed Services (IT&T) segment achieved an uNPBT** loss for H1 FY23 of (\$1.92M) (H1 FY22 loss: \$2.99M and H2 FY22 loss: \$4.04M) on half-year sales revenue of \$30.06M. This represents a decrease of 12% relative to H2 FY22 revenue (\$34.06M) and a 15% drop relative to H1 FY22 revenue (\$35.56M) which reflects the segments divestment programs alongside its customer target and profitability refocus initiatives.

The Board remains of the view that the future opportunities within this segment to crystalise growth and medium-term earnings stability remains attainable. The divestment during the half year of the Network Assets removes a further layer of risk and now creates a more focused platform and streamlined operation. The segment has progressed its strategic focus on the Spirit Microsoft Core, which will accelerate its progress in deploying Microsoft Modern Workplace, Microsoft cloud and security solutions at scale with improving margins and expects ongoing earnings uplifts from aligning to such a high growth, market leading suite of products and technologies over the medium term. As a further part of the drive to simplify the business model and delivery capabilities the Company has been transitioning its customers off legacy solutions to more standardised Microsoft centric solutions, which benefit the customer, and present Spirit the opportunity to gain efficiencies through delivering standardised solutions at scale.

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. As at 31 December 2022, \$1.0M of this provision has been utilised as part of the downsizing of the corporate function.

Cash outflows from operating activities were \$2.2M for the six-month period to 31 December 2022 (2021: \$2.2M). Cash obligations associated with business combination payments and business acquisitions, divestment & restructuring costs were largely satisfied through debt drawdowns. Net cash outflows from investing activities were \$5.1M (2021: \$9.8M). During the financial half-year, the Company drew down net debt from its banking facility of \$4.5M as part of its capital management.

The basic and diluted earnings per share for the financial half-year ended 31 December 2022 was (1.17) cents (31 December 2021: 0.00 cents).

The net assets of the Consolidated Entity decreased by \$7.4M to \$51.98M as at 31 December 2022 (30 June 2022: \$59.4M). This decrease primarily reflects the impact of the contingent consideration increase associated with the outperformance of the collaboration and communication segment.

Prospects for future financial years and Business Risks

The Consolidated Entity continues to evolve as it progresses its transition into a Modern Technology service provider. That evolution has been accelerated recently through a divestment phase of non-core legacy network 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 remain focused on improved profitability performance, driving organic growth and returning to positive cash flows from its operations. As part of that focus, there will be acceleration of initiatives within the Managed Services (IT&T) business segment to move that division's uNPBT** to a positive position. 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 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.

Funding Risk

In recognition of the profitability outcomes in the financial year ended 30 June 2022 and half year ended 31 December 2022, the Company is focused on earnings growth alongside managing residual acquisition contingent consideration obligations over the ensuing 24 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 sourcing and utilising a mix of debt funding, non-core asset divestment funding and shareholder equity. As at 31 December 2022 the Company had a net debt position of \$9.4M (30 June 2022: 1.3M) and net current liability position of \$7.7M (30 June 2022: \$10M) 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 11 of the Interim Report, the future contingent consideration payments owing are provisioned at \$19.7M of which ~\$4.5M is estimated to be settled in shares of the Company and ~\$15.2M in cash. Accordingly, there are funding obligations and funding risks associated with these payments. To address those risk factors the Company has entered into an agreement with the founders of both Intalock and Nexgen to crystallise the commitments and manage the cashflow settlement obligations as outlined below. Those cashflow obligations are anticipated to be settled out of operating cash flows and existing bank facilities. As at the date of this report, the Company has available under its Banking facility up to \$7.5M. Utilisation of those funds remains contingent on the company remaining in compliance with its Banking Facility ratio requirements. The Company remains in regular contact with its banking partner to ensure that they are aware of the Company's progress and actions to address profitability improvements and contingent consideration management.

Intalock

As outlined in the 2022 Annual Report, 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 finalised amount of contingent consideration due and payable where the FY22 target has been exceeded was \$3.476M in cash.

During the half year ended 31 December 2022, \$2.255M was settled. Of the balance remaining to be settled \$0.9M has been classified as a current liability and \$0.3M as a non-current liability at the reporting date.

Nexgen

As outlined in the 2022 Annual Report, the acquisition of Nexgen included a contingent consideration element by way of an earn-out structure based on performance targets for the 18 months ended 30 June 2023. The Company and the founders are in the process of finalising these arrangements in their entirety and the estimated outcome has been reflected in the H1 FY23 statutory results. The amount of contingent consideration includes a component intended to be settled in shares of the Company totaling ~ \$4.5M to be issued based on the volume weighted average share price calculated over the last 20 days on which sales in the shares were recorded before the issue date, which is targeted for 31 March 2023. At the date of this report, \$6.5 million is intended to be paid in cash on 3 April 2023. A further cash component of ~\$7.5M is to be paid over a 24-month period from that date.

As at the reporting date \$13.4M has been classified as a current liability and \$5.1M as a non-current liability.

The contingent consideration payable is higher than originally anticipated but reflects the strong performance of Nexgen which has resulted in a higher earnings profile.

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.

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 continues to impact the ability of the Company to secure product delivery on time. This remains largely outside the control of the Company and has impacts on revenue recognition alongside gross margin stability. 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 although it is easing. 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. 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.

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 has historically 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. As Spirit moves forward it will focus more on organic growth which can be a slower means of achieving scale.

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 remain 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 1 December 2022, the Consolidated Entity announced it had entered into and completed an agreement for the transfer of selected Network Assets to a Melbourne based business associated with the principals of the Maret Group which acquired Spirit's Fixed Wireless business in June 2022. The transfer is consistent with Spirit's strategy of simplifying its Managed Services (IT&T) business, reducing operating costs and sharpening its focus on target customer segments.

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

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 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.

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 thousand dollars, or in certain cases, the nearest dollar.

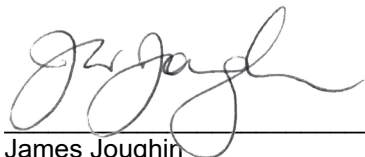
Spirit Technology Solutions Limited
Directors' report
31 December 2022

Auditor's independence declaration

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

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

On behalf of the directors

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

James Joughin
Non-Executive Chairman

23 February 2023

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF SPIRIT TECHNOLOGY SOLUTIONS LTD

In relation to our review of the financial report of Spirit Technology Solutions Ltd for the half-year ended 31 December 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.

This declaration is made in respect of Spirit Technology Solutions Ltd and the entities it controlled during the financial period.



PKF
Melbourne, 23 February 2023



Kaitlynn Brady
Partner

Spirit Technology Solutions Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

		Consolidated	
	Note	31 December 2022	31 December 2021
		\$'000	\$'000
Revenue	4	67,289	65,886
Other income	5	38	3,711
Cost of sales		(32,979)	(32,949)
Expenses			
Employee benefits expense		(23,749)	(20,787)
Share based payments		(350)	(396)
Administration and corporate expenses		(5,275)	(7,648)
Selling expenses		(529)	(617)
Marketing expenses		(902)	(903)
Business acquisition, divestment & integration costs		(454)	(831)
Restructuring costs		(454)	-
Net fair value loss on remeasurement of financial liabilities		(8,385)	-
Depreciation and amortisation expense		(2,069)	(4,522)
Finance costs		(616)	(555)
(Loss)/Profit before income tax benefit/(expense)		(8,435)	389
Income tax benefit/(expense)		649	(386)
(Loss)/Profit after income tax benefit/(expense) for the half-year attributable to the owners of Spirit Technology Solutions Ltd		(7,786)	3
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Spirit Technology Solutions Ltd		(7,786)	3
Earnings per share attributable to the owners of Spirit Technology Solutions Ltd		Cents	Cents
Basic earnings per share	18	(1.17)	0.000
Diluted earnings per share	18	(1.17)	0.000

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

Spirit Technology Solutions Ltd
Statement of financial position
As at 31 December 2022

		Consolidated	
	Note	31 December 2022 \$'000	30 June 2022 \$'000
Assets			
Current assets			
Cash and cash equivalents		8,064	11,733
Trade and other receivables	6	11,090	11,575
Inventories		3,648	4,281
Contract assets	8	1,811	1,222
Other assets	7	5,421	4,342
Total current assets		<u>30,034</u>	<u>33,153</u>
Non-current assets			
Contract assets	8	3,642	2,893
Property, plant and equipment		1,084	1,415
Right-of-use assets		2,144	2,577
Intangibles	9	78,199	78,859
Deferred tax assets		3,721	4,086
Other assets	7	1,652	528
Total non-current assets		<u>90,442</u>	<u>90,358</u>
Total assets		<u>120,476</u>	<u>123,511</u>
Liabilities			
Current liabilities			
Trade and other payables	10	15,312	15,632
Lease liabilities		1,429	1,661
Unearned revenue	13	3,677	6,028
Provisions	14	3,019	5,583
Contingent consideration	11	14,265	11,660
Deferred consideration		-	2,611
Total current liabilities		<u>37,702</u>	<u>43,175</u>
Non-current liabilities			
Borrowings	12	17,500	13,000
Lease liabilities		896	1,369
Deferred tax		4,668	5,544
Unearned revenue	13	266	422
Provisions	14	1,990	583
Contingent consideration	11	5,472	-
Total non-current liabilities		<u>30,792</u>	<u>20,918</u>
Total liabilities		<u>68,494</u>	<u>64,093</u>
Net assets		<u><u>51,982</u></u>	<u><u>59,418</u></u>
Equity			
Issued capital	15	114,874	114,874
Reserves		2,176	1,826
Accumulated losses		<u>(65,068)</u>	<u>(57,282)</u>
Total equity		<u><u>51,982</u></u>	<u><u>59,418</u></u>

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

Spirit Technology Solutions Ltd
Statement of changes in equity
For the half-year ended 31 December 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
Profit after income tax expense for the half-year	-	-	3	3
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	3	3
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	396	-	396
Issue of shares to vendors as part earn out consideration	994	-	-	994
Balance at 31 December 2021	<u>113,683</u>	<u>1,583</u>	<u>(4,195)</u>	<u>111,071</u>

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	114,874	1,826	(57,282)	59,418
Loss after income tax expense for the half-year	-	-	(7,786)	(7,786)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(7,786)	(7,786)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	350	-	350
Balance at 31 December 2022	<u>114,874</u>	<u>2,176</u>	<u>(65,068)</u>	<u>51,982</u>

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

Spirit Technology Solutions Ltd
Statement of cash flows
For the half-year ended 31 December 2022

		Consolidated	
	Note	31 December 2022	31 December 2021
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		70,588	72,007
Payments to suppliers and employees (inclusive of GST)		<u>(72,447)</u>	<u>(75,034)</u>
		(1,859)	(3,027)
Interest received		7	-
Deposit refunded		189	98
Interest and other finance costs paid		(544)	(448)
Government infrastructure grants received		32	43
Government subsidies		-	1,124
Other receipts		<u>6</u>	<u>8</u>
Net cash used in operating activities		<u>(2,169)</u>	<u>(2,202)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(89)	(2,292)
Payments for intangibles	9	(136)	(651)
Cash payments to acquire business, net of cash acquired		(3,018)	(10,449)
Acquired income tax liabilities refunded/(paid)		169	(212)
Business acquisition, divestment and restructuring costs		(1,913)	(831)
Net cash proceeds from divestment of business assets		(86)	4,656
Payments for investments		<u>-</u>	<u>(19)</u>
Net cash used in investing activities		<u>(5,073)</u>	<u>(9,798)</u>
Cash flows from financing activities			
Net proceeds from borrowings	12	4,500	15,000
Repayment of lease liabilities		<u>(927)</u>	<u>(1,062)</u>
Net cash from financing activities		<u>3,573</u>	<u>13,938</u>
Net (decrease)/increase in cash and cash equivalents		(3,669)	1,938
Cash and cash equivalents at the beginning of the financial half-year		<u>11,733</u>	<u>8,493</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>8,064</u></u>	<u><u>10,431</u></u>

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

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 half-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

Level 4, 100 Albert Road
South Melbourne Victoria 3205

Principal place of business

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 23 February 2023.

Note 2. Significant accounting policies

These general purpose financial statements for the interim reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the period ended 31 December 2022.

Going concern

The Consolidated Entity had a net current liability position as at 31 December 2022 of \$7.7M (30 June 2022 net current liability position: \$10.0M). This financial position needs to be considered noting the following key factors:

- Current liabilities includes contingent consideration payable of \$14.3M. The estimated cash component of this consideration totals \$9.8M. The balance is to be settled in equity.
- Current liabilities includes unearned revenue (contract liabilities) of \$3.7M. This liability unwinds to revenue rather than being a cash settled liability.
- The Consolidated Entity has undertaken a divestment program over the last 18 months as part of Spirit's strategy of simplifying its Managed Services (IT&T) business, reducing operating costs and sharpening its focus on target customer segments. This strategy focuses the Company on provision of services and less on capital intensive infrastructure and hence will significantly reduce forward capital expenditure cashflows. In addition, the divestment of selected data centre and network assets which was completed on 1 December 2022 is expected to result in a positive annualised impact of \$1.5M - \$1.8M on the Managed Services (IT&T) segment profitability and has been factored into the future cashflow forecasts and assumptions supporting the go forward going concern position.
- The Consolidated Entity has structured its contingent consideration obligations through cash settlements that extend over a 24-month period to align with future operating cash flows and existing bank facilities. Attention is drawn to the '*Prospects for future financial years and Business Risks*' within the Directors Report for additional commentary.
- The Consolidated Entity has the ability to request additional support from existing shareholders if financial assistance is required.

Note 3. Operating segments

Identification of reportable operating segments

The Chief Operating Decision Makers ("CODM") manage the Consolidated Entity across three operating segments being:

- 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 net profit/(loss) before income tax expense level. Underlying adjustments are reported on a consolidated group basis but attributed to the segments for disclosure purposes.

Half Year ended 31 December 2022	Collaboration & Communication	Cyber Security	Managed Services (IT&T)	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Sales revenue					
End customer revenue	22,578	14,674	30,030	-	67,282
Intercompany revenue	-	172	27	(199)	-
	22,578	14,846	30,057	(199)	67,282
Underlying earnings before interest, taxes, depreciation & amortisation*	6,382	259	(1,275)	(1,389)	3,977
Depreciation and amortisation expense (exc. amortisation of customer relationships)	(656)	(218)	(598)	-	(1,472)
Finance costs (net)	(20)	-	(44)	(545)	(609)
Underlying net profit/(loss) before income tax**	5,706	41	(1,917)	(1,934)	1,896
Underlying Adjustments:					
Share based payments	-	-	-	(350)	(350)
Loss on divestment of network & fixed wireless assets	-	-	(271)	180	(91)
Acquisition, divestment & integration costs	-	-	-	(454)	(454)
Restructuring costs	-	-	(454)	-	(454)
Net fair value loss on remeasurement of contingent consideration on business combinations	-	-	-	(8,385)	(8,385)
Amortisation of customer relationships	(597)	-	-	-	(597)
(Loss)/profit before income tax benefit	5,109	41	(2,642)	(10,943)	(8,435)
Income tax benefit					649
(Loss) after income tax benefit					(7,786)

* EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. 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 half-year to 31 December 2022 also excludes loss on divestment of network assets.

** Underlying net profit/(loss) before income tax benefit/(expense) is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and adjusts Underlying EBITDA* to deduct depreciation & amortisation (excluding amortisation of customer relationships) and finance costs (net of interest revenue).

*** 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.

Spirit Technology Solutions Limited
Notes to the financial statements
31 December 2022

Note 3. Operating segments (continued)

31 December 2022	Collaboration & Communication	Cyber Security	Managed Services (IT&T)	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Total assets	72,025	27,032	16,411	5,008	120,476
Total liabilities	(9,973)	(7,687)	(14,494)	(36,340)	(68,494)
	62,052	19,345	1,917	(31,332)	51,982

Half Year ended 31 December 2021	Collaboration & Communication	Cyber Security	Managed Services (IT&T)	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Sales revenue					
End customer revenue	15,565	14,836	35,485	-	65,886
Intercompany revenue	-	193	71	(264)	-
	15,565	15,029	35,556	(264)	65,886
Underlying earnings before interest, taxes, depreciation & amortisation*	4,236	1,170	117	(1,299)	4,224
Depreciation and amortisation expense (exc. amortisation of customer relationships)	(658)	(218)	(3,049)	-	(3,925)
Finance costs (net)	(34)	(15)	(58)	(448)	(555)
Underlying net (loss)/profit before income tax**	3,544	937	(2,990)	(1,747)	(256)
Underlying Adjustments:					
Share based payments	-	-	-	(396)	(396)
Profit on divestment of consumer assets	-	-	2,469	-	2,469
Acquisition, divestment & integration costs	-	-	-	(831)	(831)
Amortisation of customer relationships	(597)	-	-	-	(597)
Profit/(loss) before income tax expense	2,947	937	(521)	(2,974)	389
Income tax expense					(386)
Profit after income tax benefit					3

* 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 half-year to 31 December 2021 also excludes gain on divestment of consumer assets.

** Underlying net profit/(loss) before income tax benefit/(expense) is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and adjusts Underlying EBITDA* to deduct depreciation & amortisation (excluding amortisation of customer relationships) and finance costs (net of interest revenue).

*** 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.

30 June 2021	Collaboration & Communication	Cyber Security	Managed Services (IT&T)	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'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)
	61,622	19,645	(1,744)	(20,105)	59,418

Note 3. Operating segments (continued)

Major customers

During the half year ended 31 December 2022 there are no individual customers which accounted for 5% or more of sales.

Note 4. Revenue

	Consolidated	
	31 December 2022	31 December 2021
	\$'000	\$'000
Sales revenue	67,282	65,886
Interest	7	-
Revenue	<u>67,289</u>	<u>65,886</u>

Disaggregation of sales revenue

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

	Consolidated	
	31 December 2022	31 December 2021
	\$'000	\$'000
<i>Major product lines</i>		
Managed services	15,789	20,147
Internet and data services	10,773	11,411
Security services	15,148	16,054
Voice services	21,493	15,159
Cloud services	2,719	2,620
Other	1,360	495
	<u>67,282</u>	<u>65,886</u>
<i>Geographical regions</i>		
Australia	<u>67,282</u>	<u>65,886</u>

Timing of revenue recognition

Goods & services transferred over time	30,649	34,268
Goods & services transferred at a point in time	<u>36,633</u>	<u>31,618</u>
	<u>67,282</u>	<u>65,886</u>

Spirit Technology Solutions Limited
Notes to the financial statements
31 December 2022

Note 5. Other income

	Consolidated	
	31 December 2022	31 December 2021
	\$'000	\$'000
Government infrastructure grants	22	337
Government subsidies	10	897
Profit on divestment of assets	-	2,469
Profit on sale of other assets and right of use	-	1
Miscellaneous	6	7
	<u>38</u>	<u>3,711</u>
Other income		

Note 6. Trade and other receivables (current assets)

	Consolidated	
	31 December 2022	30 June 2022
	\$'000	\$'000
Trade receivables	11,733	11,870
Less: Allowance for expected credit losses	(903)	(707)
	<u>10,830</u>	<u>11,163</u>
Other receivables	260	412
	<u>11,090</u>	<u>11,575</u>

Note 7. Other assets

	Consolidated	
	31 December 2022	30 June 2022
	\$'000	\$'000
Accrued revenue	4,141	2,988
Prepayments	2,306	1,475
Employee loans	319	150
Other assets	307	257
	<u>7,073</u>	<u>4,870</u>

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

	Consolidated	
	31 December 2022	30 June 2022
	\$'000	\$'000
Current	5,421	4,342
Non-current	1,652	528
	<u>7,073</u>	<u>4,870</u>

Note 8. Contract assets

	Consolidated	
	31 December	30 June
	2022	2022
	\$'000	\$'000
Contract assets	7,325	5,168
Accumulated release to profit and loss	<u>(1,872)</u>	<u>(1,053)</u>
	<u>5,453</u>	<u>4,115</u>

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

	Consolidated	
	31 December	30 June
	2022	2022
	\$'000	\$'000
Current	1,811	1,222
Non-current	<u>3,642</u>	<u>2,893</u>
	<u>5,453</u>	<u>4,115</u>

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

	Consolidated	
	31 December	30 June
	2022	2022
	\$'000	\$'000
Opening balance	4,115	1,687
Additions	2,157	3,287
Release to the profit and loss	<u>(819)</u>	<u>(859)</u>
Closing balance	<u>5,453</u>	<u>4,115</u>

Note 9. Intangibles (non-current assets)

	Consolidated	
	31 December	30 June
	2022	2022
	\$'000	\$'000
Goodwill	63,382	63,382
Intellectual property - at cost	1,412	1,412
Less: Accumulated amortisation	(1,412)	(1,412)
	-	-
Software	5,771	5,635
Less: Accumulated amortisation	(4,911)	(4,712)
	860	923
Brand names – at cost	4,105	4,105
Customer relationships	11,942	11,942
Less: Accumulated amortisation	(2,090)	(1,493)
	9,852	10,449
	78,199	78,859

Reconciliations

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

	Goodwill	Brand names	Software & projects	Customer relationships	Intellectual property	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
Balance at 1 July 2022	63,382	4,105	923	10,449	-	78,859
Additions	-	-	136	-	-	136
Amortisation expense	-	-	(199)	(597)	-	(796)
Balance at 31 December 2022	<u>63,382</u>	<u>4,105</u>	<u>860</u>	<u>9,852</u>	<u>-</u>	<u>78,199</u>

Note 10. Trade and other payables (current liabilities)

	Consolidated	
	31 December	30 June
	2022	2022
	\$'000	\$'000
Trade payables	9,406	9,450
GST payable	487	562
Other payables	5,419	5,620
	15,312	15,632

Note 11. Contingent consideration

	Consolidated	
	31 December	30 June
	2022	2022
	\$'000	\$'000
Contingent consideration	19,737	11,660

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

	31 December	30 June
	2022	2022
	\$'000	\$'000
Current	14,265	11,660
Non-current	5,472	-
	19,737	11,660

Note 12. Borrowings (non-current liabilities)

	Consolidated	
	31 December	30 June
	2022	2022
	\$'000	\$'000
Bank loans	17,500	13,000

Total secured liabilities

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

	Consolidated	
	31 December	30 June
	2022	2022
	\$'000	\$'000
Bank loans	17,500	13,000

Assets pledged as security

The bank loan of \$17.5M (2022: \$13M) is secured over the assets and undertakings of Spirit Technology Solutions Ltd and its wholly owned subsidiaries.

Note 13. Unearned revenue

	Consolidated	
	31 December	30 June
	2022	2022
	\$'000	\$'000
Customer contract unearned revenue	3,943	6,450
	3,943	6,450

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

	31 December	30 June
	2022	2022
	\$'000	\$'000
Current	3,677	6,028
Non-current	266	422
	3,943	6,450

Reconciliations

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

	Total
	\$'000
Balance at 30 June 2022	6,450
Net movements	(2,507)
Balance at 31 December 2022	3,943

Note 14. Provisions

	Consolidated	
	31 December	30 June
	2022	2022
	\$'000	\$'000
Annual leave	1,969	2,377
Long service leave	1,375	1,409
Provision for income tax	-	(31)
Restructuring	120	1,138
Lease make good	472	200
Other provisions	1,073	1,073
	5,009	6,166

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

Note 14. Provisions (continued)

	31 December 2022 \$'000	30 June 2022 \$'000
Current	3,019	5,583
Non-current	<u>1,990</u>	<u>583</u>
	<u><u>5,009</u></u>	<u><u>6,166</u></u>

Note 15. Equity - issued capital

	31 December 2022 Shares	30 June 2022 Shares	Consolidated 31 December 2022 \$'000	30 June 2022 \$'000
Ordinary shares - fully paid	<u>664,723,579</u>	<u>664,723,579</u>	<u>114,874</u>	<u>114,874</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2022	664,723,579		114,874
Movements		<u>-</u>		<u>-</u>
Balance	31 December 2022	<u>664,723,579</u>		<u>114,874</u>

Ordinary shares

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

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

Share buy-back

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

Note 16. Equity - dividends

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

Note 17. Events after the reporting period

No matter or circumstance has arisen since 31 December 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 18. Earnings per share

	Consolidated	
	31 December 2022	31 December 2021
	\$'000	\$'000
(Loss)/Profit after income tax attributable to the owners of Spirit Technology Solutions Ltd	<u>(7,786)</u>	<u>3</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>664,723,579</u>	<u>654,837,268</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>664,723,579</u>	<u>654,837,268</u>
	Cents	Cents
Basic earnings per share	(1.17)	0.00
Diluted earnings per share	(1.17)	0.00

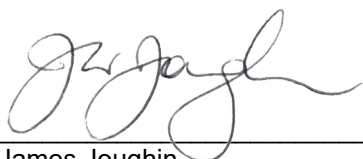
Spirit Technology Solutions Ltd
Directors' declaration
31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

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

James Joughin
Non-Executive Chairman

23 February 2023

Independent Auditor's Review Report to the Members of Spirit Technology Solutions Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Spirit Technology Solutions Limited (the Company) and its subsidiaries (collectively, the Group) which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Spirit Technology Solutions Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporation Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-Year Financial Report

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

Auditor's Responsibilities for the Review of the Half-Year Financial Report

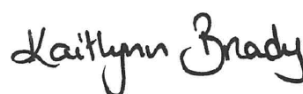
Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's consolidated financial position as at 31 December 2022 and its consolidated financial performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



PKF

Melbourne, 23 February 2023



Kaitlynn Brady

Partner

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