

Appendix 4D

# Half-year Report

31 December 2020

ASX:ST1

**Spirit Technology Solutions Ltd**  
**(Formerly known as Spirit Telecom Limited)**  
**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 2020
Previous period:	For the half-year ended 31 December 2019

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**2. Results for announcement to the market**

			\$
Revenue and other income from ordinary activities	up	253.5% to	44,031,661
Underlying EBITDA*	up	175.7% to	4,430,066
Profit from ordinary activities after tax attributable to the owners of Spirit Technology Solutions Ltd	up	168.7% to	508,117
Profit for the half-year attributable to the owners of Spirit Technology Solutions Ltd	up	168.7% to	508,117

*Dividends*

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

*Comments*

The profit for the Consolidated Entity after providing for income tax amounted to \$508,117 (31 December 2019: loss of \$739,995).

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

\* EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude business acquisition & integration costs, share based payments and business restructuring costs. The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

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**3. Net tangible assets**

	<b>Reporting period Cents</b>	<b>Previous period Cents</b>
Net tangible assets per ordinary security	<u>0.61</u>	<u>2.53</u>

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**Spirit Technology Solutions Limited**  
**(Formerly known as Spirit Telecom Limited)**  
**Appendix 4D**  
**Half-year report**

**4. Control gained over entities**

VPDA Group Holdings Pty Ltd (1 July 2020)  
Voice Print and Data Australia Pty Ltd (1 July 2020)  
Live Call Pty Ltd (1 July 2020)  
Now IT Solutions Pty Ltd (1 July 2020)  
Ancore Pty Ltd trading as Altitude IT (1 September 2020)  
Beachhead Group Pty Ltd (1 September 2020)  
Reliance Technology Pty Ltd (1 September 2020)  
Intalock Technologies Pty Ltd (1 December 2020)

Name of entities (or group of entities)

\$

Contribution of such entities to the reporting entity's revenue from ordinary activities from the dates of acquisition to 31 December 2020

13,644,276

Contribution of the newly acquired entities to the reporting entity's profit from ordinary activities before income tax during the period is not separately identifiable given that allocations of acquisition costs, corporate overhead, listing and finance costs are not separately charged to the respective acquisition operations. In addition, for three of the acquired entities, the employees have also been transferred into Spirit Telecom (Australia) Pty Ltd. Details of the Entities over which control was gained is disclosed in note 14 along with the acquisition accounting disclosures.

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**5. Loss of control over entities**

Not applicable.

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**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.

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**7. Dividend reinvestment plans**

Not applicable.

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**8. Details of associates and joint venture entities**

Not applicable.

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**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.

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**11. Attachments**

*Details of attachments (if any):*

The Interim Report of Spirit Technology Solutions Ltd for the half-year ended 31 December 2020 is attached.

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**12. Signed**

Signed \_\_\_\_\_



Date: 22 February 2021

James Joughin  
Non-Executive Chairman

# **Spirit Technology Solutions Ltd**

**(Formerly known as Spirit Telecom Limited)**

**ABN 73 089 224 402**

**Interim Report - 31 December 2020**

**Spirit Technology Solutions Ltd**  
**(Formerly known as Spirit Telecom Limited)**  
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**31 December 2020**

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**Spirit Technology Solutions Ltd**  
**(Formerly known as Spirit Telecom Limited)**  
**Corporate directory**  
**31 December 2020**

Directors	James Joughin (Chairman) Sol Lukatsky (Managing Director) Mark Dioguardi (Executive Director) Gregory Ridder (Non-Executive Director) Inese Kingsmill (Non-Executive Director)
Company secretary	Melanie Leydin
Registered office	Level 4, 100 Albert Road South Melbourne Victoria 3205
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 (formerly Spirit Telecom Limited) shares are listed on the Australian Securities Exchange (ASX code: ST1)

**Spirit Technology Solutions Ltd**  
**(Formerly known as Spirit Telecom Limited)**  
**Directors' report**  
**31 December 2020**

The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity' or 'Spirit') consisting of Spirit Technology Solutions Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

**Directors**

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

Mr James Joughin (Non-Executive Chairman)  
 Mr Solomon Lukatsky (Managing Director)  
 Mr Mark Dioguardi (Executive Director)  
 Mr Gregory Ridder (Non-Executive Director)  
 Ms Inese Kingsmill (Non-Executive Director) (appointed on 1 July 2020)

**Principal activities**

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

**Dividends**

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

**Review of operations**

The profit for the Consolidated Entity after providing for income tax amounted to \$508,117 (31 December 2019: loss of \$739,995).

Total revenue and other income of the Consolidated Entity for the financial half year ended 31 December 2020 was \$44,031,661 (31 December 2019: \$12,457,329).

The following table summarises key financial metrics for the period:

	<b>Half-year ended 31 December 2020</b>	<b>Half-year ended 31 December 2019</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Revenue	42,812,682	12,302,009	30,510,673	248%
Other income	1,218,979	155,320	1,063,659	685%
Earnings before interest, taxes, depreciation & amortisation (EBITDA) *	3,374,802	802,954	2,571,848	320%
Business acquisition & integration costs	800,401	165,261	635,140	384%
Business restructuring costs	-	377,620	(377,620)	(100%)
Share based payments	254,863	260,868	(6,005)	(2%)
<b>Underlying EBITDA* excluding business acquisition &amp; integration costs, Share based payments &amp; Restructuring costs **</b>	<b>4,430,066</b>	<b>1,606,703</b>	<b>2,823,363</b>	<b>176%</b>

\*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 business acquisition & integration costs, business restructuring costs and share based payments.

**Spirit Technology Solutions Ltd**  
**(Formerly known as Spirit Telecom Limited)**  
**Directors' report**  
**31 December 2020**

**Review of operations (continued)**

The net assets of the Consolidated Entity increased by \$35,591,032 to \$73,655,116 as at 31 December 2020 (30 June 2020: \$38,064,084).

During the period the Consolidated Entity continued its evolution to become a modern telco, by providing a complete offering across Telecommunications, Internet, Cloud, IT Managed Services and Cyber Security. Spirit accelerated its acquisition strategy to enable the Consolidated Entity to create a truly contemporary and customer relevant IT&T company for Australian businesses. Spirit is now a modern business partner, providing seamless solutions, simplicity, and support to its customers.

**Significant changes in the state of affairs**

On 1 July 2020, the Consolidated Entity completed the acquisition of the VPD Group and 29,000,000 fully paid ordinary shares were issued (subject to voluntary escrow until 1 July 2021), at a fair value issue price of \$0.25 (25 cents) per share.

On 20 August 2020, the Consolidated Entity announced the agreement to acquire three Managed IT Service providers, which were rebranded as Spirit Solutions Partners. The three Providers were: 1. Reliance IT, a Cloud Managed Services Provider based in Central NSW and one of the largest providers of IT services in regional NSW; 2. Beachhead Group, a Sydney based Managed IT Services Provider, specialising in Cloud and Infrastructure deployment to businesses and private schools; and 3. Altitude IT, a Sydney based Managed IT Services Provider with a diverse base of recurring revenue across the commercial and industrial sectors. The total purchase price of up to \$10.4 million including an earnout component, will be settled as a combination of cash and Spirit equity. Any earnout component payable remains contingent upon certain agreed hurdles being met in FY2021.

The acquisitions of the three Managed IT Service providers were completed on 1 September 2020 and 7,940,080 fully paid ordinary shares were issued (subject to voluntary escrow until 1 September 2021), at a fair value issue price of \$0.36 (36 cents) per share.

On 20 August 2020, the Consolidated Entity announced:

- that it successfully raised \$18.2M in a strongly supported equity Placement, which comprised an unconditional placement of approximately \$17.88M to institutional and sophisticated investors and a conditional placement to Directors and Management of approximately \$0.36M (subject to shareholder approval).
- the launch of a Share Purchase Plan (SPP) to raise up to \$5.0M at the same issue price as the Placement.
- CBA (the Group's banker) had expanded the Spirit debt facility by \$5.0M, raising the debt facility limit to \$15.9M.

On 27 August 2020, 55,881,401 fully paid ordinary shares were issued under the unconditional placement to institutional and sophisticated investors at a fair value issue price of \$0.32 (32 cents) per share for a total consideration of \$17.9M.

On 17 September 2020, the Consolidated Entity announced that the SPP had received overwhelming support and was heavily oversubscribed. On 18 September 2020, 15,624,581 fully paid ordinary shares were issued under the SPP at a fair value issue price of \$0.32 (32 cents) per share for a total consideration of \$5M.

On 14 October 2020, the Consolidated Entity advised that following approval by shareholders at the 2020 Annual General Meeting ("AGM") held on 13 October 2020, the Company changed its name from "Spirit Telecom Ltd" to "Spirit Technology Solutions Ltd".

On 22 October 2020, following shareholder approval at the 2020 AGM, 1,125,000 fully paid ordinary shares were issued under the conditional placement to Directors and Management at a fair value issue price of \$0.32 (32 cents) per share for a total consideration of \$360,000.

On 22 October 2020, the Consolidated Entity issued 189,320 fully paid ordinary shares, upon conversion of vested performance rights.

**Spirit Technology Solutions Limited**  
**(Formerly known as Spirit Telecom Limited)**  
**Directors' report**  
**31 December 2020**

**Significant changes in the state of affairs (continued)**

On 2 December 2020, the Consolidated Entity announced the acquisition of Intalock Technologies Pty Ltd ("Intalock"), one of Australia's leading cyber security services businesses with a market leading and sophisticated full Security Operations Centre for \$15.0M upfront consideration. The acquisition allows Spirit to cross sell and deliver highly secure bundled Cyber Security Services with Data, Cloud and Voice. The upfront consideration of \$15.0M was paid as a combination of cash (85%) and Spirit equity (15%) with a deferred consideration component capped at \$3.0M. An additional earn-out consideration component is also available for out-performance in FY22 capped to a maximum total transaction value of \$22.5M. Any earnout component payable remains contingent upon certain agreed hurdles being met in FY22.

The acquisition of Intalock was completed on 3 December 2020 and 5,921,053 fully paid ordinary shares were issued (subject to voluntary escrow until 3 December 2021), at a fair value issue price of \$0.415 (41.5 cents) per share.

The Consolidated Entity navigated the business disruptions related to COVID-19 and was not materially impacted. The Consolidated Entity did not receive any Government subsidies by way of Job Keeper.

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 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

**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



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James Joughin  
Non-Executive Chairman

22 February 2021

**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 2020, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (b) no contraventions of any applicable code of professional conduct.

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



**PKF**  
**Melbourne, 22 February 2021**



**Steven Bradby**  
**Partner**

**Spirit Technology Solutions Limited**  
**(Formerly known as Spirit Telecom Limited)**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	4	42,812,682	12,302,009
Other income	5	1,218,979	155,320
Cost of sales		(22,691,084)	(3,383,641)
<b>Expenses</b>			
Depreciation and amortisation expense		(2,809,573)	(1,566,776)
Share based payments		(254,863)	(260,868)
Administration		(15,740,495)	(6,890,640)
Business acquisition & integration costs		(800,401)	(165,261)
Selling		(581,876)	(448,060)
Marketing		(588,140)	(505,905)
Finance costs		(287,318)	(164,861)
<b>Profit/(loss) before income tax benefit</b>		277,911	(928,683)
Income tax benefit		230,206	188,688
<b>Profit/(loss) after income tax benefit for the half-year attributable to the owners of Spirit Technology Solutions Ltd</b>		508,117	(739,995)
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive income for the half-year attributable to the owners of Spirit Technology Solutions Ltd</b>		<u>508,117</u>	<u>(739,995)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	16	0.099	(0.220)
Diluted earnings per share	16	0.099	(0.220)

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

**Spirit Technology Solutions Limited**  
**(Formerly known as Spirit Telecom Limited)**  
**Statement of financial position**  
**As at 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2020 \$</b>	<b>30 June 2020 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		12,902,173	6,400,303
Trade and other receivables	6	10,467,285	4,404,229
Inventories		2,559,107	948,845
Other	7	4,239,594	843,827
<b>Total current assets</b>		<u>30,168,159</u>	<u>12,597,204</u>
<b>Non-current assets</b>			
Receivables		356,728	234,294
Property, plant and equipment		14,871,700	13,821,495
Right-of-use assets		2,971,034	1,562,536
Intangibles	8	67,347,474	25,359,870
Deferred tax assets		1,960,811	1,479,155
Customer Contracts (costs to fulfill)		426,970	-
Prepayments		40,884	-
<b>Total non-current assets</b>		<u>87,975,601</u>	<u>42,457,350</u>
<b>Total assets</b>		<u>118,143,760</u>	<u>55,054,554</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	17,470,640	5,656,606
Unearned revenue	11	4,724,519	1,775,442
Borrowings	10	14,394	19,715
Lease liabilities		1,342,662	815,866
Provisions		2,590,035	950,995
Contingent consideration		3,051,054	997,500
Deferred consideration		4,189,636	-
<b>Total current liabilities</b>		<u>33,382,940</u>	<u>10,216,124</u>
<b>Non-current liabilities</b>			
Borrowings	10	5,267,807	3,267,807
Lease liabilities		1,747,248	787,156
Deferred tax liabilities		777,671	-
Provisions		350,744	165,191
Contingent consideration		800,001	997,500
Unearned revenue	11	2,162,233	1,556,692
<b>Total non-current liabilities</b>		<u>11,105,704</u>	<u>6,774,346</u>
<b>Total liabilities</b>		<u>44,488,644</u>	<u>16,990,470</u>
<b>Net assets</b>		<u>73,655,116</u>	<u>38,064,084</u>
<b>Equity</b>			
Issued capital	12	77,680,433	42,852,381
Reserves		820,890	567,100
Accumulated losses		(4,846,207)	(5,355,397)
<b>Total equity</b>		<u>73,655,116</u>	<u>38,064,084</u>

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

**Spirit Technology Solutions Limited**  
**(Formerly known as Spirit Telecom Limited)**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2020**

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2019	25,511,726	475,834	(3,932,904)	22,054,656
Loss after income tax benefit for the half-year	-	-	(739,995)	(739,995)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(739,995)	(739,995)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	5,896,483	-	-	5,896,483
Share-based payments	-	226,734	-	226,734
Shares issued to incentivise employees	19,996	-	-	19,996
Transfers	247,103	(354,323)	107,220	-
Issue of shares to the vendor as part consideration in relation to the Arinda IT acquisition	500,000	-	-	500,000
Issue of shares to the vendor as part consideration in relation to the Phoenix Austec Group acquisition	320,000	-	-	320,000
Balance at 31 December 2019	<u>32,495,308</u>	<u>348,245</u>	<u>(4,565,679)</u>	<u>28,277,874</u>

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2020	42,852,381	567,100	(5,355,397)	38,064,084
Profit after income tax benefit for the half-year	-	-	508,117	508,117
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	508,117	508,117
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	22,262,386	-	-	22,262,386
Share-based payments	-	254,863	-	254,863
Transfers	-	(1,073)	1,073	-
Issue of shares to the vendors on business combinations	12,565,666	-	-	12,565,666
Balance at 31 December 2020	<u>77,680,433</u>	<u>820,890</u>	<u>(4,846,207)</u>	<u>73,655,116</u>

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

**Spirit Technology Solutions Limited**  
**(Formerly known as Spirit Telecom Limited)**  
**Statement of cash flows**  
**For the half-year ended 31 December 2020**

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	45,134,147	13,667,995
Payments to suppliers and employees (inclusive of GST)	<u>(40,827,184)</u>	<u>(12,615,301)</u>
	4,306,963	1,052,694
Other receipts	364,462	-
Interest received	603	4,147
Deposit refunded	8,049	47,148
Interest and other finance costs paid	(219,185)	(137,389)
Government infrastructure grants	46,827	653,203
Income taxes paid	<u>(213,080)</u>	<u>-</u>
Net cash from operating activities	<u>4,294,639</u>	<u>1,619,803</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(1,425,277)	(3,333,929)
Payments for intangibles	8 (750,825)	(874,656)
Cash payments to acquire businesses, net of cash acquired	(19,757,412)	(3,091,518)
Proceeds from investments	506	60,000
Proceeds from disposal of plant and equipment	<u>499,927</u>	<u>123,941</u>
Net cash used in investing activities	<u>(21,433,081)</u>	<u>(7,116,162)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	23,241,914	6,108,475
Share issue transaction costs	(979,528)	(226,272)
Proceeds from borrowings	5,000,000	-
Repayment of borrowings	(3,000,000)	(1,207,193)
Repayment of lease liabilities	<u>(622,074)</u>	<u>(249,526)</u>
Net cash from financing activities	<u>23,640,312</u>	<u>4,425,484</u>
Net increase/(decrease) in cash and cash equivalents	6,501,870	(1,070,875)
Cash and cash equivalents at the beginning of the financial half-year	<u>6,400,303</u>	<u>3,376,663</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>12,902,173</u></u>	<u><u>2,305,788</u></u>

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

**Spirit Technology Solutions Limited**  
**(Formerly known as Spirit Telecom Limited)**  
**Notes to the financial statements**  
**31 December 2020**

**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 22 February 2021.

**Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 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 2020 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 2020.

**Note 3. Operating segments**

*Identification of reportable operating segments*

The Consolidated Entity is organised into one operating segment, being the provision of IT&T services covering Telecommunication services, Cloud services, Managed IT services and Cyber Security services for Australian businesses.

*Major customers*

During the half year ended 31 December 2020 there are no individual customers which account for 5% or more of sales.

**Spirit Technology Solutions Limited**  
**(Formerly known as Spirit Telecom Limited)**  
**Notes to the financial statements**  
**31 December 2020**

**Note 4. Revenue**

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
<i>Sales revenue</i>		
Recurring sales revenue	21,057,450	10,596,204
Non recurring sales revenue	21,754,629	1,701,657
	<u>42,812,079</u>	<u>12,297,861</u>
<i>Other revenue</i>		
Interest	603	4,148
Revenue	<u>42,812,682</u>	<u>12,302,009</u>

*Disaggregation of revenue*

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

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
<i>Major product lines</i>		
Cloud services	1,997,831	-
Internet and data services	8,153,505	7,916,217
Voice services	3,098,847	2,072,248
Managed services	26,957,910	2,061,325
Security services	2,284,171	-
Other	319,815	248,071
	<u>42,812,079</u>	<u>12,297,861</u>
<i>Geographical regions</i>		
Australia	<u>42,812,079</u>	<u>12,297,861</u>
<i>Timing of revenue recognition</i>		
Products and services transferred at a point in time	21,754,629	1,701,657
Products and services transferred over time	21,057,450	10,596,204
	<u>42,812,079</u>	<u>12,297,861</u>

**Note 5. Other income**

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
Government infrastructure grants	323,405	154,411
Profit on sale of assets and right of use	525,840	909
Government subsidies	304,821	-
Miscellaneous income	64,913	-
Other income	<u>1,218,979</u>	<u>155,320</u>

**Spirit Technology Solutions Limited**  
**(Formerly known as Spirit Telecom Limited)**  
**Notes to the financial statements**  
**31 December 2020**

**Note 6. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	10,782,059	4,580,552
Less: Allowance for expected credit losses	(321,797)	(176,323)
	<u>10,460,262</u>	<u>4,404,229</u>
Other receivables	7,023	-
	<u>10,467,285</u>	<u>4,404,229</u>

**Note 7. Current assets - other**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Accrued revenue	739,088	244,375
Prepayments	1,361,744	588,174
Vendor loans (refer note 14)	1,597,549	-
Other	541,213	11,278
	<u>4,239,594</u>	<u>843,827</u>

**Note 8. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Goodwill	65,362,986	23,974,241
Software	2,942,169	2,125,320
Less: Accumulated amortisation	(1,161,387)	(739,691)
	<u>1,780,782</u>	<u>1,385,629</u>
Other intangible assets	287,097	-
Less: Accumulated amortisation	(83,391)	-
	<u>203,706</u>	<u>-</u>
	<u>67,347,474</u>	<u>25,359,870</u>

**Spirit Technology Solutions Limited**  
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**Notes to the financial statements**  
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**Note 8. Non-current assets - intangibles (continued)**

*Reconciliations*

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

<b>Consolidated</b>	Goodwill \$	Software \$	Other intangible assets \$	Total \$
Balance at 1 July 2020	23,974,241	1,385,629	-	25,359,870
Additions	-	463,728	287,097	750,825
Additions through business combinations (note 14)	41,184,668	191,187	-	41,375,855
Finalisation of prior period provisional estimates	204,077	-	-	204,077
Amortisation expense	-	(259,762)	(83,391)	(343,153)
Balance at 31 December 2020	<u>65,362,986</u>	<u>1,780,782</u>	<u>203,706</u>	<u>67,347,474</u>

**Note 9. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>31 December 2020 \$</b>	<b>30 June 2020 \$</b>
Trade payables	12,880,896	4,047,946
GST payable	926,836	318,808
Other payables	3,662,908	1,289,852
	<u>17,470,640</u>	<u>5,656,606</u>

**Note 10. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>31 December 2020 \$</b>	<b>30 June 2020 \$</b>
Bank loans	<u>5,267,807</u>	<u>3,267,807</u>

*Total secured liabilities*

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

	<b>Consolidated</b>	
	<b>31 December 2020 \$</b>	<b>30 June 2020 \$</b>
Bank loans (non current)	5,267,807	3,267,807
Hire purchase (current)	14,394	19,715
	<u>5,282,201</u>	<u>3,287,522</u>

*Assets pledged as security*

The bank loan of \$5,267,807 (2020: \$3,267,807) is secured first over the assets and undertakings of Spirit Technology Solutions Ltd and its wholly owned subsidiaries.

**Spirit Technology Solutions Limited**  
**(Formerly known as Spirit Telecom Limited)**  
**Notes to the financial statements**  
**31 December 2020**

**Note 11. Unearned revenue**

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Government infrastructure grants	1,815,484	2,096,062
Customer contract unearned revenue	5,071,268	1,236,072
	<u>6,886,752</u>	<u>3,332,134</u>

The Government infrastructure grant proceeds primarily related to Horsham and Morwell high speed internet projects that will be recognised over a four year period.

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

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Current	4,724,519	1,775,442
Non current	2,162,233	1,556,692
	<u>6,886,752</u>	<u>3,332,134</u>

**Note 12. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 December 2020</b>	<b>30 June 2020</b>	<b>31 December 2020</b>	<b>30 June 2020</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>546,590,755</u>	<u>430,909,320</u>	<u>77,680,433</u>	<u>42,852,381</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2020	430,909,320		42,852,381
Issue of shares to the vendor as part consideration in relation to VPD acquisition	1 July 2020	29,000,000	\$0.250	7,250,000
Issue of placement shares	27 August 2020	55,881,401	\$0.320	17,882,048
Issue of shares to the vendor as part consideration in relation to Altitude IT acquisition	1 September 2020	1,592,988	\$0.360	573,476
Issue of shares to the vendor as part consideration in relation to Beachhead acquisition	1 September 2020	1,734,888	\$0.360	624,560
Issue of shares to the vendor as part consideration in relation to Reliance Technology acquisition	1 September 2020	4,612,204	\$0.360	1,660,393
Issue of shares under Share Purchase Plan	18 September 2020	15,624,581	\$0.320	4,999,866
Exercise of vested Performance Rights	22 October 2020	189,320	\$0.000	-
Issue of placement shares	22 October 2020	1,125,000	\$0.320	360,000
Issue of shares to the vendor as part consideration in relation to Intalock acquisition	3 December 2020	5,921,053	\$0.415	2,457,237
Costs of capital raising		-	\$0.000	(979,528)
Balance	31 December 2020	<u>546,590,755</u>		<u>77,680,433</u>

**Spirit Technology Solutions Limited**  
**(Formerly known as Spirit Telecom Limited)**  
**Notes to the financial statements**  
**31 December 2020**

**Note 12. 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.

**Note 13. Equity - dividends**

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

**Note 14. Business combinations**

***Voice Print Data Group***

Spirit acquired 100% of Voice Print Data Group ("VPD") comprising of VPDA Group Holdings Pty Ltd, Voice Print and Data Australia Pty Ltd, Now IT Solutions Pty Ltd and Live Call Pty Ltd, with effective control on 1 July 2020. The acquisition has been accounted for as a Business Combination under AASB 3. VPD becomes the new Wholesale Business arm for Spirit selling a range of Cloud, Internet and Voice services via its channel partners.

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

	<b>Fair value</b> <b>\$</b>
Cash and cash equivalents	1,301,721
Trade receivables	1,215,864
Prepayments	143,253
Inventory	102,777
Vendor loan	1,577,433
Property, plant and equipment	1,252,493
Right-of-use assets	933,565
Trade and other payables	(1,989,133)
GST payable	(300,138)
Provision for income tax	(229,733)
Employee entitlements	(479,665)
Unearned revenue	(2,716,643)
Deferred tax liabilities	(549,879)
Lease liabilities	(933,565)
Net liabilities acquired	(671,650)
Goodwill	13,921,650
Acquisition-date fair value of the total consideration transferred	<u>13,250,000</u>
Cash used to acquire business:	
Acquisition-date fair value of the total consideration transferred	13,250,000
Less: shares issued by Company as part of consideration	(7,250,000)
Net cash used	<u>6,000,000</u>

**Note 14. Business combinations (continued)**

***Voice Print Data Group (continued)***

**i. Consideration transferred**

Acquisition-related costs amounting to \$190,158 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

**ii. Identifiable net assets**

The fair value of the trade receivables acquired as part of the business combination amounted to \$1,215,864. As of the acquisition date, the Company's best estimate is that all cash will be collected.

**iii. Goodwill**

Goodwill of \$13,921,650 was primarily related to the Company's growth expectations through customer expansion.

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

**iv. 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 a 12 month period ended 30 June 2021 (FY21) and the 12 month period ended 30 June 2022 (FY22).

The earnout consideration is to be split in the proportion of cash (50%) and equity (50%). The earn-out structure facilitates a scaled achievement against targets for FY21 and FY22. The contingent consideration is 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 have 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 has been recognised. At the date of this half year report an upper estimate of any contingent consideration has not been determined as provisional accounting outcomes remain to be concluded.

**v. Contribution to the Consolidated Entity's results**

VPD contributed revenues of \$7,014,634 to the Consolidated Entity from the date of the acquisition to 31 December 2020. VPD does not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which are all absorbed by Spirit's core operations. Spirit's business growth generates increased revenue opportunities across the entire Spirit portfolio which are also reflected in the revenue performance of VPD.

**Spirit Technology Solutions Ltd**  
**(Formerly known as Spirit Telecom Limited)**  
**Notes to the financial statements**  
**31 December 2020**

**Note 14. Business combinations (continued)**

***Altitude IT***

Spirit 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 is a Sydney based Managed IT Services Provider with a diverse base of recurring revenue across the commercial & industrial sectors.

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

	<b>Fair value</b>
	<b>\$</b>
Cash and cash equivalents	229,624
Trade and other receivables	263,206
Inventories	5,762
Vendor loan	140,810
Plant and equipment	40,932
Trade and other payables	(141,301)
GST payable	(49,663)
Provision for income tax	11,920
Employee entitlements	<u>(92,972)</u>
Net assets acquired	408,318
Goodwill	<u>1,604,589</u>
Acquisition-date fair value of the total consideration transferred	<u><u>2,012,907</u></u>
Cash used to acquire business:	
Acquisition-date fair value of the total consideration transferred	2,012,907
Less: shares issued by Company as part of consideration	<u>(573,476)</u>
Net cash used	<u><u>1,439,431</u></u>

**i. Consideration transferred**

Acquisition-related costs amounting to \$29,731 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

**ii. Identifiable net assets**

The fair value of the trade receivables acquired as part of the business combination amounted to \$255,713. As of the acquisition date, the Company's best estimate is that all cash will be collected.

**iii. Goodwill**

Goodwill of \$1,604,589 was primarily related to the Company's growth expectations through customer expansion.

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

**Spirit Technology Solutions Ltd**  
**(Formerly known as Spirit Telecom Limited)**  
**Notes to the financial statements**  
**31 December 2020**

**Note 14. Business combinations (continued)**

***Altitude IT (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 facilitates 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 have 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 has been recognised. The amount of contingent consideration payable where the EBITDA performance target is exceeded is estimated in the range of \$267,000 - \$300,000.

**v. Contribution to the Consolidated Entity's results**

Altitude IT contributed revenues of \$940,606 to the Consolidated Entity from the date of the acquisition to 31 December 2020. Altitude IT does not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which are all absorbed by Spirit's core operations. Employees of Altitude IT have also been transferred to Spirit Telecom (Australia) Pty Ltd. Spirit's business growth generates increased revenue opportunities across the entire Spirit portfolio which are also reflected in the revenue performance of Altitude IT.

***Beachhead Group***

Spirit 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 is a Sydney based Managed IT Services Provider, specialising in Cloud and Infrastructure deployment to businesses and private schools.

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

	<b>Fair value</b>
	<b>\$</b>
Cash and cash equivalents	414,385
Trade and other receivables	681,363
Deposit	15,143
Vendor loan	2,286
Plant and equipment	37
Right-of-use assets	97,300
Deferred tax asset	25,780
Trade payables	(330,526)
GST payables	(20,167)
Unearned revenue	(52,780)
Provision for income tax	(170,581)
Deferred tax liability	(2,122)
Employee entitlements	(99,205)
Make good provision	(1,000)
Lease liabilities	(98,215)
	<hr/>
Net assets acquired	461,698
Goodwill	2,914,571
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u><u>3,376,269</u></u>

**Spirit Technology Solutions Ltd**  
**(Formerly known as Spirit Telecom Limited)**  
**Notes to the financial statements**  
**31 December 2020**

**Note 14. Business combinations (continued)**

**Beachhead Group (continued)**

	<b>Fair value</b>
	<b>\$</b>
Cash used to acquire business:	
Acquisition-date fair value of the total consideration transferred	3,376,269
Less: deferred consideration	(1,189,637)
Less: contingent consideration	(331,054)
Less: shares issued by Company as part of consideration	<u>(624,560)</u>
Net cash used	<u><u>1,231,018</u></u>

**i. Consideration transferred**

Acquisition-related costs amounting to \$36,289 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

**ii. Identifiable net assets**

The fair value of the trade receivables acquired as part of the business combination amounted to \$673,203. As of the acquisition date, the Company's best estimate is that all cash will be collected.

**iii. Goodwill**

Goodwill of \$2,914,571 was primarily related to the Company's growth expectations through customer expansion.

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

**iv. Deferred consideration**

The acquisition of Beachhead Group included a deferred consideration element of \$1,189,637 that has been agreed to be settled by 31 August 2021. The deferred consideration is to be split in the same proportion of cash (65%) and equity (35%) 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 facilitates 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 have assessed the likelihood of achieving the relevant EBITDA performance targets at the 100% level with \$331,054 of contingent consideration recognised (classified as current). The amount of contingent consideration payable where the EBITDA performance target is exceeded is estimated in the range of \$330,000 - \$430,000.

**vi. Contribution to the Consolidated Entity's results**

Beachhead Group contributed revenues of \$1,952,499 to the Consolidated Entity from the date of the acquisition to 31 December 2020. Beachhead Group does not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which are all absorbed by Spirit's core operations. Employees of Beachhead Group have also been transferred to Spirit Telecom (Australia) Pty Ltd. Spirit's business growth generates increased revenue opportunities across the entire Spirit portfolio which are also reflected in the revenue performance of Beachhead Group.

**Spirit Technology Solutions Ltd**  
**(Formerly known as Spirit Telecom Limited)**  
**Notes to the financial statements**  
**31 December 2020**

**Note 14. Business combinations (continued)**

***Reliance Technology***

Spirit 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 is a Cloud Managed Services Provider based in Central NSW and one of the largest providers of IT services in regional NSW.

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

	<b>Fair value</b> <b>\$</b>
Cash and cash equivalents	411,752
Trade and other receivables	216,553
Inventories	10,760
Right-of-use assets	141,637
Trade payables	(44,834)
GST payables	(67,432)
Provision for income tax	(91,453)
Employee entitlements	(133,747)
Lease liabilities	<u>(141,637)</u>
Net assets acquired	301,599
Goodwill	<u>5,553,864</u>
Acquisition-date fair value of the total consideration transferred	<u><u>5,855,463</u></u>
Cash used to acquire business:	
Acquisition-date fair value of the total consideration transferred	5,855,463
Less: contingent consideration	(725,000)
Less: shares issued by Company as part of consideration	<u>(1,660,393)</u>
Net cash used	<u><u>3,470,070</u></u>

**i. Consideration transferred**

Acquisition-related costs amounting to \$40,472 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

**ii. Identifiable net assets**

The fair value of the trade receivables acquired as part of the business combination amounted to \$215,432. As of the acquisition date, the Company’s best estimate is that all cash will be collected.

**iii. Goodwill**

Goodwill of \$5,553,864 was primarily related to the Company’s growth expectations through customer expansion.

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

**Spirit Technology Solutions Ltd**  
**(Formerly known as Spirit Telecom Limited)**  
**Notes to the financial statements**  
**31 December 2020**

**Note 14. Business combinations (continued)**

***Reliance Technology (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 to be split in the same proportion of cash (70%) and equity (30%) as the upfront consideration.

The earn-out structure facilitates 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 have assessed the likelihood of achieving the relevant EBITDA performance targets at the 111% level with \$725,000 of contingent consideration recognised (classified as current). The amount of contingent consideration payable where the EBITDA performance target is exceeded is estimated in the range of \$725,000 - \$825,000.

**v. Contribution to the Consolidated Entity's results**

Reliance IT contributed revenues of \$1,452,366 to the Consolidated Entity from the date of the acquisition to 31 December 2020. Reliance IT does not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which are all absorbed by Spirit's core operations. Employees of Reliance IT have also been transferred to Spirit Telecom (Australia) Pty Ltd. Spirit's business growth generates increased revenue opportunities across the entire Spirit portfolio which are also reflected in the revenue performance of Reliance IT.

***Intalock Technologies***

Spirit 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 (SOC). This acquisition allows Spirit to cross sell and deliver highly secure bundled Cyber Security Services with Data, Cloud and Voice.

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

	<b>Fair value</b>
	<b>\$</b>
Cash and cash equivalents	2,575,287
Trade and other receivables	2,236,832
Prepayments	142,574
Deposits	235,116
Plant and equipment	150,180
Right-of-use assets	733,268
Intangible assets	191,187
Trade payables	(2,195,394)
GST payables	(55,939)
Unearned revenue	(1,199,892)
Provision for income tax	(278,533)
Employee entitlements	(274,874)
Make good provision	(45,105)
Lease liabilities	(754,830)
	<hr/>
Net assets acquired	1,459,877
Goodwill	17,189,994
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>18,649,871</u>

**Spirit Technology Solutions Ltd**  
**(Formerly known as Spirit Telecom Limited)**  
**Notes to the financial statements**  
**31 December 2020**

**Note 14. Business combinations (continued)**

***Intalock Technologies (continued)***

	<b>Fair value</b>
	<b>\$</b>
Cash used to acquire business:	
Acquisition-date fair value of the total consideration transferred	18,649,871
Less: deferred consideration	(2,999,999)
Less: contingent consideration	(800,001)
Less: shares issued by Company as part of consideration	<u>(2,457,237)</u>
Net cash used	<u><u>12,392,634</u></u>

**i. Consideration transferred**

Acquisition-related costs amounting to \$164,339 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

**ii. Identifiable net assets**

The fair value of the trade receivables acquired as part of the business combination amounted to \$2,232,617. As of the acquisition date, the Company's best estimate is that all cash will be collected.

**iii. Goodwill**

Goodwill of \$17,189,994 was primarily related to the Company's growth expectations through customer expansion.

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

**iv. 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 \$2,999,999 (classified as current).

**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 have assessed the likelihood of achieving the relevant EBITDA performance targets at the 105% level with \$800,001 of contingent consideration recognised (classified as non 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.

**iv. Contribution to the Consolidated Entity's results**

Intalock contributed revenues of \$2,284,171 to the Consolidated Entity from the date of the acquisition to 31 December 2020. Intalock does not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which are all absorbed by Spirit's core operations.

**Spirit Technology Solutions Limited**  
**(Formerly known as Spirit Telecom Limited)**  
**Notes to the financial statements**  
**31 December 2020**

**Note 15. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

**Note 16. Earnings per share**

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) after income tax attributable to the owners of Spirit Technology Solutions Ltd	<u>508,117</u>	<u>(739,995)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>514,100,819</u>	<u>336,838,637</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>514,100,819</u>	<u>336,838,637</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	0.099	(0.220)
Diluted earnings per share	0.099	(0.220)

**Spirit Technology Solutions Ltd**  
**(Formerly known as Spirit Telecom Limited)**  
**Directors' declaration**  
**31 December 2020**

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 2020 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



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James Joughin  
Non-Executive Chairman

22 February 2021

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

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Spirit Technology Solutions Ltd (the Company) and its subsidiaries (collectively, the Group) which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 the Group 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 2020 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*.

#### Directors' Responsibility for the Half-Year Financial Report

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention 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 2020 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*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



PKF  
Melbourne, 22 February 2021



Steven Bradby  
Partner