Do IT with Spirit

Annual Report 2021

Spirit
Technology Solutions

ASX:ST1

If you do business,

Do IT with Spirit

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FY21

Highlights

Underlying EBITDA $11.5M

209% ↑

Underlying Earnings Before Interest, Taxes, Depreciation and Amortization [2]

Integration

10 Completed integrations

3 remaining acquisitions to be integrated

Underlying NPBT $4.5M

1010% ↑

Underlying Net Profit Before Tax (NPBT) [3]

Revenue $104.5M

200% ↑

Year on Year revenue [1]

Annual Recurring Revenue

$65M

FY21 exit Run Rate Annual Recurring Revenue

Statutory NPBT $1.34M

166% ↑

Statutory Net Profit Before Tax

1. Revenue refers to sales revenue and other income
2. 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 adjusts the Statutory financial metrics to exclude business acquisition & integration costs, net fair value loss on remeasurement of contingent consideration on business combinations, business restructuring costs and share-based payments.
3. Underlying Net Profit Before Tax takes into account the Underlying EBITDA adjustments and also adjusts depreciation & amortisation to exclude the impact of amortisation of customer relationships.

Spirit Technology Solutions

Do IT with Spirit

Evolved to Spirit Technology Solutions (from Spirit Telecom)

New purpose and brand launched "**Do IT with Spirit**" activated in April 2021

Spirited

nexgen

Launched Spirited Women May 2021

Transformational acquisition of Nexgen in April 2021

Google Rating

4.3

Google business 4.3 star rating

Customers

10.5K

B2B customers nationally

Staff

445

445 staff currently employed.
250% increase from FY20

Resellers

350

Resellers nationally

A Letter

From the Chair

Dear Shareholder,

I'm pleased to share our Annual Report for 2021 – a year in which Spirit has focused on consolidating our base and investing for the future as we prepare for the next phase of growth.

Over the last 18 months, we have made no secret about Spirit's ambitious growth plans and goal to become Australia's leading provider of Technology & Telecommunication services for businesses of all sizes.

In April, we were delighted to introduce our new purpose and positioning "**Do IT with Spirit**" with the launch of our new brand and name 'Spirit Technology Solutions'. It's a line in the sand that heralds a rethink of our strategy, ambition and spirit. This new identity reflects our vision and values in how we work with our customers, to become a valued partner and support their vital work.

As we have grown and learned over the past 12 months, for Spirit to realise our strategy and full potential, it's more than just improving sales, profit, customer experience, footprint and product. We are a partner for businesses.

Today, we are laser-focused on our vision to create a modern telco and IT business that is profitable and sustainable, and helping Australian businesses from SMB to mid-market and corporates. For Spirit to stand out confidently in an ever-consolidating market we need to be better than we ever have been. And we are, but we aren't stopping.

As part of our ongoing transformation journey, we have made further successful acquisitions and worked hard to ensure these businesses are fully integrated. Of the 13 most recent acquisitions, Spirit has successfully integrated 10 of those companies into our standard operating environment with only Reliance and the recent purchases of Intalock and Nexgen remaining.

The Nexgen acquisition in April this year has been transformational, with synergies and combined technology opportunities providing new business and scale. The deal brings 5,000 new business customers, doubling our B2B customer base, and 100 new salespeople to drive organic growth, complementary products and scale going forward. We are working hard to identify more opportunities for Spirit to deliver our strategic vision.

Unifying our team has been central to our integration strategy and forms the backbone to any growth strategy which remains an ongoing focus for the business. We have recruited the best in class talent including Todd Brooker as new Chief Sales Officer and Zoe Rosenwax as our Head of People.

As a result of our investments across the board, we had record new business lead flow coming through Spirit. And the performance of our business goes from strength to strength with consistent growth in contract value, recurring revenue and retention growing quarter on quarter.

Importantly, we now provide a complete customer offering at Spirit which includes Cyber Security, Cloud, high-speed Internet, Mobile, Voice, Managed Service and Security solutions. We are now selling across the whole spectrum of Australian businesses and our intention is to bundle more to grow a recurring revenue book, grow the contract tenure and improve customer stickiness. We expect to see strong organic growth opportunities going forward through cross selling products and services with Nexgen.

Spirit has not been immune from the impacts of the COVID-19 pandemic however the robust nature of the business has meant that we have continued to deliver record growth and profits the past year, with high demand for our products and services set to continue.

We are confident our plans will solidify our intention to provide the best customer experience and be the one stop shop for our Australian businesses. We have grown, we have matured, we are vibrant and we have a high-market product offering.

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

James Joughin | Chairman

A Letter
From the Managing Director

Dear Shareholders,

I would like to start by thanking you for your support during Financial Year 2021. Despite unique challenges caused by the pandemic, Spirit Technology Solutions has transformed from a small Telco to a national fully integrated technology provider for businesses across Australia.

Over the past year Spirit has been rebuilt and repositioned to become the go-to tech provider for Australian businesses – both big and small. We have created a truly modern Telco and IT business with a refreshed brand that is resonating with the market – **'If you do business, Do IT with Spirit.'**

Our vision is to be the first port of call for Australian businesses to meet all their technology needs. We are striving to give Australian businesses the service they deserve, along with an integrated product suite – one monthly bill, one account manager and one provider – to manage their needs from collaboration, managed IT services, Cloud migration, high-speed Internet and Cyber Security.

Our financial results, demonstrate the successful integration of our acquisitions and bundling of services as we build a business of scale with growing profitable margins. We are genuinely excited to embark on realising the synergies and growth opportunities as the business positions further into the mid and corporate markets across FY22-FY23.

Spirit strategy delivers record growth and profit

Spirit recorded record revenue [1] of **$104.5M, up 200%** in FY21 which was driven by strong performances across new business sales in the mid-corporate markets and SMB market. The business also became profitable with Underlying Net Profit Before Tax [3] of $4.5M up 1010%. Our growth strategy is paying off as we see strong and growing demand for our product set across Data, Cyber, Managed Services and Voice. We trebled Underlying EBITDA[2] to $11.5M, up 209% and are increasingly seeing this momentum carry us into larger contract success in the mid and corporate markets. This is backed by a strong balance sheet with $8.5M of cash at 30 June 2021.

Acquisitions to become a fully integrated technology provider

Spirit's record growth and revenue have been boosted by the transformational acquisition of telecommunications provider and sales-led powerhouse, Nexgen for $50 million in April, providing scale, a portfolio of 5,500 new business customers and a very impressive sales process. After multiple acquisitions during the year, including cybersecurity firm Intalock in December 2020, Spirit is now a fully integrated Telco and IT business.

The Intalock acquisition brings a highly sophisticated Cyber Security offering, including an international security operations centre. A number of esteemed Cyber Security leaders from Intalock have joined Spirit, along with a blue-chip customer base of household brands. This has propelled Spirit into a new area of the market and positions us as a credible contender for market share in the enterprise and government space and provides us with a sophisticated Cyber Security offering.

Through these acquisitions, we are now focused on transitioning to being a pure business to business provider. We see an opportunity to move the revenue mix towards mid-level and larger corporates which is more defensive and attracts larger and longer contract sizes to create clearer revenue stability for Spirit.

Building a national brand

FY21 saw Spirit expand into new product markets and geographies across Australia. The product sets include Cloud, re-seller, virtual collaboration, Cyber Security and a vast array of managed IT services in a bundled offering.

We now have more than 10,000 business customers nationally, an army of salespeople and a very active reseller channel. This gives Spirit a competitive advantage across the product suite and creates demand driven growth. This has also enabled Spirit to win larger accounts nationally via IT and Telco products.

References
1, 2, 3 refer to page 6.

Looking forward, we see continued consolidation in the fragmented IT & Telco markets, in which Spirit will thrive. Australian businesses are becoming more dependent on the technology that only an integrated IT & Telco business like Spirit can provide, which has created structural change in the industry that we are responding early to.

In closing, I would like to thank my fellow Board members and the entire Spirit team for their hard work, motivation and commitment to our evolution to a fully immersed technology provider for businesses across Australia; and doing it with excellence.

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

Sol Lukatsky | Managing Director

2021, the birth of

Spirit Technology Solutions

Spirit

Brand Evolution

Spirit Telecom

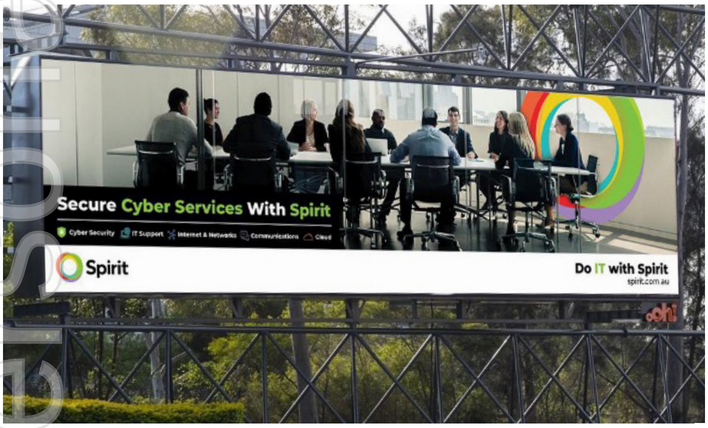
2016

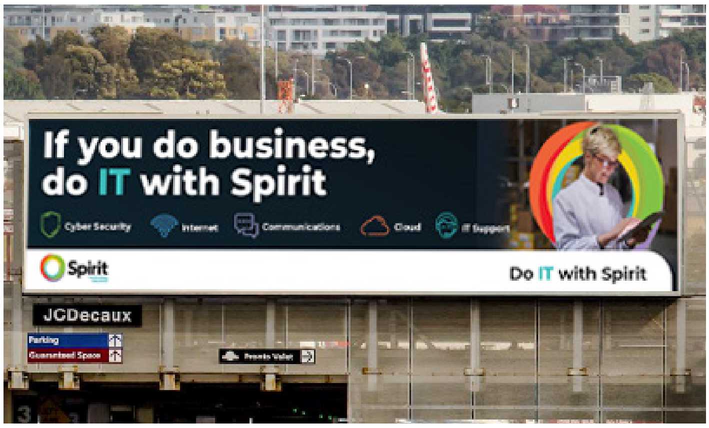
Spirit Technology Solutions

2021

Sydney

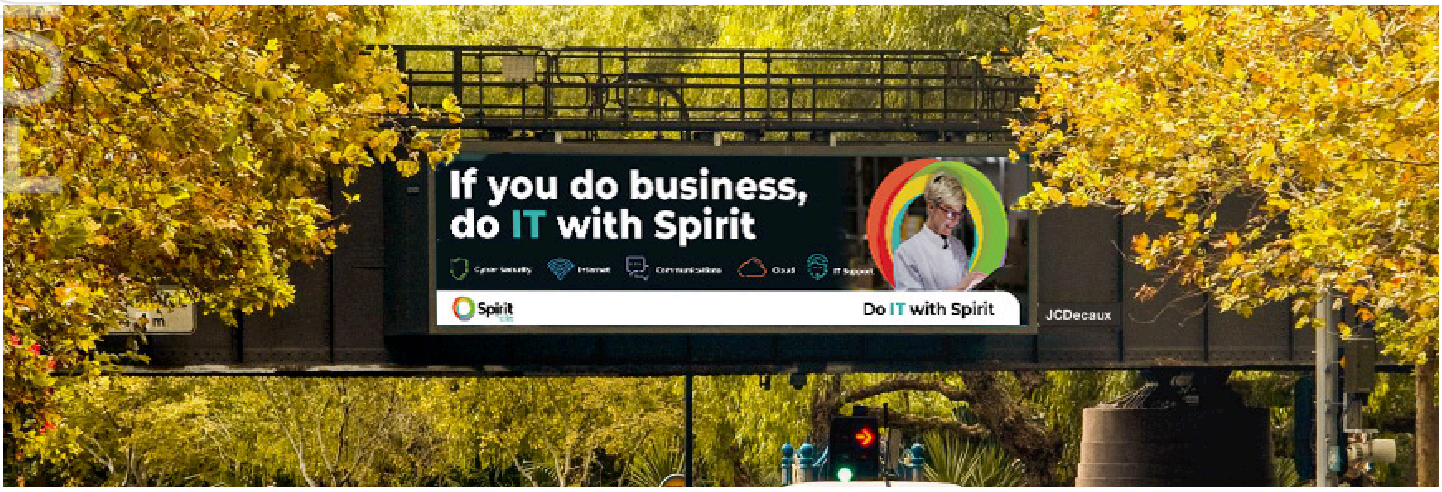
International Airport





Sydney

George St

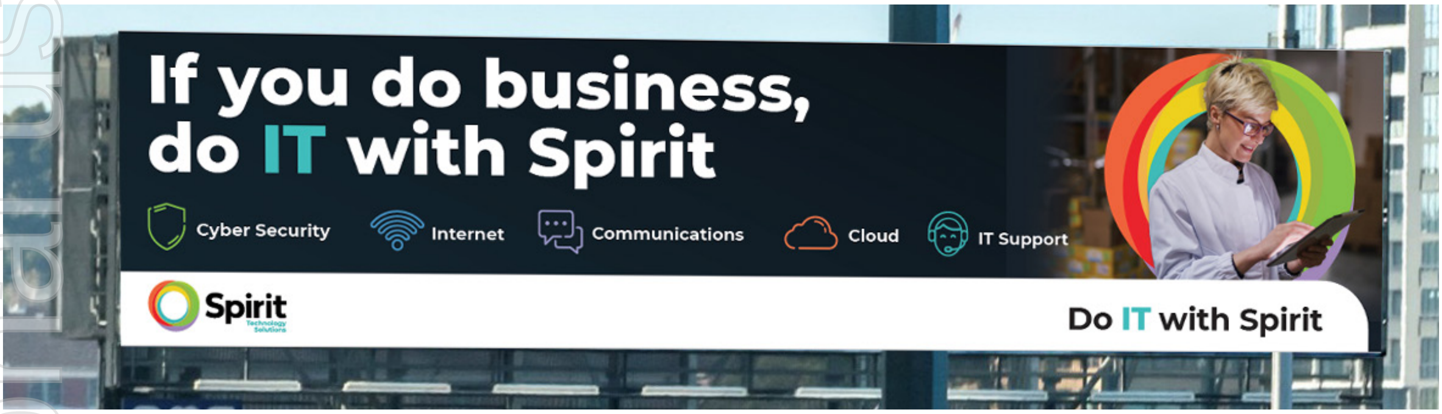


Melbourne

Monash Freeway

Melbourne

Westgate Freeway



Melbourne

International Airport

The Spirit Group's

Board Members

James Joughin

Chairman

James brings over 30 years of general corporate experience, having been a senior partner of Ernst & Young until 2013. He was a partner of the firm for 17 years and headed the Mergers and Acquisitions division in Melbourne.

Sol Lukatsky

Managing Director

Sol is a Spirit executive and board member. He has experienced multiple company transactions across ASX and Private Equity backed firms. Sol has over 15 years experience in senior leadership roles covering; marketing, sales management, digital, customer experience, big data, capital markets, innovation and operations within blue chip organisations including: Dun & Bradstreet, Challenger Financial Services and NAB.

Mark Dioguardi

Executive Director and Chief Operating Officer

Mark is a Spirit executive and board member.
An experienced CTO and COO with over 25 years' experience predominantly in Tier 1 and 2 Telco operators in Australia and Asia. A qualified engineer, Mark commenced his career in engineering at Telstra before building his corporate career as CTO at Maxis, where he led 1,350 engineers and managed a $600m USD budget to grow their network.

Inese Kingsmill

Non-executive Director

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

Greg Ridder

Non-executive Director

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

The Spirit Group's

Executive Team

Paul Miller

Chief Financial Officer

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

Chris Hayes

Chief Commercial Officer

Chris is an experienced executive with over twenty years' financial management and professional practice experience. He has worked in Australia, China and the UK across publicly listed entities and private equity backed operations.

Katie Bentley

CEO Trident

As CEO of Trident, Katie places a strong emphasis on leading business transformation, value creation and growth for clients in essential services.

Julian Haber

CEO Intalock

Julian is a highly respected Cyber Security leader and has built the Intalock brand as a leading security service provider over the past 11 years. He has business experience within Industry-leading security vendors and integrators with over 20 years' in information security solutions, Managed Services and sales.

Jason Wade

Chief Product & Technology Officer

Jason is Spirit's Chief Growth Officer, with a wealth of technical knowledge and strong commercial acumen. A modern-day veteran within the IT and Telecommunications sector, he brings more than 25 years of experience to the table. Jason is innovative and client-focused, with a proven ability to deliver results.

Todd Brooker

Chief of Sales

Todd has over 20 years experience helping Australia's leading businesses solve their most complex technology challenges. Under Todd's guidance, the Spirit sales team have a very impressive track record working direct and also via our partner channel to find the best and most cost-effective solutions for customers.

James Harb

Co Managing Director - Nexgen

James co-founded Nexgen in 2009 and has over 20 years' experience in the telco industry. He has led the development of structure, strategy, systems and coaching disciplines required to maintain a high-performance sales culture.

Elie Ayoub

Co Managing Director - Nexgen

Elie co-founded Nexgen in 2009 and has over 23 years' experience in the telco industry across SMB, residential, corporate & government segments.

Kate Hawker

Head of Corporate Services

Kate brings valuable experience supporting business operations across various industries. Highly experienced in business strategy execution, particularly in business growth and expansion, Kate's skills are diverse, assisting and supporting most aspects of the business, from the Board to our technicians.

Spirit Technology Solutions,

Shaking Things Up in the Tech Industry

Connect, Empower & Inspire Women in Technology

Spirited Women

About the Initiative

Spirited Women is a safe and supportive network dedicated to the advancement of women in the technology sector to connect, empower and inspire each other. We serve to tackle the challenges women face in the technology industry. We drive and lead the future of tech diversity.

With technology changing faster than ever before, it is necessary to stay up to date. Spirited Women allows women in technology to come together to learn from one another, find mentors and new business or partnership opportunities. We want to inspire and be inspired by the women in our group.

Through our range of events and gatherings, you can expect knowledge sharing, collaboration, fun and spirited conversation. Let us connect, start sharing your success stories, grow your network and keep informed of our upcoming events.

Start your journey today and join Spirited Women!

Of course, you are welcome to invite all the women and men in your organisation to join.

Empower, Advance & Grow

Learning & Development

Support Network

Our Goals

About

The Initiative

Short term

- To cultivate an internal culture that will resonate across all departments within the Spirit Group
- To create momentum and traction across all levels and departments
- To foster a safe environment where Spirit employees can grow and be respected by their peers

Mid/Long term

- To establish a nurturing culture that sets the benchmark across the Telco & Techo industry
- To generate external interests and attract high caliber talents to join the Spirit team
- To set a benchmark that Spirit is the desired career destination
- To set a benchmark that Spirit is the desired partner of choice by customers and vendors


#SpiritedWomen
Spirited
POWER

Introducing our Brands

We Make **IT** Happen

The Spirit Technology Group Difference

So, Who are We?

Put simply. We're a disruptor in the Australian business technology industry.

What started with incredibly fast, Sky-Speed Internet has become a full tech service offering. In less than two decades, we have established ourselves as Australia's leading Cyber Security experts, built one of the nation's leading Voice platforms, and offer a huge range of hardware, software, Managed IT services, and Cloud-based solutions.

Our solutions feature a range of best-of-breed products, so Australian businesses can count on us to keep them running, no matter what gets thrown at them.

We're agents of change. And because of that, we've paved the way for the nation to do business better, by merging the worlds of IT and Telco under one roof. That's why we take care of IT. And by that, we mean all of it.
So whatever the technology needs...

Do IT with Spirit.

Your entire IT & Telco Stack under one roof

A single point of contact for everything

A single clean invoice for all your tech, every month

An all Australian based business

One of Australia's top ASX listed tech companies

Industry-leading customer satisfaction

Spirit Technology Solutions

nexgen Powered by Spirit

Experts in best of breed communication solutions

Small business specialists

Spirit

Masters of merging the worlds of telco & IT under one roof

Medium-large business specialists

Trident Technology Solutions Powered by Spirit

World-class account management and bespoke technology solutions

Essential services specialists

Intalock Cyber Security Powered by Spirit

Industry-leading cyber security solutions

Enterprise & Government specialists

The Spirit Difference

By doing business with any member of the Spirit family, our customers immediately have access to the finest technology specialists and solutions available in the country.

Our group portfolio allows them to have one single point of contact for all tech needs, whilst also ensuring that you are delivered the best-in-class solutions for businesses of any shape and size.

On the surface, you won't realise you are dealing with other business units across the group. By having a structured portfolio we are able to give customers a single brand and contact to work with.

This also allows us to focus and grow our research & development in specialist tech areas to deliver you the latest & greatest innovations.

All services cyber secure by design

nexgen®
AUSTRALIA

Powered by Spirit

Nexgen's Story

Powering Business Communications

We're more than just business telecommunication specialists. We're here to simplify the way Australia does business.

By providing businesses with the right tools, we help improve your customer journey and enhance productivity and efficiency. All while helping your staff communicate and collaborate more effectively. It's what we do.

Today's sales processes have seemingly endless touchpoints, and keeping up with them all is critical to business success. We have the tech to make that possible. When a customer gets in touch, our solutions ensure our customers have all the information they need at their fingertips, right down to what was discussed on their last call to the products they own. Together, we improve customer service *and* help our customers grow as a result of this.

At Nexgen, we only partner with best-of-breed vendors to bring the most innovative and affordable communications solutions to the market.

We're not just here to meet current needs. We're here to future proof businesses.

24x7 Australian support team available

Australia owned and operated

Trusted, with over 5,000 business customers

One bill & one touchpoint for all your services

Expert in-house technicians

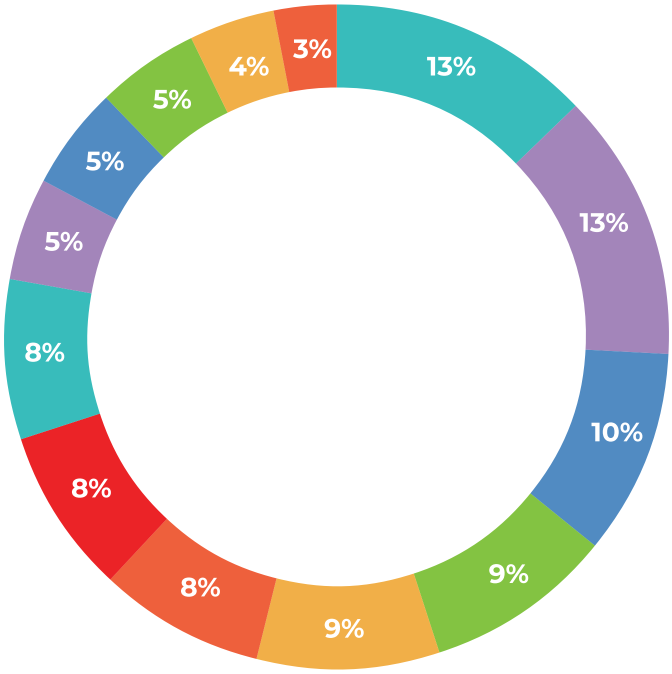
Tailored solutions for your business

Customer

Diversification

Nexgen has a diversified and resilient customer base.

- Medical & Health Care
- Construction & Engineering
- Prof. Serv. - Finance, Acctg. & Legal
- Prof. Serv. - Other
- Manufacturing & Industrial
- Other services - Beauty Services, etc.
- Automotive
- Retail
- Wholesale, Transport, & Logistics
- Accommodation & Dining
- Real Estate Services
- Education, NGOs, & Government
- Other



Customer breakdown by industry

Nexgen's Key Customers

Over 5,500 Business Customers, Including...

cameragal montessori school Help Me To Do It Myself

Paisley Park Early Learning Centres

DVAC Domestic Violence Action Centre

TerryWhite Chemmart

Accountcorp Accountants & Advisers

Fox & Staniland Lawyers

Attvest Finance

Wamuran Doctors

GastroIntestinal Endoscopy

stone|house

H1 Healthcare

International Professional Services Pty Ltd

Spirit

Spirit's Story

To build a successful business, you need to throw everything at it, with purpose, ambition and energy.
And when you have a technology partner who is efficient, reliable and future focused it means that you can get on with doing what you do best.

When choosing the perfect partner to do the things you can't, make sure that they do what they do, with the same spirit.
So when it comes to your technology needs...

Do IT with Spirit

Specialties

We're prepared to challenge the old way to deliver new solutions, platforms, products and services. We'll partner with you to improve the way your business technology operates, because we believe in making Australian businesses even better.

Our expert teams are on the ground all around Australia and available to help you 24/7.
With decades of Industry-leading experience and an arsenal of world-leading tech, there's nobody better placed to deliver solutions that can be relied on. No confusing jargon, just great service (and even better results).

Internet Connections
- Business Fibre
- NBN Enterprise
- Fixed Wireless
- Private Network
- Managed Router

Communications
- Mobile
- LivePBX
- LivePBX + Mitel
- LiveCall
- Teams Connector

Cyber Security
- SD-WAN
- Custom SD-WAN
- Firewall
- Endpoint Security
- Advanced Security Services

Managed Services
- Managed Print
- DR & BCP
- IT Support
- Managed IT
- Managed Wi-Fi
- Professional Service

Cloud Solutions
- Hybrid Cloud
- Private Cloud
- Public Cloud
- LiveOffice
- LiveOffice Desktop
- LiveOffice Exchange

One-stop-shop for all Telco and Technology needs

Best-practice design and configuration

Tech solutions shaped to each business

Bundle and save with other Spirit solutions

24x7 Australian support team available

One bill & one touchpoint for all your services

Available as a fully Managed Service

Spirit's Customers

Over 3,000 Business Customers, Including...

AMORA HOTEL RIVERWALK MELBOURNE

cecv

Cheltenham MANOR

Fonda - MEXICAN -

easy:PARK

OBrien Real Estate

LEBA Ethnic Media

iglu

italktravel talk to us & cruise

The Fruit Box Group

amazing accommodations

OvertheWire

QUEST APARTMENT HOTELS

CARLTON APARTMENTS

FOOD BANK

dexus

GCOMM Catalyst for Success

Marriner Group

Trident

Technology Solutions

Powered by Spirit

Trident's Story

To provide essential services, organisations on the front-line need a technology partner they can count on. That's where Trident comes in.

We have over 30 years experience delivering tailored information technology, infrastructure and services to schools, healthcare and organisations across Australia. From PC installation through to end-to-end IT solutions, we deliver solutions that are unique to essential services needs. Off-the-peg has never really been our style!

In 2020, Trident joined with ASX listed Spirit Technology Solutions, to become one of Australia's most trusted Internet and technology businesses. Our partnership means we can offer an unrivaled portfolio of services to keep our essential organisation's performing at their best.

We are innovators and known as one of Australia's leading integration providers. Our priority is to deliver innovative technical design, thoughtful Managed Service solutions, beneficial consulting outcomes and exceptional events.

We understand that every organisation is different – because we are too! Our expert team and dedicated account managers ensure our customers find the right technology solutions to suit their needs. We can be counted on for ongoing support to make sure that essential operations never stop.

Deep industry knowledge in education and healthcare/aged care

Experts in designing and delivering complex tailored solutions

Greatly experienced technical team

Agile and adaptable

Trident's Clients

Over 100+ Clients, Including...

Customer Testimonials

The difference with Trident is that they always deliver on what they promise, which can't be said of every technology provider. The skill sets and experience of their engineers means they can get the solution implemented faster, and ensure it works from day one.

Graeme Newland Director of Information Technology Peninsula Grammar

Trident is working collaboratively and quickly with us to adapt our IT services and high-speed Internet. I am very pleased this critical service can be provided reliably and effectively from the Spirit and Trident teams.

Tim Rowler Business Manager and Company Secretary, Loreto Mandeville Hall Toorak

From our perspective, Trident are always reliable and efficient with every piece of technology they deliver, and this scenario was no different. From the proposal through to the team working on-site, the entire process ran smoothly and on-time

Ian Foster The Knox School

The real difference with Trident is their Customer Service. You can easily pick up the phone, explain a problem, and have it solved immediately

Peter Gunn Homestyle Aged Care

Intalock
Cyber Security
Powered by Spirit

Intalock's Story

Peace of mind with Cyber Security services from experts

We are one of Australia's leading Cyber Security partners. And we're leading the way for a reason.

For over ten years we have specialised in developing innovative and effective Cyber Security services, and we haven't stopped doing it since. It's in our DNA.

Our expertise comes from working with a variety of leading enterprises and government organisations, which has given us the knowledge and experience to develop world-class security solutions that'll be sure to keep your business (and its data) safe.

Specialties

Many businesses believe that good security means building higher walls around their networks. This takes a lot of time, money and resources, which isn't effective or sustainable. We show our customers a better, more cost-effective way. Giving them more time and money to focus on what their organisation does best.

We pride ourselves on being different. And we're willing to bet our customers do to. That's why we take a strategic, data centric approach to Cyber Security. We will always take the time to understand our customer's data, its sensitivity, and how it gets used, stored and shared. In fact, we'll get to know everything about a client, all so we can better protect them from online threats.

Advisory services

- Gap Assessments against NIST, ISO27001, CPS234, ASD Essential Eight or Government ISM
- ISMS implementation, audit and compliance
- Cyber Security Roadmaps & Risk Management Frameworks
- Threat and risk assessments, incl 3rd party, supply chain risk
- Cyber incident response planning

Technical Services

- Design, deploy and configure technical security controls
- Identity management, threat and information protection platforms
- Cloud Security implementation and migrations
- Security testing and threat emulation, incl penetration testing, phishing and red/purple teaming

Managed Services

- Security Operations Centre (SOC) and Managed Detection and Response (MDR)
- Vulnerability Management as a Service
- Backup as a Service
- Managed security operations and tools
- Digital Forensics and Incident Response
- Ongoing Information Security Awareness Training program

Intalock Security Operations Centre (SOC)

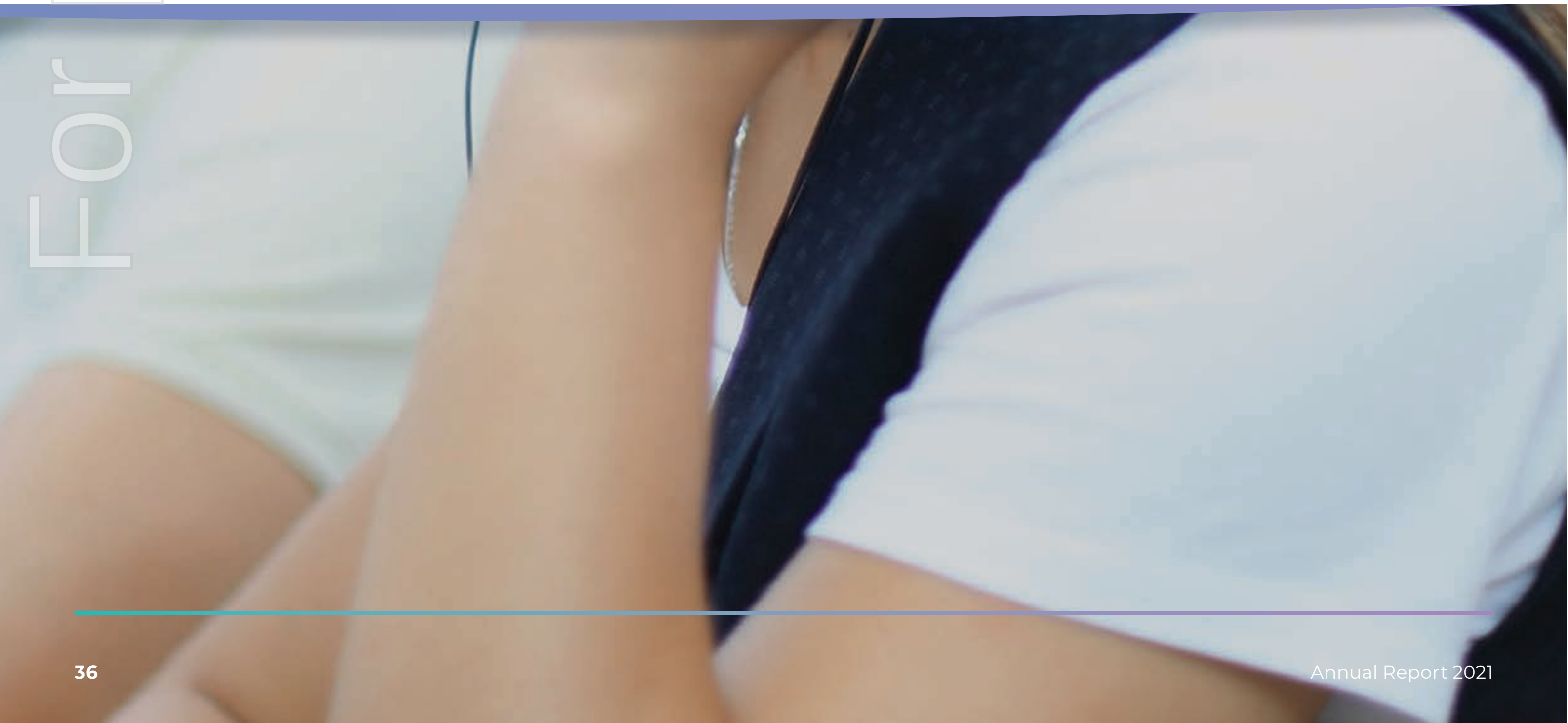
The Intalock Security Operation Centre (SOC) provides protection for some of Australia's leading organisation's information and systems, including the network, endpoints and data. It provides 24x7 management, threat detection and response.
Our managed SOC services are delivered by a dedicated, specialist team of technical leaders, analysts and engineers. We apply our own, unique methodology and processes alongside leading Cyber Security technologies, offering our national businesses the best possible protection. Our SOC is supported by our Advanced Threat Response Unit, whose specialists provide threat intelligence, threat emulation and digital forensics support to our partners.

Some of

Intalock's Customers

Ramsay Health Care
Queensland Government
RACQ
QSuper
MISSION AUSTRALIA
MOUNT ISA MINES
origin
MAKE GREAT HAPPEN tafe Queensland
STADIUMS QUEENSLAND
SUNCORP
Crime and Corruption Commission
Queensland Government Department of Agriculture and Fisheries
McArthur River Mining A GLENCORE COMPANY
Queensland Government Department of Housing and Public Works
Brisbane City Council
Heritage Bank People first.
JAMES COOK UNIVERSITY AUSTRALIA
The Smith Family
michael hill
Energy Queensland
THE STAR ENTERTAINMENT GROUP
Sydney Catholic Schools
ACCOR HOTELS Feel Welcome
nbn™
scottish pacific DEBTOR FINANCE
Wesfarmers Industrial and Safety
ZURICH
DAVID JONES
INGHAM'S Nourish Our World
UTS UNIVERSITY OF TECHNOLOGY SYDNEY
Cochlear™
RESERVE BANK OF AUSTRALIA
AFMA

Directors' Report



The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Spirit Technology Solutions Ltd (referred to hereafter as the 'Company', 'parent entity' or 'Spirit') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Directors

The following persons were Directors of Spirit Technology Solutions Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr James Joughin (Non-Executive Chairman)
Mr Sol 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)
Mr Terence Gray (Non-Executive Director) (resigned on 7 July 2020)

Principal activities

During the financial year the principal activities of the Consolidated Entity consisted of the provision of IT&T services. This includes the provision of Telecommunication services, Cloud services, Managed IT services and Cyber Security services (referred to hereafter as IT&T Services).

Dividends

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

Review of operations

The profit for the Consolidated Entity after providing for income tax amounted to $1.157M (30 June 2020: loss of $1.515M).

Total revenue and other income for the Consolidated Entity for the financial year ended 30 June 2021 was $104.5M (30 June 2020: $34.9M).

The following table summarises key financial metrics for the period:

	2021 $'000	2020 $'000	Change $'000	Change %
Sales revenue	102,786	34,429	68,357	199%
Other income	1,683	445	1,238	278%
	104,469	34,874	69,595	200%
Earnings before interest, taxes, depreciation & amortisation (EBITDA*)	8,619	2,182	6,437	295%
Business acquisition & integration costs	2,100	640	1,460	228%
Net fair value loss on remeasurement of contingent consideration on business combinations	168	-	168	100%
Business restructuring costs	-	426	(426)	(100%)
Share-based payments	621	479	142	30%
Underlying EBITDA*	**11,508**	**3,727**	**7,781**	**209%**
Profit/(Loss) after income tax (expense)/benefit	**1,157**	**(1,515)**	**2,672**	**176%**

*EBITDA is a financial measure which is not prescribed by Australian Accounting Standard ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude business acquisition & integration costs, net fair value loss on remeasurement of contingent consideration on business combinations, business restructuring costs and share-based payments.

The basic and diluted earnings per share for the financial year ended 30 June 2021 was $0.21 (30 June 2020: loss of $0.42).

The net assets of the Consolidated Entity increased by $71.6M to $109.7M as at 30 June 2021 (30 June 2020: $38.1M).

During the financial year 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 contemporary and customer relevant IT&T company for Australian businesses.

Spirit continues to execute to strategy and is building a highly valuable IT&T asset for its shareholders and customers. Organic demand for the product set across: Data, Cyber, Managed Services, Voice and importantly Spirit's bundled offering continues to be very positive. The Company is seeing continued growth momentum with larger contracts in the mid and corporate markets. The acquisition of the Nexgen Group in April 2021 expanded the Consolidated Entity's customer base in the Small & Medium Business market with the addition of over 5,500 Data & Voice business customers and 100+ sales team members.

The Consolidated Entity has invested heavily in integration and migration projects throughout the year and now has a truly scalable and end-to-end customer focused platform to enable the sales organisation to execute and provide multiple product solutions to our customers.

Spirit enters financial year 2022 in a position to take advantage of growth opportunities and leverage the investments made in financial year 2021.

Significant changes in the state of affairs

On 1 July 2020, the Consolidated Entity announced it 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 $10.4M including an earnout component, will be settled as a combination of cash and Spirit equity.

The acquisition of the three IT Managed Service providers was 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 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 $15.9 M.

On 27 August 2020, 55,881,401 fully paid ordinary shares were issued under the unconditional placement to institutional and sophisticated investors at an 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 an issue price of $0.32 (32 cents) per share for a total consideration of $5.0M.

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

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 an 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 for $nil consideration, upon conversion of vested Performance Rights.

On 12 November 2020, the Consolidated Entity announced the issue of a total of 2,232,387 Performance Rights to Managing Director, Sol Lukatsky and Chief Operating Officer, Mark Dioguardi, following shareholder approval at the Company's Annual General Meeting held on 13 October 2020, pursuant to the terms of the Spirit Technology Solutions Employee Incentive Plan, of which 1,418,115 vest on satisfaction of performance hurdles over the three-year period from 1 July 2020 to 30 June 2023 and 814,272 vest subject to both the Company's share price reaching $0.30 (30 cents) at any time prior to 1 July 2023 (already achieved) and continued employment until 1 July 2023.

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 (SOC) 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. An additional earn-out consideration component is also available for out-performance in FY22 capped to 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.

On 27 January 2021, the Consolidated Entity announced Trident's achievement of the Target 1 Incentive (earnout) terms and accordingly issued 703,366 fully paid ordinary shares at a fair value issue price of $0.39 (39 cents) per share.

On 18 March 2021, in line with the Consolidated Entity's shift to focus on the business market, it announced the intention to divest its consumer infrastructure assets.

On 31 March 2021, the Consolidated Entity announced the acquisition of Nexgen. Nexgen sells a range of high growth Data, Security & Voice products and represented a material geographic and commercial expansion with the acquisition being the largest completed by Spirit to date – which doubles the Consolidated Entity's portfolio of B2B customers.

Consideration for the acquisition of Nexgen is capped at $50M, including a deferred component of up to $10M linked to milestone incentives based on performance targets for the FY22 and FY23 years. Both the up front and deferred consideration comprised 70% cash and 30% shares in the Consolidated Entity.

On 31 March 2021, the Consolidated Entity also announced:

- the successful raising of approximately $23.8M through an unconditional placement to institutional and sophisticated investors; and
- an increase of $10M in the CBA debt facility to $25M to support the Nexgen acquisition.

On 8 April 2021, the Consolidated Entity announced the completion of the Nexgen acquisition and issued $12.2M in shares to Nexgen vendors, being 32,876,712 fully paid ordinary shares (subject to voluntary escrow until 8 April 2021) at a fair value issue price of $0.37 (37 cents) per share.

On 8 April 2021, the Consolidated Entity completed the $23.8M placement to institutional and sophisticated investors and issued 72,121,213 fully paid ordinary shares at a fair value issue price of $0.33 (33 cents) per share.

On 11 June 2021, the Consolidated Entity announced the issue of 620,685 Performance Rights to employees pursuant to the terms of the Spirit Technology Solutions Employee Incentive Plan, vesting on satisfaction of performance hurdles over the three-year period from 1 July 2020 to 30 June 2023.

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

Matters subsequent to the end of the financial year

The Consolidated Entity navigated the business disruptions related to COVID-19 during the financial year ended 30 June 2021 and was not materially impacted. The Consolidated Entity did not receive any Government subsidies by way of Job Keeper.

In July and August 2021, the Australian economy has experienced disruption related to COVID-19 triggered State-wide lockdowns across all major markets. These lockdowns have caused disruption to the broader business community and Spirit's operations have not been immune. The Company continues to manage its operations to navigate through the uncertainty and impacts that these lockdowns create and more broadly assist its customer base respond and adapt.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Likely developments and expected results of operations

The Consolidated Entity is well placed to continue its strategy execution in FY22 through the integration of recent acquisitions and leveraging cross selling and bundling to its expanded customer base. The Consolidated Entity continues its growth momentum with larger contracts being secured in the mid and corporate markets and executing consistently in this market space is a core focus in the forward 12 months. The organic demand that Spirit is seeing in its product set capability must be balanced by the cost pressures being experienced in the current tight labour market combined with our intention to accelerate investment in brand, sales people and systems. As outlined, the organic growth focus will be challenged by the continuing lockdowns being experienced across Australia as a consequence of COVID-19.

Environmental regulation

The Consolidated Entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name:	Mr James Joughin
Title:	Non-Executive Chairman
Qualifications:	Bachelor of Business, CPA, GAIDC
Experience and expertise:	James Joughin brings over 30 years of general corporate experience, having been a senior partner of Ernst & Young until 2013. He was a partner of that firm for 17 years and headed the Mergers and Acquisitions division in Melbourne. James is also an experienced company Director and holds non-executive Directorships of a number of private companies and a public company. He has wide business experience and has previously held the position of Chair of a private company and is currently Chair of a number of Risk and Audit Committees. For most of his career, James has been providing advice to Boards in relation to growth strategies, improving shareholder value, mergers and acquisitions, funding (both debt and equity) and IPO's.
Other current Directorships:	MyDeal.com.au Ltd (ASX: MYD) Bio-Gene Technology Ltd (ASX:BGT)
Former Directorships (last 3 years):	None
Special responsibilities:	Member, Audit and Risk Committee, Member, Nomination and Remuneration Committee
Interests in shares:	4,353,736 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	Mr Sol Lukatsky
Title:	Managing Director
Qualifications:	Masters of Marketing, Bachelor of Business (Marketing)
Experience and expertise:	Mr Lukatsky is a C-Suite Executive with multiple company transactions across: ASX and Private Equity backed companies. He has over 15 years in senior leadership roles covering: marketing, sales management, digital, customer experience, big data, capital markets, innovation and operations within blue chip organisations including: Dun & Bradstreet, Challenger Financial Services and NAB. In addition, as CEO he has led two Private Equity backed companies in the online services and digital technology markets (GLS & Workstar). This included, Global P&L responsibilities, +650 team members with offices across Australia, Asia and Europe. Educated at Harvard, Melbourne Business School, RMIT and awarded a Fellowship by Leadership Victoria.
Other current Directorships:	None
Former Directorships (last 3 years):	None
Interests in shares:	3,252,583 fully paid ordinary shares
Interests in options:	3,000,000 unlisted options, vesting on 1 July 2022, exercisable at $0.15 (15 cents) per option, expiring 1 July 2023; 3,000,000 unlisted options, vesting on 1 July 2022, exercisable at $0.18 (18 cents) per option, expiring 1 July 2023; 3,000,000 unlisted options, vesting on 1 July 2022, exercisable at $0.215 (21.5 cents) per option, expiring 1 July 2023.
Interests in rights:	1,619,428 Performance Rights

Name:	Mr Mark Dioguardi
Title:	Executive Director
Qualifications:	Master of Business Administration, Bachelor of Engineering Hons
Experience and expertise:	Mr Dioguardi is an experienced CTO and COO with over 25 years' experience predominantly in Tier 1 and 2 Telco operators in Australia and Asia. A qualified engineer, Mark commenced his career in engineering and engineering construction management in Telstra before building his corporate career as CTO at Maxis, where he led 1350 engineers and managed a USD600mil budget to grow their network. He then moved into a Chief Operating Officer role at Maxis before returning to Australia to join iiNet as Chief Technology Officer. Mark joined Spirit as Chief Operating Officer in November 2018 to develop and lead Spirit's network growth and drive operational excellence across the business. He is also an Executive Director of Spirit and a Non-Executive Director of TimedotCom (a listed Malaysia telecommunications company).
Other current Directorships:	Time Dotcom Bhd (KLSE: TIMECOM)
Former Directorships (last 3 years):	None
Interests in shares:	1,444,128 fully paid ordinary shares
Interests in options:	3,000,000 unlisted options, vesting on 1 July 2022, exercisable at $0.15 (15 cents) per option, expiring 1 July 2023; 3,000,000 unlisted options, vesting on 1 July 2022, exercisable at $0.18 (18 cents) per option, expiring 1 July 2023; 3,000,000 unlisted options, vesting on 1 July 2022, exercisable at $0.215 (21.5 cents) per option, expiring 1 July 2023;
Interests in rights:	1,380,018 Performance Rights

Name:	Mr Gregory Ridder
Title:	Non-Executive Director
Qualifications:	BBus (Acc), Grad Dip (Mktg), GAICD, CPA
Experience and expertise:	Mr Ridder is an experienced Non-Executive Director currently serving on the boards of Kogan.com, Life Without Barriers, Ethical Property Australia, all of which he chairs, and PNG Sustainable Development Program. Formerly Asia Pacific Regional President at NYSE-listed Owens-Illinois, he led growth and diversification from its traditional Australian base through numerous joint ventures and acquisitions. .
Other current Directorships:	Chairman, Kogan.com (ASX: KGN)
Former Directorships (last 3 years):	None
Special responsibilities:	Chair, Audit and Risk Committee from 15 July 2020 Member, Nomination and Remuneration Committee from 15 July 2020
Interests in shares:	1,650,000 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	Ms Inese Kingsmill
Title:	Non-Executive Director (appointed 1 July 2020)
Qualifications:	B. Bus in Marketing, MAICD
Experience and expertise:	Over the course of a career spanning 25 years, Inese has earned a reputation as a growth focussed and customer orientated business leader, with leadership experience across a broad spectrum of accountabilities at Microsoft, Telstra and Virgin Australia. Inese has been involved with and led major transformations across a range of scenarios including enterprise -wide business restructuring, culture change, digital transformations, customer experience and design, brand re-launches and re-positioning as well as developing fit for purpose operating models. In addition to the Company Directorships detailed below, Inese is also a Director of WorkVentures Ltd and a member of the Advisory Board of Waltzing Matilda Aviation.
Other current Directorships:	Non-Executive Director, Rhipe Limited (ASX: RHP) Non-Executive Director, hipages Group Holdings Limited (ASX: HPG) Non-Executive Director, NobleOak Life Limited (ASX: NOL)
Former Directorships (last 3 years):	None
Special responsibilities:	Chair, Nomination and Remuneration Committee from 15 July 2020 Member, Audit and Risk Committee from 15 July 2020
Interests in shares:	187,500 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	Mr Terence Gray
Title:	Non-Executive Director (to 7 July 2020)
Qualifications:	B.Bus, Grad Dip App Fin
Experience and expertise:	Terence is a corporate consultant to Lodge Partners Pty Ltd offering investment management and corporate advisory services. He has over 20 years' financial markets experience including funds management and corporate finance. Terence has held roles as Head of Equities at ANZ Funds Management, Chief Investment Officer at Allianz Equity Management, Head of Research with Allianz Dresdner Asset Management and Director of Corporate Finance with Grange Securities. He has deep knowledge of funds management and the Australian equity market. His grounding as an institutional investor running large investment teams and as a corporate advisor to junior companies provides insight and expertise in company valuation, corporate fund raising and M&A activity.
Other current Directorships:	None
Former Directorships (last 3 years):	None
Special responsibilities:	Chair, Audit and Risk Committee to 7 July 2020 Member, Nomination and Remuneration Committee to 7 July 2020
Interests in shares:	1,825,360 fully paid ordinary shares (on the date of resignation)
Interests in options:	Nil
Interests in rights:	Nil

'Other current Directorships' quoted above are current Directorships for listed entities only and excludes Directorships of all other types of entities, unless otherwise stated.

'Former Directorships (last 3 years)' quoted above are Directorships held in the last 3 years for listed entities only and excludes Directorships of all other types of entities, unless otherwise stated.

Company secretary
Ms Melanie Leydin, BBus (Acc. Corp Law) CA FGIA

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the Resources, technology, bioscience, biotechnology and health sectors.

Melanie has over 25 years' experience in the accounting profession and over 15 years as a Company Secretary. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Meetings of Directors
The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr James Joughin	15	15	9	9	3	3
Mr Sol Lukatsky	15	15	-	-	-	-
Mr Mark Dioguardi	15	15	-	-	-	-
Mr Gregory Ridder	15	15	9	9	3	3
Ms Inese Kingsmill *	15	15	9	9	3	3
Mr Terence Gray **	-	-	-	-	-	-

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

* Ms Inese Kingsmill was appointed to the Board effective 1 July 2020.
** Mr Terence Gray resigned from the Board on 7 July 2020. No Board meeting was held from the start of the financial year to the date of his resignation.

Remuneration Report (audited)
The Remuneration Report details the key management personnel remuneration arrangements for the Consolidated Entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The Remuneration Report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the Consolidated Entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency.

The Board is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the Consolidated Entity depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, particularly growth in share price, and delivering constant or increasing return on capital as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive Director and executive Director remuneration is separate.

Non-executive Directors remuneration
The annual Non-Executive Director Chairman fees for the financial year increased from $80,000 per annum to $100,000 per annum for the period 1 January 2021 to 30 June 2021 and increased from $100,000 to $120,000 per annum from 1 July 2021.

The annual Non-Executive Director member fees for the financial year increased from $60,000 per annum to $67,500 per annum for the period 1 January 2021 to 30 June 2021 and increased from $67,500 to $75,000 per annum from 1 July 2021.

During the financial year, the Board agreed to implement additional Committee Chair fees, with the Chair of the Audit and Risk Committee and Nomination and Remuneration Committee to each receive $5,000 per annum for the period 1 January 2021 to 30 June 2021 and increased from $5,000 per annum to $10,000 per annum from 1 July 2021. Committee members will not receive any additional fees at this time.

Under the Constitution the Directors decide the total amount paid to each Director as remuneration for their services. Under ASX Listing Rules, the total amount paid to all non-executive Directors must not exceed in total in any financial year the amount fixed at the annual general meeting of the Company held on 13 October 2020, which is presently $500,000. Remuneration must not include a commission on, or a percentage of, the profits or income of the Company.

Non-executive Directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive Directors' fees and payments are appropriate and in line with the market. No advice was sought during the course of the financial year. The Chairman's fees are determined independently of the fees of other non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

Directors may also be reimbursed for travel and other expenses incurred in attending to the Company's affairs.

Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as a Director of the Company.

There are no proposed retirement benefit schemes for Directors other than statutory superannuation contributions.

Executive remuneration
The Consolidated Entity aims to reward executives based on their position and responsibility with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- long-term incentives in the form of share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Consolidated Entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Consolidated Entity and provides additional value to the executive.

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

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

This is achieved through certain executives being entitled to both short-term and long-term incentives. The STI Plan primarily incorporates operational and financial performance objectives into its hurdles. The LTI Plan incorporates into its performance measures both a Total Shareholder Return (TSR) and actual performance against budgeted Return on Invested Capital (ROIC) hurdles.

The relative TSR measures performance against peers and reflects investor returns generated by the Consolidated Entity compared to a broad index of other investment opportunities for shareholders. The relative TSR is only achieved subject to the Performance Period being met and subject to the Company's TSR being at least equal to the median of the comparator group performance. The ROIC hurdle was chosen as a measure that reflects returns generated relative to the deployment of the Company's capital. The Board retains the right to, at its discretion, to determine if the rights holder has met the ROIC hurdle at the end of the 3 Years Series Return.

Further details on the LTI Plan are presented in Share Based Compensation on page 51 of this Directors' report.

Voting and comments made at the Company's 13 October 2020 Annual General Meeting ('AGM')
At the 13 October 2020 AGM, 99.39% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

The key management personnel of the Consolidated Entity consisted of the following Directors and the Chief Financial Officer of Spirit Technology Solutions Ltd:

- James Joughin, Non-Executive Chairman
- Sol Lukatsky, Managing Director
- Mark Dioguardi, Executive Director
- Gregory Ridder, Non-Executive Director
- Inese Kingsmill, Non-Executive Director (appointed 1 July 2020)
- Terence Gray, Non-Executive Director (resigned 7 July 2020)
- Paul Miller, Chief Financial Officer

Amounts of remuneration

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

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

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

** Ms Inese Kingsmill was appointed to the Board effective 1 July 2020.

*** Mr Lukatsky, Mr Dioguardi and Mr Miller were awarded cash bonuses in respect of their FY21 performance, determined and paid in FY22.

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

* Mr Terence Gray resigned from the Board on 7 July 2020.
** Mr Gregory Ridder was appointed to the board on 21 November 2019.
*** Mr Sol Lukatsky was awarded a cash bonus for FY 2020, determined and paid in FY 2021
**** Cash bonuses awarded to Mr Mark Dioguardi and Mr Donovan Newton as disclosed were in respect of their FY19 performance, determined and paid in FY20.
***** Following the outbreak of COVID-19 in March 2020, the Directors elected to take a short term 10% pay reduction whilst the Company assessed the impacts. As outlined, there has not been a material impact to business operations and accordingly the pay reduction was only applied for a two-month period.

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

Name	Fixed remuneration 2021	Fixed remuneration 2020	At risk - STI 2021	At risk - STI 2020	At risk - LTI 2021	At risk - LTI 2020
Non-Executive Directors:						
James Joughin	100%	100%	-	-	-	-
Terence Gray*	100%	100%	-	-	-	-
Gregory Ridder	100%	100%	-	-	-	-
Inese Kingsmill**	100%	-	-	-	-	-
Executive Directors:						
Geoff Neate***	-	91%	-	-	-	9%
Sol Lukatsky	47%	51%	17%	15%	36%	34%
Mark Dioguardi	49%	54%	12%	4%	39%	42%
Other Key Management Personnel:						
Paul Miller	76%	98%	19%	-	5%	2%
Donovan Newton****	-	79%	-	21%	-	-

* Mr Terence Gray resigned from the Board on 7 July 2020.
** Ms Inese Kingsmill was appointed to the Board on 1 July 2020.
*** Mr Geoff Neate resigned from the Board on 2 September 2019.
**** Mr Donovan Newton resigned on 30 August 2019.

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Sol Lukatsky
Title:	Managing Director
Agreement commenced:	23 April 2018; terms revised on 27 July 2020
Term of agreement:	No fixed term. Ongoing until terminated by either party with three months written notice.
Details:	Effective 1 July 2020, fixed remuneration of $400,000 per annum, plus 10% superannuation. In the 2021 financial year, Mr Lukatsky will be entitled to a potential short-term incentive (STI) of up to $200,000, representing 50% of his base remuneration. In the 2021 financial year, Mr Lukatsky was also entitled to a long-term incentive (LTI) of up to $200,000, representing 50% of his base remuneration (excluding superannuation), which was approved by shareholders at the Annual General Meeting held on 13 October 2020.

Name:	Mr Mark Dioguardi
Title:	Executive Director and Chief Operating Officer
Agreement commenced:	7 November 2018, terms revised on 27 July 2020
Term of agreement:	No fixed term. Ongoing until terminated by either party with three months written notice.
Details:	Effective 1 July 2020, fixed remuneration of $330,000 per annum, plus 10% superannuation. In the 2021 financial year, Mr Dioguardi will be entitled to a potential short-term incentive (STI) of up to $110,000, representing 33.3% of his base remuneration (excluding superannuation). In the 2021 financial year, Mr Dioguardi was also entitled to a potential long-term incentive (LTI) of up to $110,000, representing 33.3% of his base remuneration (excluding superannuation) which was approved by shareholders at the Annual General Meeting held on 13 October 2020.

Name:	Mr Paul Miller
Title:	Chief Financial Officer
Agreement commenced:	25 November 2019
Term of agreement:	No fixed term. Ongoing until terminated by either party with three months written notice.
Details:	Effective 1 February 2021, fixed remuneration of $265,000 per annum, plus 10% superannuation. In 2021 financial year Mr Miller is entitled to a potential short-term incentive (STI) of up to $66,250, representing 25% of his base remuneration (excluding superannuation). Mr Miller is eligible to participate in the Spirit Long Term Incentive program (LTI).

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

Share-based compensation

Issue of shares
There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2021.

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

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

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

Options granted carry no dividend or voting rights.

There were no options over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2021.

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

Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
12 September 2018	1 July 2021	12 September 2021	$0.000	$0.1692
12 September 2018	1 July 2021	12 September 2021	$0.000	$0.2000
18 February 2019	1 July 2021	18 February 2022	$0.000	$0.0355
18 February 2019	1 July 2021	18 February 2022	$0.000	$0.1400
22 April 2020	1 July 2022	22 April 2023	$0.000	$0.1084
22 April 2020	1 July 2022	22 April 2023	$0.000	$0.1250
13 October 2020	30 June 2023	12 November 2023	$0.000	$0.3417
13 October 2020	1 July 2023	12 November 2023	$0.300	$0.3661
13 October 2020	30 June 2023	12 November 2023	$0.000	$0.3700
11 June 2021	30 June 2023	11 June 2024	$0.000	$0.1815
11 June 2021	30 June 2023	11 June 2024	$0.000	$0.2800

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
Sol Lukatsky	123,530	12 Sept2018	1 Jul 2021	12 Sept2021	$0.000	$0.1692
Sol Lukatsky	123,529	12 Sept2018	1 Jul 2021	12 Sept2021	$0.000	$0.2000
Mark Dioguardi	260,000	18 Feb2019	1 Jul 2021	18 Feb2022	$0.000	$0.0355
Mark Dioguardi	260,000	18 Feb2019	1 Jul 2021	18 Feb2022	$0.000	$0.1400
Paul Miller	164,634	22 Apr 2020	1 Jul 2022	22 Apr 2023	$0.000	$0.1084
Paul Miller	164,634	22 Apr 2020	1 Jul 2022	22 Apr 2023	$0.000	$0.1250
Sol Lukatsky	457,457	13 Oct 2020	30 June 2023	12 Nov 2023	$0.000	$0.3417
Sol Lukatsky	457,456	13 Oct 2020	1 Jul 2023	12 Nov 2023	$0.300	$0.3661
Sol Lukatsky	457,456	13 Oct 2020	30 June 2023	12 Nov 2023	$0.000	$0.3700
Mark Dioguardi	251,601	13 Oct 2020	30 June 2023	12 Nov 2023	$0.000	$0.3417
Mark Dioguardi	356,816	13 Oct 2020	1 Jul 2023	12 Nov 2023	$0.300	$0.3661
Mark Dioguardi	251,601	13 Oct 2020	30 June 2023	12 Nov 2023	$0.000	$0.3700
Paul Miller	154,391	11 June 2021	30 June 2023	11 June 2024	$0.000	$0.1815
Paul Miller	154,392	11 June 2021	30 June 2023	11 June 2024	$0.000	$0.2800

Performance Rights granted carry no dividend or voting rights.

The Performance Rights were issued for $Nil consideration, and the vesting of the rights is contingent on the Company achieving certain hurdles over a three-year performance period, and in some cases share price performance hurdles.

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

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

For the Performance Rights granted during FY20 and FY21, 30% of the maximum amount of Performance Rights that may vest are at risk, if appropriate behaviours, as measured by a 360-degree feedback review are not met. An overall 75% of agreed or strongly agreed needs to be achieved in the 360-degree feedback result.

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

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

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

The number of Performance Rights over ordinary shares granted to and vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Number of rights granted during the year 2021	Number of rights granted during the year 2020	Number of rights vested during the year 2021	Number of rights vested during the year 2020
Sol Lukatsky	1,372,369	-	-	-
Mark Dioguardi	860,018	-	-	-
Paul Miller	308,783	329,268	-	-

Additional information

The earnings of the Consolidated Entity for the five years to 30 June 2021 are summarised below:

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Revenue and other income	104,469	34,874	17,452	16,300	11,539
Net profit/(loss) before tax	1,345	(2,043)	(1,009)	1,031	829
Net profit/(loss) after tax	1,157	(1,515)	(824)	571	468
Share price	$0.26	$0.24	$0.26	$0.245	$0.12

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each Director of the Company and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Balance on the date of appointment	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
James Joughin	4,045,455	-	308,281	-	4,353,736
Sol Lukatsky	2,957,755	-	294,828	-	3,252,583
Terence Gray*	1,825,360	-	-	(1,825,360)	-
Mark Dioguardi	1,287,878	-	156,250	-	1,444,128
Gregory Ridder	1,000,000	-	650,000	-	1,650,000
Inese Kingsmill**	-	-	187,500	-	187,500
Paul Miller	121,213	-	74,914	-	196,127
	11,237,661	-	1,671,773	(1,825,360)	11,084, 074

* Mr Terence Gray resigned from the Board on 7 July 2020. The balance disclosed in "Disposals/other" column represents his shareholding on the date of resignation.

** Ms Inese Kingsmill was appointed to the Board effective 1 July 2020. Upon appointment, Ms Kingsmill had no shareholding in the Company.

Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other*	Balance at the end of the year
Options over ordinary shares					
Sol Lukatsky	9,000,000	-	-	-	9,000,000
Mark Dioguardi	9,000,000	-	-	-	9,000,000
	18,000,000	-	-	-	18,000,000

Performance Rights holding

The number of Performance Rights over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance Rights over ordinary shares					
Geoff Neate*	512,820	-	(189,320)	(323,500)	-
Sol Lukatsky	247,059	1,372,369	-	-	1,619,428
Mark Dioguardi	520,000	860,018	-	-	1,380,018
Paul Miller	329,268	308,783	-	-	638,051
	1,609,147	2,541,170	(189,320)	(323,500)	3,637,497

* Mr Geoff Neate resigned from the Board on 2 September 2019.

This concludes the remuneration report, which has been audited.

Shares under option

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

Description	Expiry date	Exercise price	Number under option
Unlisted options	1 July 2023	$0.150	6,000,000
Unlisted options	1 July 2023	$0.180	6,000,000
Unlisted options	1 July 2023	$0.215	6,000,000
			18,000,000

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

Shares under Performance Rights

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

Grant date	Expiry date	Number under rights
12 September 2018	12 September 2021	247,059
18 February 2019	18 February 2023	520,000
22 April 2020	22 April 2023	653,943
13 October 2020	12 November 2023	2,232,387
11 June 2021	11 June 2024	620,685
		4,274,074

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

Shares issued on the exercise of options

There were no ordinary shares of Spirit Technology Solutions Ltd issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Shares issued on the exercise of Performance Rights

The following ordinary shares of Spirit Technology Solutions Ltd were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of Performance Rights granted:

Date Performance Rights granted	Conversion price	Number of shares issued
20 November 2018	$0.000	189,320

Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The Company has not during or since the end of the financial year indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 33 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in note 33 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

Auditor's independence declaration

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

Auditor

PKF Melbourne Audit & Assurance Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

James Joughin
Non-Executive Chairman

24 August 2021

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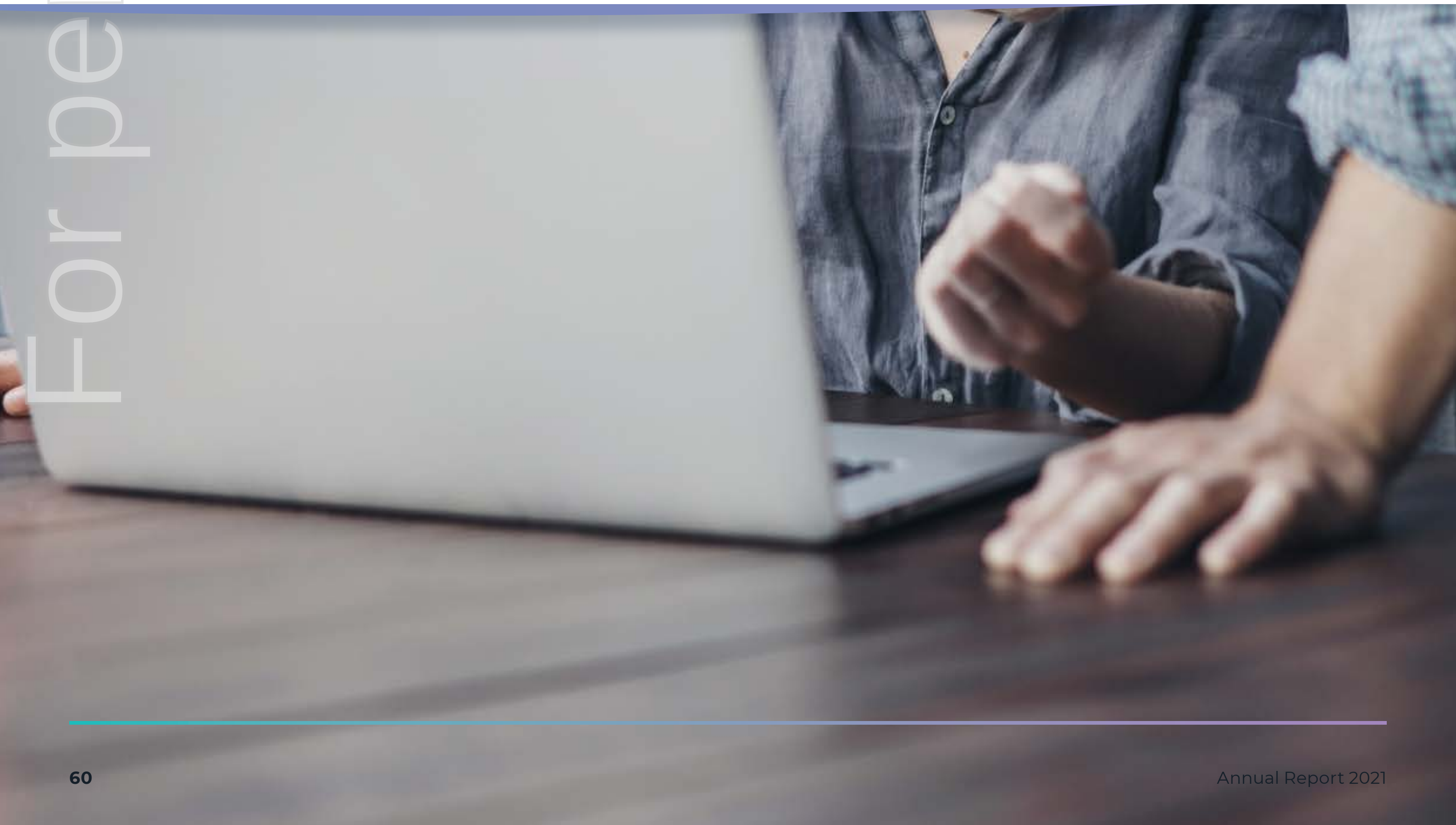
Auditor's Independence Declaration



PKF

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

In relation to our audit of the financial report of Spirit Technology Solutions Ltd for the year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

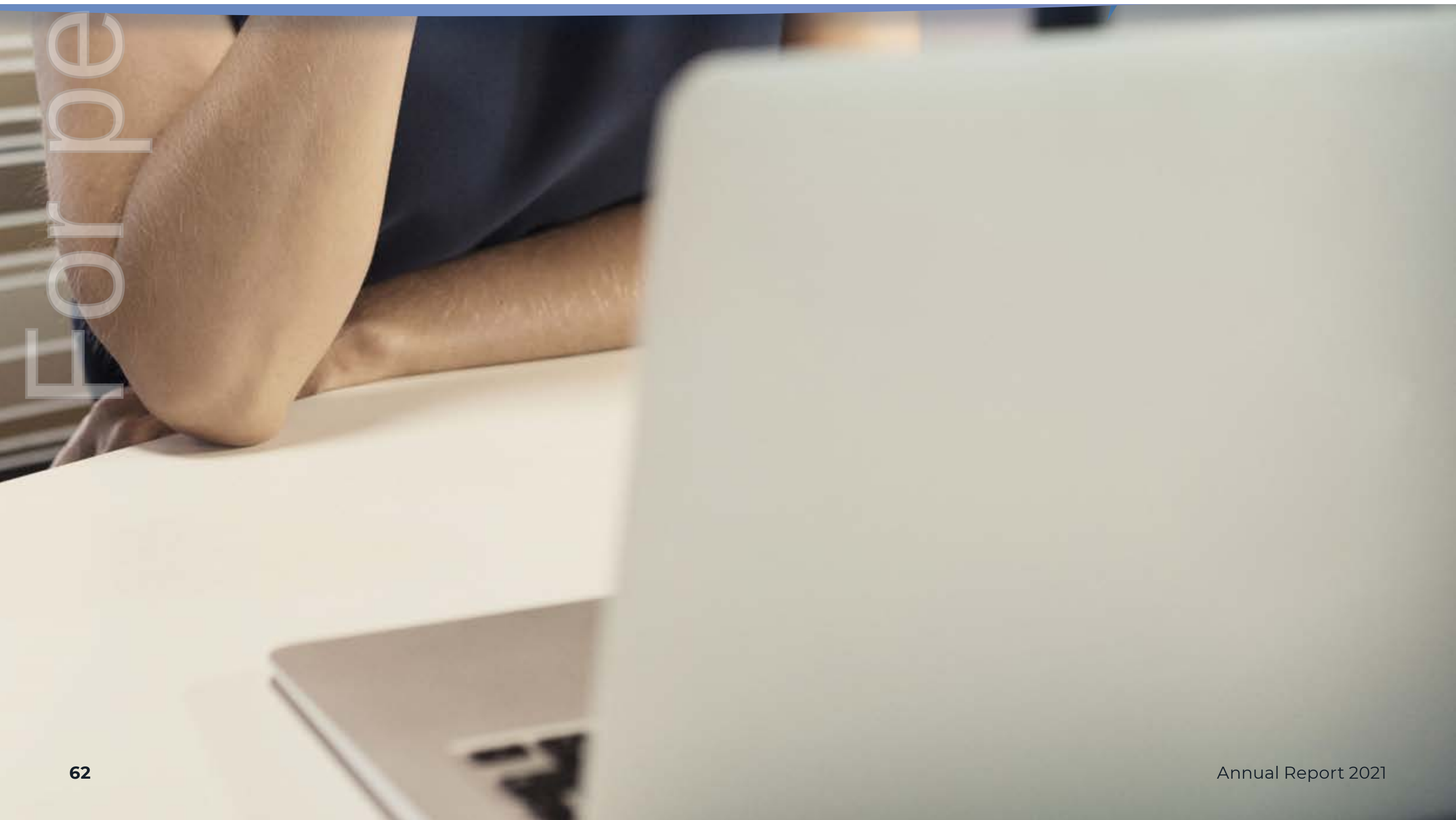
(b) no contraventions of any applicable code of professional conduct.

PKF
Melbourne, 24 August 2021

Steven Bradby
Partner

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

Statement of Profit or Loss & Other Comprehensive Income



	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue	5	102,786	34,429
Other income	6	1,683	445
Cost of sales		(51,220)	(12,701)
Expenses			
Employee benefits expense	7	(31,550)	(11,826)
Share-based payments		(621)	(479)
Administration and corporate expenses		(7,497)	(5,267)
Business acquisition and integration costs		(2,100)	(640)
Selling		(1,163)	(888)
Marketing		(1,531)	(891)
Net fair value loss on remeasurement of financial liabilities		(168)	-
Depreciation and amortisation expense	7	(6,666)	(3,855)
Finance costs	7	(608)	(370)
Profit/(loss) before income tax (expense)/benefit		1,345	(2,043)
Income tax (expense)/benefit	8	(188)	528
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Spirit Technology Solutions Ltd		1,157	(1,515)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year attributable to the owners of Spirit Technology Solutions Ltd		1,157	(1,515)

	Note	Cents	Cents
Earnings per share for profit/(loss) attributable to the owners of Spirit Technology Solutions Ltd			
Basic earnings per share	41	0.21	(0.42)
Diluted earnings per share	41	0.21	(0.42)

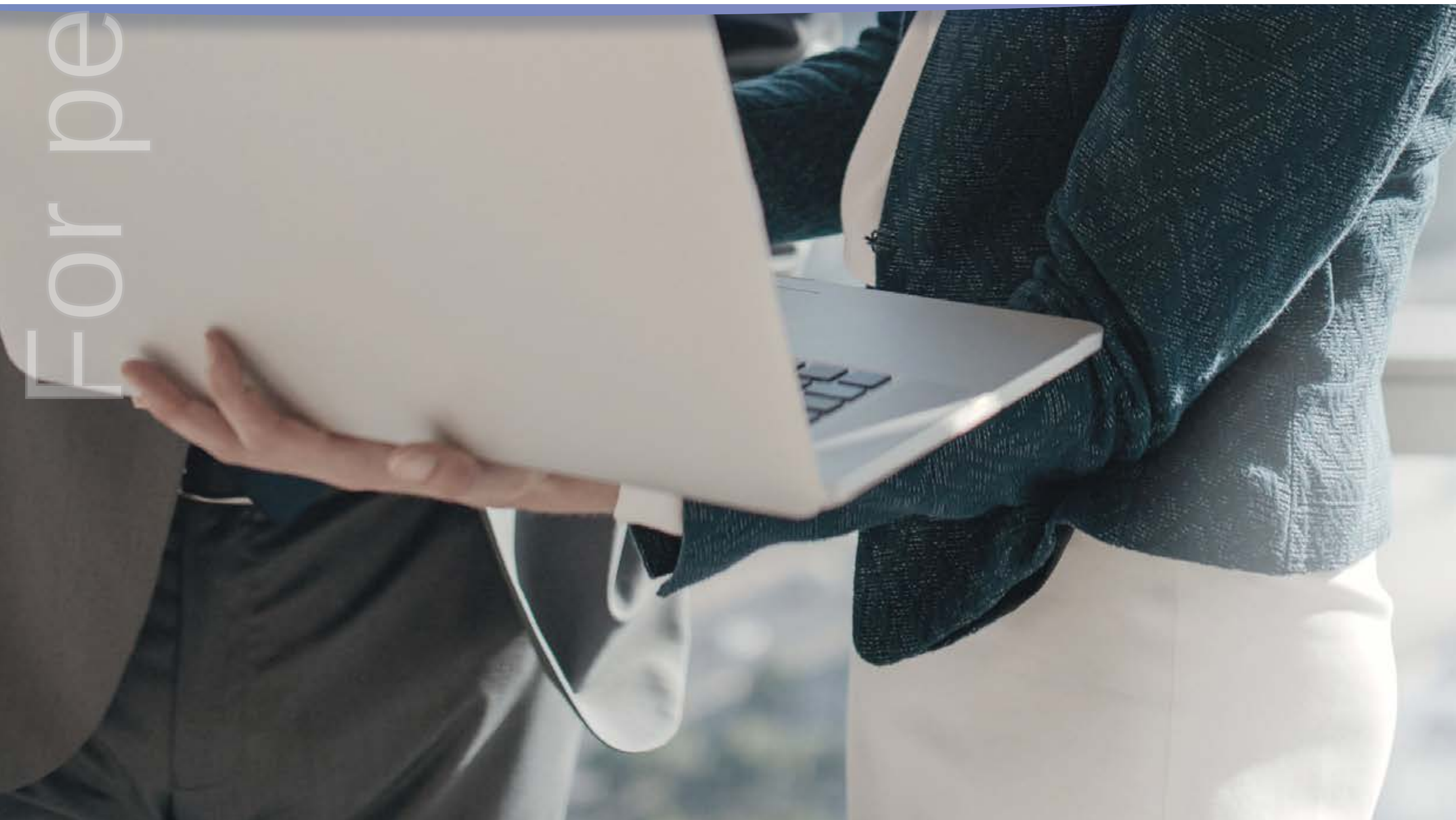
The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Statement of Financial Position

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	10	8,493	6,400
Trade and other receivables	11	12,784	4,410
Inventories	12	2,577	950
Contract assets	14	143	-
Other	13	4,130	838
Total current assets		28,127	12,598
Non-current assets			
Contract assets	14	1,544	-
Property, plant and equipment	15	13,895	13,821
Assets held for sale	9	1,301	-
Right-of-use assets	16	3,891	1,563
Intangible assets	17	119,403	25,359
Deferred tax	18	2,619	1,479
Deposits and other receivables		1,375	234
Total non-current assets		144,028	42,456
Total assets		172,155	55,054
Liabilities			
Current liabilities			
Trade and other payables	19	16,142	5,656
Borrowings		-	20
Lease liabilities	20	2,004	816
Provisions	21	3,444	951
Unearned revenue	27	3,655	1,775
Deferred consideration	22	15,327	-
Contingent consideration	37	2,399	998
Total current liabilities		42,971	10,216
Non-current liabilities			
Borrowings	23	10,000	3,268
Lease liabilities	24	2,016	787
Deferred tax	25	712	-
Provisions	26	352	165
Unearned revenue	27	2,823	1,557
Contingent consideration	37	3,603	997
Total non-current liabilities		19,506	6,774
Total liabilities		62,477	16,990
Net assets		109,678	38,064
Equity			
Issued capital	28	112,689	42,852
Reserves	29	1,187	567
Accumulated losses		(4,198)	(5,355)
Total equity		109,678	38,064

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

Statement of Changes in Equity



Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019	25,512	476	(3,932)	22,056
Loss after income tax benefit for the year	-	-	(1,515)	(1,515)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,515)	(1,515)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 28)	14,766	-	-	14,766
Share-based payments (note 42)	20	458	-	478
Transfers	275	(367)	92	-
Issue of shares to the vendor as part consideration in relation to the Arinda IT acquisition	607	-	-	607
Issue of shares to the vendor as part consideration in relation to the Phoenix Austec Group acquisition	320	-	-	320
Issue of shares to the vendor as part consideration in relation to the Cloud Business Technology acquisition	130	-	-	130
Issue of shares to the vendor as part consideration in relation to the Trident & Neptune Group acquisition	1,222	-	-	1,222
Balance at 30 June 2020	42,852	567	(5,355)	38,064

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

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020	42,852	567	(5,355)	38,064
Profit after income tax expense for the year	-	-	1,157	1,157
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,157	1,157
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 28)	44,835	-	-	44,835
Share-based payments (note 42)	-	620	-	620
Issue of shares to the vendor as part consideration in relation to the VPD Group acquisition	7,250	-	-	7,250
Issue of shares to the vendor as part consideration in relation to the Ancore Pty Ltd acquisition	573	-	-	573
Issue of shares to the vendor as part consideration in relation to the Beachhead acquisition	624	-	-	624
Issue of shares to the vendor as part consideration in relation to the Reliance IT acquisition	1,660	-	-	1,660
Issue of shares to the vendor as part consideration in relation to the Intalock acquisition	2,457	-	-	2,457
Issue of shares to the vendor as part consideration in relation to the Nexgen acquisition	12,164	-	-	12,164
Issue of shares to vendor on achievement of earnout milestone (Trident Group)	274	-	-	274
Balance at 30 June 2021	112,689	1,187	(4,198)	109,678

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

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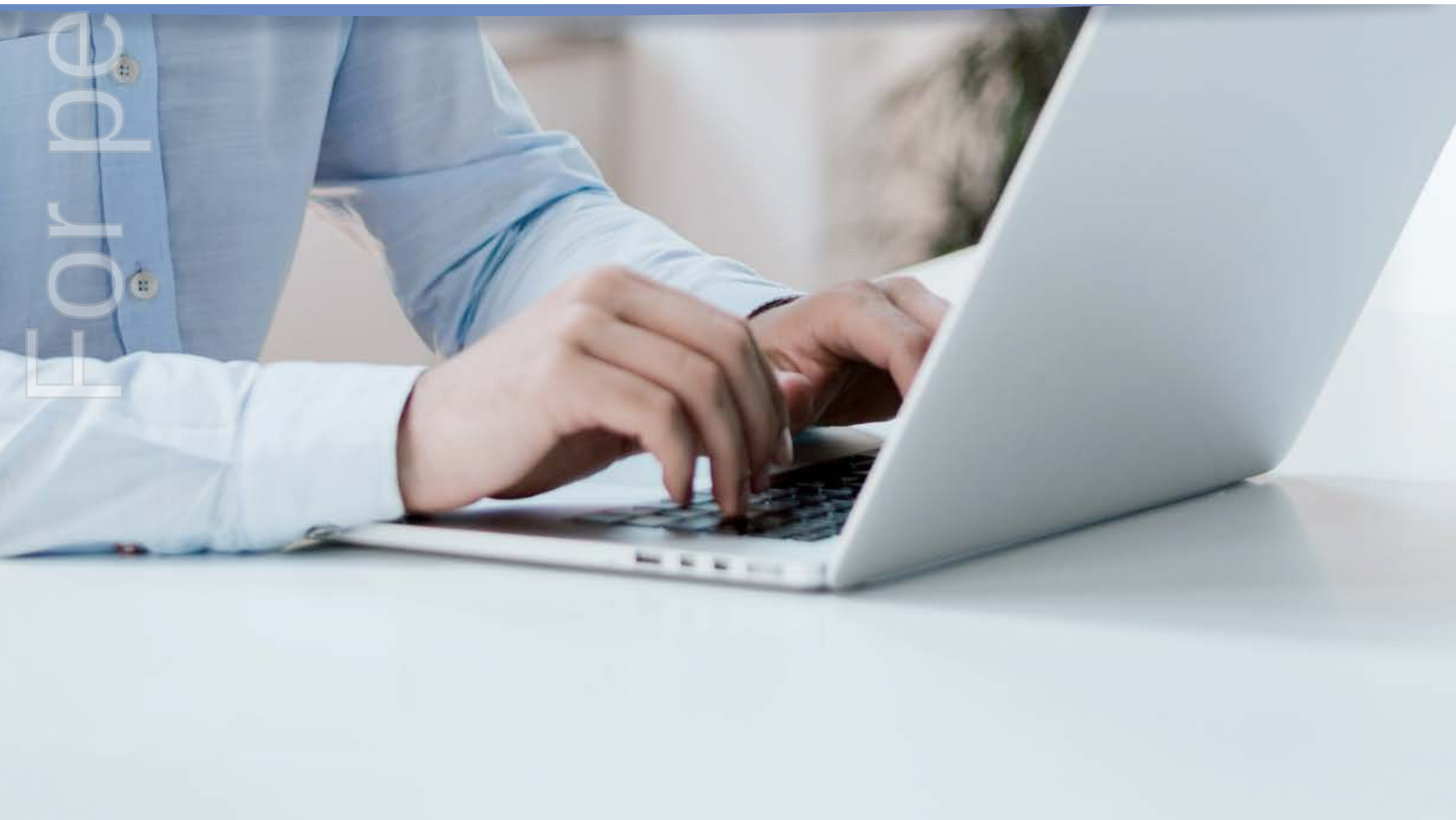
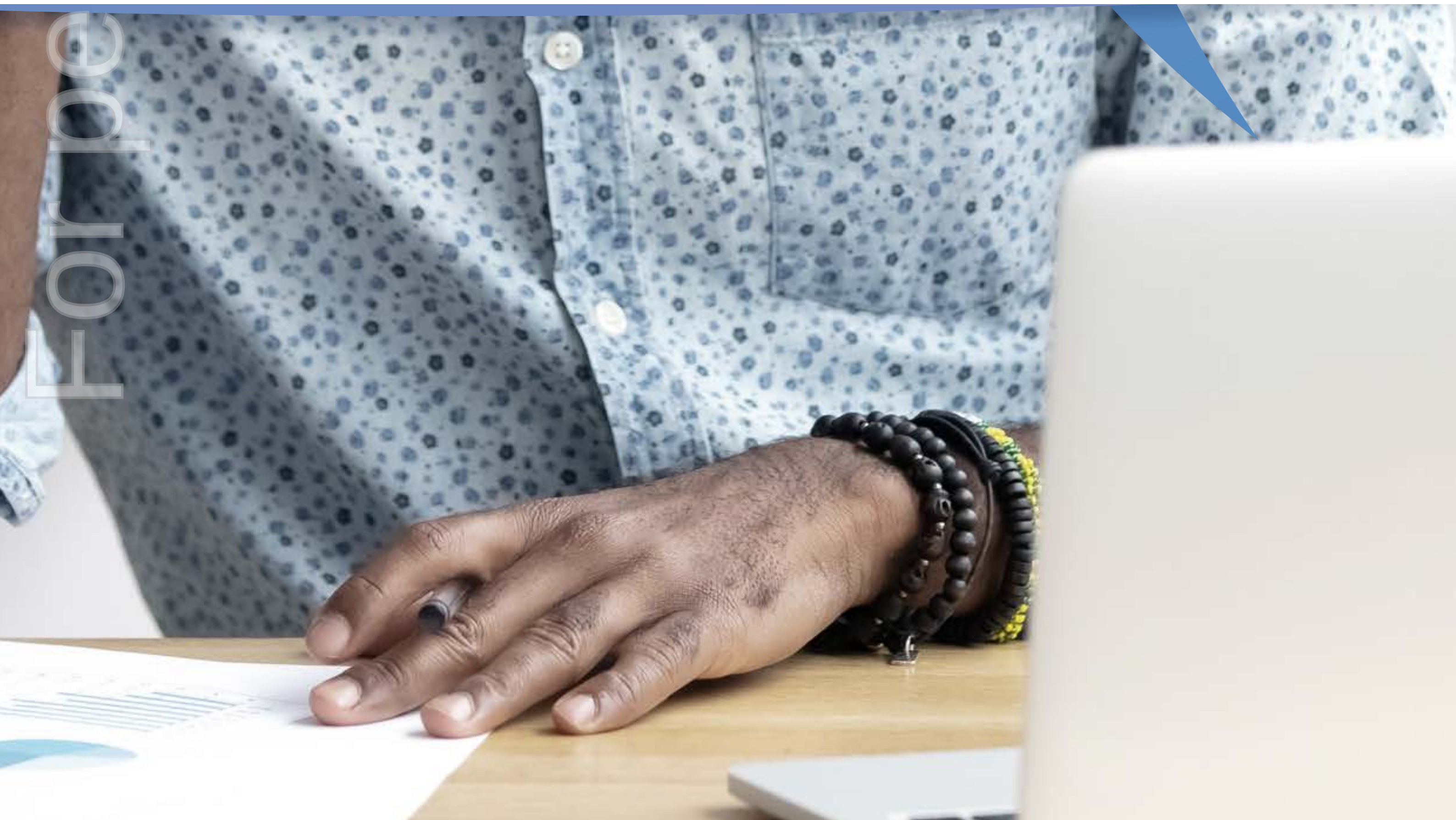
Statement of Cash Flows



	Note	Consolidated 2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		110,058	41,891
Government grants received		83	992
Payments to suppliers and employees (inclusive of GST)		(104,528)	(38,218)
Deposits (placed)/refunded		(100)	83
Interest received		3	27
Interest and other finance costs paid		(471)	(285)
Income taxes paid		-	-
Net cash from operating activities	40	5,045	4,490
Cash flows from investing activities			
Payments for property, plant and equipment		(3,482)	(5,826)
Payments for intangibles		(1,581)	(1,103)
Cash payments to acquire businesses, net of cash acquired	37	(45,798)	(6,779)
Acquired income tax liabilities paid		(481)	(145)
Business acquisition and integration costs		(2,100)	(640)
Proceeds from disposal of assets & right of use		541	125
Net cash used in investing activities		(52,901)	(14,368)
Cash flows from financing activities			
Proceeds from issue of shares	28	47,042	15,267
Share issue transaction costs		(2,207)	(691)
Proceeds from borrowings		9,732	-
Repayment of borrowings		(3,000)	(932)
Repayment of lease liabilities		(1,618)	(743)
Net cash from financing activities		49,949	12,901
Net increase in cash and cash equivalents		2,093	3,023
Cash and cash equivalents at the beginning of the financial year		6,400	3,377
Cash and cash equivalents at the end of the financial year	10	8,493	6,400

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

Notes to the Financial Statements



Note 1. General information

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

Spirit Technology Solutions Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Level 4, 100 Albert Road South Melbourne Victoria 3205	Level 2, 19-25 Raglan Street South Melbourne Victoria 3205

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 24 August 2021. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

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

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

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

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

Note 2. Significant accounting policies (continued)

Going concern

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

The Consolidated Entity has a net current liability position as at 30 June 2021 of $14,844,000 (30 June 2020 net current asset position: $2,382,000). This financial position needs to be considered noting the following key factors:

- The Consolidated Entity recorded a positive Net Profit After Tax and positive net Operating Cashflow position for the year ended 30 June 2021.
- Current liabilities includes deferred and contingent consideration payable of $17.7M. The estimated cash component of this consideration totals $14.2M. The balance is to be settled in equity. The Consolidated Entity has available cash and debt facilities to settle these cash liabilities.
- Current liabilities includes unearned revenue of $3.7M. This liability unwinds to revenue rather than being a cash settled liability.
- As outlined in note 9 the Consolidated Entity has announced its intention to divest its consumer infrastructure assets and is well advanced in that process. A successful divestment will yield additional working capital back into the Company.
- The Consolidated Entity remains confident that it has the ability to request additional support from existing shareholders if financial assistance is required.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 36.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Spirit Technology Solutions Ltd ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Spirit Technology Solutions Ltd and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Note 2. Significant accounting policies (continued)

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition
Revenue is recognised and measured in accordance with the principles of AASB 15 Revenue from contracts with customers at the fair value of the consideration received or receivable, after taking into account any trade discounts and volume rebates allowed, to the extent that it is probable that economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured.

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

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

Recurring revenue
Internet access, equipment rentals, line rentals and managed IT services are recognised in the period in which the service is provided. Where Income for services is invoiced in advance, the amount is recorded as Unearned Income and recognition in the income statement is delayed until the service has been provided.

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

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

Note 2. Significant accounting policies (continued)

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

Note 2. Significant accounting policies (continued)

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

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

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

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

The contract assets relate to costs incurred to both obtain or fulfil a contract with a customer. Costs typically included sales commissions, customer contract buy-out costs and costs related directly to fulfilling a customer contract such as direct labour. The contract assets are amortised to cost of sales over the average contract life which is assessed to be in the range of 4 - 4.5 years. There are management judgements required in assessing both the types of costs capitalised and amortisation periods as outlined.

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

Note 2. Significant accounting policies (continued)

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation commences from the time the asset is available for its intended use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

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

* Plant and equipment includes network and customer infrastructure.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date to ensure it is not in excess of the assets recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted in determining recoverable amounts.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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

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

Note 2. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

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

Goodwill is subsequently measured at cost less any impairment losses.

Goodwill is subject to impairment testing on an annual basis. Impairment losses are calculated based on the Directors' assessment of the business's recoverable amount. Recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

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

Intellectual property

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

Brand names

Acquired brand names are stated at cost less any impairment.

Brand names are subject to impairment testing on an annual basis. Impairment losses are calculated based on the Directors' assessment of the business's recoverable amount. Recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

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

Customer relationships

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

Customer contracts

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

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit being their finite life of 3-5 years.

Note 2. Significant accounting policies (continued)

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

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

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

Trade and other payables
These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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

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

Note 2. Significant accounting policies (continued)

Provisions

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

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

Share-based payments

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Business combinations

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Spirit Technology Solutions Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Basic and diluted earnings per share from operations has been presented in the statement of profit or loss and other comprehensive income. Basic and diluted earnings is presented in note 41 to the financial statements.

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the tax authority are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the tax authority.

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

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on various other factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Consolidated Entity operates. Refer note 2 Going Concern and note 39 Events after the reporting period for additional information.

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

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

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

Estimation of useful lives of assets
The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or other events. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or impaired.

Goodwill and other indefinite life intangible assets
The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of property, plant and equipment
The Consolidated Entity assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

Note 4. Operating segments

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

Major customers
During the year ended 30 June 2021 there are no individual customers which accounted for 5% or more of sales.

Note 5. Revenue

	Consolidated	
	2021	2020
	$'000	$'000
Sales revenue	**102,786**	**34,429**

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

	Consolidated	
	2021	2020
	$'000	$'000
Major product lines		
Managed services	49,959	14,018
Internet and data services	17,586	15,696
Security services	13,369	-
Voice services	14,300	4,024
Cloud services	4,428	-
Other	3,144	691
	102,786	**34,429**
Geographical regions		
Australia	**102,786**	**34,429**
Timing of revenue recognition		
Goods transferred at a point in time	55,127	10,772
Services transferred over time	47,659	23,657
	102,786	**34,429**

Note 6. Other income

	Consolidated 2021 $'000	2020 $'000
Government infrastructure grants	665	400
Profit on sale of assets and right of use	529	2
Government subsidies	305	-
Miscellaneous income	181	16
Interest income	3	27
Other income	**1,683**	**445**

Note 7. Expenses

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	47	4
Plant and equipment	3,928	2,645
Motor vehicles	62	52
Furniture and fixtures	69	49
Total depreciation	4,106	2,750
Amortisation		
Right-of-use assets	1,527	692
Customer relationships	299	-
Software and projects	690	413
Intellectual property	44	-
Total amortisation	2,560	1,105
Total depreciation and amortisation	6,666	3,855
Finance costs		
Borrowings	471	285
Finance leases	137	85
Finance costs expensed	608	370
Superannuation expense		
Defined contribution superannuation expense	2,613	913
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	28,937	10,913
Impairment of receivables		
Bad and doubtful debts expense*	321	280

*The Consolidated Entity has recognised a loss of $321,000 in profit or loss in respect of impairment of receivables for the year ended 30 June 2021 (2020: $280,000), including bad debts expense of $221,000 (2020: $189,000).

Note 8. Income tax expense/(benefit)

	Consolidated	
	2021 $'000	2020 $'000
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax (expense)/benefit	1,345	(2,043)
Tax at the statutory tax rate of 30.0% (27.5% at 30 June 2020)	403	(562)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Acquisition related	506	50
Share options and employee shares scheme	-	132
Impact of change in corporate tax rate	(99)	-
Other balances and permanent differences	(622)	(148)
Income tax expense/(benefit)	**188**	**(528)**

Note 9. Divestment of consumer infrastructure assets'

On 18 March 2021, the Consolidated Entity announced its intention to divest its consumer infrastructure assets.

The Consumer assets now account for a small amount of Spirit's revenue compared to its B2B portfolio of assets. Considering this focus, and that the Consumer offering represents a small proportion of the customers utilising the underlying data and internet product lines operated by Spirit, the product is not a component that historically or upon disposal comprises operations and cash flows distinguishable, operationally and for financial reporting purposes, from Spirit's single CGU.

The divestment is in line with Spirit's shift to focus on the business market, from SME to large enterprise.

As of the date of adoption of the financial report multiple bids have been received with the due diligence process well advanced.

Note 10. Current assets - cash and cash equivalents

	Consolidated	
	2021 $'000	2020 $'000
Cash at bank	**8,493**	**6,400**

Note 11. Current assets - trade and other receivables

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Trade receivables	13,270	4,581
Less: Allowance for expected credit losses	(487)	(176)
	12,783	4,405
Other receivables	1	5
	12,784	**4,410**

Allowance for expected credit losses
The Consolidated Entity retains a provision of $487,000 in respect of impairment of receivables for the year ended 30 June 2021 (2020: $176,000).

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

	Consolidated	
	2021	**2020**
	$'000	**$'000**
3 to 6 months overdue	412	98
Over 6 months overdue	75	78
	487	176

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

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Opening balance	176	66
Additions and releases	311	110
Closing balance	487	176

Note 12. Current assets - inventories

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Stock on hand - at cost	2,801	1,005
Less: Provision for impairment	(224)	(55)
	2,577	**950**

Note 13. Current assets - other

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Accrued revenue	2,513	244
Prepayments	1,079	587
Vendor loans	532	-
Other current assets	6	7
	4,130	**838**

Note 14. Contract assets

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Contract assets	1,881	-
Accumulated amortisation	(194)	-
	1,687	**-**

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

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Current	143	-
Non-current	1,544	-
	1,687	-

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

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Opening balance	-	-
Additions	1,881	-
Amortisation to the profit and loss	(194)	-
Closing balance	1,687	-

Note 15. Non-current assets - property, plant and equipment

	Consolidated 2021 $'000	Consolidated 2020 $'000
Leasehold improvements - at cost	599	103
Less: Accumulated depreciation	(195)	(80)
	404	23
Plant and equipment at cost	22,010	21,027
Less: Accumulated depreciation	(8,890)	(7,538)
	13,120	13,489
Motor vehicles - at cost	854	294
Less: Accumulated depreciation	(799)	(232)
	55	62
Furniture & Fixtures at Cost	820	592
Less: Accumulated depreciation	(553)	(353)
	267	239
Work in progress	49	8
	13,895	**13,821**

Reconciliations

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

Consolidated	**Leasehold improvements $'000**	**Plant and equipment $'000**	**Motor vehicles $'000**	**Furniture & Fixtures $'000**	**Work in progress $'000**	**Total $'000**
Balance at 1 July 2019	**-**	**9,448**	**85**	**233**	**784**	**10,550**
Additions through business combinations (note 37)	23	264	35	29	-	351
Additions/transfers	4	6,454	17	126	(775)	5,826
Disposals	-	(32)	(23)	(100)	(1)	(156)
Depreciation expense	(4)	(2,645)	(52)	(49)	-	(2,750)
Balance at 30 June 2020	**23**	**13,489**	**62**	**239**	**8**	**13,821**
Additions through business combinations (note 37)	415	1,462	55	79	-	2,011
Transfers to held for sale	-	(1,301)	-	-	-	(1,301)
Additions/transfers	13	3,410	-	18	41	3,482
Disposals	-	(12)	-	-	-	(12)
Depreciation expense	(47)	(3,928)	(62)	(69)	-	(4,106)
Balance at 30 June 2021	**404**	**13,120**	**55**	**267**	**49**	**13,895**

Note 16. Non-current assets - right-of-use assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Right-of-use assets	6,473	2,255
Less: Accumulated amortisation	(2,582)	(692)
	3,891	**1,563**

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

Consolidated	**Total $'000**
Balance at 1 July 2019	-
Adoption AASB 16	
Leases	2,255
Additions	-
Amortisation expense	(692)
Balance at 30 June 2020	1,563
Net additions through business combinations (note 37)	3,473
Additions	416
Disposals	(34)
Amortisation expense	(1,527)
Balance at 30 June 2021	**3,891**

Note 17. Non-current assets - intangibles

	Consolidated 2021 $'000	Consolidated 2020 $'000
Goodwill - at cost	100,087	23,974
Intellectual property - at cost	561	-
Less: Accumulated amortisation	(44)	-
	517	-
Software	5,305	2,125
Less: Accumulated amortisation	(2,254)	(740)
	3,051	1,385
Brand names - at cost	4,105	-
Customer relationships	11,942	-
Less: Accumulated amortisation	(299)	-
	11,643	-
	119,403	**25,359**

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

Consolidated	Goodwill at cost $'000	Brand names at cost $'000	Software & projects at cost $'000	Customer relationships at cost $'000	Intellectual property at cost $'000	Indefinite life intangibles $'000	Total $'000
Balance at 1 July 2019	**10,557**	**-**	**695**	**-**	**-**	**2,005**	**13,257**
Reclassification	2,005	-	-	-	-	(2,005)	-
Additions through business combinations (note 37)	11,412	-	-	-	-	-	11,412
Additions	-	-	1,103	-	-	-	1,103
Amortisation expense	-	-	(413)	-	-	-	(413)
Balance at 30 June 2020	**23,974**	**-**	**1,385**	**-**	**-**	**-**	**25,359**
Additions through business combinations (note 37)	76,113	4,105	1,336	11,942	-	-	93,496
Additions	-	-	1,020	-	561	-	1,581
Amortisation expense	-	-	(690)	(299)	(44)	-	(1,033)
Balance at 30 June 2021	**100,087**	**4,105**	**3,051**	**11,643**	**517**	**-**	**119,403**

Note 17. Non-current assets - intangibles (continued)

Goodwill, Brand Names & Intangible Assets with Indefinite Lives

Goodwill, brand names and indefinite life intangibles, including those acquired during the year, are allocated to a single cash-generating unit (CGU), that being the Consolidated Entity's single operating segment. The recoverable amount of the CGU is determined based on a value-in-use model. The model uses a pre-tax discount of 13% (2020: 14%), cash flow projections based on the financial budget for the 12 months immediately following reporting date, cash flows beyond 12 months extrapolated through a 4-5 year outlook utilising conservative growth rates, and a terminal value growth rate of 3%.

Upon applying the test across both intangible assets, including goodwill, it is concluded that no impairment has occurred.

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

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

Note 18. Non-current assets - deferred tax

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	675	318
Expenses deductible in future periods	775	294
Other provisions/accruals	1,169	446
Tax credits from tax losses	-	421
Deferred tax asset	**2,619**	**1,479**

Note 19. Current liabilities - trade and other payables

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Trade payables	9,431	4,047
GST payable	706	319
Other payables	6,005	1,290
	16,142	**5,656**

Refer to note 31 for further information on financial instruments.

Note 20. Current liabilities - lease liabilities

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Lease liability	**2,004**	**816**

Refer to note 31 for further information on financial instruments.

Note 21. Current liabilities - provisions

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Annual leave	1,999	668
Long service leave	919	249
Provision for income tax	478	34
Lease make good	48	-
	3,444	**951**

Note 22. Current liabilities - deferred consideration

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Deferred consideration	**15,327**	**-**

Refer to note 37 for further information on deferred consideration.

Note 23. Non-current liabilities - borrowings

	Consolidated	
	2021	2020
	$'000	$'000
Bank loans	**10,000**	**3,268**

Refer to note 31 for further information on financial instruments.

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

	Consolidated	
	2021	2020
	$'000	$'000
Bank loans	10,000	3,268
Hire purchase	-	20
	10,000	3,288

Assets pledged as security

The bank loan of $10M (2020: $3.3M) is a first ranking secured over the assets and undertakings of Spirit Technology Solutions Ltd and its wholly owned subsidiaries.

Note 24. Non-current liabilities - lease liabilities

	Consolidated	
	2021	2020
	$'000	$'000
Lease liability	**2,016**	**787**

Refer to note 31 for further information on financial instruments.

Note 25. Non-current liabilities - deferred tax

	Consolidated	
	2021	2020
	$'000	$'000
Deferred tax liability comprises temporary differences attributable to:		
Property, plant and equipment	712	-
Deferred tax liability	**712**	**-**

Note 26. Non-current liabilities - provisions

	Consolidated	
	2021 $'000	2020 $'000
Long service leave	**352**	**165**

Note 27. Unearned revenue

	Consolidated	
	2021 $'000	2020 $'000
Customer contract unearned revenue	4,964	1,236
Government infrastructure grants	1,514	2,096
	6,478	**3,332**

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:

	Consolidated	
	2021 $'000	2020 $'000
Current	3,655	1,775
Non-current	2,823	1,557
	6,478	**3,332**

Note 27. Unearned revenue (continued)

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

Consolidated	Customer contract unearned revenue $'000	Government infrastructure grants $'000	Total $'000
Balance at 1 July 2019	**430**	**1,544**	**1,974**
Additions through business combinations (note 37)	790	-	790
Net other movements	16	552	568
Balance at 30 June 2020	**1,236**	**2,096**	**3,332**
Additions through business combinations (note 37)	4,059	-	4,059
Net other movements	(331)	(582)	(913)
Balance at 30 June 2021	**4,964**	**1,514**	**6,478**

Note 28. Equity - issued capital

	Consolidated			
	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary shares - fully paid	652,292,046	430,909,320	112,689	42,852

Note 28. Equity - issued capital (continued)
Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2019	305,723,988		25,512
Exercise of ST1O listed options	4 July 2019	1,508,509	$0.196	297
Exercise of ST1O listed options	10 July 2019	13,326,593	$0.196	2,624
Issue of shares to the vendor as part consideration in relation to the Arinda IT acquisition	11 July 2019	2,380,952	$0.255	607
Exercise of ST1O listed options	16 July 2019	3,233,587	$0.196	636
Exercise of unlisted options	17 July 2019	1,250,000	$0.190	237
Exercise of ST1O listed options	25 July 2019	742,906	$0.196	146
Exercise of ST1O listed options	26 July 2019	158,806	$0.196	31
Issue of shares to the vendor as part consideration in relation to the Phoenix Austec Group acquisition	29 July 2019	1,333,333	$0.240	320
Exercise of ST1O listed options	2 August 2019	8,137,215	$0.196	1,602
Issue of shares pursuant to the underwriting arrangement for ST1O listed options	9 August 2019	1,624,640	$0.196	320
Issue of shares to incentivise employees	16 September 2019	88,480	$0.226	20
Exercise of unlisted options	22 November 2019	1,250,000	$0.190	238
Conversion of vested Performance Rights	20 December 2019	332,084	$0.000	-
Issue of shares to the vendor as part consideration in relation to the Cloud Business Technology acquisition	3 February 2020	700,000	$0.185	130
Issue of shares to the vendor as part consideration in relation to the Trident & Neptune Group acquisition	18 February 2020	5,818,750	$0.210	1,222
Issue of Tranche 1 Placement shares	20 April 2020	78,754,022	$0.110	8,663
Issue of Tranche 2 Placement shares	1 June 2020	4,545,455	$0.110	500
Transfer from option reserve		-	$0.000	275
Cost of capital raising		-	$0.000	(528)
Balance	30 June 2020	430,909,320		42,852
Issue of shares to the vendor as part consideration in relation to the VPD Group acquisition	1 July 2020	29,000,000	$0.250	7,250
Issue of Tranche 1 Placement shares	27 August 2020	55,881,401	$0.320	17,882
Issue of shares to the vendor as part consideration in relation to the Ancore acquisition	1 September 2020	1,592,988	$0.360	573
Issue of shares to the vendor as part consideration in relation to the Beachhead acquisition	1 September 2020	1,734,888	$0.360	624
Issue of shares to the vendor as part consideration in relation to the Reliance IT acquisition	1 September 2020	4,612,204	$0.360	1,660
Issue of shares in accordance with Share Purchase Plan	18 September 2020	15,624,581	$0.320	5,000
Issue of Tranche 2 Placement shares	22 October 2020	1,125,000	$0.320	360
Conversion of vested Performance Rights	22 October 2020	189,320	$0.000	-
Issue of shares to the vendor as part consideration in relation to the Intalock acquisition	3 December 2020	5,921,053	$0.415	2,457
Issue of shares to the vendor as part of contingent consideration in relation to the Trident acquisition upon achievement of earnout target 1	27 January 2021	703,366	$0.390	274
Issue of placement shares	8 April 2021	72,121,213	$0.330	23,800
Issue of shares to the vendor as part consideration in relation to the Nexgen acquisition	8 April 2021	32,876,712	$0.370	12,164
Cost of capital raising		-	$0.000	(2,207)
Balance	30 June 2021	652,292,046		112,689

Note 28. Equity - issued capital (continued)

Movements in unquoted options

Details	Date	Options	$'000
Balance	1 July 2019	20,500,000	-
Exercise of unlisted options	17 July 2019	(1,250,000)	-
Exercise of unlisted options	22 November 2019	(1,250,000)	-
Balance	30 June 2020	18,000,000	-
Balance	30 June 2021	18,000,000	-

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

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

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

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

The Consolidated Entity is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

Note 29. Equity - reserves

	Consolidated 2021 $'000	Consolidated 2020 $'000
Share-based payments reserve (Note 42)	1,181	561
Capital reserve	6	6
	1,187	**567**

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

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

Consolidated	Capital reserve $'000	Share-based payments reserve $'000	Total $'000
Balance at 1 July 2019	6	470	476
Share-based payments expense	-	458	458
Transfers	-	(367)	(367)
Balance at 30 June 2020	6	561	567
Share-based payments expense (note 42)	-	620	620
Balance at 30 June 2021	**6**	**1,181**	**1,187**

Note 30. Equity - dividends

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

Note 31. Financial instruments

Financial risk management objectives

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

Risk management is carried out by senior finance executives ('finance') under the guidance of the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Consolidated Entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and if required, hedges financial risks within the Consolidated Entity's operating units. Finance reports to the Board on a monthly basis.

Note 31. Financial instruments (continued)

Market risk

Foreign currency risk

The Consolidated Entity undertakes transactions denominated in foreign currencies and therefore has exposure to foreign currency risk. Offshore Customer Care, Service delivery and Finance teams are located in Manilla and cost around $19,000 USD per week. The Consolidated Entity also sources security based software products and spends approximately $4M USD per annum. Conversion is at the applicable exchange rate at the time the transaction is authorised. No hedging activity is undertaken to minimise currency fluctuations.

Price risk

The Consolidated Entity is not exposed to any significant price risk.

Interest rate risk

The Consolidated Entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Consolidated Entity to interest rate risk. Borrowings obtained at fixed rates expose the Consolidated Entity to fair value interest rate risk. The entire Facility is exposed to variable interest rates. The Consolidated Entity paid $471,000 in interest during the 2021 financial year (2020: $285,000).

The facility is structured such that a line fee is payable on the facility limit ($25M), a usage fee payable on funds drawn and an interest charge based on BBSY plus 3.6%. As at the reporting date the Consolidated Entity had the following variable rate borrowings. The net weighted average interest rate detailed below is calculated on the aggregation of the usage fee and interest charge over the average balance drawn down during the year ended 30 June 2021.

	2021		**2020**	
	Weighted average interest rate	**Balance**	**Weighted average interest rate**	**Balance**
Consolidated	**%**	**$'000**	**%**	**$'000**
Bank loan	2.0%	10,000	2.1%	3,268
Net exposure to cash flow interest rate risk		10,000		3,268

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

For the Consolidated Entity the bank loans outstanding, totalling $10.0M (2020: $3.3M), are interest bearing loans. On 20 August 2020, the Consolidated Entity announced an increase of $5M to $15.9M and on 31 March 2021 announced a further increase to $25M.

Note 31. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has a strict code of credit and follows a rigorous collection process. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Consolidated Entity does not hold any collateral.

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

With regards to Debtors, amounts older than 90 days owing are reviewed and where appropriate taken up as a provision for doubtful debts. This process is completed monthly. As at 30 June 2021 $487,000 was booked as an allowance for expected credit losses against the total amount owed by debtors. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with its customers to mitigate risk.

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

Liquidity risk

Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 31. Financial instruments (continued)

Remaining contractual maturities

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

Consolidated - 2021	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	16,142	-	-	-	16,142
Contingent consideration	-	2,399	3,603	-	-	6,002
Deferred consideration	-	15,327	-	-	-	15,327
Interest-bearing - variable						
Bank loan	2.00%	-	10,000	-	-	10,000
Lease liability	5.27%	2,004	368	1,648	-	4,020
Total non-derivatives		**35,872**	**13,971**	**1,648**	**-**	**51,491**

Consolidated - 2020	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	5,656	-	-	-	5,656
Contingent consideration	-	-	998	997	-	1,995
Interest-bearing - variable						
Bank loan	2.10%	-	3,268	-	-	3,268
Lease liability	5.27%	816	519	268	-	1,603
Total non-derivatives		**6,472**	**4,785**	**1,265**	**-**	**12,522**

Fair value of financial instruments

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

Note 32. Key management personnel disclosures

Directors

The following persons were Directors of Spirit Technology Solutions Ltd during the financial year:

Mr James Joughin (Non-Executive Chairman)
Mr Sol 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)
Mr Terence Gray (Non-Executive Director)
(resigned on 7 July 2020)

Other key management personnel

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

Paul Miller (Chief Financial Officer)

Compensation

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

	Consolidated	
	2021	**2020**
	$	**$**
Short-term employee benefits	1,487,669	1,371,538
Post-employment benefits	112,502	105,450
Long-term benefits	24,323	7,884
Share-based payments	660,183	467,371
	2,284,677	**1,952,243**

Note 33. Remuneration of auditors

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

	Consolidated	
	2021 $	2020 $
Audit and assurance services - PKF Melbourne Audit & Assurance Pty Ltd		
Audit or review of the financial statements	125,000	90,000
Assurance related services in respect of acquisition date accounting	68,225	-
Other services – PKF Melbourne		
Tax compliance services	24,000	10,000
Tax due diligence services	31,500	-
Corporate advisory due diligence services	215,416	43,500
	464,141	**143,500**

Note 34. Contingent liabilities

There were no contingent liabilities at 30 June 2021 and 30 June 2020.

Note 35. Related party transactions

Parent entity

Spirit Technology Solutions Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 38.

Key management personnel

Disclosures relating to key management personnel are set out in note 32 and the remuneration report included in the Directors' report.

Transactions with related parties

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

Receivable from and payable to related parties

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

Loans to/from related parties

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

Note 36. Legal parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2021	**2020**
	$'000	**$'000**
Profit/(loss) after income tax	(17,348)	94
Total comprehensive income	(17,348)	94

Statement of financial position

	Parent	
	2021	**2020**
	$'000	**$'000**
Total current assets	746	5,115
Total assets	125,020	48,410
Total current liabilities	375	1,044
Total liabilities	29,616	6,115
Equity		
Issued capital	112,689	42,852
Reserves (Note 29)	1,187	567
Accumulated losses	(18,472)	(1,124)
Total equity	95,404	42,295

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

The bank loan of $10M is secured first over the assets and undertakings of Spirit Technology Solutions Ltd and its wholly owned subsidiaries.

The parent entity had no other guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Note 36. Legal parent entity information (continued)

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 37. Business combinations

Voice Print Data Group

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

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

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

Note 37. Business combinations (continued)

i. Consideration transferred
Acquisition-related costs amounting to $226,000 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 $1,216,000. As of the acquisition date, the Company's best estimate is that all cash will be collected.

iii. Goodwill
Goodwill of $14,338,000 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 was split in the proportion of cash (50%) and equity (50%). The earn-out structure facilitated a scaled achievement against targets for FY21 and FY22 and the contingent consideration was payable in a range exceeding 100% against the FY21 target and in a range exceeding 110% of the FY22 target. At the date of acquisition, the Board and management assessed the probability of achieving the relevant EBITDA performance targets and assessed the likelihood to be at or below the minimum hurdles and accordingly no contingent consideration was recognised. Subsequent to acquisition date, the Company and the vendors of VPD signed a variation to the Share Purchase Agreement dated 21 June 2021, agreeing that there would be no contingent consideration payable for FY21 or FY22.

v. Contribution to the Consolidated Entity's results
VPD contributed revenues of $16,714,000 to the Consolidated Entity from the date of the acquisition to 30 June 2021.

The Consolidated Entity's business growth generates increased revenue opportunities across the entire Group's portfolio, also being reflected in VPD's revenue performance.

VPD does not receive any allocations of acquisition costs, corporate overhead, listing or finance costs, which are all absorbed by the Consolidated Entity's core operations and accordingly it is impractical to disclose VPD's contribution to the Consolidated Entity's profit.

Note 37. Business combinations (continued)

Acquisition of Altitude IT

The Company acquired 100% of Ancore Pty Ltd (trading as Altitude IT), with effective control on 1 September 2020. The acquisition has been accounted for on a provisional basis 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 fair values of the identifiable net assets acquired are detailed below:

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

i. Consideration transferred
Acquisition-related costs amounting to $37,000 are not included as part of the consideration for the acquisition and 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 $257,000. As of the acquisition date, the Company's best estimate is that all cash will be collected.

Note 37. Business combinations (continued)

iii. Goodwill
Goodwill of $1,711,000 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 Altitude IT included a contingent consideration element by way of an earn-out structure based upon EBITDA performance over a 12 month period ended 30 June 2021 (FY21). The earnout consideration is to be split in the same proportion of cash (70%) and equity (30%) as the upfront consideration.

The earn-out structure facilitated a scaled achievement of the FY21 targets whereby the contingent consideration is payable where FY21 EBITDA exceeds 110% of the agreed target EBITDA. At the date of acquisition, the Board and management assessed the probability of achieving the relevant EBITDA performance target and assessed the likelihood to be at or below the minimum hurdle and accordingly no FY21 contingent consideration had been recognised. Subsequent to the assessment date of 30 June 2021, the amount of contingent consideration payable where the FY21 EBITDA performance target has been exceeded has been estimated to be $275,000 (classified as current).

v. Contribution to the Consolidated Entity's results
Altitude IT contributed revenues of $2,354,000 to the Consolidated Entity from the date of acquisition to 30 June 2021.

The Consolidated Entity's business growth generates increased revenue opportunities across the entire Group's portfolio, also being reflected in Altitude IT's revenue performance.

Altitude IT's employees have been transferred to Spirit Telecom (Australia) Pty Ltd and the Company does not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which are all absorbed by the Consolidated Entity's core operations and accordingly it is impractical to disclose Altitude IT's contribution to the Consolidated Entity's profit.

Note 37. Business combinations (continued)

Beachhead Group

The Company acquired 100% of Beachhead Group Pty Ltd, with effective control on 1 September 2020. The acquisition has been accounted for on a provisional basis 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 fair values of the identifiable net assets acquired are detailed below:

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

i. Consideration transferred
Acquisition-related costs amounting to $44,000 are not included as part of the consideration for the acquisition and 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 $670,000. As of the acquisition date, the Company's best estimate is that all cash will be collected.

Note 37. Business combinations (continued)

iii. Goodwill
Goodwill of $3,025,000 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 $1,190,000 that is due and payable 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 assessed the likelihood of achieving the relevant EBITDA performance targets at the 100% level with $331,000 of contingent consideration recognised. Subsequent to assessment date of 30 June 2021, the amount of contingent consideration payable where the FY21 EBITDA performance target has been exceeded has been estimated to be $64,000 (classified as current).

vi. Contribution to the Consolidated Entity's results
Beachhead Group contributed revenues of $3,931,000 to the Consolidated Entity from the date of the acquisition to 30 June 2021.

The Consolidated Entity's business growth generates increased revenue opportunities across the entire Group's portfolio, also being reflected in Beachhead Group's revenue performance.

Beachhead Group employees have been transferred to Spirit Telecom (Australia) Pty Ltd and the Company does not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which are all absorbed by the Consolidated Entity's core operations and accordingly it is impractical to disclose Beachhead Group's contribution to the Consolidated Entity's profit.

Note 37. Business combinations (continued)

Reliance Technology

The Company acquired 100% of Reliance Technology Pty Ltd ("Reliance IT"), with effective control on 1 September 2020. The acquisition has been accounted for on a provisional basis 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 fair values of the identifiable net assets acquired are detailed below:

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

i. Consideration transferred
Acquisition-related costs amounting to $44,000 are not included as part of the consideration for the acquisition and 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 $212,000. As of the acquisition date, the Company's best estimate is that all cash will be collected.

iii. Goodwill
Goodwill of $5,609,000 was primarily related to the Company's growth expectations through customer expansion.

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

Note 37. Business combinations (continued)

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

The earn-out structure 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 assessed the likelihood of achieving the relevant EBITDA performance targets at the 111% level with $725,000 of contingent consideration recognised. Subsequent to assessment date of 30 June 2021, the amount of contingent consideration payable where the FY21 EBITDA performance target has been exceeded has been estimated to be $913,000 (classified as current).

v. Contribution to the Consolidated Entity's results
Reliance IT contributed revenues of $3,963,000 to the Consolidated Entity from the date of the acquisition to 30 June 2021.

The Consolidated Entity's business growth generates increased revenue opportunities across the entire Group's portfolio, also being reflected in Reliance IT's revenue performance.

Reliance IT's employees have been transferred to Spirit Telecom (Australia) Pty Ltd and the Company does not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which are all absorbed by the Consolidated Entity's core operations and accordingly it is impractical to disclose Reliance IT's contribution to the Consolidated Entity's profit.

Note 37. Business combinations (continued)

Intalock Technologies

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

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

	Fair value $'000
Cash and cash equivalents	2,575
Trade and other receivables	2,237
Prepayments	143
Deposits	235
Plant and equipment	150
Right-of-use assets	733
Intangible assets	191
Deferred tax assets	124
Trade payables	(2,194)
GST payables	(56)
Unearned revenue	(1,200)
Provision for income tax	(279)
Employee entitlements	(275)
Make good provision	(45)
Lease liabilities	(755)
Net assets acquired	1,584
Goodwill	17,227
Net fair value gain on remeasurement of financial liabilities	(177)
Acquisition-date fair value of the total consideration transferred	18,634
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	18,634
Less: deferred consideration	(3,000)
Less: contingent consideration	(623)
Less: shares issued by Company as part of consideration	(2,457)
Net cash used	12,554

i. Consideration transferred

Acquisition-related costs amounting to $190,000 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

Note 37. Business combinations (continued)

ii. Identifiable net assets
The fair value of the trade receivables acquired as part of the business combination amounted to $2,237,000. As of the acquisition date, the Company's best estimate is that all cash will be collected.

iii. Goodwill
Goodwill of $17,227,000 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 $3,000,000, classified as current as at 30 June 2021.

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

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

vi. Contribution to the Consolidated Entity's results
Intalock contributed revenues of $13,369,000 to the Consolidated Entity from the date of the acquisition to 30 June 2021.

Intalock does not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which are all absorbed by the Consolidated Entity's core operations and accordingly it is impractical to disclose Intalock's contribution to the Consolidated Entity's profit.

Note 37. Business combinations (continued)

Acquisition of Nexgen

The Company acquired 100% of Nexgen Australia Group Pty Ltd ("Nexgen"), with effective control on 1 April 2021. The acquisition has been accounted for on a provisional basis as a Business Combination under AASB 3.

Nexgen sells a range of high growth Data, Security & Voice products. The acquisition brings over 5,000 new B2B clients and one hundred new sales people to Spirit to drive organic growth, complementary products and scale.

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

	Fair value $'000
Cash and cash equivalents	20
Trade and other receivables	271
Inventories	681
Accrued revenue	1,713
Deposits	148
Property, plant and equipment	567
Deferred tax assets	382
Right-of-use assets	1,567
Brand names	4,105
Customer Relationships	11,942
Other intangible assets	1,145
Trade and other payables	(2,934)
GST payables	(106)
Provision for income tax	(167)
Employee benefits	(730)
Lease liability	(1,567)
Net assets acquired	17,037
Goodwill	34,203
Acquisition-date fair value of the total consideration transferred	51,240
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	51,240
Less: deferred consideration	(11,137)
Less: contingent consideration	(2,980)
Less: shares issued by Company as part of consideration	(12,164)
Net cash used	24,959

i. Consideration transferred

Acquisition-related costs amounting to $423,000 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

Note 37. Business combinations (continued)

ii. Identifiable net assets

The fair value of the trade receivables acquired as part of the business combination amounted to $271,000. As of the acquisition date, the Company's best estimate is that all cash will be collected.

iii. Goodwill

Goodwill of $34,203,000 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 Nexgen included a deferred consideration of $11,137,000 to be settled in the second half of 2021. The net debt working capital component of the deferred consideration totalling $2,884,000 estimated at completion is to be settled 100% in cash. The remaining component of deferred consideration totalling $8,253,000 is to be settled 30% in shares of the Company and 70% in cash and is capped at $10,000,000, classified as current as at 30 June 2021.

v. Contingent consideration

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

The earnout structure facilitates a scaled achievement of the FY22 and FY23 targets whereby the contingent consideration is payable based on the achievement of the relevant EBTDA performance targets. At the date of acquisition, the Board and management assessed the likelihood of achieving the relevant EBITDA performance targets and accordingly recognised total contingent consideration of $2,980,000, all of which is classified as non-current.

Any contingent consideration payable is not capped.

iv. Contribution to the Consolidated Entity's results

Nexgen contributed revenues of $10,386,000 to the Consolidated Entity from the date of the acquisition to 30 June 2021.

Nexgen does not receive any allocations of acquisition costs, corporate overhead, listing or finance costs which are all absorbed by the Consolidated Entity's core operations and accordingly it is impractical to disclose Nexgen's contribution to the Consolidated Entity's profit.

Note 37. Business combinations (continued)

Acquisition of Arinda IT during the previous financial year

The Company acquired 100% of Bigscreensound Pty Ltd, trading as Arinda IT, with effective control on 1 July 2019. The acquisition has been accounted as a Business Combination under AASB 3.

Arinda IT was a long-term partner of Spirit's having worked together on mutual customers and the acquisition was undertaken by the Company to expand its product offering and the flagship entry into the Managed Service Provider sector.

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

	Fair value $'000
Cash and cash equivalents	163
Trade receivables	415
Prepayments	129
Deposits	13
Property, plant and equipment	33
Trade and other payables	(355)
Provision for income tax	(40)
Employee benefits	(66)
Unearned revenue	(171)
Finance leases	(27)
Net assets acquired	94
Goodwill	2,732
Acquisition-date fair value of the total consideration transferred	2,826
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,826
Less: shares issued by Company as part of consideration	(607)
Net cash used	2,219

i. Consideration transferred

Acquisition-related costs amounting to $41,000 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

ii. Identifiable net assets

The fair value of the trade receivables acquired as part of the business combination amounted to $415,000. As of the acquisition date, the Company's best estimate is that all cash will be collected.

iii. Goodwill

Goodwill of $2,732,000 was primarily related to the Company's growth expectations through customer expansion. The consolidated entity operates as one operating segment and goodwill was allocated to the IT&T cash generating unit as at acquisition date. The goodwill that arose from this business combination is not deductible for tax purposes.

Note 37. Business combinations (continued)

iv. Contribution to the Consolidated Entity's results
Arinda IT's operations were fully absorbed into the Consolidated Entity during the course of the 2020 financial year. Accordingly, separate disclosure of revenues and EBITDA directly attributable to this operation as a stand alone entity is not achievable.

Acquisition of Phoenix Austec Group Pty Ltd during the previous financial year

The Company acquired 100% of Phoenix Austec Group Pty Ltd, trading as 'Phoenix Austec' (Phoenix), with effective control on 1 July 2019. The acquisition has been accounted as a Business Combination under AASB 3.

Phoenix had been operating since 2007 providing Small-Medium Enterprise's (SME) with managed IT support, IT security and consulting services. The acquisition was undertaken by the Company to expand and strengthen Spirit's entry into the Managed Service Provider sector for SMEs.

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

	Fair value $'000
Cash and cash equivalents	171
Trade receivables	75
Trade and other payables	(220)
Provision for income tax	(47)
Employee benefits	(67)
Net liabilities acquired	(88)
Goodwill	1,634
Acquisition-date fair value of the total consideration transferred	1,546
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,546
Less: shares issued by Company as part of consideration	(320)
Net cash used	1,226

i. Consideration transferred
Acquisition-related costs amounting to $39,000 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 $75,000. As of the acquisition date, the Company's best estimate is that all cash will be collected.

iii. Goodwill
Goodwill of $1,634,000 was primarily related to the Company's growth expectations through customer expansion. The consolidated entity operates as one operating segment and goodwill was allocated to the IT&T cash generating unit as at acquisition date. The goodwill that arose from this business combination is not deductible for tax purposes.

Note 37. Business combinations (continued)

iv. Contribution to the Consolidated Entity's results
Phoenix's operations were fully absorbed into the Consolidated Entity during the course of the 2020 financial year. Accordingly, separate disclosure of revenues and EBITDA directly attributable to this operation as a stand alone entity is not achievable.

Acquisition of Cloud Business Technology during the previous financial year

The Company acquired the business assets and liabilities of Cloud Business Technology ("Cloud BT"), with effective control on 1 February 2020. The acquisition has been accounted for as a Business Combination under AASB 3.

This acquisition provides growth and expansion of Internet, Cloud and Managed IT services in the Sydney market.

Details of the acquisition are as follows:

	Fair value $'000
Employee benefits	(26)
Net liabilities acquired	(26)
Goodwill	690
Acquisition-date fair value of the total consideration transferred	664
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	664
Less: shares issued by Company as part of consideration	(130)
Net cash used	534

i. Consideration transferred
Acquisition-related legal costs amounting to $15,000 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

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

iii. Goodwill
Goodwill of $690,000 was primarily related to the Company's growth expectations through customer expansion. The consolidated entity operates as one operating segment and goodwill was allocated to the IT&T cash generating unit as at acquisition date. The goodwill that arose from this business combination is not deductible for tax purposes.

iv. Contribution to the Consolidated Entity's results
Cloud BT's operations were fully absorbed into the Consolidated Entity from the date of acquisition. Accordingly, separate disclosure of revenues and EBITDA directly attributable to this operation as a stand alone operation is not achievable.

Note 37. Business combinations (continued)

Acquisition of Trident & Neptune Group during the previous financial year

The Company acquired 100% of Trident Computer Services Pty Ltd and Neptune Managed Services Pty Ltd referred to as ("Trident Technology Solutions or TTS''), with effective control on 1 February 2020. The acquisition has been accounted as a Business Combination under AASB 3.

TTS is an established Managed IT services and security business. This highly strategic move created a new business division, Trident Technology Solutions. Spirit's new division will focus on delivering custom designed cloud-based IT & Internet solutions for high growth verticals such as Schools, Hospitals, Aged Care and Medium sized businesses. These types of clients are moving through a major generational technology change as they migrate to the cloud and require high speed Internet and specialised IT services which Spirit can now provide nationally.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	104
Trade receivables	7,470
Other receivables	5
Prepayments	64
Deposits	45
Inventories	900
Property, plant and equipment	318
Trade and other payables	(7,122)
GST payables	(414)
Unearned revenue	(619)
Provision for income tax	(138)
Employee benefits	(544)
Net assets acquired	69
Goodwill	6,573
Net fair value loss on remeasurement of financial liabilities	149
Acquisition-date fair value of the total consideration transferred	6,791
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	6,791
Less: contingent consideration	(2,144)
Less: shares issued by Company as part of consideration	(1,222)
Net cash used	3,425

i. Consideration transferred

Acquisition-related legal costs amounting to $58,000 are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement.

Note 37. Business combinations (continued)

ii. Identifiable net assets
The fair value of the trade receivables acquired as part of the business combination amounted to $7,470,000. As of the acquisition date, the Company's best estimate is that all cash will be collected. The fair value of the acquired identifiable net assets decreased by $49,000 following completion of the acquired entity's tax returns.

iii. Goodwill
Goodwill of $6,573,000 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.

v. Contingent consideration
The acquisition of TTS included a contingent consideration element by way of an earn-out structure based upon EBITDA performance over a 12 month period ended ended 30 November 2020 (Target 1) and a subsequent period ended 30 June 2022 (Target 2).

The earnout consideration is split in the proportion of cash (75%) and equity (25%). The earn-out structure facilitates a scaled achievement against Target 1 and Target 2. The contingent consideration is payable in the range of 80% - 120% achievement against Target 1 and a range of 90% - 115% achievement against Target 2. At the date of acquisition, the Board and management assessed the likelihood of achieving the relevant EBITDA performance targets at the 100% level for both Target 1 and Target 2 with $997,500 of contingent consideration recognised for Target 1 and $997,500 recognised for Target 2.

Subsequent to the acquisition date, the amount of contingent consideration paid where the Target 1 EBITDA performance was exceeded amounted $997,251. The amount of contingent consideration payable where the Target 2 EBITDA performance target has been exceeded has been calculated to be $1,147,125 (classified as current).

v. Contribution to the Consolidated Entity's results
TTS contributed revenues of $9,857,000 to the Consolidated Entity from the date of the acquisition to 30 June 2020.

TTS does not receive any allocations of acquisition costs, corporate overhead, listing, finance, or other overhead costs which is all absorbed by Spirit's core operations. Spirit's business growth generates increased revenue opportunities across the entire Spirit network which are also reflected in the revenue performance of TTS.

Note 38. Interests in subsidiaries

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

		Ownership interest	
Name	Principal place of business / Country of incorporation	2021 %	2020 %
Spirit Telecom (Australia) Pty Ltd	Australia	100%	100%
Phone Name Marketing Australia Pty Ltd	Australia	100%	100%
World Without Wires Pty Ltd	Australia	100%	100%
Anttel Communications Group Pty Ltd	Australia	100%	100%
Ignite Broadband Pty Ltd	Australia	100%	100%
LinkOne Pty Ltd	Australia	100%	100%
Wells Research Pty Ltd	Australia	100%	100%
Building Connect Pty Ltd	Australia	100%	100%
Bigscreensound Pty Ltd, trading as Arinda IT	Australia	100%	100%
Phoenix Austec Group Pty Ltd	Australia	100%	100%
Trident Computer Services Pty Ltd	Australia	100%	100%
Neptune Managed Services Pty Ltd	Australia	100%	100%
VPDA Group Holdings Limited	Australia	100%	-
Voice Print and Data Australia Pty Ltd	Australia	100%	-
Live Call Pty Ltd	Australia	100%	-
Now IT Solutions Pty Ltd	Australia	100%	-
Ancore Pty Ltd, trading as Altitude IT	Australia	100%	-
Beachhead Group Pty Ltd	Australia	100%	-
Reliance Technology Pty Ltd	Australia	100%	-
Intalock Technologies Pty Ltd	Australia	100%	-
Nexgen Capital Pty Ltd	Australia	100%	-
Nexgen Investment Group Pty Ltd	Australia	100%	-
Business Telecom Australia Pty Ltd	Australia	100%	-

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

Note 39. Events after the reporting period

The Consolidated Entity navigated the business disruptions related to COVID-19 during the financial year ended 30 June 2021 and was not materially impacted. The Consolidated Entity did not receive any Government subsidies by way of Job Keeper.

In July and August 2021, the Australian economy has experienced disruption related to COVID-19 triggered State wide lockdowns across all major markets. These lockdowns have caused disruption to the broader business community and Spirit's operations have not been immune. The Company continues to manage its operations to navigate through the uncertainty and impacts that these lockdowns create and more broadly assist its customer base respond and adapt.

No other matter or circumstance has arisen since 30 June 2021 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 40. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	2021 $'000	**2020 $'000**
Profit/(loss) after income tax (expense)/benefit for the year	1,157	(1,515)
Adjustments for:		
Depreciation and amortisation	6,666	3,855
Net gain on disposal of property, plant and equipment	(529)	(2)
Share-based payments	620	479
Business acquisition and integration investing costs	2,100	640
Net fair value loss on remeasurement of financial liabilities	168	-
Capital raise fees tax impact	-	190
Interest and other finance costs paid	137	85
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(3,481)	3,998
(Increase)/Decrease in inventories	(827)	950
(Increase)/Decrease in other current assets	(732)	174
(Increase)/Decrease in contract assets	(1,687)	-
(Increase) in deferred tax assets (net)	(138)	(728)
Increase/(Decrease) in trade and other payables	1,213	(3,473)
Increase/(Decrease) in employee benefit	378	(128)
Other	-	(35)
Net cash from operating activities	5,045	4,490

Note 41. Earnings per share

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	554,674,861	357,066,698
Weighted average number of ordinary shares used in calculating diluted earnings per share	554,674,861	357,066,698

	2021 Total $'000	2020 Total $'000
Profit/(loss) attributable to the owners of Spirit Technology Solutions Ltd	1,157	(1,515)

	2021 Total Cents	2020 Total Cents
Basic earnings per share	0.21	(0.42)
Diluted earnings per share	0.21	(0.42)

Note 42. Share-based payments

During the financial year ended 30 June 2021, 2,038,800 Performance Rights were granted by the Company to key management personnel and certain employees with a vesting period ending 30 June 2023, of which 1,019,400 Performance Rights have a Total Shareholder Return ("TSR") performance hurdle and 1,019,400 have a performance hurdle linked to return on invested capital ("ROIC"').

Furthermore, during the financial year ended 30 June 2021, 814,272 Performance Rights were granted to certain employees with a vesting period ending 1 July 2023 with a performance hurdle linked to attaining a share price of $0.30 at any time prior to 1 July 2023, which has already been achieved, and continued employment up until 1 July 2023.

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

Note 42. Share-based payments (continued)

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

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
14/05/2019	01/07/2023	$0.150	6,000,000	-	-	-	6,000,000
14/05/2019	01/07/2023	$0.180	6,000,000	-	-	-	6,000,000
14/05/2019	01/07/2023	$0.215	6,000,000	-	-	-	6,000,000
			18,000,000	-	-	-	18,000,000

2020

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

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2 years (2020: 3 years).

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

2021

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

Note 42. Share-based payments (continued)

2020

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

The weighted average remaining contractual life of Performance Rights outstanding at the end of the financial year was 1.98 years (2020: 1.92 years).

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

Grant date	Expiry date	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
13/10/2020	12/11/2023	$0.370	60.00%	-	0.15%	$0.3417
13/10/2020	12/11/2023	$0.370	60.00%	-	0.15%	$0.3661
13/10/2020	12/11/2023	$0.370	60.00%	-	0.15%	$0.3700
11/06/2021	11/06/2024	$0.305	60.00%	-	0.09%	$0.1815
11/06/2021	11/06/2024	$0.305	60.00%	-	0.09%	$0.2800

	Consolidated	
	2021	**2020**
	$	**$**
Share-based payments expense reconciliation		
Issue of share options to Directors and employees under incentive option scheme	396	397
Issue of Performance Rights to Directors and employees under Performance Rights plan	224	61
Issue of shares to employees	-	20
Total share-based payments expense reconciliation	**620**	**478**

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

James Joughin
Non-Executive Chairman

24 August 2021

Independent Auditor's Report

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

Report on the Financial Report

Auditor's Opinion

We have audited the accompanying financial report of Spirit Technology Solutions Ltd (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Company and of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of Spirit Technology Solutions Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

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

Key Audit Matters

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

Key audit matter – Business combinations	***How our audit addressed this matter***
As described in note 37, the Company entered into agreements to acquire 100% of the equity of the following entities: Voice Print Data Group ('VPD') on 1 July 2020, Ancore Pty Ltd ('Altitude IT'), Beachhead Group Pty Ltd ('Beachhead'), Reliance Technology Pty Ltd ('Reliance IT'), each on 1 September 2020, Intalock Technologies Pty Ltd ('Intalock') on 1 December 2020, and Nexgen Investment Group Pty Ltd ('Nexgen') on 1 April 2021. The acquisitions were accounted in accordance with AASB 3 *Business Combinations*. The acquisition-date fair value of the total consideration transferred in respect of each acquisition amounted to: $'000 • VPD 13,250 • Altitude IT 2,395 • Beachhead 3,208 • Reliance IT 6,043 • Intalock 18,634 • Nexgen 51,240	Our procedures included, but were not limited to, the following: • evaluating the Group's accounting treatment against the requirements of AASB 3, key transaction agreements, our understanding of each business acquired and its industry; • assessing the methodology applied to recognise the fair value of identifiable assets and liabilities; • validating inputs of the components of the business combinations to underlying support including settlement contracts; • assessing Management's determination of the point at which control was gained of each acquiree; • assessing the calculation of the contingent consideration and its accuracy in accordance with the contractual arrangements and relevant accounting standards; • reviewing the accounting entries associated with the business combinations; and

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Key audit matter – Business combinations (continued)

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

How our audit addressed this matter (continued)

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

Key audit matter – Impairment of goodwill and indefinite life intangibles

As at 30 June 2021, the carrying value of goodwill and indefinite life intangibles totalled $104,192,000 (2020: $23,974,000), as disclosed in note 17 of the financial report. The accounting policy in respect of these assets is outlined in note 2 *Intangibles*.

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

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

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

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

How our audit addressed this matter

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

- the appropriateness of Management's determination of the CGU to which goodwill and indefinite life intangibles are allocated;
- the application of an indefinite useful life to these intangible assets;
- the reasonableness of the financial year 2022 budget approved by the Directors, comparing to current actual results, and considering trends, strategies and outlooks;
- the testing of inputs used in the Impairment Model, including the approved budget;
- the determination of the discount rate applied in the Impairment Model, comparing to available industry data;
- the short to medium term growth rates applied in the forecast cash flow, considering historical results and available industry data;
- the arithmetic accuracy of the Impairment Model;
- Management's sensitivity analysis around the key drivers of the cash flow projections, to consider the likelihood of such movements occurring sufficient to give rise to an impairment; and
- the appropriateness of the disclosures including those relating to sensitivities in assumptions used in note 17.

Key audit matter – Revenue recognition

The Group's sales revenue amounted to $102,786,000 during the year (2020: $34,429,000). Note 2 *Revenue Recognition* describes the following accounting policies applicable to distinct revenue streams in accordance with AASB 15 *Revenue from Contracts with Customers:*

- Recurring revenue - Internet access, equipment rentals, line rentals and managed IT services are recognised in the period in which the service is provided. Where income for services is invoiced in advance, the amount is recorded as unearned income and recognition is delayed until the service has been provided.
- Non-recurring revenue - Call charges, hardware sales and set-up charges are recognised in the period in which the services or goods are delivered.

How our audit addressed this matter

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

- assessing Management's alignment of the Group accounting policy with the requirements of AASB 15 and application of the policy to the revenue recognition processes, focusing on key areas of risk in respect of Management's determination of:
  - performance obligations
  - recognition at point of time or over time
  - significant judgements and estimates, and
  - the impacts of business combinations;
- assessing the design of controls, including implementation of Group processes to acquired businesses from the date of acquisition;

Key audit matter – Revenue recognition (continued)	How our audit addressed this matter (continued)
The recognition of revenue and associated unearned revenue is considered a Key Audit Matter due to the varied timing of revenue recognition relative to the different revenue streams, consideration of business combinations, and the relative complexity of processes supporting the accounting for each.	• testing the consistent operation of the processes designed to account for the recognition of revenue and related costs of sale, against the design of the Group's accounting policies, using the following techniques: - for a sample of contracts across each revenue stream, evaluating the contracts and agreeing recognised revenue to the records accumulated as inputs to the financial statements, while also assessing the timing of revenue recognition against the satisfaction of performance obligations, whether related to product delivery or period of service provision, - assessing the accuracy of revenue and related costs cut off, the accuracy of accrued revenue, and completeness of deferred revenue, - utilising analytical review to assess the reasonableness of tested revenue streams.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

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

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

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

Directors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Auditor's Opinion

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of the Company for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PKF
Melbourne, 24 August 2021

Steven Bradby
Partner

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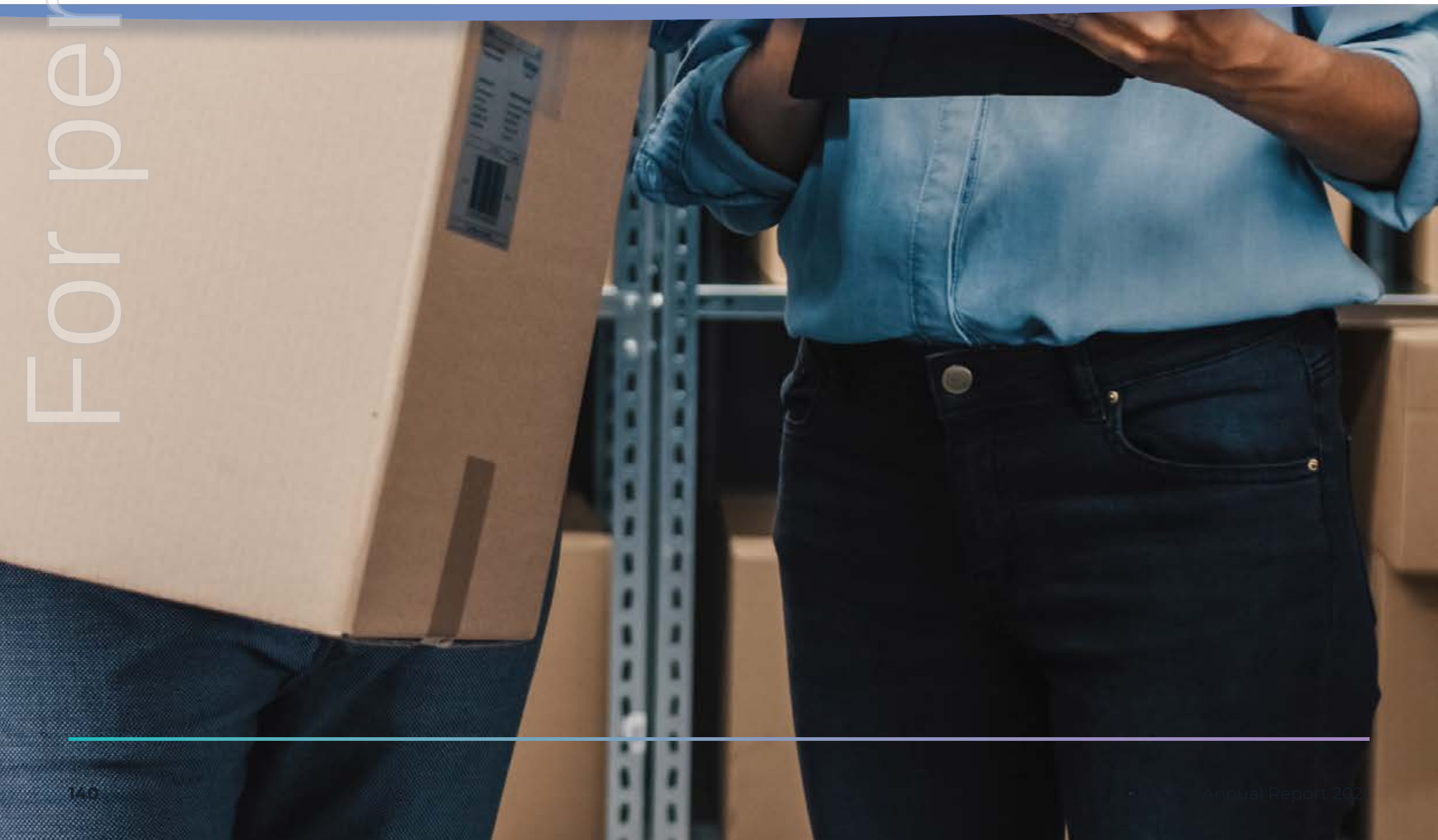
Shareholder Information



The shareholder information set out below was applicable as at 21 September 2021.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of ordinary shares	% of ordinary shares	Number of holders of unquoted options	Number of unquoted options	% of unquoted options	Number of holders of performance rights	Number of performance rights	% of Performance rights
1 to 1,000	171	24,508	0.00%	-	-	-	-	-	-
1,001 to 5,000	1,156	3,432,420	0.52%	-	-	-	-	-	-
5,001 to 10,000	718	5,694,782	0.87%	-	-	-	-	-	-
10,001 to 100,000	1,277	44,973,833	6.85%	-	-	-	-	-	-
100,001 and over	309	602,275,014	91.76%	2	18,000,000	100.00%	4	3,610,859	100.00%
	3,631	656,400,557	100.00%	2	18,000,000	100.00%	4	3,610,859	100.00%
Holding less than a marketable parcel	569	680,452	0.10%	-	-	-	-	-	-

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
UBS NOMINEES PTY LTD	84,931,141	12.94
CRAZY DIAMOND PTY LTD	54,000,000	8.23
MR PETER DIAMOND & MRS DIANA DIAMOND <P & D DIAMOND SUPER FUND A/C>	52,000,000	7.92
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	44,452,814	6.77
NATIONAL NOMINEES LIMITED	32,218,367	4.91
CITICORP NOMINEES PTY LIMITED	25,440,065	3.88
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	17,790,838	2.71
MARQUEE HOLDINGS PTY LTD <E&R FAMILY A/C>	16,438,356	2.50
HARB HOLDINGS PTY LTD <THE HARB FAMILY A/C>	16,438,356	2.50
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	15,079,470	2.30
BRIGGS GROUP CONSULTING PTY LTD <L & C BRIGGS FAMILY A/C>	12,606,789	1.92
WADE TECHNOLOGIES PTY LTD <THE WADE FAMILY A/C>	12,578,750	1.92
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	12,049,604	1.84
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,824,732	1.34
THE BENTLEY GROUP (AUST) PTY LTD <MOONRIVER HOLDINGS A/C>	7,546,334	1.15
MR TODD ALLEN MAUNDER	5,800,000	0.88
NIKALA HABER <THE NUMBER ONE FAMILY A/C>	5,693,092	0.87
LPB CORPORATE PTY LTD	5,683,244	0.87
SEABIRD INVESTMENTS (WA) PTY LTD <THE JA SUPERANNUATION A/C>	5,500,000	0.84
MDJD PTY LTD <MARK DIAMOND SUPER FUND A/C>	5,000,000	0.76
	440,071,952	67.05

Unquoted equity securities	**Number on issue**	**Number of holders**
Unquoted options over ordinary shares on issue	18,000,000	2
Performance rights over ordinary shares on issue	3,610,859	4

Substantial holders

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

	Ordinary shares	
	Number held	**% of total shares issued**
CRAZY DIAMOND PTY LTD / PETER + DIANA DIAMOND ATF (PETER + DIANA DIAMOND SUPER FUND)	107,000,000	16.50
REGAL FUNDS MANAGEMENT PTY LTD	61,396,909	11.22
TIGA TRADING PTY LTD	42,616,596	6.60
THORNEY OPPORTUNITIES LTD	42,616,596	6.60
THORNEY TECHNOLOGIES LTD	42,616,596	6.60

Voting rights

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

Ordinary shares

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

Unquoted options

There are no voting rights attached to unquoted options.

Performance rights

There are no voting rights attached to performance rights.

There are no other classes of equity securities.

Securities subject to voluntary escrow

Class	**Expiry date**	**Number of shares**
Ordinary fully paid shares	3 December 2021	5,921,053
Ordinary fully paid shares	8 April 2022	32,876,712
		38,797,765

Corporate Governance Statement

The Company's 2021 Corporate Governance Statement is available on the Company's website at: https://www.spirit.com.au/investor-centre/

Annual General Meeting

Spirit Technology Solutions Ltd advises that its Annual General Meeting will be held on Monday, 29 November 2021. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX in due course. In accordance with ASX Listing Rules and the Company's Constitution, the closing date for receipt of nominations for the position of Director are required to be lodged at the registered office of the Company by 5.00pm (AEDT) on 18 October 2021.

Corporate Directory

Directors
James Joughin (Non-Executive Chairman)
Sol Lukatsky (Managing Director)
Mark Dioguardi (Executive Director)
Gregory Ridder (Non-Executive Director)
Inese Kingsmill (Non-Executive Director)

Company secretary
Melanie Leydin

Registered office
Level 4, 100 Albert Road
South Melbourne, Victoria 3205
Phone: 03 9692 7222

Principal place of business
Level 2, 19-25 Raglan Street
South Melbourne, Victoria 3205
Phone: 1300 007 001

Share register
Automic Group
Level 5, 126 Phillip Street
Sydney, New South Wales 2000
Phone: 1300 288 664 (within Australia)
+61 (0) 2 9698 5414 (International)

Auditor
PKF Melbourne Audit & Assurance Pty Ltd
Level 12, 440 Collins Street
Melbourne, Victoria 3000

Stock exchange listing
Spirit Technology Solutions Ltd securities are listed on the Australian Securities Exchange (ASX code: ST1)
ACN 089 224 402

Website
spirit.com.au

Thanks for reading.

Locations

Victoria
19-25 Raglan Street,
South Melbourne
VIC 3025

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

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

New South Wales
Unit C14,
74 Mileham Street,
South Windsor
NSW 2756

Suite 510,
46 Kippax Street,
Surry Hills
NSW 2010

Level 14,
130 Pitt Street,
Sydney
NSW 2000

Level 6,
379 Kent Street,
Sydney
NSW 2000

46A Bultje Street,
Dubbo
NSW 2830

Level 4,
460 Church Street,
Parramatta
NSW 2150

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

5 Cribb Street,
Milton
QLD 4064

5 Commercial Dr,
Ashmore
QLD 4214

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