

Appendix 4D

Half-year Report

31st December 2024

Secure. Sustainable. Scalable.



Spirit Technology Solutions Ltd
Appendix 4D
Half-year report

1. Company details

Name of entity:	Spirit Technology Solutions Ltd
ABN:	73 089 224 402
Reporting period:	For the half-year ended 31 December 2024
Previous period:	For the half-year ended 31 December 2023

2. Results for announcement to the market

					\$'000
Revenue from ordinary activities	up	15.3%	to		50,334
Loss from ordinary activities after tax attributable to the owners of Spirit Technology Solutions Ltd	down	68.2%	to		(1,654)
Loss for the half-year attributable to the owners of Spirit Technology Solutions Ltd	down	68.2%	to		(1,654)

Non-IFRS financial information

	Note	Half-year ended 31 December		
		2024	2023	Change
		\$'000	\$'000	%
Pre restatement turnover*		72,154	57,006	26.6%
Accounting policy change		<u>(21,820)</u>	<u>(13,334)</u>	
Revenue from ordinary activities	4	<u>50,334</u>	<u>43,672</u>	15.3%
Underlying EBITDA**		3,858	160	2,311%

* As outlined below, during the financial half-year a change was adopted to the Group's revenue accounting policy. Pre restatement turnover is a financial measure which is not prescribed by Australian Accounting Standards and represents proceeds from the sale of goods and services based on the accounting policy that applied before this restatement. The directors believe this non-IFRS information provides investors with additional clarity for the financial half-year ended 31 December 2024 to understand the change.

** EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit/(loss) under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude business acquisition & divestment costs, transformation & restructuring costs, other normalisation items, impairment of non-current assets and share-based payments.

Dividends

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

Comments

The loss for the Consolidated Entity for the half-year ended 31 December 2024 after providing for income tax amounted to \$1,654,000 (31 December 2023: loss \$5,200,000).

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

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Change in accounting policy

During the financial half-year, the Group undertook a further review of its application of principal vs agent pursuant to AASB 15 *Revenue from contracts with customers* in regard to certain product revenue streams. This review resulted in a change to the Group's revenue accounting policy to present certain product revenues on a net basis, including a restatement of comparatives. Further details of this change is contained within note 4 of the Interim Report. There is no effect on the reported net profit/(loss) as outlined in the consolidated statement of profit or loss and other comprehensive income for the current and comparative half-year periods.

3. Net tangible assets

	Reporting period Cents	Previous period Cents (Restated)
Net tangible assets per ordinary security	<u>(15.04)</u>	<u>(43.25)</u>

4. Control gained over entities

The Company acquired 100% of Forensic IT Solutions Pty Ltd ("Forensic IT") with effective control on 1 October 2024. The acquisition has been accounted for as a Business Combination under AASB 3 on a provisional basis. Forensic IT is a major provider of cyber security digital forensic and incident response (DFIR) solutions and currently works across approximately 180 incidents per year.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

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

11. Attachments

Details of attachments (if any):

The Interim Report of Spirit Technology Solutions Ltd for the half-year ended 31 December 2024 is attached.

12. Signed



Shan Kanji
Non-Executive Chairman

Date: 25 February 2025

Spirit Technology Solutions Ltd

ABN 73 089 224 402

Interim Report - 31 December 2024

For personal use only

Spirit Technology Solutions Ltd
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For personal use

Spirit Technology Solutions Ltd
Corporate directory
31 December 2024

Directors

Mr Shan Kanji (Non-Executive Director & appointed Non-Executive Chairman effective 29 November 2024)
Mr James Joughin (Non-Executive Chairman – resigned 29 November 2024)
Mr Russell Baskerville (appointed as Deputy Chair and Non-Executive Director, effective 28 October 2024)
Mr Julian Challingsworth (Managing Director and Chief Executive Officer)
Ms Lynn Warneke (Non-Executive Director)
Mr Simon McKay (Executive Director)
Mr Dane Meah (Non-Executive Director)
Mr Gregory Ridder (Non-Executive Director – resigned 5 August 2024)
Mr Elie Ayoub (Executive Director – resigned 5 August 2024)

Company secretary

Melanie Leydin

Registered office

Level 4, 100 Albert Road
South Melbourne Victoria 3205

Principal place of business

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

Share register

Automic Group
Level 5, 126 Phillip Street
Sydney, New South Wales 2000

Auditor

PKF Melbourne Audit & Assurance Pty Ltd
Level 15, 500 Bourke Street
Melbourne Victoria 3000

Stock exchange listing

Spirit Technology Solutions Ltd shares are listed on the Australian Securities Exchange (ASX code: STI)

Spirit Technology Solutions Ltd
Directors' report
31 December 2024

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', 'Spirit' or 'Spirit Group') and the entities it controlled at the end of, or during, the half-year ended 31 December 2024.

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 Shan Kanji (Non-Executive Director & appointed Non-Executive Chairman effective 29 November 2024)

Mr James Joughin (Non-Executive Chairman – resigned 29 November 2024)

Mr Russell Baskerville (appointed as Deputy Chair and Non-Executive Director, effective 28 October 2024)

Mr Julian Challingsworth (Managing Director and Chief Executive Officer)

Ms Lynn Warneke (Non-Executive Director)

Mr Simon McKay (Executive Director)

Mr Dane Meah (Non-Executive Director)

Mr Gregory Ridder (Non-Executive Director – resigned 5 August 2024)

Mr Elie Ayoub (Executive Director – resigned 5 August 2024)

Principal activities

During the financial year the principal activities of the Spirit Group consisted of the provision of technology solutions including cyber security solutions, communication and collaboration services and managed services.

Dividends

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

Operating and financial review

Consolidated entity's operations

Spirit is one of Australia's leading providers of modern and secure digital workplaces.

The Group provides cyber security and technology services and solutions that enable organisations to:

- Strengthen their security posture to match the constantly changing cyber threat landscape.
- Remain ahead of the curve and accelerate their digital transformation by adopting secure, agile technology solutions that can easily adapt to changing business needs and deliver return on investments.

Review of operations and financial position

During the financial half-year ended 31 December 2024 ("H1 FY25"), Spirit Group strengthened its cyber capabilities with the acquisition of Melbourne-headquartered cyber security company, Forensic IT Solutions Pty Ltd (Forensic IT). The acquisition expands Spirit's cyber capability to enable rapid response to cyber incidents and strengthens the Company's position in the growing cyber security market. Forensic IT is a major provider of digital forensic and incident response ("DFIR") solutions and responds to approximately 180 incidents per year. The acquisition is highly complementary to Spirit's cyber offering and Spirit considers there are revenue and margin accretion opportunities through the acquisition by expanding Spirit's cyber capability to enable rapid response to cyber incidents.

Following the acquisition of Forensic IT (effective 1 October 2024), together with the acquisition of InfoSurety Pty Ltd (Infotrust) (effective 1 April 2024), cyber security is now Spirit's largest division and most important earnings contributor. By understanding our customers' exposure level and risk appetite, Spirit can recommend and implement an appropriate cyber security framework, such as:

- Foundation frameworks for small to medium businesses (SMB 1001)
- Control frameworks (SMB 1001; Essential 8, CIS Top 18 Controls, NIST 800-53)
- Program frameworks (ISO 27001; NIST CSF)
- Risk frameworks (CIS RAM; ISO 27005)

Each of Spirit's three segments focus on advocating and supporting adoption of the right cyber security framework for a given customer's size, maturity and level of exposure to cyber security risk.

Change in accounting policy – revenue recognition for contracts with customers

During the financial half-year, the Group undertook a further review of its application of principal vs agent pursuant to AASB 15 *Revenue from contracts with customers* in regard to certain product revenue streams. This review resulted in a change to the Group's revenue accounting policy to present certain product revenues on a net basis, including a restatement of comparatives. Note there was no effect on reported profit or loss as a consequence of this change. Spirit will provide the comparative data for FY25, but the current intention is that in future financial years the Company will only report AASB 15 revenue.

Financial performance

The Consolidated Entity's reporting framework aligns to the following key operating segments (as outlined in Note 3: Operating Segments of the financial statements:

- Cyber Security
- Communication and Collaboration
- Managed Services

The Consolidated Entity delivered an underlying EBITDA* profit of \$3.9M for the financial half-year ended 31 December 2024 ("H1 FY25") relative to \$0.2M for the financial half-year ended 31 December 2023 ("H1 FY24"). The statutory outcome for H1 FY25 after providing for income tax was a loss of \$1.7M (H1 FY24: loss \$5.2M). Total revenue and other income for the Consolidated Entity for H1 FY25 was \$50.4M (H1 FY24: \$43.9M). The following table summarises the key financial metrics for the financial half-year:

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Directors' report
31 December 2024

	31 December 2024 \$'000	31 December 2023 \$'000 (Restated)	Change \$'000
Pre restatement turnover [#]	72,154	57,006	15,148
Revenue (refer Note 4 to the financial statements)	50,334	43,672	6,662
Other income (refer Note 5 to the financial statements)	77	198	(121)
Revenue and other income	50,411	43,870	6,541
Earnings before interest, taxes, depreciation & amortisation (EBITDA*)	1,453	(3,609)	5,062
Share-based payments **	913	668	245
Business acquisition and divestment costs **	625	492	133
Transformation and restructuring costs ***	867	535	332
Other normalisation items	-	679	(679)
Impairment of non-current assets	-	1,395	(1,395)
Underlying EBITDA*	3,858	160	3,698
(Loss) after income tax benefit	(1,654)	(5,200)	3,546

[#] As outlined above, during the financial half-year a change was adopted to the Group's revenue accounting policy. Pre restatement turnover is a financial measure which is not prescribed by Australian Accounting Standards and represents proceeds from the sale of goods and services based on the accounting policy that applied before this restatement. The Directors believe this non-IFRS information provides investors with additional clarity for the financial half-year ended 31 December 2024 to understand the change.

* EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit/(loss) under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA (or uEBITDA) is EBITDA adjusted to exclude business acquisition and divestment costs, transformation and restructuring costs, other normalisation items, impairment of non-current assets and share-based payments.

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

*** Transformation & restructuring costs – refer Note 3 of the financial statements

Below is a review of H1 FY25 performance by segment. The Company remains focused on achieving sustainable and increasing profitability.

Cyber Security

Spirit's Cyber Security segment provides a comprehensive cyber security offering, including managed security services, Security Operations Centre services, professional and advisory services, and digital forensic and incident response services and solutions, as well as security software sales, integration and management through its partnerships with carefully selected software vendors. Contract wins to deliver integrated managed security services programs demonstrate the advantages of Spirit's combined cyber security and managed service offering.

Cyber security remains a priority for organisations and governments, with steady growth in the overall market providing strong support for continued growth in this segment. The strongest growth areas include cloud security, application security, data privacy and security, and integrated risk management. Recently introduced Federal Government guidance and legislation on cyber security and privacy are expected to provide strong tailwinds, with existing and target customers likely to be subject to strengthened or new legislative obligations.

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Spirit's investment in the cyber market was accelerated in October 2024 with the acquisition of Forensic IT, a major provider of cyber security digital forensic and incident response solutions. In addition to augmenting the Group's capabilities, the acquisition provides Spirit with the following benefits:

- the opportunity to leverage cross-sell opportunities, specifically sale of incident response retainers into Spirit's existing customer base. Forensic IT has the requisite insurance panel credentials to enable insurers to appoint Forensic IT to support the insurer's customer.
- planned synergies from the post incident review process. Experience demonstrates that companies often uplift their cyber security capabilities after experiencing a breach to prevent recurrence and Spirit's existing cyber team can undertake this work

The Cyber Security segment achieved an uEBITDA* for H1 FY25 of \$2.8M (H1 FY24: \$0.6M) on half-year revenue of \$14.1M (H1 FY24: \$7.1M). The result includes the contribution of Infotrust for the six-month period and Forensic IT from the date of effective control (1 October 2024 to 31 December 2024).

To assist in understanding the accounting policy change on the Cyber Security segment, H1 FY25 pre restatement turnover# was \$35.1M (H1 FY24: \$19.2M).

Historically, the earnings for this segment are more heavily weighted to the second half of the financial year (approximately 40% H1 vs 60% H2). Accordingly, it is anticipated that the earnings for H2 FY25 will be higher than H1 FY25.

The strategic focus for FY25 is to extract revenue and margin accretion opportunities following the acquisitions of Infotrust and Forensic IT. Infotrust's co-founder, Mr Simon McKay, has been appointed Executive Director and CEO of the Cyber Security segment, and the integration of the teams, processes and systems of the existing Spirit cyber security business with those of Infotrust is nearing completion. The Infotrust delivery approach has been deployed across Spirit's existing cyber security business which drives enhanced customer satisfaction and tenure, leading to improved margins and the benefits of procurement scale are being realised with key cyber security vendor partners. The Forensic IT acquisition is highly complementary to Spirit's cyber security offerings and expands Spirit's already strong cyber capabilities to rapid incident response and digital forensic services and solutions. The Group considers the acquisition provides revenue and margin accretion opportunities.

Communication and Collaboration

Spirit's Communication and Collaboration segment delivers small and mid-sized businesses an integrated communication and collaboration solution comprising hardware, software, installation and configuration, bundled with data and voice connectivity. These products and services are targeted at small and medium-sized businesses ("SMB") with 'frontline' staff who need sophisticated communication management applications combined with collaboration solutions. The segment's key strategic partner is Cisco.

The segment achieved an uEBITDA* for H1 FY25 of \$3.3M (H1 FY24: \$3.5M) on revenue of \$21.9M (H1 FY24: \$19.8M).

The reduction in segment performance YoY at an uEBITDA* level (despite an increase in revenue) reflects the investment in growth opportunities in new markets and market offerings. During the half-year the segment also continued to broaden its sales channel and footprint by establishing new points of presence in Western Australia and South Australia.

Managed Services

In the Managed Services segment, Spirit delivers a suite of Information and Communications Technology ("ICT") solutions, principally to mid-market organisations, which include software, hardware and services that support key business functions including:

- Secure workplace
- Secure Network Management via the Network Operations Centre (NOC)
- Data management
- Information Security
- Cloud and Infrastructure

Spirit's Managed Services include designing, configuring, installing and monitoring ICT services and customer networks. Importantly, the Managed Security segment also delivers specialised security services to businesses, including threat detection, incident response, monitoring, and compliance management. Key strategic partners for Spirit in this segment include Microsoft and Cisco.

The Board and Management team have been focused on stabilising and restructuring this operation over the past few years and the H1 FY25 results illustrate those efforts to return the segment to positive earnings momentum. The segment results are tracking to the Board's expectations and further improvement is expected in H2 FY25.

The Managed Services division achieved an uEBITDA* profit for H1 FY25 of \$0.1M (H1 FY24 uEBITDA* loss: \$2.5M) on sales revenue of \$14.6M (H1 FY24: \$16.9M).

To assist in understanding the accounting policy change on the Managed Services segment, H1 FY25 pre restatement turnover# was \$15.4M (H1 FY24: \$18.2M).

Spirit is gaining traction in winning managed secure operations work contributing revenue to both segments. The Managed Services segment is critical to the Group's ability to win these contracts, which are expected to contribute to the ongoing improvement in profitability.

Group disclosures

Cash inflows from operating activities for H1 FY25 were \$0.5M (H1 FY24: cash outflows \$5.4M). This included cash outflows associated with transformation, restructuring and redundancy programs totaling \$1.1M (H1 FY24: \$1.2M). Net cash outflows from investing activities (principally related to obligations associated with business combination payments and business acquisition and divestment costs) of \$13M (H1 FY24: outflows: \$2.5M). During the financial half-year, the Company undertook capital raises totaling \$19.8M (net of transaction costs) to fund the acquisition of Forensic IT Solutions and provide growth working capital.

The basic and diluted earnings per share for the financial half-year ended 31 December 2024 was a loss of 0.99 cents (H1 FY24: loss of 7.10 cents).

The net assets of the Consolidated Entity increased by \$24.577M to \$97.623M as at 31 December 2024 (30 June 2024: \$73.046M). This increase primarily reflects the impact of the capital raise and Forensic IT acquisition.

Prospects for future financial years and business risks

Spirit Group continues its transformation into a secure technology and cyber security service provider that is known for delivering secure, scalable and sustainable customer outcomes.

Building a scalable and profitable company inherently involves risk. Risk factors change over time in both nature and weighting. Management and the Board of the Company actively manage risk and apply mitigation strategies (where possible) to reduce the impact of the stated risk on the Company's achievement of its goals. At the time of signing the Directors' report, the material business risks that could impede the achievement of the Company's future operational and financial success are set out below.

Funding risk

The Company is focused on returning to a sustainable operational cashflow positive position alongside managing residual acquisition fixed consideration obligations. The Company's aim is to manage settlement of these obligations from its future operating cash flows. That noted, the risk with respect to such preferred funding is contingent on the Company's performance improvements to generate positive cashflows sufficient to:

- manage working capital obligations;
- fund the fixed residual acquisition obligations; and
- fund agreed bank debt amortisation payments.

To the extent that the Company is unable to sustain the necessary performance improvements, it may require additional equity funding, which may have a dilutionary effect on the Company's shareholders or prevent execution of the Company's growth plans.

The Company has material debt funding in place with its banker which is subject to various covenants. To the extent that the Company's performance does not meet these covenants, there is a risk that the Company will need to:

- (i) renegotiate the terms of debt with its banker, which could be less advantageous,
- (ii) refinance with another lender, which could be on less advantageous terms, or
- (iii) undertake a capital raising to repay all or part of the debt finance.

The above noted, during the current half-year period ended 31 December 2024, the Company undertook capital raises totaling \$19.8M (net of transaction costs) which strengthened the financial position of the Group. In addition, during H1 FY25 convertible notes with a face value of \$4.465M were converted into ordinary shares. This leaves convertible notes with a face value of \$1M remaining.

Cyber and data breach risks

Cyber attacks and data breaches are an inherent risk faced by every organisation. Should this risk materialise, the financial, operational and/or reputational impacts could have a material adverse effect on the Company and its prospects, including loss of customers, reduced sales, and reduction in revenue and profit.

Being a material business risk, cyber requires constant management and risk mitigation. The Consolidated Entity leverages the internal capability of its Cyber Security division to provide proactive and reactive solutions and management of any cyber related events that present against Spirit and its customers.

Sales execution risk

Achievement of the Company's growth strategy is contingent on effective execution of its sales strategy within the segments' target markets. Successful execution relies on a range of factors, including attracting and retaining the right mix of sales talent. A failure to attract and retain suitable staff could be disruptive to the Company's prospects, including an inability to grow revenue, an increase in costs and a reduction in profits.

Labour market and inflationary risks

Access to the required human capital within the Australian labour market remains a key business risk. The Company requires a mix of skilled professionals to execute its business plan but faces challenges in sourcing and retaining skilled staff in what is a highly competitive and, at times, wage inflationary environment. Failure to attract and retain professional and technical talent could be disruptive to the Company's business, resulting in increased costs and reduced profits, and adversely impacting the Company's prospects.

Impact of competitive landscape

The Company competes with a number of other companies that provide comparable ICT services and its operating performance is influenced by a number of external factors. Disruptors entering the market with new technologies could threaten existing Company service offerings or make some redundant. This could impact the Company's ability to retain existing clients and attract new clients, adversely impacting its revenues, profitability and prospects.

Aspirational risk

The Consolidated Entity can still be classified as a small company as measured against other companies listed on the ASX. As the Company continues to achieve growth and scale, the potential complexity and degree of risk it faces may also increase in the absence of mitigation strategies. Achievement of the Company's strategic growth goals will involve an ongoing investment in people, marketing/branding and system enhancements.

Spirit will continue to pursue accelerated growth through both an organic and inorganic acquisition strategy. To succeed in that acquisition growth path, the Company needs to identify and successfully conclude negotiations with the target company which can be challenging in a competitive market landscape. Acquisitions carry risk. Specifically, they may consume a large amount of management time and attention during integration, and the acquired company may fail to meet strategic objectives or achieve expected financial performance (including unrealised synergies). Spirit may not be able to fully or effectively integrate the operations, products, technologies and personnel of the acquired company, and failure to do so could result in staff turnover, loss of customers and increased costs, impacting the Company's profitability and prospects.

Business environment risk

Changes in business conditions or economic and government settings in Australia or internationally may impact the fundamentals underpinning the projected growth of the Company's target markets or its cost structure and profitability. Changes in the level of inflation, interest rates, government policy (including fiscal, monetary and regulatory policies), consumer confidence and spending, employment rates and other socioeconomic factors, are outside the control of the Company and may result in material adverse impacts on its business, operations, results and prospects.

Technology and partner risk

The Company has strategic partnerships and procurement relationships with a range of providers of technology products. These form part of the Consolidated Entity's suite of products and service offerings deployed in our customers' environments. Accordingly, any outages or technology failures attributed to a partner product or solution may have a material impact on the Company's customers and rectification may be outside the Company's control.

Other risks

The above are not intended to constitute a complete list of the risks associated with the Consolidated Entity. Any of the risks outlined above and other risks not outlined here may in the future materially adversely affect the Company's value or financial performance or prospects.

Significant changes in the state of affairs

On 18 September 2024, the Company completed a fully underwritten placement and accelerated non-renounceable entitlement offer to raise \$20M (gross of transaction costs) with the funds raised applied to the acquisition of Forensic IT, transaction costs and settlement of residual and deferred Infotrust acquisition obligations, alongside providing growth working capital for the Group.

On 23 August 2024, the Company announced the fully funded acquisition of Forensic IT Solutions Pty Ltd as outlined below:

The total consideration of \$8.0M, comprises:

- o \$5.2M in cash on completion;
- o \$1.6M in Spirit shares at 5.941c per share (59.41c per share post consolidation), totaling 26.9M shares (pre share consolidation); and
- o \$1.2M in deferred consideration to be paid in cash (being \$0.4M on the 6-month anniversary of the completion date; \$0.4M on the 12-month anniversary of the completion date and \$0.4M allocated to incentive schemes for key employees.

On 10 December 2024 the Company announced the completion of the consolidation of the Company's issued capital on a ten (10) for one (1) basis as approved by shareholders at the 2024 Annual General Meeting held on 29 November 2024.

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

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Rounding of amounts

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

Spirit Technology Solutions Ltd
Directors' report
31 December 2024

Auditor's independence declaration

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

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

On behalf of the Directors



Shan Kanji
Non-Executive Chairman

25 February 2025



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Melbourne, Victoria 3000

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

In relation to our review of the financial report of Spirit Technology Solutions Ltd for the half-year ended 31 December 2024, I declare to the best of my knowledge and belief, there have been:

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

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

The PKF logo, consisting of the letters 'PKF' in a bold, blue, sans-serif font.

PKF
Melbourne, 25 February 2025

A handwritten signature in black ink that reads 'Kaitlynn Brady'.

Kaitlynn Brady
Partner

Spirit Technology Solutions Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2024

		Consolidated	
		31	31
	Note	December	December
		2024	2023
		\$'000	(Restated)
		\$'000	\$'000
Revenue	4	50,334	43,672
Other income	5	77	198
Cost of sales		(15,598)	(17,434)
Expenses			
Employee benefits expense		(26,262)	(22,293)
Share based payments		(913)	(668)
Administration and corporate expenses		(4,475)	(4,139)
Selling expenses		(390)	(487)
Marketing expenses		(631)	(545)
Business acquisition and divestment costs		(625)	(492)
Impairment of non-current assets		-	(1,395)
Depreciation and amortisation expense		(2,238)	(1,997)
Finance costs		(1,419)	(1,365)
(Loss) before income tax benefit		(2,140)	(6,945)
Income tax benefit		486	1,745
(Loss) after income tax benefit for the half-year attributable to the owners of Spirit Technology Solutions Ltd		(1,654)	(5,200)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Spirit Technology Solutions Ltd		(1,654)	(5,200)
		Cents	Cents
			(Restated)
Earnings per (post consolidation) share attributable to the owners of Spirit Technology Solutions Ltd			
Basic earnings per share	20	(0.99)	(7.10)
Diluted earnings per share	20	(0.99)	(7.10)

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

Spirit Technology Solutions Ltd
Statement of financial position
As at 31 December 2024

		Consolidated	
		31	30
	Note	December	June
		2024	2024
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		11,876	8,869
Trade and other receivables	6	12,624	17,273
Inventories		3,434	2,303
Contract cost assets	8	2,856	2,470
Other assets	7	6,559	7,682
Total current assets		<u>37,349</u>	<u>38,597</u>
Non-current assets			
Contract cost assets	8	3,235	3,252
Property, plant and equipment		608	722
Right-of-use assets		3,887	2,856
Intangibles assets	9	122,177	116,093
Deferred tax		7,615	7,432
Other assets	7	2,441	2,464
Total non-current assets		<u>139,963</u>	<u>132,819</u>
Total assets		<u>177,312</u>	<u>171,416</u>
Liabilities			
Current liabilities			
Trade and other payables	10	22,586	30,489
Lease liabilities		1,375	1,077
Unearned revenue	14	6,923	7,857
Provisions	15	4,632	4,913
Borrowings	12	1,020	1,020
Convertible notes	13	961	4,934
Deferred consideration	11	7,836	7,037
Total current liabilities		<u>45,333</u>	<u>57,327</u>
Non-current liabilities			
Borrowings	12	23,470	26,980
Lease liabilities		2,559	1,809
Deferred tax		6,536	6,839
Unearned revenue	14	442	721
Provisions	15	949	1,044
Deferred consideration	11	400	3,650
Total non-current liabilities		<u>34,356</u>	<u>41,043</u>
Total liabilities		<u>79,689</u>	<u>98,370</u>
Net assets		<u>97,623</u>	<u>73,046</u>
Equity			
Issued capital	16	175,000	149,682
Reserves		1,441	568
Accumulated losses		(78,818)	(77,204)
Total equity		<u>97,623</u>	<u>73,046</u>

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

Spirit Technology Solutions Ltd
Statement of changes in equity
For the half-year ended 31 December 2024

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2023	119,411	2,393	(68,671)	53,133
Loss after income tax expense for the half-year	-	-	(5,200)	(5,200)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(5,200)	(5,200)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	287	-	287
Convertible notes issued (note 13)	567	-	-	567
Conversion of convertible notes into ordinary shares (note 13)	54	-	-	54
Transfers from reserves to accumulated losses	-	(1,709)	1,709	-
Balance at 31 December 2023	<u>120,032</u>	<u>971</u>	<u>(72,162)</u>	<u>48,841</u>

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2024	149,682	568	(77,204)	73,046
Loss after income tax expense for the half-year	-	-	(1,654)	(1,654)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,654)	(1,654)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	913	-	913
Conversion of unlisted convertible notes (note 16)	2,857	-	-	2,857
Issue of shares in relation to institutional component of entitlement offer (note 16)	7,144	-	-	7,144
Issue of shares under placement (note 16)	2,000	-	-	2,000
Issue of shares in relation to retail component of entitlement offer (note 16)	10,851	-	-	10,851
Cost of capital raising (note 16)	(1,193)	-	-	(1,193)
Conversion of unlisted convertible notes (note 16)	1,124	-	-	1,124
Issue of shares to vendor as part consideration in relation to the Forensic IT Solutions acquisition	1,535	-	-	1,535
Issue of placement shares (note 16)	1,000	-	-	1,000
Transfers from reserves to accumulated losses	-	(40)	40	-
Balance at 31 December 2024	<u>175,000</u>	<u>1,441</u>	<u>(78,818)</u>	<u>97,623</u>

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

Spirit Technology Solutions Ltd
Statement of cash flows
For the half-year ended 31 December 2024

	Note	Consolidated	
		31 December 2024 \$'000	31 December 2023 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		86,946	60,371
Payments to suppliers and employees (inclusive of GST)		(84,076)	(63,180)
		2,870	(2,809)
Deposit (placed) / refunded		(41)	44
Employee redundancy costs		(364)	(675)
Transformation and restructuring costs		(729)	(535)
Loan funded share plan		-	(382)
Government infrastructure grants received		-	21
Other receipts		11	90
Interest received		64	26
Interest and other finance costs paid		(1,332)	(1,196)
Net cash from/(used in) operating activities		479	(5,416)
Cash flows from investing activities			
Payments for property, plant and equipment		(86)	(111)
Payments for intangibles	9	(21)	(226)
Cash payments to acquire business, net of cash acquired		(11,956)	(1,831)
Acquired income tax liabilities refunded/(paid)		(294)	-
Business acquisition and divestment costs		(625)	(408)
Net proceeds from disposal of assets and right of use		5	64
Net cash used in investing activities		(12,977)	(2,512)
Cash flows from financing activities			
Proceeds from issue of shares	16	20,995	-
Share issue transaction costs	16	(1,193)	-
Net repayment of borrowings	12	(3,510)	-
Net proceeds from borrowings		-	3,000
Net proceeds from convertible notes		-	5,539
Repayment of lease liabilities		(787)	(957)
Net cash from financing activities		15,505	7,582
Net increase/(decrease) in cash and cash equivalents		3,007	(346)
Cash and cash equivalents at the beginning of the financial half-year		8,869	7,024
Cash and cash equivalents at the end of the financial half-year		11,876	6,678

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

Spirit Technology Solutions Ltd
Notes to the financial statements
31 December 2024

Note 1. General information

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

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

Registered office

Level 4, 100 Albert Road
South Melbourne Victoria 3205

Principal place of business

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2025.

Note 2. Basis of preparation

These general purpose financial statements for the interim reporting period ended 31 December 2024 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

New Accounting Standards and Interpretations early adopted

The Consolidated Entity has adopted all new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There were no material impacts following the adoption of these standards.

Spirit Technology Solutions Ltd
Notes to the financial statements
31 December 2024

Note 3. Operating segments

Identification of reportable operating segments

The Chief Operating Decision Makers ('CODM's) manage the Consolidated Entity's operations across three operating segments as outlined below. Each of those operating segments has a dedicated 'segment Chief Executive Officer' responsible for financial performance and asset allocation decisions within that segment.

- The Communication and Collaboration segment offers award-winning modern communications, managed service solutions, data and office technology for small businesses;
- The Cyber Security segment offers specialist cyber managed services and industry leading solutions to corporate and enterprise customers delivered through a 24/7 Security Operations Centre and professional service teams. This capability also enables Spirit to put cyber security at the core of all key market solutions provided across our segments, improving the resilience and security of all customers;
- The Managed Services segment offers a comprehensive range of managed ICT and professional services including secure workplace, cloud security and management, infrastructure build and manage and data security solutions to customers across Australia.

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

Half-year ended 31 December 2024	Communication & Collaboration \$'000	Cyber Security \$'000	Managed Services \$'000	Corporate \$'000	Total \$'000
Revenue from contracts with customers	21,896	14,056	14,553	(171)	50,334
Underlying earnings before interest, taxes, depreciation & amortisation*	3,281	2,821	63	(2,307)	3,858
Depreciation and amortisation expense (exc. amortisation of customer relationships)	(344)	(330)	(372)	-	(1,046)
Finance costs (net)	(17)	14	(40)	(1,312)	(1,355)
Underlying net profit/(loss) before income tax**	2,920	2,505	(349)	(3,619)	1,457
Underlying adjustments:					
Share based payments	-	-	-	(913)	(913)
Business acquisition and divestment costs	-	-	-	(625)	(625)
Transformation and restructuring costs***	-	-	(20)	(847)	(867)
Amortisation of customer relationships	(597)	(595)	-	-	(1,192)
(Loss)/profit before income tax benefit	2,323	1,910	(369)	(6,004)	(2,140)
Income tax benefit					486
(Loss) after income tax benefit					(1,654)

* EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit/(loss) under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude business acquisition & divestment costs, transformation & restructuring costs, other normalisation items, impairment of non-current assets and share-based payments.

** Underlying net profit/(loss) before income tax benefit/(expense) ("uNPBT") is a financial measure which is not prescribed by Australian Accounting Standards and adjusts underlying EBITDA* to deduct depreciation & amortisation (excluding amortisation of customer relationships) and finance costs (net of interest revenue). The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

*** Transformation & restructuring costs encompasses system reengineering costs (\$0.7M) and employee redundancy costs (\$0.2M).

Spirit Technology Solutions Ltd
Notes to the financial statements
31 December 2024

Note 3. Operating segments (continued)

31 December 2024

	Communication & Collaboration \$'000	Cyber Security \$'000	Managed Services \$'000	Corporate \$'000	Total \$'000
Total assets	15,098	24,922	6,527	130,765	177,312
Total liabilities	(10,984)	(25,584)	(8,199)	(34,922)	(79,689)
	4,114	(662)	(1,672)	95,843	97,623

Half-year ended 31 December 2023

	Communication & Collaboration \$'000	Cyber Security \$'000	Managed Services \$'000	Corporate \$'000	Total \$'000
Revenue from contracts with customers (restated)	19,784	7,140	16,909	(161)	43,672
Underlying earnings before interest, taxes, depreciation & amortisation*	3,483	621	(2,458)	(1,486)	160
Depreciation and amortisation expense (exc. amortisation of customer relationships)	(673)	(241)	(486)	-	(1,400)
Finance costs (net)	(30)	(20)	(48)	(1,241)	(1,339)
Underlying net profit/(loss) before income tax**	2,780	360	(2,992)	(2,727)	(2,579)
Underlying adjustments:					
Share based payments	-	-	-	(668)	(668)
Business acquisition and divestment costs	-	-	(12)	(480)	(492)
Transformation and restructuring costs	-	(9)	(526)	-	(535)
Other normalisation items	(360)	-	(552)	233	(679)
Impairment of non-current assets	-	-	(1,395)	-	(1,395)
Amortisation of customer relationships	(597)	-	-	-	(597)
(Loss)/profit before income tax benefit	1,823	351	(5,477)	(3,642)	(6,945)
Income tax benefit					1,745
(Loss) after income tax benefit					(5,200)

* & ** Refer above footnotes.

31 December 2023

	Communication & Collaboration \$'000	Cyber Security \$'000	Managed Services \$'000	Corporate \$'000	Total \$'000
Total assets	14,720	10,371	10,130	84,610	119,831
Total liabilities	(11,713)	(8,853)	(11,832)	(38,592)	(70,990)
	3,007	1,518	(1,702)	46,018	48,841

Major customers

During the half-year ended 31 December 2024 no individual end customers accounted for 5% or more of sales.

Note 4: Revenue

Change in accounting policy

During the financial half-year, the Group undertook a review of licensing and product sales agreements and reassessed the weighting of factors that indicate control. Management concluded that while the Group meets some criteria of control, on balance it does not demonstrate sufficient control of certain licenses and products before they are transferred to the customer. The Group therefore determined that it acts as an agent in respect of these sales and has revised its accounting policy to account for this revenue as agent. On this basis, revenue recognised as agent is the net of revenue receivable under the contract and the cost of the sale. The effect on the comparative consolidated statement of profit or loss and other comprehensive income for the change in accounting policy is shown below:

	As previously reported \$'000	Adjustments \$'000	Restated \$'000
Year ended 30 June 2024			
Revenue from contracts with customers	125,847	(34,955)	90,892
	<u>125,847</u>	<u>(34,955)</u>	<u>90,892</u>
Purchase of goods	(69,719)	34,955	(34,764)
	<u>(69,719)</u>	<u>34,955</u>	<u>(34,764)</u>
Gross margin	56,128	-	56,128
Half-year to 31 December 2023			
Revenue from contracts with customers	57,006	(13,334)	43,672
	<u>57,006</u>	<u>(13,334)</u>	<u>43,672</u>
Purchase of goods	(30,768)	13,334	(17,434)
	<u>(30,768)</u>	<u>13,334</u>	<u>(17,434)</u>
Gross margin	26,238	-	26,238
Year ended 30 June 2023			
Revenue from contracts with customers	127,114	(22,930)	104,184
	<u>127,114</u>	<u>(22,930)</u>	<u>104,184</u>
Purchase of goods	(65,594)	22,930	(42,664)
	<u>(65,594)</u>	<u>22,930</u>	<u>(42,664)</u>
Gross margin	61,520	-	61,520

Spirit Technology Solutions Ltd
Notes to the financial statements
31 December 2024

Note 4. Revenue (continued)

	Consolidated	Consolidated
	31	31
	December	December
	2024	2023
		(Restated)
	\$'000	\$'000
Revenue from contracts with customers	50,334	43,672

Disaggregation of sales revenue

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

	Consolidated	Consolidated
	31	31
	December	December
	2024	2023
		(Restated)
	\$'000	\$'000
<i>Major product lines</i>		
Security services	14,531	7,328
Managed modern communications	26,996	26,320
Managed services	7,732	8,827
Cloud services	1,075	1,197
	50,334	43,672
<i>Geographical regions</i>		
Australia	50,334	43,672
<i>Timing of revenue recognition</i>		
Goods & services transferred over time	24,394	25,201
Goods & services transferred at a point in time	25,940	18,471
	50,334	43,672

Material accounting policies

The Consolidated Entity's revenue from customer contracts is 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 transaction date.

Each transaction is evaluated to determine whether Spirit is operating as principal or agent and recording revenue on a gross or net basis, respectively.

Goods and services transferred over time

Managed IT and security services, network access and other monthly revenue streams are recognised over 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.

Spirit Technology Solutions Ltd
Notes to the financial statements
31 December 2024

Note 4. Revenue (continued)

Goods and services transferred at a point in time

Professional services, time and materials billings, hardware and software sales, usage charges and set-up charges are recognised in the period in which the services or goods are delivered. Where professional services are bundled with sales of hardware and software ('products'), the sale of the products is a separate performance obligation, and the transaction price is allocated to the products and the professional services based on a relative stand-alone prices basis.

Software Licensing Revenue - the Group sells software licenses on behalf of its suppliers. As the performance obligation is the fulfillment of the end user's order when the products or services are provided by the supplier, the Consolidated Entity recognises revenue for these sales on an agent basis, whereby the revenue is equal to the amount of consideration receivable from the end user less the cost of sale due to the supplier. This represents a change in revenue recognition in this financial half-year from principal to agent. Previously the sales recognised on a principal basis equalled the gross amount of consideration due from the end user.

Note 5. Other income

	Consolidated	Consolidated
	31	31
	December	December
	2024	2023
	\$'000	\$'000
Government infrastructure grants	-	21
Profit on sale of other assets and right of use	3	61
Other	10	90
Interest income	64	26
	77	198

Note 6. Trade and other receivables (current assets)

	Consolidated	Consolidated
	31	30
	December	June
	2024	2024
	\$'000	\$'000
Trade receivables	13,287	18,163
Less: Allowance for expected credit losses	(700)	(901)
	12,587	17,262
Other receivables	37	11
	12,624	17,273

Spirit Technology Solutions Ltd
Notes to the financial statements
31 December 2024

Note 7. Other assets

	Consolidated	Consolidated
	31	30
	December	June
	2024	2024
	\$'000	\$'000
Accrued revenue	6,460	8,526
Prepayments	2,072	1,208
Employee loans	19	1
Vendor loans	1	4
Other assets	448	407
	9,000	10,146

Note 8. Contract assets

	Consolidated	Consolidated
	31	30
	December	June
	2024	2024
	\$'000	\$'000
Contract assets	12,067	11,753
Accumulated release to profit and loss	(5,976)	(6,031)
	6,091	5,722

Note 9. Intangible assets (non-current assets)

	Consolidated	Consolidated
	31	30
	December	June
	2024	2024
	\$'000	\$'000
Goodwill	100,140	92,811
Software & projects	856	943
Less: Accumulated amortisation	(217)	(251)
	639	692
Brand names	4,105	4,105
Customer relationships	22,663	22,663
Less: Accumulated amortisation	(5,370)	(4,178)
	17,293	18,485
	122,177	116,093

Spirit Technology Solutions Ltd
Notes to the financial statements
31 December 2024

Note 9. Intangible assets (non-current assets)

Reconciliations

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

	Goodwill	Software & projects	Brand names	Customer relationships	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2024	92,811	692	4,105	18,485	116,093
Additions through business combinations (Note 18)	7,755	-	-	-	7,755
Other provisional changes through business combinations (Note 18)	(426)	-	-	-	(426)
Additions		21	-	-	21
Amortisation expense		(74)	-	(1,192)	(1,266)
Balance at 31 December 2024	100,140	639	4,105	17,293	122,177

Note 10. Trade and other payables (current liabilities)

	Consolidated	
	31 December 2024	30 June 2024
	\$'000	\$'000
Trade payables	13,013	16,325
GST payable	553	835
Vendor loans	-	3,000
Other payables & accrued expenses	9,020	10,329
	22,586	30,489

Note 11. Deferred consideration

	Consolidated	
	31 December 2024	30 June 2024
	\$'000	\$'000
Deferred consideration	8,236	10,687

The component of deferred consideration relating to the Nexgen acquisition is \$1.838M (30 June 2024: \$4.038M). The component of deferred consideration relating to the acquisition of InfoSurety Holdings Pty Ltd is \$5.149M (30 June 2024: \$6.649M). The component of deferred consideration relating to the acquisition of Forensic IT Solution Pty Ltd is \$1.249M (30 June 2024: Nil).

Spirit Technology Solutions Ltd
Notes to the financial statements
31 December 2024

Note 12. Borrowings

	Consolidated	
	31	30
	December	June
	2024	2024
	\$'000	\$'000
Bank loans	24,490	28,000

Assets pledged as security

The bank loan of \$24.49M (30 June 2024: \$28M) is secured over the assets and undertakings of Spirit Technology Solutions Ltd and its wholly owned subsidiaries.

As part of the Company's funding facility undertakings, the Company is required to make a repayment of \$85,000 per month (commencing 1 July 2024) to amortize the facility over time. During the financial half-year period the Company repaid \$510,000 in compliance with this undertaking, and repaid an additional \$3M on the facility that is available for redraw.

The Company's funding facility is due for renewal on 1 January 2026 and the Company remains comfortable that the facility will be renewed in the ordinary course of business.

Note 13. Convertible Notes

	Consolidated	
	31	30
	December	June
	2024	2024
	\$'000	\$'000

Classification of liability component at the end of the period:

Current	961	4,934
Non-current	-	-
	961	4,934

	Consolidated	
	31	31
	December	December
	2024	2023
	\$'000	\$'000

Liability component at the beginning of the period	4,934	-
Net proceeds from issue of Convertible Notes during the period	-	5,539
Equity component at the date of issue	-	(567)
Payments for Convertible Notes redeemed	-	-
Interest expense for the period calculated at the effective interest rate	137	65
Finance costs paid	(129)	-
Conversion of Convertible Notes into ordinary shares	(3,981)	(54)
Liability component at the end of the period	961	4,983

Spirit Technology Solutions Ltd
Notes to the financial statements
31 December 2024

Note 13. Convertible Notes (continued)

During the current half-year period ended 31 December 2024, convertible notes with a face value of \$4.465M were converted into ordinary shares leaving convertible notes with a face value of \$1M remaining.

Note 14. Unearned revenue

	Consolidated	
	31	30
	December	June
	2024	2024
	\$'000	\$'000
Customer contract unearned revenue	7,365	8,578

Reconciliation

Reconciliation of the movement at the beginning and end of the current financial period is set out below:

	Total
	\$'000
Balance at 30 June 2024	8,578
Net movements	<u>(1,213)</u>
Balance at 31 December 2024	<u><u>7,365</u></u>

Note 15. Provisions

	Consolidated	
	31	30
	December	June
	2024	2024
	\$'000	\$'000
Annual leave	2,007	1,987
Long service leave	1,736	1,492
Provision for income tax	-	463
Restructuring	220	447
Lease make good	545	495
Other provisions	<u>1,073</u>	<u>1,073</u>
	<u>5,581</u>	<u>5,957</u>

Spirit Technology Solutions Ltd
Notes to the financial statements
31 December 2024

Note 16. Equity - issued capital

	Consolidated			
	31	30	31	30
	December	June	December	June
	2024	2024	2024	2024
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	189,045,983	1,366,619,196	175,000	149,682

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance		1,366,619,196		149,682
Movements				
Conversion of unlisted convertible notes	29 Aug 2024	72,046,269	\$0.040	2,857
Issue of shares in relation to institutional component of entitlement offer	4 Sep 2024	134,789,071	\$0.053	7,144
Issue of shares under placement	4 Sep 2024	37,735,850	\$0.053	2,000
Issue of shares in relation to retail component of entitlement offer	20 Sep 2024	204,829,420	\$0.053	10,851
Cost of capital raising		-		(1,193)
Conversion of unlisted convertible notes	23 Sep 2024	28,634,822	\$0.039	1,124
Issue of shares to vendor as part consideration in relation to the Forensic IT Solutions acquisition	1 Oct 2024	26,931,493	\$0.057	1,535
Issue of placement shares	6 Nov 2024	18,867,924	\$0.053	1,000
Share consolidation		<u>(1,701,408,062)</u>		<u>-</u>
Balance		<u>189,045,983</u>		<u>175,000</u>

Ordinary shares

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

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

Share buy-back

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

Reserves

Following approval at the 2024 Annual General Meeting on 29 November 2024, 566,038 performance rights (on a post share consolidation basis) will be issued to Mr Julian Challingsworth (or his nominee), Managing Director of the Company, in relation to his Financial Year 2025 Long Term Incentive under the Employee Incentive Plan.

Note 17. Equity - dividends

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

Spirit Technology Solutions Ltd
Notes to the financial statements
31 December 2024

Note 18. Business combinations

Acquisition of Forensic IT during the current financial half-year

The Company acquired 100% of Forensic IT Solutions Pty Ltd ("Forensic IT") with effective control on 1 October 2024. The acquisition has been accounted for as a Business Combination under AASB 3 on a provisional basis. The acquisition expands Spirit's capability set and strengthens the Company's position in the growing cyber security market. Forensic IT is a major provider of cyber security digital forensic and incident response (DFIR) solutions and currently works across approximately 180 incidents per year. Forensic IT provides a range of value-added assurance and consulting services in the following areas:

- Digital forensics – Forensic IT provides expert solutions for unearthing intellectual property and data theft and specialises in retrieving and analysing data from digital devices for criminal and civil investigations.
- Incident response – Forensic IT mitigates attacks to protect the data and digital assets of organisations and assists with the restoration of business operations.

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

	Fair value \$'000
Cash and cash equivalents	339
Trade and other receivables	624
Accrued revenue	237
Prepayments	76
Vendor loans	146
Trade and other payables	(93)
GST payables	(91)
Provision for income tax	(46)
Bank loan	(751)
Employee entitlements	(212)
Net assets acquired	229
Goodwill (provisional)	7,755
Acquisition-date fair value of the total consideration transferred	7,984
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	7,984
Less: deferred consideration (remaining to be settled)	(1,249)
Less: shares issued by Company as part of consideration	(1,535)
Net cash used	5,200

i. Consideration transferred

Acquisition-related costs amounting to \$561,000 are not included as part of the consideration for the acquisition and were recognised as transaction costs in the profit and loss statement.

ii. Identifiable net assets

The fair value of the trade receivables acquired as part of the business combination amounted to \$623,858. As of the acquisition date, the Company's best estimate was that this asset would be fully realised.

Spirit Technology Solutions Ltd
Notes to the financial statements
31 December 2024

Note 18. Business combinations (continued)

iii. Goodwill

Goodwill of \$7.76M was primarily related to the Company's growth expectations through customer expansion. Forensic IT forms part of the Cyber Security segment and goodwill on acquisition has been allocated to that segment.

iv. Completion and deferred consideration

The acquisition of Forensic IT included a deferred consideration component of \$1.249M to be paid 100% in cash (being \$0.4M on the 6-month anniversary of the completion date; \$0.4M on the 12-month anniversary of the completion date and \$0.4M allocated to incentive schemes for key employees).

v. Contribution to the Consolidated Entity's results

Forensic IT's contribution to the Consolidated Entity's results for the half-year ended 31 December 2024 are as follows:

	H1 FY25 \$'000
Revenue	459
Underlying earnings before interest, taxes, depreciation & amortisation*	(46)
Contribution to consolidated (loss)/profit before income tax	(46)

* Refer Note 3 for definitions.

Spirit Technology Solutions Ltd
Notes to the financial statements
31 December 2024

Note 18. Business combinations (continued)

Acquisition of InfoSurety during the previous financial year

The Company acquired 100% of InfoSurety Holdings Pty Ltd (trading as "Infotrust") with effective control on 1 April 2024. The acquisition has been accounted for as a Business Combination under AASB 3 on a provisional basis.

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

	Fair value \$'000
Cash and cash equivalents	7,245
Trade and other receivables	5,354
Accrued revenue	692
Prepayments	721
Deposits	113
Contract cost assets	978
Right-of-use assets	172
Plant and equipment	59
Intangible assets (Customer Relationships)	10,721
Trade and other payables	(6,910)
GST payables	(596)
Vendor loans	(5,284)
Lease liabilities	(172)
Unearned revenue	(3,619)
Provision for income tax	(287)
Employee entitlements	(324)
Deferred tax liability	(3,216)
Net assets acquired	5,647
Goodwill (provisional)	29,003
Acquisition-date fair value of the total consideration transferred	<u>34,650</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	34,650
Less: deferred consideration	(6,650)
Less: shares issued by Company as part of consideration	(14,000)
Net cash used	<u>14,000</u>

Note 19. Events after the reporting period

No matter or circumstance has arisen since 31 December 2024 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.

Spirit Technology Solutions Ltd
Notes to the financial statements
31 December 2024

Note 20. Earnings per share

	Consolidated	
	31	31
	December	December
	2024	2023
	\$'000	\$'000
(Loss) after income tax attributable to the owners of Spirit Technology Solutions Ltd	<u>(1,654)</u>	<u>(5,200)</u>
	Number	Number
		(Restated*)
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>167,657,280</u>	<u>73,610,470</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>167,657,280</u>	<u>73,610,470</u>
	Cents	Cents
		(Restated*)
Basic earnings per share	(0.99)	(7.10)
Diluted earnings per share	(0.99)	(7.10)

* Restated for comparative purposes to account for the consolidation of the Company's issued capital on a ten (10) for one (1) basis as approved by shareholders at the 2024 Annual General Meeting held on 29 November 2024.

Spirit Technology Solutions Ltd
Directors' declaration
31 December 2024

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2024 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Shan Kanji
Non-Executive Chairman

25 February 2025



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Spirit Technology Solutions Ltd ('the Company') and its Subsidiaries (collectively 'the Group'), which comprises the consolidated statement of financial position as at 31 December 2024, and 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 half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the Directors' Declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Spirit Technology Solutions Ltd does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the financial position of the Group as at 31 December 2024, and of its consolidated financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-Year Financial Report* section of our report.

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

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

Responsibilities of the Directors for the Half-Year Financial Report

The Directors' of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Regulations 2001* and for such internal control as the Directors determine is necessary to enable the

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preparation of the half-year financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2024 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A stylized, handwritten-style logo for PKF, consisting of the letters 'P', 'K', and 'F' in a bold, black, sans-serif font.

PKF

Melbourne, 25 February 2025

A handwritten signature in black ink that reads 'Kaitlynn Brady'.

Kaitlynn Brady

Partner

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