

Spectur Limited

Appendix 4D

Half Year Report- For the six months ended 31 December 2022

(Previous corresponding period: 31 December 2021)

Results for announcement to the market

1. Reported

	31 December 2022 Current Period \$	Percentage Change Up /(Down)	Change Up /(Down) \$	31 December 2021 Previous Corresponding Period \$
Revenue from ordinary activities	3,614,339	26.30%	752,675	2,861,664
Loss from ordinary activities after tax	(1,047,467)	(8.24%)	(79,707)	(967,760)
Net Loss for the period attributable to members	(1,047,467)	(8.24%)	(79,707)	(967,760)

Commentary on the above figures is included in the attached Interim Financial Report for the half year ended 31 December 2022.

2. Dividend payments

Refer to attached Interim Financial Report for the half year ended 31 December 2022.

The Company does not propose to pay any dividends in the current period.

3. Net tangible assets per security

	Current Period (31 December 2022)	Previous Corresponding Period (31 December 2021)
Cents per ordinary share	1.19 cents	1.09 cents

Derived by dividing the net assets less intangible assets attributable to equity holders of the Company by the total ordinary shares at 31 December 2022 (192,736,198) and 31 December 2021 (106,305,280) respectively.

4. Status of audit

The Interim Financial Report for the half year ended 31 December 2022 has been audit reviewed and is not subject to dispute or qualification, and the review report is attached as part of this half year report.

5. Attachments

The half year report of Spectur Limited for the six month period ended 31 December 2022 is attached.



Spectur Limited

ACN 140 151 579

Interim Financial Report 31 December 2022

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Directors

Mr Darren John Cooper
Dr Gerard John Dyson
Mrs Bilyana Smith

Company Secretary

Mrs Suzie Jayne Foreman

Registered Address and Principal Place of Business

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Telephone: 1300 802 960

Solicitors

Blackwall Legal
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Perth, WA 6000

Bankers

ANZ Bank
127/816 Beeliar Drive
Success, WA 6164

Auditors

HLB Mann Judd (WA Partnership)
Level 4, 130 Stirling Street
Perth, WA 6000

Share Registry

Automatic Registry Services
Level 2, 267 St Georges Terrace
Perth, WA 6000

GPO Box 5193
Sydney, NSW, 2001
Telephone: 1300 288 664 (within Australia)
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Directors' Report

The Board of Directors of Spectur Limited present their report on Spectur Limited ("Company" or "Spectur") for the half year ended 31 December 2022.

Directors and Officers

The names of directors and officers who held office during or since the end of the half year and until the date of this report are as follows.

Darren John Cooper	Non-Executive Chairman
Gerard John Dyson	Managing Director
Bilyana Smith	Non-Executive Director
Suzie Jayne Foreman	Company Secretary

Principal Activities

The principal activity of the Company during the half year was to develop, manufacture and sell Solar 4G based deterrence and surveillance systems, and associated products and services. The Company is also expanding its pipeline of solutions and platforms, leveraging its unique technology to non-security related markets including smart cities, safety, warning and communications applications.

Operating and Financial Review

Market Conditions

Spectur is a purpose-driven company, motivated to help make communities safer. From our origins in providing security solutions, this has expanded into broader safety and warning technology and increasingly in being part of the Smart Cities ecosystem. There are strong market forces driving growth in these segments including:

- Increasing crimes against property. Western Australian crime statistics have shown month-on-month growth in crimes such as non-dwelling burglary, graffiti and property damage every month of FY23 to December 2022.
- The prevalence of and awareness of beach and ocean-based risks has increased with shark attacks, drownings, fishing incidents and other events on our coastlines growing in frequency and publicity.
- Natural disasters including bushfires and floods have continued to impact Australia, New Zealand and other countries.
- Growing acceptance of camera surveillance and the applications of Artificial Intelligence (AI). As an example, the most recent explosion of ChatGPT use has shown the voracious appetite for new value-adding applications.
- Lack of supply of labour and materials causing stress in the building industry, leading to increased theft.

These strong drivers for market growth have also coincided with the removal, attenuation or adaptation of other restraining market factors that have been substantial in prior periods including:

- COVID response measures that restricted travel, productivity and overall business sentiment;
- Highly constrained supply chains, particularly those coming from China.
- Market anxieties related to the Ukraine – Russia conflict.

It is expected that rising inflation and interest rates will cause increasing stress and anxiety for business and individuals that may lead to increased crime and heightened risk awareness. These sentiments are linked to purchasing behaviours related to security, surveillance, safety and warning products and services.

The competitive landscape for Spectur remained largely unchanged in the preceding period. The lower-end building-focussed security market continues to become more heavily competed coincident with the proliferation of low-cost, mainly Chinese-origin security cameras and associated software. At the higher end of the security market, there is no obvious consolidation with the market bifurcated into security-oriented companies providing predominantly rental, higher-end 3rd party cameras and software (from Europe or China), in some cases with a custom software "skin", and Spectur. The Spectur custom platform of separate edge processors and electronics driving multiple (simpler, modular, lower cost and lower power) cameras and devices has not been replicated. It is expected that recent advances with lithium power and the enhanced capabilities absorbed as part of the recent 3CT acquisition will create further near-term technology and capability differentiation in the marketplace for Spectur.

In the safety and warning space, on beaches and coastal locations, there are no notable competitors to Spectur other than bespoke, single use-case products built by integrators. This market remains largely undeveloped within Australia, New Zealand and the USA.

Directors' Report

Most recently, there has been renewed media attention and action related to the prevalence within government facilities of Chinese-made camera and surveillance technology. Recent actions by Australian government officials have led to the removal of hundreds, becoming thousands, of cameras from sensitive facilities. Spectur remains present on government facilities, including defence assets. It is expected that the unique sovereign capabilities of Spectur will become more attractive with government, and sensitive facilities and utilities in the future.

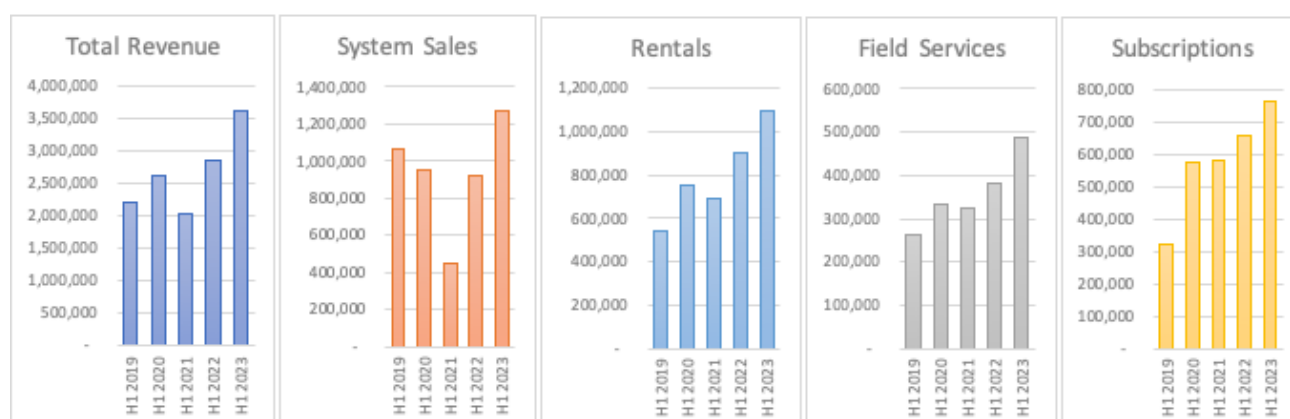
Revenue from Operations

For H1 FY23 (six months to December 2022) Spectur reported revenue of \$3,614k, up 26% on H1 FY22 (six months to December 2021) of \$2,862k and up 77% on H1 FY21 of \$2,037k. Revenue growth has been led by strong sales, particularly in the higher margin safety and warning space. These sales all also flow into ongoing growth in the subscription element of the recurring revenue stream (subscriptions plus rentals).

Comparing H1 FY23 in more detail with H1 FY22 provides additional insights as to the sources of growth:

Revenue	H1 FY23 \$'000	H1 FY22 \$'000	% Increase
System sales	1,270	920	38%
Field services	485	381	27%
Subscriptions	763	657	16%
Rentals	1,096	904	21%
Total	3,614	2,862	26%

Currently there are more than 2,700 camera sensors active within the Spectur ecosystem, each requiring Spectur software services and requirements for installation, relocation or maintenance services.



Charts above show increases in all revenue streams across the board, with the legacy of COVID related business impacts largely exhausted.

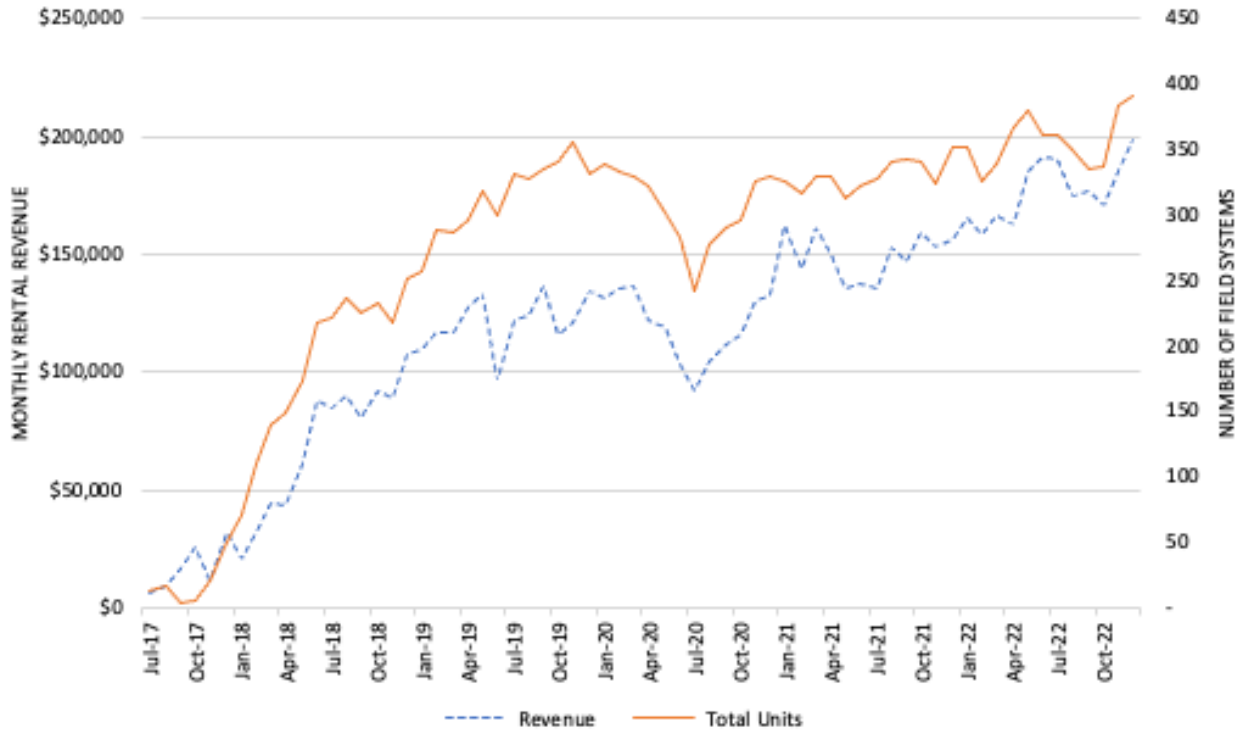
The rental fleet for Spectur has evolved in the last 2 years with the introduction of the STA6 models. These systems have multiple cameras (generally 2 to 4) and have replaced multiple single-camera systems in some cases. This has led to ongoing strong revenue growth outstripping the rate of unit growth as customers have been able to do more with fewer systems.

Average monthly rental fees per unit have increased from \$446 (in H1 FY21) to \$509 (in H1 FY22) as the proportion of more sophisticated and higher value multi-camera STA6 models has increased relative to the older single-camera HD5 units. The annualised rental run rates, based on December 2022 deployments, is approximately \$2.4m per annum.

Rental systems are generally most popular for finite projects such as construction and building work. With the ongoing expansion into government, utility and related institutional customers that have a preference for purchase and subscription, it is expected that the proportion of rental revenue related to total revenue will decline.

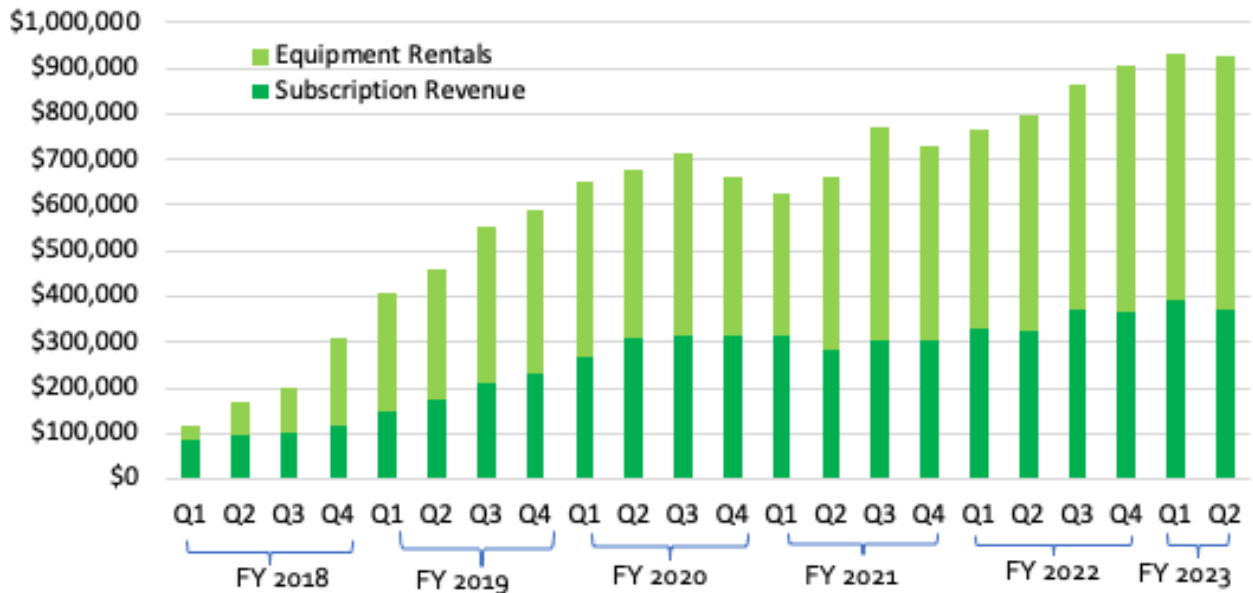
Directors' Report

Spectur Ltd - Equipment Rentals



Recurring revenues from subscriptions in H1 FY23, which includes data plan, server access and monitoring services were \$763k, an increase of 16% over the \$657k for H1 FY22.

Recurring Revenue per Quarter



The total Annualised Recurring Revenue (ARR) for rentals and subscription income is currently run-rating at \$4.0 million based upon December 2022 results.

Directors' Report

Expenses

While revenues for H1 FY23 have grown by 26% compared to H1 FY22, overall expenses have grown by 18%.

Expense	H1 FY23 \$'000	H1 FY22 \$'000	% Increase
Finance charges	57	37	54%
Employee and Admin	2,575	2,119	22%
Other expenses	396	411	-4%
Total	3,028	2,567	18%

The net growth in expenses is almost entirely in Employee and Admin, with a substantial amount related to one-off costs including:

- ERP roll out which saw IT expenses \$55k greater than H1 FY22
- Strategic costs, including acquisition expenses and the USA investigation visit, which were \$67k greater than H1 FY22
- Separate legal fees related to capital advice and HR matters, which were \$26k greater than H1 FY22

Other increases, when compared with H1 FY22 included:

- Investor relations (up \$18k YTD)
- General travel, which was very low in FY22 due to COVID related travel restrictions (up \$24k YTD)
- Bad debts, which have increased in the building sector to be up \$14k YTD
- Employee benefits related to a growing engineering group, temporary utilisation issues in production and installation as the business migrates to the STA6s platform, and some adjustments in leave expenses (an overall increase of \$232k YTD)

Gross Margin and profitability

Pleasingly, overall gross margins have increased from 52% (H1 FY22) to 56% (H1 FY23). Improvements in engineering & sourcing, and reduction in some of the recent supply chain issues has driven this reduction. Further improvements in margin are expected during the balance of the year as the STA6s and safety / warning models increasingly dominate the production profile.

Whilst reported profitability in H1 FY23 is similar to H1 FY22, the adjusted EBITDA difference is \$215k (adjusted EBITDA – EBITDA adding back share-based payments and one-off costs). Adjusted EBITDA for H1 FY23 is (\$528k) (H1 FY22 - (\$743k)).

Capital raising

In July and August 2022, Spectur raised \$1,862,414 in a placement, \$1,133,000 in a Securities Purchase Plan and \$17,000 in an accompanying (oversubscribed) Shortfall Offer, before costs. All funds were raised for the same offer price and entitlement (\$0.036 per share with one free-attaching Bonus Option for every two shares subscribed).

Debt facility utilised

Spectur obtained a \$1.5m debt facility from its largest shareholder, EGP Capital in H2, FY21. This facility was drawn to \$1,100k at July 2022. Subsequent to the capital raising events of July and August 2022, this facility was renegotiated and capped as a fixed debt amount for the balance of the term. This facility expires in December 2023 and can be fully or partially converted into ordinary shares at the discretion of Spectur, or repaid in part or full, prior to this date.

Cash and cash equivalents at 31 December 2022 were \$2,868k.

Technology advances

Spectur has delivered production continuity and significant margin improvements from the initial offerings in our new generation, modular product line. This has been achieved while consolidating in-house engineering and PCB assembly to Western Australia, further improving the supply chain governance and sovereign credentials of our products and services.

Existing product lines have seen improved margin through engineering improvements leading to reductions in part count and production complexity. This work has also eliminated failure points and improved system efficiency to deliver increased uptime and reduced field servicing requirements. Modularity has been improved with multiple camera vendors now integrated into our ecosystem with customisation to meet the demands of solar powered applications. The move to lithium batteries for all new systems furthers our competitive advantage over conventional, lead-acid based systems from other vendors.

Directors' Report

The latest Spectur electronics interface board has been launched. Strategic purchasing of core components will allow production of this board for a minimum of 18 months. The latest electronics and compute package will provide a consolidated solution across all future product lines. Production efficiency and field reliability will be further enhanced through an automotive grade wiring harness and weatherproof enclosure. Modularity is enhanced through industry standard connectors which deliver plug and play compatibility and in-field upgrades which future proof our customer's investment. Further rationalisation in production cost is planned with the integration of 4G communication capability onboard the Spectur interface electronics, doing away with the requirement for a separate modem board.

In readiness for eventual entry into strategic overseas markets, core electronics components have been sourced from large reputable suppliers such as ST Microelectronics. We have observed general improvement in the market for purchasing electronics components, with stock availability and lead times from many manufacturers beginning a return to pre-Covid levels. This improvement is expected to continue and provides a high chance of extending the production lifespan of the latest electronics interface board into FY26 without re-design.

Spectur's Modular Power solution has commenced production. The solution has met or exceeded performance and margin goals across the system's components. The solution delivers an iconic design, which has been successfully registered with IP Australia. Modular Power is compact and lightweight making it easy to ship and assemble anywhere in the world. When configured for the region, Spectur systems can now achieve uptimes of greater than 99.9% even in cold regions such as Tasmania and New Zealand's South Island. It is expected that this system will be sold and part of regular installations by March 2023.

Research continues into complementary technologies which can add value to our customers through improved sensing, thinking, and acting. Through market research and increased customer engagement we are refining the Spectur technology roadmap for FY24 and beyond. The needs of partners and dealers are also being refined so that features are delivered which allow at-scale deployment and fleet management of Spectur systems by these third parties.

Sales and Marketing growth

Month to month sales have exceeded those in FY22, every month of FY23, including and up to the incomplete February 2023. As at 21 February 2023, YTD sales are 31% higher than they were at 28 February 2022. The current weighted pipeline of sales is \$4,282k (71% greater than 31 January 2022), with an unweighted pipeline of \$8,965 (40% greater than 31 January 2022). Noting the high level of consistent conversion of pipeline opportunities into sales, maintaining the weighted and unweighted pipelines at these levels is indicative of ongoing substantial sales and revenue growth.

Sales in the year to date continue the strategic themes related to a focus on government and utility customers, along with the burgeoning and increasingly dominant beach safety applications. Some of the larger opportunities in the pipeline relate to utilities, large industrials and government contracts.

Enterprise Resource Planning roll out

Spectur is well advanced with the roll out of Microsoft Dynamics as a core Enterprise Resource Planning (ERP) tool. Replacing multiple, less integrated tools, MS Dynamics will fully integrate core financial, payroll, manufacturing, service, sales and rental modules to provide a scalable, efficient platform for Spectur's future growth. This rollout has taken longer than initially planned, however it is expected that the implementation will be concluded before the end of Q3, FY22.

Spectur New Zealand update

Sales have grown substantially following the establishment of a full-time sales executive, reduced COVID restrictions and the overall improvement in market conditions. In H1 FY23 Spectur extended its systems and processes for sales, installation and service, procurement and marketing into our New Zealand operations, with commensurate improvements in customer service, retention, sales and revenue.

YTD Sales (21 February 2023) have increased to \$92k with a weighted pipeline of sales of \$336k and an unweighted pipeline of \$747k.

Significant changes in the state of affairs

In February 2023, Spectur completed the acquisition of Three Crowns Technologies Pty Ltd (3CT), further details of which are provided in Note 13.

The acquisition of 3CT brings additional revenue, technology, customers, human capital and differentiation to Spectur. It is expected that this acquisition will bring synergistic benefits that will accelerate the top and bottom line growth of Spectur.

Directors' Report

Dividends

No dividends were paid or declared since the start of the financial period. No recommendation for payment of dividends has been made.

Auditor Independence and Non-Auditor Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half year report. This Independence Declaration is set out on page 9 and forms part of this Directors' report for the half year ended 31 December 2022.

Signed in accordance with a resolution of the directors.



Dr Gerard John Dyson
Managing Director

Dated this 28 February 2023

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Spectur Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

HLB Mann Judd

Perth, Western Australia
28 February 2023

L Di Giallonardo

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Partner

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Condensed Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2022

	Notes	Six months to 31 December 2022 \$	Six months to 31 December 2021 \$
Continuing Operations			
Revenue	2	3,614,339	2,861,664
Cost of Sales		(1,580,662)	(1,377,263)
Gross profit		2,033,677	1,484,401
(Loss) / Profit on disposal of property, plant and equipment		(104)	880
Research and development expenses		(82,079)	(74,760)
Employee benefits		(1,924,510)	(1,617,813)
General and administrative expenses		(650,370)	(501,305)
Marketing and advertising		(112,621)	(123,460)
Property expenses		(27,354)	(41,163)
Depreciation and amortisation		(160,254)	(159,483)
Share of associate's loss	9	(13,701)	(13,995)
Finance charges	3	(56,574)	(36,514)
Share-based payment expense	12	(209,657)	(115,112)
Loss before income tax benefit		(1,203,547)	(1,198,324)
Income tax benefit	4	156,080	230,564
Loss for the period		(1,047,467)	(967,760)
Other comprehensive loss for the period		-	-
Total comprehensive loss for the period		(1,047,467)	(967,760)
Basic and diluted loss per share (cents per share)	7	(0.66)	(0.91)

The accompanying notes form part of these financial statements.

Condensed Statement of Financial Position As at 31 December 2022

	Notes	As at 31 December 2022 \$	As at 30 June 2022 \$
Assets			
Current Assets			
Cash and cash equivalents		2,868,320	629,613
Trade and other receivables		1,328,153	1,322,964
Inventories		971,991	649,465
Total Current Assets		5,168,464	2,602,042
Non-Current Assets			
Property, plant and equipment		392,059	470,095
Other receivables	8	281,671	165,668
Investment in joint venture	9	-	-
Intangible assets	10	54,376	96,112
Right-of-use-assets		191,586	273,806
Total Non-Current Assets		919,692	1,005,681
Total Assets		6,088,156	3,607,723
Liabilities			
Current Liabilities			
Trade and other payables		1,506,893	1,326,911
Employee benefits		473,870	440,602
Borrowings	11	1,151,445	8,584
Lease liability		139,000	166,728
Provisions		114,300	114,300
Total Current Liabilities		3,385,508	2,057,125
Non-Current Liabilities			
Borrowings	11	50,879	755,700
Lease liability		63,668	117,746
Employee benefits		59,880	33,789
Total Non-Current Liabilities		174,427	907,235
Total Liabilities		3,559,935	2,964,360
Net Assets		2,528,221	643,363
Equity			
Issued capital	5	15,362,630	12,565,412
Reserves	6	401,237	266,130
Accumulated losses		(13,235,646)	(12,188,179)
Net Equity		2,528,221	643,363

The accompanying notes form part of these financial statements.

Condensed Statement of Changes in Equity for the half year ended 31 December 2022

	Issued Capital	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2022	12,565,412	266,130	(12,188,179)	643,363
Loss for the period	-	-	(1,047,467)	(1,047,467)
Total Comprehensive loss for the period	-	-	(1,047,467)	(1,047,467)
Shares issued during the period	3,114,987	-	-	3,114,987
Share issue costs	(317,769)	-	-	(317,769)
Value of options brought to account during the period	-	28,025	-	28,025
Value of performance rights brought to account during the period	-	99,332	-	99,332
Value of service rights brought to account during the period	-	7,750	-	7,750
Balance as at 31 December 2022	15,362,630	401,237	(13,235,646)	2,528,221

	Issued Capital	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2021	12,573,174	177,772	(10,315,525)	2,435,421
Loss for the period	-	-	(967,760)	(967,760)
Total Comprehensive loss for the period	-	-	(967,760)	(967,760)
Value of options brought to account during the period	-	106,373	-	106,373
Value of performance rights brought to account during the period	-	8,740	-	8,740
Balance as at 31 December 2021	12,573,174	292,885	(11,283,285)	1,582,774

The accompanying notes form part of these financial statements.

Condensed Statement of Cash Flows for the half year ended 31 December 2022

	Six months to 31 December 2022 \$	Six months to 31 December 2021 \$
Cash flows from operating activities		
Receipts from customers	3,848,104	3,255,362
Payments to suppliers and employees	(4,710,804)	(4,374,287)
Interest paid and other finance costs	(53,922)	(35,472)
R & D tax incentives received	288,243	301,450
Net cash used in operating activities	(628,379)	(852,947)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	18,636
Payments for loans to joint venture	(75,697)	-
Purchase of property, plant and equipment	(60,320)	(183,497)
Net cash used in investing activities	(136,017)	(164,861)
Cash flow from financing activities		
Proceeds from issue and subscription of shares	3,012,414	-
Payments for share issue costs	(323,156)	-
Repayment of lease liabilities	(81,899)	(77,990)
Proceeds from borrowings	400,000	469,634
Repayment of borrowings	(4,256)	(44,661)
Net cash from financing activities	3,003,103	346,983
Net increase / (decrease) in cash and cash equivalents held	2,238,707	(670,825)
Cash and cash equivalents at the beginning of the half year	629,613	1,688,712
Cash and cash equivalents at the end of the half year	2,868,320	1,017,887

The accompanying notes form part of these financial statements.

Note 1: Basis of Preparation

These condensed interim financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards including AASB 134 Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements comprise the condensed interim financial statements for the Company. For the purposes of preparing the financial statements, the Company is a for-profit entity.

The interim financial statements do not include full disclosures of the type normally included in the full financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as the full financial report. It is recommended these interim financial statements be read in conjunction with the full financial report for the year ended 30 June 2022 and any public announcements made by Spectur Limited during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half year, except for the impact of the new Standards and Interpretations described in (b) below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The financial statements have been prepared on a historical cost basis, except for the revaluation of selected non-current assets, financial assets and financial liabilities. Historical cost is based on the fair values of the consideration given in exchange for assets, goods and services.

The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim financial statements, the half year has been treated as a discrete reporting period.

(a) Statement of Compliance

The financial report was authorised for issue on 28 February 2023.

The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(b) Adoption of New and Revised Standards

New Standards and Interpretations applicable for the half year ended 31 December 2022

For the period ended 31 December 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period. As a result of this review the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company, and therefore no change is necessary to accounting policies.

New Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2022. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to accounting policies.

(c) Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Note 1: Basis of Preparation

(d) Investment in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Company.

Unrealised gains and losses on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

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Other Notes to the Condensed Interim Financial Statements

Note 1: Segment Reporting

The Company's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision Maker to make decisions regarding the Company's operations and allocation of working capital. Due to the size and nature of the Company, the MD has been determined as the Chief Operating Decision Maker.

Based on the quantitative thresholds included in AASB 8, there is only one reportable segment, being development, manufacture and selling of Remote Solar 3G/4G based deterrence, surveillance and warning systems, and associated products and services.

The revenues and results of this segment are those of the Company as a whole and are set out in the Condensed Statement of Profit or Loss and Other Comprehensive Income and the assets and liabilities of the Company as a whole are set out in the Condensed Statement of Financial Position.

Note 2: Revenue from Contracts with Customers

Disaggregation of revenue

AASB 134 requires an entity to disclose a disaggregation of revenue from contracts with customers required by paragraphs 114-115 of AASB 15. The Company has elected to disaggregate revenue according to the timing of the transfer of goods and/or services.

The Company derives its revenue from the sale of goods and the provision of services at a point in time and over time in the following major categories.

	Six months to 31 December 2022 \$	Six months to 31 December 2021 \$
At a point in time		
Equipment sales	1,269,992	919,370
Field services	484,725	380,781
	1,754,717	1,300,151
Over time		
Equipment rentals	1,096,223	903,848
Subscription revenue	763,399	657,665
	1,859,622	1,561,513
Total revenue	3,614,339	2,861,664

Note 3: Finance charges

	Six months to 31 December 2022 \$	Six months to 31 December 2021 \$
Interest and finance charges paid/payable on borrowings	(50,329)	(28,178)
Interest and finance charges paid/payable on lease liabilities	(6,245)	(8,336)
	(56,574)	(36,514)

Other Notes to the Condensed Interim Financial Statements

Note 4: Income tax benefit

	Six months to 31 December 2022	Six months to 31 December 2021
	\$	\$
FY 2022 R&D Grant received ⁽ⁱ⁾	9,324	81,167
R&D Grant accrued ⁽ⁱⁱ⁾	146,756	149,397
	156,080	230,564

- (i) This is the grant received in excess of the accrual.
(ii) From FY 2022 Spectur Ltd is accruing for the grant monthly based on year to date R&D activity.

Note 5: Issued Capital

	31 December 2022	30 June 2022
	\$	\$
Ordinary shares issued and fully paid	15,362,630	12,565,412

Movement in ordinary shares on issue

	6 months to 31 December 2022		Year to 30 June 2022	
	Number	\$	Number	\$
Balance at beginning of period	106,305,280	12,565,412	106,305,280	12,573,174
Share placement and SPP at \$0.036	83,678,154	3,012,414	-	-
Share issue costs	-	(317,770)	-	(7,762)
Shares issued to Directors at \$0.031	784,727	24,327	-	-
Shares issued to employees at \$0.039	1,968,037	78,247	-	-
Balance at end of the period	192,736,198	15,362,630	106,305,280	12,565,412

Note 6: Reserves

Nature and purpose of reserves

Options Reserve

This reserve is used to record the value of options subscribed for or provided to employees and consultants. Refer to Note 12 for further details of these plans.

Performance Rights Reserve

This reserve is used to record the value of performance rights provided to employees, Directors and consultants as part of their remuneration. Refer to Note 12 for further details of these plans.

At 31 December 2022, the Company had the following reserve accounts:

	31 December 2022		30 June 2022	
	Number	\$	Number	\$
Options	49,889,035	285,793	6,550,000	257,769
Performance rights	21,999,454	107,694	10,579,477	8,361
Service rights	6,000,000	7,750	-	-
Balance at end of period	77,888,489	401,237	17,129,477	266,130

Other Notes to the Condensed Interim Financial Statements

Note 6: Reserves (continued)

OPTIONS RESERVE MOVEMENT

	6 months to 31 December 2022		Year to 30 June 2022	
	Number	\$	Number	\$
<i>Movement of Company options:</i>				
Balance at beginning of period	6,550,000	257,769	4,300,000	151,396
Options issued to EGP Capital ⁽ⁱ⁾	-	-	2,250,000	89,478
Placement options issued	41,839,035	-	-	-
Lead manager options ⁽ⁱⁱ⁾	1,500,000	28,024	-	-
Options issued to directors	-	-	-	16,895
Balance at end of period	49,889,035	285,793	6,550,000	257,769

⁽ⁱ⁾ These options were issued to Fundhost Limited (ACN 092 517 087) in its capacity as responsible entity for the EGP Concentrated Value Fund (ABN 47 803 988 600), pursuant to the terms of the loan facility agreement with EGP Capital.

⁽ⁱⁱ⁾ These options were issued to Reach Corporate Pty (Ltd) as the lead manager for the share placement.

PERFORMANCE RIGHTS RESERVE MOVEMENT

	6 months to 31 December 2022		Year to 30 June 2022	
	Number	\$	Number	\$
<i>Movement of issued performance rights:</i>				
Balance at beginning of period	10,579,477	8,361	11,604,153	26,376
Brought to account during the period	21,999,454	107,694	-	18,110
Performance rights cancelled during the period ⁽ⁱ⁾	(10,579,477)	(8,361)	(1,024,676)	-
Expired performance rights transferred to retained earnings	-	-	-	(36,125)
Balance at end of period	21,999,454	107,694	10,579,477	8,361

⁽ⁱ⁾ Value of performance rights written back as agreed between the entity and the holders as vesting conditions are not anticipated being met.

SERVICE RIGHTS RESERVE MOVEMENT

	6 months to 31 December 2022		Year to 30 June 2022	
	Number	\$	Number	\$
<i>Movement of issued service rights:</i>				
Balance at beginning of period	-	-	-	-
Brought to account during the period	6,000,000	7,750	-	-
Balance at end of period	6,000,000	7,750	-	-

Other Notes to the Condensed Interim Financial Statements

Note 7: Loss per Share (continued)

Basic and diluted loss per share

	Six months to 31 December 2022	Six months to 31 December 2021
	Cents per share	Cents per share
Basic and diluted loss per share	(0.66)	(0.91)

Losses

Losses used in the calculation of basic loss per share is as follows:

	Six months to 31 December 2022	Six months to 31 December 2021
	\$	\$
Loss for the period	(1,047,467)	(967,760)

Weighted average number of ordinary shares.

The weighted average number of ordinary shares used in the calculation of basic and diluted loss per share is as follows:

	Six months to 31 December 2022	Six months to 31 December 2021
	Number	Number
Weighted average number of ordinary shares for the purpose of basic loss per share	159,513,274	106,305,280

Share options and performance rights are not considered dilutive, as their impact would be to decrease the net loss per share.

Note 8: Other receivables

	31 December 2022	30 June 2022
	\$	\$
Loans to Joint venture ⁽ⁱ⁾	153,367	39,074
Deposits – property leases ⁽ⁱⁱ⁾	21,490	19,780
Deposits – customer contracts ⁽ⁱⁱⁱ⁾	106,814	106,814
Closing balance	281,671	165,668

(i) The loan is non-interest bearing and is repayable at the discretion of Spectur Limited.

(ii) Deposits on property leases is refundable upon termination of the lease agreement.

(iii) The customer contract is for 2 years and commenced on 19 November 2021. The security deposit is refundable at the end of the contract period – 18 November 2023.

Other Notes to the Condensed Interim Financial Statements

Note 9: Investment in joint venture using the equity method

Name of joint venture	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by Spectur	
			31 December 2022	30 June 2022
Spectur New Zealand Pty Ltd	NZ	Provide Spectur security, sensing and visual artificial intelligence products to New Zealand customers.	51%	51%

The investment in Spectur NZ is accounted for using the equity method in accordance with AASB 128. No dividends were received from Spectur NZ during the six months to 31 December 2022. Spectur NZ is a private company; therefore, no quoted market prices are available for its shares.

	31 December 2022	30 June 2022
	\$	\$
Carrying amount of interest in joint venture	-	-
	6 months to 31 December 2022	Year to 30 June 2022
	\$	\$
<i>Share of joint venture loss</i>		
Share of loss for the period	(13,701)	(38,570)
	(13,701)	(38,570)

Other Notes to the Condensed Interim Financial Statements

Note 10: Intangible Assets

	Patents \$	Product Development \$	Other Intangibles \$	Total \$
Carrying value				
Cost	38,674	739,339	100,000	878,013
Accumulated amortisation	(23,436)	(627,438)	(86,116)	(736,990)
Impairment	-	(72,763)	(13,884)	(86,647)
Carrying value as at 31 December 2022	15,238	39,138	-	54,376
Cost	38,674	739,339	100,000	878,013
Accumulated amortisation	(20,832)	(588,306)	(86,116)	(695,254)
Impairment	-	(72,763)	(13,884)	(86,647)
Carrying value as at 30 June 2022	17,842	78,270	-	96,112
Reconciliation				
Carrying value as at 1 July 2022	17,842	78,270	-	96,112
Amortisation	(2,604)	(39,132)	-	(41,736)
Carrying value as at 31 December 2022	15,238	39,138	-	54,376
Carrying value as at 1 July 2021	23,050	156,539	-	179,589
Amortisation	(5,208)	(78,269)	-	(83,477)
Impairment	-	-	-	-
Carrying value as at 30 June 2022	17,842	78,270	-	96,112

Note 11: Borrowings and other financial liabilities

	31 December 2022 \$	30 June 2022 \$
Current loans		
Non-secured loans	1,100,000	-
Secured loans	51,445	8,584
Total current loans	1,151,445	8,584
Non-current loans		
Non-secured loans	-	700,000
Secured loans	50,879	55,700
Total non-current loans	50,879	755,700
Total loans	1,202,324	764,284

Other Notes to the Condensed Interim Financial Statements

Note 11: Borrowings and other financial liabilities (continued)

Secured Loans

These loans are secured by Motor Vehicles. The interest rates on these loans are fixed and at 3.40% and interest is repayable within a period of 45 months from the reporting date. Total monthly repayments are \$886 with a final payment of \$25,700 at the end of the term.

Non-Secured Loans

This is a \$1.1 million loan facility with EGP Capital. Interest on this loan is 7% on the drawdown amount. There is also a 3% line fee which is payable quarterly in advance until the end of the contract date – 31 December 2023. At balance date the Company had drawn down \$1,100,000 of this facility. The facility is repayable, at the option of the Company, either in cash or by issuing fully paid Spectur Limited ordinary shares. The number of shares to be issued would be based on a 20% discount to the 30-day Volume Weighted Average Price (VWAP) of Spectur Limited shares as trading on the ASX. The Company has effectively been granted a put option by EGP Capital, which creates a derivative. The Company has calculated this derivative to be an immaterial amount, therefore the liability has been stated at its face value at balance date.

Note 12 Share-based Payments

The following share-based payment arrangements were in place during the period:

Options	Number	Grant date	Expiry date	Exercise Price	Fair value at balance date	Vesting date
				\$	\$	\$
Employee options	2,200,000	30 Jun 2021	30 Jun 2024	0.10	77,458	30 Jun 2021
Director options	2,100,000	30 Jun 2021	30 Jun 2024	0.13	90,832	29 Oct 2021
Loan facility options (i)	2,250,000	29 Oct 2021	31 Dec 2023	0.12	89,478	29 Oct 2021
Lead Manager options (ii)	1,500,000	8 Sep 2022	7 Sep 2025	0.07	28,024	8 Sep 2022

- (i) These options were issued to Fundhost Limited (ACN 092 517 087) in its capacity as responsible entity for the EGP Concentrated Value Fund (ABN 47 803 988 600), pursuant to the terms of the Loan Facility Agreement with EGP Capital.
- (ii) These options were issued to Reach Corporate Pty Ltd (ABN 76 638 960 540) in its capacity as lead manager for the share placement in September 2022.

The fair value of the options has been determined using a Black Scholes option pricing model with the following inputs:

	Director options	Employees options	Loan facility options	Lead Manager options
Strike price	0.13	0.10	0.12	0.07
Spot price	0.09	0.07	0.09	0.04
Expected volatility (%)	90.97%	90.97%	90.97%	91.87%
Risk-free interest rate (%)	1.69%	1.69%	1.69%	3.00%

Performance rights	Number	Grant date	Expiry date	Value at grant date	Fair value at balance date	Vesting date
				\$	\$	\$
Director	8,763,522	25 Nov 2022	30 Jun 2025	0.031	271,669	30 Jun 2024
Employees	13,235,932	7 Oct 2022	30 Jun 2025	0.033	436,786	30 Jun 2024

During the 6 months ended 31 December 2022, 6,993,139 Director and 3,586,338 employee performance rights were cancelled by agreement between the entity and the holder. This resulted in a reversal of previously expensed amounts of \$8,361 (2022: \$nil).

Other Notes to the Condensed Interim Financial Statements

Note 12 Share-based Payments (continued)

The Performance Rights detailed above have been allocated and/or issued to key management personnel and senior employees under the Scheme as long-term incentives.

The Performance Rights are issued for \$nil cash consideration but will not vest unless the performance conditions set by the Board have been satisfied, with the final quantum to be determined on the vesting and measurement date of 30 June 2024. The Performance Rights have been valued based on the Company's share price on grant date.

The expected life of the performance rights is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of performance rights granted were incorporated into the measurement of fair value.

Note 13: Events after the reporting period

Acquisition

On 23 December 2022, the Company announced that it had entered into a binding agreement to acquire 100% of the equity in 3 Crowns Technology Pty Ltd, a provider of artificial intelligence monitoring, analysis and reporting solutions for cameras and data, for \$600k cash and \$250k scrip valued at the 30-day VWAP at the time of completion. The acquisition was completed on 17 February 2023 as per the ASX announcement dated 20 February 2023.

Consideration transferred

The key terms of the acquisition of 3 Crowns Technologies Pty Ltd are set out below:

- a) Spectur Limited has issued 8,048,678 ordinary fully paid shares, valued at \$250k to Coastalwatch Holdings Pty Ltd.
- b) Spectur Limited has also paid \$600,000 to Coastalwatch Holdings Pty Ltd.

50% of the ordinary shares issued are subject to escrow for a period of 3 months from completion, with the balance subject to voluntary escrow for a period of 6 months from completion.

Spectur Ltd will recognise the fair values of the identifiable assets and liabilities of 3 Crowns Technologies Pty Ltd based upon the best information available as of the acquisition date.

Provisional business combination accounting is as follows:

	\$
Fair value of identifiable net assets	586,700
Unallocated purchase price	263,300
Total consideration	850,000

The Company will finalise its accounting for the acquisition when it finalise its financial report for the year ending 30 June 2023.

Net cash outflow arising on acquisition:

	\$
Cash paid	(600,000)
Net cash acquired with the subsidiary	157,233
Net cash outflow	(442,767)

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Director's Declaration

1. In the opinion of the Directors of Spectur Limited ("Spectur" or the "Company"):
 - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the half year then ended in accordance with the accounting policies described in the notes to the financial statements; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the 6 months ended 31 December 2022.

This declaration is signed in accordance with a resolution of the board of Directors.



Dr Gerard John Dyson
Managing Director

Dated this 28 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Spectur Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Spectur Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2022, the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

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

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

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

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Auditor's responsibility for the review of the financial report

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

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


Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 February 2023



L Di Giallonardo
Partner

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