Spectur Limited

Appendix 4D

Half Year Report- For the six months ended 31 December 2019
(Previous corresponding period: 31 December 2018)

Results for announcement to the market

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

	31 December 2019 Current Period $	*Percentage Change Up /(Down)*	Change Up /(Down) $	31 December 2018 Previous Corresponding Period $
Revenue from ordinary activities	2,619,229	19%	426,161	2,196,068
Loss from ordinary activities after tax	(829,946)	47%	744,109	(1,574,055)
Net Loss for the period attributable to members	(829,946)	47%	744,109	(1,574,055)

Commentary on the above figures is included in the attached Interim Financial Report for the half year ended 31 December 2019.

2. Statement of comprehensive income
Refer to attached Interim Financial Report for the half year ended 31 December 2019.

3. Statement of financial position
Refer to attached Interim Financial Report for the half year ended 31 December 2019.

4. Statement of cash flows
Refer to attached Interim Financial Report for the half year ended 31 December 2019.

5. Statement of changes in equity
Refer to attached Interim Financial Report for the half year ended 31 December 2019.

6. Dividend payments
Refer to attached Interim Financial Report for the half year ended 31 December 2019
The Company does not propose to pay any dividends in the current period.

7. Dividend reinvestment plans
Not applicable.

This Appendix 4D Half Year Report is provided to the ASX under Listing Rule 4.2A3 and should be read in conjunction with the accompanying Interim Financial Report for the half year ended 31 December 2019.

8. Net tangible assets per security

	Current Period (31 December 2019)	Previous Corresponding Period (31 December 2018)
Cents per ordinary share	3.33 cents	5.25 cents

9. Details of entities over which control has been gained or lost

Not applicable

10. Details of Associates and joint ventures

Not applicable

11. Other significant information

Not applicable

12. Foreign entities

Not applicable.

13. Status of audit

The Interim Financial Report for the half year ended 31 December 2019 has been audit reviewed and is not subject to dispute or qualification

Spectur Limited

ACN 140 151 579

Interim Financial Report
31 December 2019

Content

Directors
Mr Darren John Cooper
Dr Gerard John Dyson
Mr Stephen Paul Bodeker
Mrs Bilyana Smith

Company Secretary
Mrs Suzie Jayne Foreman

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Solicitors
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Perth WA 6000

Bankers
ANZ Bank
127/816 Beeliar Drive
Success WA 6164

Auditors
HLB Mann Judd (WA Partnership)
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Director's Report

The Board of Directors of Spectur Limited present their report on Spectur Limited ("Company" or "Spectur") for the half year ended 31 December 2019.

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	Director (Non-Executive Chair)	
Gerard John Dyson	Managing Director	Appointed 1 July 2019
Bilyana Smith	Non-Executive Director	Appointed 1 October 2019
Stephen Paul Bodeker	Non-Executive Director	
Andrew Mark Hagen	Non-Executive Director	Resigned 22 October 2019
Suzie Jayne Foreman	Company Secretary	

PRINCIPAL ACTIVITIES

The principal activity of the Company during the half year was to develop, manufacture and sell Remote Solar 3G/4G based deterrence, surveillance and warning 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.

OPERATING AND FINANCIAL REVIEW

Results of Operations
For H1 2020 (six months to December 2019) Spectur reported revenue of $2,619k, up 19% on H1 FY19 (six months to December 2018) of $2,196k. Recurring revenues from data plan, server access and monitoring services were $576k for H1 FY20 demonstrating ongoing customer growth and retention and the contribution by the Software as a Service (SaaS) model to Spectur's sustainable growing revenue base. H1 FY20 recurring revenue (excluding rentals) was $576k (annual run rate of $1.22 million).

Overall, there were signs of slowing in the rate of hardware sales due to delays in recruitment to the sales team. This is anticipated to reverse over H2 FY2020 due to additional recruitment to the outbound focused sales team, expected to be onboarded in Q3.

The Company has experienced a transformational change in EBITDA / earnings performance with the net loss after tax for H1 FY20 of $830k, decreasing by 47% on H1FY19 of $1,574k. The improvement is underpinned by improvements in operational effectiveness and efficiency in the Company. Gross profit margin has increased from 58% to 63%.

Spectur ended the half year with a strong balance sheet, comprising of a cash balance of circa $2.1million and normalised inventory levels of $687k. The Company experienced its first cash flow positive quarter in Q2 and continues in the general trend of improving cash performance.

Looking forward to H2 FY20, there will be an expected short-term increase in the cash consumption rate from

- Additions to sales team of four experienced outbound focused employees
- Investment in marketing for STA6 technology
- Ramp up in componentry and manufacturing for additional product line

The Company is satisfied that it has sufficient cash reserves to fund its current strategy.

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-AUDIT 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 5 and forms part of this Directors' report for the half year ended 31 December 2019.

Signed in accordance with a resolution of the directors.

Dr Gerard John Dyson
Managing Director
Dated this 24 February 2020

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Spectur Limited for the half-year ended 31 December 2019, 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.

Perth, Western Australia
24 February 2020

L Di Giallonardo
Partner

hlb.com.au

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Condensed Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2019

	Notes	Six months to 31 December 2019 $	Six months to 31 December 2018 $
Continuing Operations			
Revenue	1	2,619,229	2,196,068
Cost of Sales		(976,750)	(933,327)
Gross profit		1,642,479	1,262,741
Interest income		8,545	13,971
Research and development expenses		(276,037)	(573,490)
Employee benefits		(1,303,515)	(1,150,420)
General and administrative expenses		(564,506)	(545,344)
Marketing and advertising		(116,243)	(205,799)
Property expenses		(110,754)	(126,575)
Depreciation and amortisation		(190,911)	(120,261)
Interest expense		(12,821)	(6,634)
Share-based payment expense		(27,353)	(158,972)
Loss before income tax benefit		**(951,116)**	**(1,610,783)**
Income tax benefit		121,170	36,728
Loss for the year		**(829,946)**	**(1,574,055)**
Other comprehensive loss for the year		-	-
Total comprehensive loss for the year		**(829,946)**	**(1,574,055)**
Loss attributable to members of the Company		**(829,946)**	**(1,574,055)**
Basic loss per share (cents per share)	3	**(1.21)**	**(3.03)**

The accompanying notes form part of these financial statements.

Condensed Statement of Financial Position
As at 31 December 2019

	Notes	31 December 2019 $	30 June 2019 $
Assets			
Current Assets			
Cash and cash equivalents		2,087,625	1,303,261
Trade and other receivables		1,127,420	1,226,843
Inventories		686,926	936,696
Total Current Assets		**3,901,971**	**3,466,800**
Non-Current Assets			
Property, plant and equipment		730,235	645,268
Right-of-use assets	4 & 9	330,257	-
Intangible assets	5	490,545	597,310
Total Non-Current Assets		**1,551,037**	**1,242,578**
Total Assets		**5,453,008**	**4,709,378**
Liabilities			
Current Liabilities			
Trade and other payables		1,288,525	1,494,726
Lease liability	6 & 9	110,407	-
Borrowings		41,957	101,570
Provisions		313,303	271,265
Total Current Liabilities		**1,754,192**	**1,867,561**
Non-Current Liabilities			
Borrowings		77,247	107,377
Lease liability	6 & 9	224,213	-
Provisions		60,117	60,117
Total Non-Current Liabilities		**361,577**	**167,494**
Total Liabilities		**2,115,769**	**2,035,055**
Net Assets		**3,337,239**	**2,674,323**
Equity			
Issued capital	7	11,057,068	8,997,115
Reserves		541,577	1,108,668
Accumulated losses		(8,261,406)	(7,431,460)
Net Equity		**3,337,239**	**2,674,323**

The accompanying notes form part of these financial statements.

Condensed Statement of Changes in Equity
for the half year ended 31 December 2019

	Issued Capital	Reserves	Accumulated Losses	Total Equity
	$	$	$	$
Balance at 1 July 2019	**8,997,115**	**1,108,668**	**(7,431,460)**	**2,674,323**
Loss for the period	-	-	(829,946)	(829,946)
Total Comprehensive loss for the period	**-**	**-**	**(829,946)**	**(829,946)**
Shares issued during the period	1,590,000	-	-	1,590,000
Share issue costs	(230,047)	-	-	(230,047)
Value of options brought to account during the period	-	107,686	-	107,686
Value of performance rights brought to account during the period	-	25,223	-	25,223
Performance Rights converted	700,000	(700,000)	-	-
Balance as at 31 December 2019	**11,057,068**	**541,577**	**(8,261,406)**	**3,337,239**

	Issued Capital	Reserves	Accumulated Losses	Total Equity
	$	$	$	$
Balance at 1 July 2018	**8,220,651**	**1,717,498**	**(4,823,293)**	**5,114,856**
Loss for the period	-	-	(1,574,055)	(1,574,055)
Total Comprehensive loss for the period	**-**	**-**	**(1,574,055)**	**(1,574,055)**
Shares issued during the period	16,000	-	-	16,000
Share issue costs	(14,004)	-	-	(14,004)
Performance rights converted	700,000	(700,000)	-	-
Performance rights forfeited	-	(111,111)	-	(111,111)
Value of options brought to account during the period	-	7,603	-	7,603
Value of performance rights brought to account during the period	-	276,483	-	276,483
Balance as at 31 December 2018	**8,922,647**	**1,190,473**	**(6,397,348)**	**3,715,772**

The accompanying notes form part of these financial statements.

Condensed Statement of Cash Flows
for the half year ended 31 December 2019

	Six months to 31 December 2019 $	Six months to 31 December 2018 $
Cash flows from operating activities		
Receipts from customers	2,999,698	2,127,503
Payments to suppliers and employees	(3,677,684)	(4,584,113)
Interest received	6,917	13,967
Finance and related charges	(12,863)	(7,050)
R & D tax incentives received	331,533	464,104
Net cash used in operating activities	**(352,399)**	**(1,985,589)**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	2,674	36,190
Payments for intangible assets	(40,112)	(16,667)
Purchase of property, plant and equipment	(11,861)	(73,025)
Net cash used in investing activities	**(49,299)**	**(53,502)**
Cash flow from financing activities		
Proceeds from issue and subscription of shares	1,407,399	16,000
Payments for share issue costs	(133,828)	-
Repayment of lease liabilities	(44,484)	-
Repayment of borrowings	(43,025)	(58,769)
Net cash from / (used in) financing activities	**1,186,062**	**(42,769)**
Net increase / (decrease) in cash and cash equivalents held	784,364	(2,081,860)
Cash and cash equivalents at the beginning of the half year	1,303,261	3,487,070
Cash and cash equivalents at the end of the half year	**2,087,625**	**1,405,210**

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 2019 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 24 February 2020.

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 2019

AASB 16 Leases

The Company has applied AASB 16 from 1 July 2019 using the modified retrospective approach, with no restatement of comparative information.
The impact on the accounting policies, financial performance and financial position of the Company from the adoption of AASB 16 is detailed in Note 9.
Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Company.

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 2019. 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 Company 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 settlements of liabilities in the ordinary course of business.

Other Notes to the Condensed Interim Financial Statements

Note 1: 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 2019 $	Six months to 31 December 2018 $
At a point in time		
Equipment sales	955,307	1,067,566
Field services	333,864	262,712
	1,289,171	**1,330,278**
Over time		
Equipment rentals	753,855	543,470
Recurring revenue	576,203	322,320
	1,330,058	**865,790**
Total revenue	**2,619,229**	**2,196,068**

Note 2: 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 CEO 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.

Other Notes to the Condensed Interim Financial Statements

Note 3: Loss per Share

Basic loss per share

	Six months to 31 December 2019 Cents per share	Six months to 31 December 2018 Cents per share
Basic loss per share	**(1.21)**	**(3.03)**

Losses

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

	Six months to 31 December 2019 $	Six months to 31 December 2018 $
Losses	**(829,946)**	**(1,574,055)**

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 2019 Number	Six months to 31 December 2018 Number
Weighted average number of ordinary shares for the purpose of basic loss per share	**68,677,436**	**52,019,862**

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

Note 4: Right-of-use Assets

Carrying value

	Premises	Total
Cost	379,104	379,104
Accumulated depreciation	(48,847)	(48,847)
Carrying value as at 31 December 2019	**330,257**	**330,257**

Reconciliation

	Premises	Total
Recognised on 1 July 2019 on adoption of AASB 16	242,852	242,852
Additions	136,252	136,252
Depreciation expense	(48,847)	(48,847)
Carrying value as at 31 December 2019	**330,257**	**330,257**

AASB 16 has been adopted during the period, refer note 9 for details.

Note 5: Intangible Assets

	Patents $	Product Development $	Other Intangibles $	Total $
Carrying value				
Cost	38,674	739,339	100,000	878,013
Accumulated amortisation	(7,812)	(310,208)	(69,448)	(387,468)
Carrying value as at 31 December 2019	**30,862**	**429,131**	**30,552**	**490,545**
Cost	38,674	739,339	100,000	878,013
Accumulated amortisation	(5,208)	(222,715)	(52,780)	(280,703)
Carrying value as at 30 June 2019	**33,466**	**516,624**	**47,220**	**597,310**
Reconciliation				
Carrying value as at 1 July 2019	33,466	516,624	47,220	597,310
Amortisation	(2,604)	(87,493)	(16,668)	(106,765)
Carrying value as at 31 December 2019	**30,862**	**429,131**	**30,552**	**490,545**
Carrying value as at 1 July 2018	38,674	739,339	80,556	858,569
Amortisation	(5,208)	(174,987)	(33,336)	(213,531)
Impairment	-	(47,728)	-	(47,728)
Carrying value as at 30 June 2019	**33,466**	**516,624**	**47,220**	**597,310**

Impairment of tangible and intangible assets other than Other Intangibles

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

Other Intangibles

Other Intangibles acquired are initially measured at cost.

Following initial recognition, Other Intangibles are measured at cost less amortisation and any impairment losses.

Other Intangibles are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (Company of cash-generating units), to which the Other Intangibles relates. When the recoverable amount of the cash-generating unit (Company of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When Other Intangibles forms part of a cash-generating unit (Company of cash-generating units) and an operation within that unit is disposed of, the Other Intangibles associated with the operation disposed of are included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Other Intangibles disposed of in this manner are measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for Other Intangibles are not subsequently reversed.

Other Notes to the Condensed Interim Financial Statements

Note 6: Lease liabilities

	Premises $	Total $
Current liabilities	110,407	110,407
Non-current liabilities	224,213	224,213
	334,620	**334,620**

Reconciliation

	Premises $	Total $
Recognised on 1 July 2019 on adoption of AASB 16	242,852	242,852
Lease inception	136,252	136,252
Principal repayments	(44,484)	(44,484)
Carrying value as at 31 December 2019	**334,620**	**334,620**

AASB 16 has been adopted during the period, refer note 9 for details.

The Company leases a number of premises and the average lease term is 3 years.
Underlying assets serve as security for the related lease liabilities. A maturity analysis of future minimum lease payments is presented below:

	Lease payments due				
	<1 year $	1-2 years $	2-3 years $	3-4 years $	Total $
Lease payments	125,220	116,460	91,350	28,575	361,605
Interest	(14,077)	(8,968)	(3,664)	(276)	(26,985)
Net present value as at 31 December 2019	**111,143**	**107,492**	**87,686**	**28,299**	**334,620**

Lease payments not recognised as a liability

Lease payments expensed during the period and thus not included in the measurement of the lease liability are as follows:

	31 December 2019 $
Short term leases	**62,995**

At 31 December 2019, the Company was committed to short-term leases, giving rise to total commitments of $52,929 at that date.

Total cash outflow relating to leases for the period ended 31 December 2019 was $115,825.

Note 7: Issued Capital

	31 December 2019 $	30 June 2019 $
Ordinary shares issued and fully paid	**11,057,068**	**8,997,115**

Movement in ordinary shares on issue

	6 months to 31 December 2019 Number	6 months to 31 December 2019 $	Year to 30 June 2019 Number	Year to 30 June 2019 $
Balance at beginning of year	56,402,293	8,997,115	49,000,025	8,220,651
Issue of remuneration shares	-	-	155,602	36,690
Shares issued on exercise of options	-	-	80,000	16,000
Share placement at $0.13	12,230,773	1,590,000	-	-
Shares issued on exercise of performance rights	6,999,999	700,000	7,166,666	751,666
Share issue costs	-	(230,047)	-	(27,892)
Balance at end of the period	**75,633,065**	**11,057,068**	**56,402,293**	**8,997,115**

Note 8: 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 grant date $	Vesting date $
Consultant options	250,000	19 May 2017	31 Dec 2020	0.20	2,500	19 May 2017
Employee options	450,000	19 May 2017	31 Dec 2020	0.20	4,500	19 May 2017
Consultant options	500,000	9 Jun 2017	31 Dec 2020	0.20	5,000	9 Jun 2017
Employee options	1,650,000	9 Jun 2017	31 Dec 2020	0.20	16,500	9 Jun 2017
Employee options	150,000	19 Jan 2018	31 Dec 2020	0.37	30,165	19 Jan 2019
Consultant options (i)	4,000,000	15 Aug 2019	31 Dec 2020	0.20	100,000	15 Aug 2019

(i) Listed options – valued at $0.025 being the traded price at the grant date

Performance rights	Number	Grant date	Expiry date	Value at grant date $	Fair value at grant date $	Vesting date $
Consultants [Tranche 3]	333,333	25 Jul 2017	31 Dec 2020	0.10	33,333	30 Jun 2020
Director (ii)	1,607,919	11 Nov 2019	30 Jun 2023	0.09	147,971	30 Jun 2022
Employees (ii)	705,011	11 Nov 2019	30 Jun 2023	0.09	64,880	30 Jun 2022

(ii) The fair value of the performance rights granted under the Spectur employee incentive plans are estimated as at the date of grant using an option pricing model taking into account the terms and conditions upon which the performance rights were granted as follows:

Note 8: Share-based Payments (continued)

	Director	Employees
Dividend yield (%)	0%	0%
Expected volatility (%)	89.49%	89.49%
Risk-free interest rate (%)	0.86%	0.86%
Expected life of option years)	2.6	2.6
Exercise price (cents)	-	-
Grant date share price	0.105	0.105

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.

The following share-based performance rights were exercised during the period:

	Number exercised	Date exercised	Share price at exercise date $
Performance Rights – [Tranche 2]	3,333,333	13/11/2019	0.105
Performance Rights – [Tranche 2]	3,666,666	11/12/2019	0.100

Note 9: New Standards Adopted

AASB 16 Leases

Change in accounting policy

AASB 16 Leases supersedes AASB 117 Leases. The Company has adopted AASB 16 from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The changes result in almost all leases where the Company is the lessee being recognised on the Statement of Financial Position and removes the former distinction between 'operating and 'finance' leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

The Company has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. Under this approach, there is no initial Impact on retained earnings under this approach, and comparatives have not been restated.

The Company leases various premises. Prior to 1 July 2019, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, where the Company is a lessee, the Company recognises a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Company (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the rate implied in the lease. If this rate is not readily determinable, the Company uses its incremental borrowing rate.

Note 9: New Standards Adopted (continued)

Lease payments included in the initial measurement if the lease liability consist of:

- Fixed lease payments less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date.
- Any amounts expected to be payable by the Company under residual value guarantees.
- The exercise price of purchase options, if the Company is reasonably certain to exercise the options; and
- Termination penalties of the lease term reflects the exercise of an option to terminate the lease.

Extension options are included in a number of property leases across the Company. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if, at commencement date, it is reasonably certain that the options will be exercised.

Subsequent to initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment to the right-of-use asset) whenever there us a change in the lease term (including assessments relating to extension and termination options), lease payments due to changes in an index or rate, or expected payments under guaranteed residual values.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives received and any initial direct costs. These right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the terms of a lease require the Company to restore the underlying asset, or the Company has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease.

Where leases have a term of less than 12 months or relate to low value assets, the Company has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

Impact on adoption of AASB 16

On adoption of AASB 16, the Company recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 5.5%.

On initial application right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised In the Statement of Financial Position as at 30 June 2019.

In the Condensed Statement of Cash Flows, the Company has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

The adoption of AASB 16 resulted in the recognition of right-of-use assets of $242,852 and lease liabilities of $242,852 in respect of all operating leases at 1 July 2019, other than short-term leases and leases of low-value assets.

The net impact on accumulated losses on 1 July 2019 was $nil.

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 2019 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 2019.

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

Dr Gerard John Dyson
Managing Director
Dated this 24 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Spectur Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Spectur Limited ("the company"), which comprises the condensed statement of financial position as at 31 December 2019, 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 interim financial report of Spectur Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the interim period ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, 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 company's financial position as 31 December 2019 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*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an 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.

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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

L Di Giallonardo
Partner

Perth, Western Australia
24 February 2020