

## Appendix 4E Final Report

### Secos Group Limited ABN 89 064 755 237

#### Details of the reporting period and the previous corresponding period

Reporting Period: **30 June 2023**  
Previous Corresponding Period: 30 June 2022

#### Results for announcement to the market

Key information	2023 \$'000	2022 \$'000	% Change
Revenues from ordinary activities	22,836	31,043	(26.4%)
Loss before income tax	(5,751)	(2,913)	(97.4%)
Loss from ordinary activities after tax attributable to members	(6,750)	(3,085)	(118.8%)

Dividends Paid and Proposed	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Previous corresponding period	Nil	Nil

Record date for determining entitlements to the dividend.	No dividend has been declared or paid
Dividend re-investment plan.	No dividend re-investment plan in operation

Net Tangible Assets Backing	2023	2022
Net tangible asset backing per ordinary security	3.3 cents	4.3 cents

#### Control gained or lost over entities in the year

There were no entities where control was gained or lost during the period.

#### Commentary on the Results for the period

Refer to the commentary on the results for the period contained in the "Operating and Financial Review" included within the Directors' report.

#### Status of Audit

The 30 June 2023 financial report and accompanying notes for SECOS Group Limited have been audited and are not subject to any disputes or qualifications. Refer to the 30 June 2023 Annual Report for a copy of the auditor's report.

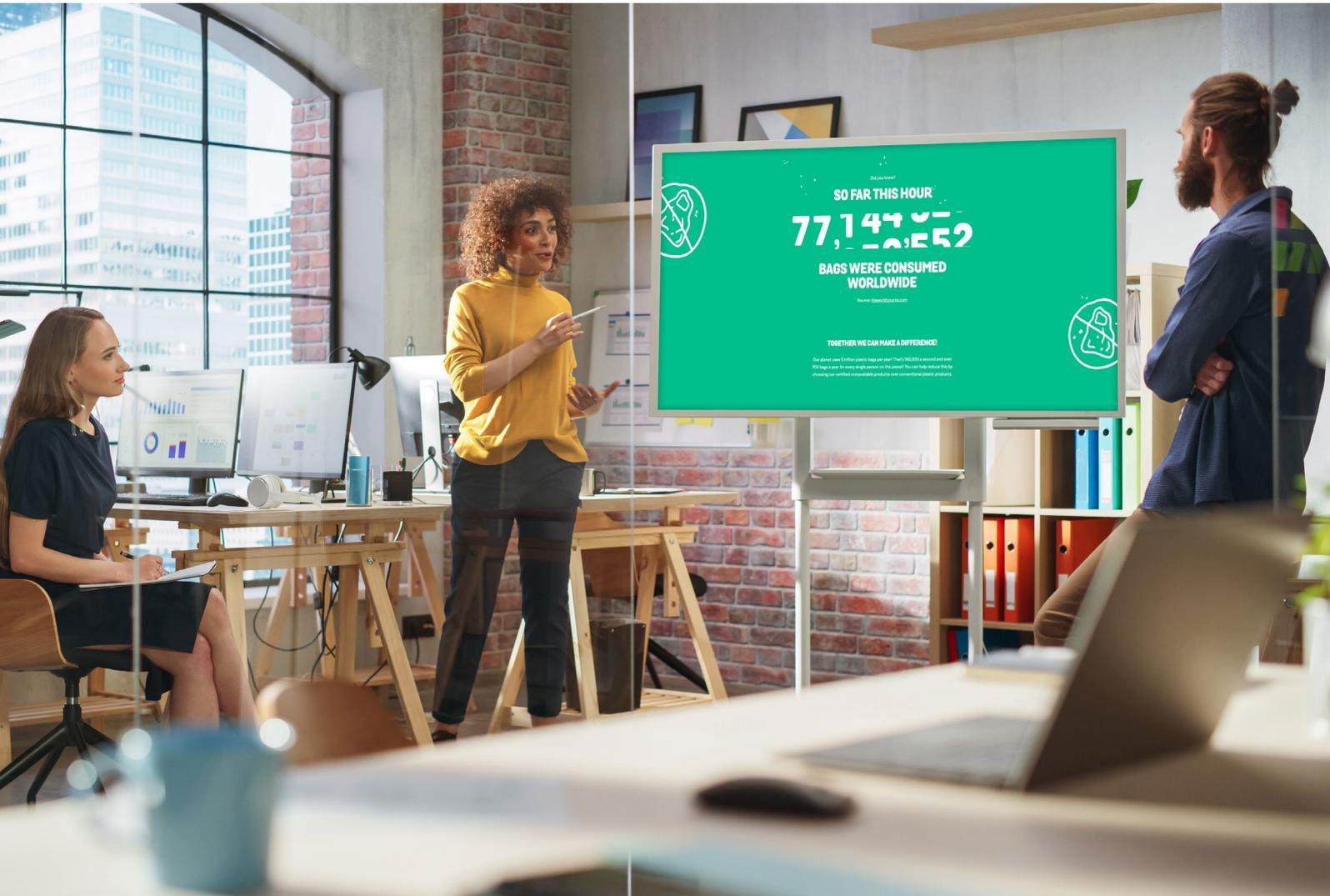


## ANNUAL REPORT

For the year ended 30 June 2023

**SECOS GROUP LIMITED**  
**(ASX:SES)**

ACN 064 755 237



SO FAR THIS HOUR

77,147 BAGS

BAGS WERE CONSUMED WORLDWIDE

TOGETHER WE CAN MAKE A DIFFERENCE!

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# CORPORATE DIRECTORY

<b>DIRECTORS</b>	<p><b>Mr. James (Jim) Walsh</b> (Non-Executive Chairman)</p> <p><b>Mr. Richard Tegoni</b> (CEO, Executive Director)</p> <p><b>Mr. Stephen J Walters</b> (Executive Director)</p> <p><b>Mr. Donald F Haller Jnr</b> (Non-Executive Director)</p> <p><b>Ms. Natalya Jurcheshin</b> (Non-Executive Director)</p>
<b>COMPANY SECRETARY</b>	<b>Mr. Colin Lai</b>
<b>REGISTERED OFFICE</b>	<p>Unit 1, 247 Ferntree Gully Road          Mount Waverley, VIC 3149          Telephone: +61 3 8566 6800          Email: info@secosgroup.com.au</p>
<b>SHARE REGISTRY</b>	<p><b>Advanced Share Registry Limited</b>          110 Stirling Highway,          NEDLANDS, W.A. 6009          Telephone: +61 8 9389 8033          Email: admin@advancedshare.com.au</p>
<b>BANKERS</b>	<p><b>Bank of Melbourne</b>          Level 8, 530 Collins Street,          MELBOURNE, VIC 3000</p>
<b>AUDITORS</b>	<p><b>William Buck</b>          Level 20, 181 William Street,          MELBOURNE, VIC 3000          Telephone: +61 3 9824 8555</p>
<b>LAWYERS</b>	<p><b>CBW Partners</b>          Level 1, 159 Dorcas Street,          SOUTH MELBOURNE, VIC 3205</p>
<b>SECURITIES EXCHANGE</b>	<p><b>Australian Securities Exchange</b>          Level 45          South Tower, Rialto          525 Collins Street          MELBOURNE, VIC 3000</p>
<b>ASX CODE</b>	<b>SES</b>
<b>WEBSITE</b>	<p>Corporate: <a href="http://www.secosgroup.com.au">www.secosgroup.com.au</a></p> <p>E-commerce <a href="http://www.cardiabioproducts.com">www.cardiabioproducts.com</a>  <a href="http://www.myecobag.com.au">www.myecobag.com.au</a>  <a href="http://www.myecoworld.com.au">www.myecoworld.com.au</a>  <a href="http://www.myecopet.com.au">www.myecopet.com.au</a>  <a href="http://www.myecopet.com">www.myecopet.com</a></p>
<b>CORPORATE GOVERNANCE STATEMENT</b>	The Corporate Governance statement can be found on the Investors page at <a href="http://www.secosgroup.com.au">www.secosgroup.com.au</a>

# CHAIRMAN'S REPORT

Dear fellow Shareholders,

On behalf of the Board of SECOS Group Ltd (ASX: SES), I am pleased to present our Annual Report for the year ended 30 June 2023.

This has been a year best measured by outcomes achieved. The successful outcomes delivered by the SECOS team, despite the financial loss result, places the business in a stronger and better place today to deliver shareholder value than when it began the financial year.

The MyEcoBag compostable products continued to deliver, achieving over 140% growth in FY23 compared to last year. The launch into 770 stores in Coles in November 2022 has been successful to date with scan data indicating that MyEcoBag makes up 25% of compostable kitchen caddy and bin liner category sales<sup>(1)</sup> since the launch. The expansion into 970 stores in Woolworths last year has maintained its momentum and MyEcoBag is the number one brand in their compostable kitchen caddy and bin liner category representing 42% of all sales.<sup>(2)</sup> Relationships with the national distributors including Pacchini Sales & Distribution in NSW, Charmlaw in Queensland, Downes in Victoria, and Pemco in WA provide access to over 400 independent stores and enable MyEco™ products to be available through a national independent store network.

In December 2022, the Company announced a plan to supply MyEco™ products into the USA market via an exclusive sales agreement with Jewett Cameron Company (JCC) with a sales target of US\$2.8 million (~AUD\$4.0 million) to maintain exclusivity. We look forward to working with JCC to expose SECOS to the increasing consumer demand for sustainable alternatives to conventional plastics in the USA and Canada markets. The appointment of JCC as the exclusive sales agent will also enable SECOS to reduce its budgeted annual group operating costs by circa \$0.7 million.

Supporting this sales growth will be the new capacity provided via the recent completion of our biopolymer manufacturing plant in Malaysia which can deliver up to \$60 million of sales revenue per annum. Furthermore, the new global research and development (R&D) centre has continued to trial and develop new products to support future sales growth. These capabilities together with the asset sale and closure of the group's traditional plastic business announced on 1 August 2023 are re-shaping SECOS and set a clearer runway for the business to grow. Going forward, the company will be producing 100% of its products as sustainable or compostable in line with its strategy to become a world leader in sustainable packaging.

The Company operated under extraordinary trading conditions during the year resulting from inflationary impacts, global supply chain issues and residual Covid-19 disruptions that also plagued many companies around the world. However, SECOS remains well placed to grow as various parts of the world continue to seek sustainable packaging solutions and the removal of plastic from our environment. Every day, more and more companies are seeking to find solutions that make the way they produce their products more sustainable and SECOS is seeing its pipeline of opportunities continue to improve.

The key financial results for FY23 were disappointing, being a loss before tax of \$5.8 million (FY22: \$2.9 million loss), sales of \$22.8 million (FY22: \$31.0 million) and a gross margin of 13.8% (FY22: 13.1%). The decrease in sales is primarily due to the strategic decision to reduce low margin traditional petroleum film customers and lower resin sales due to supply chain and pandemic issues creating excess inventories at certain converters. The loss before tax result was negatively impacted by non-cash provisions totaling \$1.2 million in relation to expected credit loss and inventory obsolescence. The directors are acutely aware financial performance must improve, and we will strive to increase biopolymer sales and margins. On a positive note, working capital reduced by \$6.8 million compared to last year driven by effective working capital management which enabled inventory to reduce by \$3.2 million, despite supply chain disruptions in the first half of the financial year.



(1) IRI Scan Data between 12/11/22 to 18/7/23

(2) Quantum Scan Data between 20/7/22 to 18/7/23

It was pleasing to see strong support from existing shareholders and new investors in the successful share placement of \$3.0 million in March 2023 and \$0.9 million raised from the Share Purchase Plan in April 2023. The proceeds will be applied to the expansion of the Company's MyEco range including 95% post-consumer waste soft-plastic recycled products, marketing initiatives and the enterprise resource planning (ERP) system implementation which was launched in Australia in July 2023. The Company continues to operate with no debt and finished with a cash balance of \$8.4 million as of 30 June 2023. A \$0.6 million investment has been made in capital expenditure to continue expanding the recently established Malaysian biopolymer film and bag plant and for new equipment for the Company's R&D Centre.

The Board believes that the sale of our traditional plastic assets subsequent to 30 June 2023 will allow SECOS to concentrate fully on its core mission and business. Furthermore, our investments in marketing and R&D capabilities will help deliver increased future compostable and sustainable sales and position the Company to grow its MyEcoBag™ range of products in retail stores and markets. Finally, a repositioning underway with our range of resin products will allow us to expand our portfolio of products to converters as well as allow us to enter new markets. These investments and efforts underly our belief that we have the core competencies and technologies to be a global leader in our markets and demonstrate the combined expertise of the SECOS group. As a result, SECOS has ended the year stronger in terms of resources to take advantage of the global trend to remove plastic from the environment.

On behalf of the board, I would like to thank everyone in the SECOS team for their efforts under very difficult conditions. I would like to thank and welcome the new customers that have made the choice to support a better future for our world, and for the strong support from shareholders and our key stakeholders who continue with us on our journey to change the world of packaging.



Jim Walsh  
Chairman

# DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of SECOS Group Limited ("SECOS" or the "Company") and the entities it controlled ("the Group") at the end of, or during, the year ended 30 June 2023.

## DIRECTORS

The following persons were Directors of SECOS during the financial year and up to the date of this report, unless otherwise stated:

- James (Jim) Walsh (Non-Executive Chairman)
- Richard Tegoni (CEO and Executive Director)
- Stephen J Walters (Executive Director)
- Donald F Haller Jnr (Non-Executive Director)
- Natalya Jurcheshin (Non-Executive Director) (Appointed on 25 May 2023)

## COMPANY SECRETARY

The Company Secretary is Colin Lai who is also the Chief Financial Officer of SECOS.

## PRINCIPAL ACTIVITIES

SECOS Group Limited (ASX: SES) develops, produces and distributes its world leading range of eco-friendly products under the MyEcoWorld™ brand via major retail stores and is a leading developer and manufacturer of sustainable packaging materials for its corporate customers globally. SECOS supplies its proprietary biodegradable and compostable resins, packaging products and high-quality cast films to a blue-chip global customer base. SECOS Group is integrated from resin production into film (cast and blown) production and can develop bespoke compostable solutions for a large range of applications.

SECOS holds a strong patent portfolio and the global trend towards sustainable packaging is fueling the Company's growth.

The Company's headquarters and global R&D centre are based in Melbourne, Australia. SECOS has a R&D centre and manufacturing plant for resins and finished products in China and Malaysia. The Company also has manufacturing plants for high quality cast films in Malaysia as well as manufacturing partners for film, bag making, and other applications in Malaysia, Mexico, and the USA.

SECOS has sales offices in Australia, Malaysia, China, Mexico and the USA, with a network of leading distributors across the Americas, Europe, Asia, the Middle East and Africa.

## OPERATING AND FINANCIAL REVIEW

## FINANCIAL PERFORMANCE

\$'000	FY23	FY22	% Change
Revenue	22,836	31,043	(26.4%)
Traditional	7,902	11,285	(30.0%)
Bio	14,934	19,758	(24.4%)
Gross Margin %	13.8%	13.1%	67bps
EBITDA <sup>(1)</sup>	(3,971)	(1,415)	(180.6%)
Loss before tax	(5,751)	(2,913)	(97.4%)
Net Loss after tax	(6,750)	(3,085)	(118.8%)
Current assets	17,216	20,697	(16.8%)
Current liabilities	3,738	4,918	(24.0%)
Current ratio	4.6	4.2	9.4%
Debt	-	-	-
Equity	23,133	26,669	(13.3%)
Total assets	27,962	33,221	(15.8%)
Debt <sup>(2)</sup> /equity	-	-	-
Debt <sup>(2)</sup> /assets	-	-	-

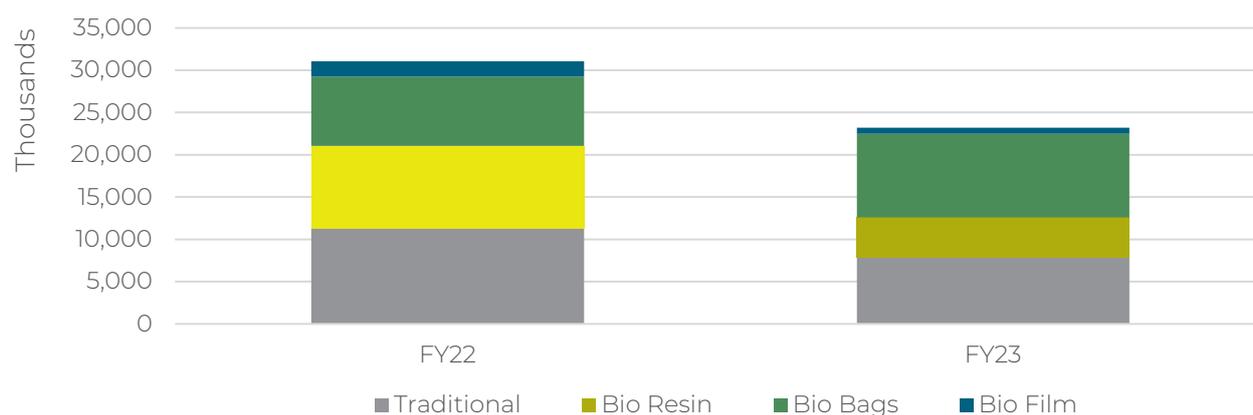
(1) EBITDA stands for earnings before interest, tax, depreciation, and amortisation. EBITDA is a non-IFRS measure and is presented to provide users with additional insight into the Company's business and to facilitate incremental understanding of the Company's underlying financial performance. Non-IFRS information is not audited.

(2) Does not include lease liabilities.

The loss before tax reported for the year is \$5.8 million compared to a loss before tax of \$2.9 million in the prior year and a loss before interest, tax, depreciation and amortisation (EBITDA loss) of \$4.0 million (FY22: \$1.4 million). The key contributors to the current year results are described below.

FY23 sales of \$22.8 million decreased 26.4% year on year (YOY) impacted mainly due to the significant loss of resin business, down 51.9% as a result of supply chain issues and residual Covid-19 factors. It is also due to the Group's strategic decision to reduce low margin traditional plastic sales in line with the company's strategy to become a leader in sustainable packaging products and solutions (plastic sales down 30.0% YOY). Sales of compostable bags grew by 16.0% YOY due to the company's success in expanding its MyEcoWorld™ products throughout major retailers.

## ANNUAL SALES BY PRODUCT GROUP



FY23 Biopolymer sales were 24.4% down YOY and, as stated earlier, traditional plastic sales were down 30.0% YOY. Biopolymer sales of compostable Resins, Films and Bags account for 65.4% of total group sales (FY22: 63.6%) and within this category compostable bags grew YOY by 16.0%.

In November 2022, the Company announced the launch of MyEcoBag™ in 770 Coles stores across Australia. Since the launch, MyEcoBag™ range has achieved 25% of sales<sup>(1)</sup> within the compostable bin liner and kitchen caddy category. The expansion into 970 stores in Woolworths last year has maintained its momentum and MyEcoBag™ is the number one brand in Woolworths' compostable kitchen caddy and bin liner category contributing 42% of all sales<sup>(2)</sup> in this category. This has resulted in the company achieving over 140% growth in MyEcoWorld™ retail brand sales in major retailers and independent distributors in FY23 compared to the prior comparative period (PCP).

Council business, although lower than last year, has since H1 FY23 strengthened through demand from Councils to supply their food organics and garden organics programs ("FOGO") and demand from waste companies which require food-diversion bags (74.0% increase in H2 FY23 compared to H1 FY23). SECOS remains committed to Australian Council initiatives to divert food waste from landfill to organic waste stations with the supply of Compostable Kitchen Tidy Bags. The Council programs redirect food waste from land fill to organic waste treatment which creates fertile mulch, which in turn mitigate greenhouse gas emissions as well as Council land fill costs.

In December 2022, the Company announced that it signed an exclusive sales agreement with Jewett Cameron Company (JCC) for the supply of MyEcoWorld™ products into the USA and Canadian markets with an annual sales target of US\$2.8 million (~ AUD\$4.0 million) to maintain exclusivity. The sales target under the agreement was effective from March 2023 and JCC's initial focus has been to establish a wide retail footprint in the USA, which presents a large potential opportunity through the high number of retail chains and outlets in this market.

In February 2023, the Company announced that it had launched a 95% Certified Recycled MyEcoBag™ range using Post-Consumer Waste. This has a greater environmental benefit compared to pre-consumer recycled products that are made using manufacturing off cuts and may have never been used by consumers in the first place. The new product range is being offered to the group's existing retail customers and to new customers via JCC and our global distribution network.

Gross Margin is 13.8% up from 13.1% in FY22. FY23 gross margin % improved on PCP as freight rates and lead times have returned to pre-pandemic levels, which has improved the predictability of working capital management. The Company launched the national marketing campaign in Australia in April 2023 with an initial focus on social media advertising. These investments have already started to pay off with significant increases in sales to Woolworths and Coles and traction gained with sales to other new retail distributors and customers.

Loss before tax was impacted by several other factors. Firstly, a provision for expected credit loss of \$0.5 million resulting from outstanding receivables which were deemed to be at risk of being completely recovered. Inventory obsolescence of \$0.7 million was provided for slow moving inventory and stock identified that are considered as unlikely to be sold.

The Company achieved positive operating cashflow of \$2.0 million and closed FY23 with a cash position of \$8.4 million in cash and no debt.

## TAX

The Company has carry-forward tax losses available in Australia to offset future taxable profits. At 30 June 2023, the Company has a deferred tax asset of \$1.0 million (FY22: \$1.9 million) relating to available carry-forward tax losses. The movement in the deferred tax asset, which has resulted in an increase in tax expense of \$1.0 million for the year, reflects the Company's expected ability to utilise tax losses over the short to medium term and is in line with the Company's policy and applicable accounting standards.

## CAPITAL RAISING

In March 2023, the Company raised \$3.0 million via a placement which included one attaching option per share issued and pursuant to ASX Listing Rule 7.1 and 7.1A placement capacity. In April 2023, the Company raised a further \$0.9 million via a share purchase plan with one attaching option per share issued.

(1) IRI Scan Data between 12/11/22 to 18/7/23

(2) Quantum Scan Data between 20/7/22 to 18/7/23

## RESEARCH AND DEVELOPMENT AND OTHER INVESTMENTS

SECOS is working on extending its range of sustainable products to include different precursors such as starch-based compostable resin, film and bags. There have also been significant investments in research and development with the view that the new resin formulations and food packaging development will place SECOS at the forefront of the market shift to compostable and sustainable food packaging. The investment in R&D will also support the launch of new SECOS branded products including greater value-adding products.

The company launched a new ERP system in Australia which is expected to deliver improvements in cost and financial controls, efficiency, data quality and reporting over time. There are plans to commence implementation of the ERP system globally which will ensure all regions are on the same platform and offer stronger international controls including better inventory and working capital management.

## OUTLOOK

Growth in biopolymer sales is expected in FY24 with a focus on reestablishing old and new customers in the Company's resin division together with the expansion of MyEcoWorld™ sales, product range and global distribution footprint. Further investment will be made in research and development with the aim to launch new and innovative sustainable products to market during the year and beyond. The recently announced asset sale and closure of the group's traditional plastic business (Stellar Films Malaysia) is expected to be completed in H1 FY24 which will see the company producing 100% of its products as sustainable or compostable in line with its strategy to become a recognised leader in sustainable packaging. Economic conditions are expected to remain challenging during the short term however SECOS' successful sales growth for its MyEcoWorld™ range together with its investment in developing new resin customers and launching MyEcoWorld™ via its strategic partner, Jewett Cameron Company in March 2023, offer a strong platform to set the Company up for success.

## DIVIDENDS

The Directors do not recommend the payment of a dividend and no dividends have been paid or declared since the end of the last financial year.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Group occurred during the year.

- On 15 March 2023, the Company issued 43,332,569 fully paid ordinary shares at \$0.065/share with one free attaching option per share under the terms of Placement Shares to institutional and sophisticated investors.
- On 11 April 2023, the Company issued 14,246,236 fully paid ordinary shares at \$0.065/share with one free attaching option per share under the terms of Share Purchase Plan to existing shareholders.

## RISKS AND UNCERTAINTIES

The Company is subject to general risks as well as risks that are specific to the Group and its business activities. The following is a list of risks which the Directors believe are or potentially will be material to the Company's business and future financial prospects. However, this is not a complete list of all risks which the Company is or may be subject to.

### RELIANCE ON FOREIGN MARKETS

Due to the Company's reliance on the Asian market (in particular, Malaysia and China), it is exposed to potential disruption or volatility. For example, the Company is exposed to risks relating to labour practices, environmental matters, costs associated with enforcing contracts, changes to and uncertainty in the relevant legal and regulatory regime (including in relation to taxation and foreign investment and practices of government and regulatory authorities) and other issues in those markets. The Group continues to monitor geopolitical events and changes and is expanding its global reach in relation to procurement and locations of customers which will provide diversification.

### COMPETITION

The bioplastics market is competitive, and includes companies with greater financial, technical, human, research and development and marketing resources than the Group. As a result, the Group's current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins, and profitability. The Group continues to invest in new technologies through its internal R&D function using market data, industry guidelines and feedback from customers and other experts.

## CHANGES IN LAWS AND GOVERNMENT POLICY

The Group's operations may be adversely affected by changes in government policy and laws. The impact of actions by governments may affect the Group's activities, including its access to land and infrastructure, compliance with environmental regulations, and exposure to taxation and royalties. The Group continues to monitor changes in laws and government policies with contingency plans to combat unexpected changes that may arise.

## FOREIGN CURRENCY RISK

Revenue and expenditure in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange markets. Any payment obligations of the Group in foreign currencies may exceed the budgeted expenditure if there are adverse currency fluctuations against the Australian dollar. This is mitigated by a currency risk management policy in place which sets out the guidelines on dealing with these matters.

## ENVIRONMENTAL RISK

The Group's business model is based on the development and manufacture of environmental products. The Group may be subject to the market's appetite and uptake of environmental products and other unforeseen events, such as changes in methodology and regulations, which may have adverse financial implications for the Group's business model. The Group monitors changes in regulations and market views and works closely with its customers to ensure it can address changing positions in a timely and effective manner.

## LOSS OF KEY CUSTOMERS

There is no guarantee that the Group will be able to retain existing customers or attract new customers in the future. This would materially adversely impact the Group's operating results and viability. The Group's in-house R&D and sales functions enable it to service its existing customers to address their challenges and goals and also open up new opportunities for meeting new global customer requirements.

## RELIANCE ON KEY PERSONNEL

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially upon senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment or if one or more of the Directors leaves the Board. The management and Board have policies in place which enable retention of talent through appropriate incentive arrangements and forward planning strategies such as succession planning for key roles.

## EVENTS AFTER THE REPORTING DATE

SECOS announced on 1 August 2023 the asset sale and closure of its traditional plastic business (Stellar Films Malaysia) which is expected to be completed by December 2023. This will see the Group producing 100% of its products as sustainable or compostable in line with its strategy to become a world leader in sustainable packaging.

Apart from the above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

SECOS will continue to focus on its principal business activities with its sustainable packaging strategy and waste management solutions. The Group does not expect any major developments or variation to results if the Group continues to operate as normal.

## ENVIRONMENTAL REGULATIONS

The Group's operations are not subject to any significant environmental regulations under the law of the Commonwealth or the States of Australia.

## BOARD OF DIRECTORS

**JAMES WALSH****NON-EXECUTIVE CHAIRMAN**

<b>EXPERIENCE AND QUALIFICATIONS</b>	<p>Jim has been a Non-Executive Director since November 2018 and was appointed Chairman on 1 February 2023. Previous executive roles include Finance Director at carpet manufacturer Godfrey Hirst Australia Pty Ltd for 10 years, and most recent five years in a similar role at specialist mechanical services company A.G. Coombs Group Pty Ltd. Jim is a Fellow of Chartered Accountants Australia and New Zealand with B. Com, MBA, FCA, FAICD. He is a chairman and non-executive director of several unlisted organisations including:</p> <ul style="list-style-type: none"> <li>• Non- Executive Board Advisor of A.G. Coombs Group Pty Ltd</li> <li>• Non-Executive Chairman of KM Property Funds Ltd</li> </ul>
<b>SPECIAL RESPONSIBILITIES</b>	Chair of the Board and Remuneration Committee
<b>INTEREST IN SHARES AND OPTIONS</b>	4,222,728 Ordinary Shares
<b>DIRECTORSHIPS HELD IN OTHER LISTED ENTITIES</b>	Has not held a directorship in any other listed entity over the last 3 years

**RICHARD TEGONI****CEO AND EXECUTIVE DIRECTOR**

<b>EXPERIENCE AND QUALIFICATIONS</b>	<p>Joined the Board as a Non-Executive Director on 21 December 2012. Richard was nominated as Non-Executive Chairman on 18 October 2013 before being appointed as Executive Chairman effective 16 September 2014. Richard has taken on the role of CEO and Executive Director effective 1 February 2023.</p> <p>Richard has held executive positions with various large private and public companies with a strong background in Finance and Banking, Sales and Marketing.</p> <p>Richard has an MBA (AGSM) and Diploma in Financial Markets (SIA).</p>
<b>SPECIAL RESPONSIBILITIES</b>	CEO
<b>INTEREST IN SHARES AND OPTIONS</b>	15,529,309 Ordinary Shares
<b>DIRECTORSHIPS HELD IN OTHER LISTED ENTITIES</b>	Has not held a directorship in any other listed entity over the last 3 years

**STEPHEN WALTERS****EXECUTIVE DIRECTOR**

<b>EXPERIENCE AND QUALIFICATIONS</b>	<p>Joined the Board on 21 April 2015. Steve is a veteran in the flexible packaging industry having held senior management positions with Orica Limited (formerly ICI Australia) and Stellar Films Group. Steve was instrumental in the integration of the Stellar and Cardia businesses.</p> <p>Steve has a B. Bus (Marketing).</p>
<b>SPECIAL RESPONSIBILITIES</b>	Responsible for the sales management of the Group
<b>INTEREST IN SHARES AND OPTIONS</b>	29,044,639 Ordinary Shares
<b>DIRECTORSHIPS HELD IN OTHER LISTED ENTITIES</b>	Has not held a directorship in any other listed entity over the last 3 years

**DONALD HALLER JR.****NON-EXECUTIVE DIRECTOR**

<b>EXPERIENCE AND QUALIFICATIONS</b>	Joined the Board on 1 September 2016. Don was a former accounting partner with Ernst & Young and a former management consulting partner with PriceWaterhouseCoopers. He is also a director and major shareholder of VS Biosciences Ltd, a private company specialising in microbial solutions to combat a variety of viral based diseases.
<b>SPECIAL RESPONSIBILITIES</b>	No Special Responsibilities
<b>INTEREST IN SHARES AND OPTIONS</b>	45,748,826 Ordinary Shares
<b>DIRECTORSHIPS HELD IN OTHER LISTED ENTITIES</b>	Has not held a directorship in any other listed entity over the last 3 years

**NATALYA JURCHESHIN****NON-EXECUTIVE DIRECTOR**

<b>EXPERIENCE AND QUALIFICATIONS</b>	Joined the Board on 25 May 2023. Natalya brings over twenty years' experience spanning finance, operations and strategy throughout Australia, North America, Ukraine and Russia in professional services, private and public companies, start-ups, and SMEs. Natalya is a Non-Executive Director of Adacel Technologies Limited (ASX: ADA) where she is the Chair of the Audit & Risk Management Committee and Remuneration Committee. She is a former CFO, Head of Operations and Company Secretary of Circadian Technologies Limited (renamed Opthea Limited) (ASX:OPT) and is a qualified chartered accountant.
<b>SPECIAL RESPONSIBILITIES</b>	Chair of Risk and Audit Committee
<b>INTEREST IN SHARES AND OPTIONS</b>	None
<b>DIRECTORSHIPS HELD IN OTHER LISTED ENTITIES</b>	Adacel Technologies Limited

**COMPANY SECRETARY**

Colin Lai has held the role of Company Secretary since 14 June 2022. Colin is a Chartered Accountant and Fellow of the Governance Institute of Australia and is an experienced global finance executive who has led large teams in ASX-listed multi-national companies in manufacturing, financial and software services. He has extensive experience in commercial and corporate finance, tax, investor relations and governance.

## DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors and Board Committees held during the year ended 30 June 2023 and the number of meetings attended by each Director.

DIRECTOR	BOARD MEETINGS		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
<b>R TEGONI</b>	15	15	4	4	-	-
<b>S WALTERS</b>	15	13	4	4	-	-
<b>D HALLER JR</b>	15	15	4	4	4	4
<b>J WALSH</b>	15	15	4	4	4	4
<b>N JURCHESHIN</b>	2	2	-	-	-	-

## SHARES UNDER OPTION

The Group has 56,194,188 unlisted options as at the date of this report.

## SHARES UNDER PERFORMANCE RIGHTS

Performance rights of the Group as at the date of this report are as follows:

GRANT DATE	EXPIRY DATE	NUMBER UNDER RIGHTS
09-Sep-2021	01-Nov-2023	83,656
09-Sep-2021	01-Nov-2024	83,656
08-Sep-2022	01-Nov-2025	533,675
<b>Total</b>		<b>700,987</b>

## SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no shares issued during the year ended 30 June 2023 and up to the date of this report on the exercise of options granted.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the current Directors and Officers of the Company and of its controlled entities against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Company agrees to meet the full amount of any such liabilities, including costs and expenses.

The Company has paid an annual premium to insure the Directors and Officers against liabilities incurred in their respective capacities. Under the policy, details of the premium are confidential.

## INDEMNITY AND INSURANCE OF AUDITOR

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

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

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## NON-AUDIT SERVICES

The Company's Audit and Risk Committee (Committee) is responsible for the maintenance of audit independence. Specifically, the Committee Charter ensures the independence of the auditor is maintained by:

- limiting the scope and nature of non-audit services that may be provided; and
- requiring that permitted non-audit services must be pre-approved by the Chair of the Committee.

During the year William Buck, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements. The Board has considered the non-audit services provided during the year by the auditor and in accordance with the advice provided by the Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) as they did not involve reviewing or auditing the auditors' own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, William Buck, for audit and non-audit services provided during the year are set out in note 7.

## AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independence Declaration for the year ended 30 June 2023 follows the Directors' Report.

## ROUNDING OF AMOUNTS

The Company is 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 the Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## REMUNERATION REPORT (AUDITED)

### REMUNERATION POLICY

The Board is responsible for the Group's remuneration policies and practices. The role of the Remuneration Committee is to assist the Board in ensuring the appropriate and effective remuneration packages and policies are implemented to attract and retain and motivate high quality personnel to create value for shareholders. The Committee also reviews the appropriateness of director remuneration and monitors compliance with Board approved remuneration practices.

The Group's policy for determining the nature and amount of remuneration of board members and key management personnel of the Group is as follows:

- The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service and particular experience of the individual concerned.
- All key management personnel receive a base salary and superannuation and/or equivalent.
- Remuneration consultants have not been used in assessing and calculating Director and key management personnel remuneration in the year.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. Termination payments are generally not payable on resignation or dismissal for serious misconduct. Termination payments cannot exceed more than 1 year's base salary as required by the Corporations Act 2001.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board collectively determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

ASX listing rules require that the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the General Meeting held on 22 November 2019, where the shareholders approved an aggregate remuneration of \$300,000.

The resolution to adopt the remuneration report for the year ended 30 June 2022 was passed at the 2022 Annual General Meeting ("AGM"), which occurred on 30 November 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

### RELATIONSHIP BETWEEN SHARE PRICE AND GROUP PERFORMANCE

The Group's remuneration policy has been tailored to align goal congruence between shareholders, directors and executives.

The following table shows the gross revenue and profits for the last 5 years for the Group, as well as the share prices at the end of the respective financial years.

	FY23	FY22	FY21	FY20	FY19
Revenue (\$'000)	22,836	31,043	30,081	21,039	20,852
Net Profit/(Loss) (\$'000)	(6,750)	(3,085)	2,590	(1,186)	(4,170)
Share price at year-end (cents)	5.0	10.0	26.6	6.0	4.2

### USE OF REMUNERATION CONSULTANTS

During the financial year ended 30 June 2023, the Group did not engage remuneration consultants to review its existing remuneration policies and provide recommendations.

## REMUNERATION REPORT (continued)

The key management personnel of the Group consisted of the following persons:

GROUP KEY MANAGEMENT PERSONNEL	POSITION HELD AS AT 30 JUNE 2023 AND ANY CHANGE DURING THE YEAR	CONTRACT DETAILS (DURATION AND TERMINATION)	PROPORTIONS OF REMUNERATION PACKAGE NOT RELATED TO PERFORMANCE AT 30 JUNE 2023	PROPORTIONS OF REMUNERATION PACKAGE NOT RELATED TO PERFORMANCE AT 30 JUNE 2022
<b>EXECUTIVE DIRECTORS</b>				
<b>RICHARD TEGONI</b>	Chief Executive Officer and Executive Director <sup>(1)</sup>	Executive Service Agreement Three months' termination notice period	100%	100%
<b>STEPHEN WALTERS</b>	Executive Director	Executive Service Agreement Three months' termination notice period	99%	100%
<b>NON-EXECUTIVE DIRECTORS</b>				
<b>JAMES WALSH</b>	Non-Executive Chairman <sup>(2)</sup>	Letter of appointment	100%	100%
<b>DONALD HALLER JR</b>	Non-Executive Director	Letter of appointment	100%	100%
<b>NATALYA JURCHESHIN</b>	Non-Executive Director <sup>(3)</sup>	Letter of appointment	100%	100%
<b>EXECUTIVE MANAGEMENT</b>				
<b>COLIN LAI</b>	Chief Financial Officer and Company Secretary	Executive Service Agreement Three months' termination notice period	99%	100%
<b>FORMER NON-EXECUTIVE DIRECTORS AND EXECUTIVE MANAGEMENT</b>				
<b>IAN STACEY</b>	Chief Executive Officer <sup>(4)</sup>	Executive Service Agreement Three months' termination notice period	100%	100%

(1) Appointed on 1 February 2023 and was previously the Executive Chairman

(2) Appointed Chairman on 1 February 2023

(3) Appointed on 25 May 2023

(4) Resigned on 1 February 2023

Terms of employment require that the relevant Group entity provide the contracted person with a minimum period of notice (one to three months) prior to termination of contract. Similarly, a contracted person has to provide minimum period notice (one to three months) prior to the termination of their contract. In the instance of serious misconduct, the Company can terminate employment at any time.

## REMUNERATION REPORT (continued)

NAME	FIN YEAR	SHORT TERM BENEFITS		POST-EMPLOYMENT BENEFITS	LONG TERM BENEFITS	SHARE-BASED PAYMENTS	TOTAL
		SALARY, FEES AND ANNUAL LEAVE	DISCRETIONARY CASH BONUS <sup>(1)</sup>	PENSION AND SUPER-ANNUATION	LSL		
		\$	\$	\$	\$	\$	\$
<b>NON-EXECUTIVE DIRECTORS</b>							
J WALSH <sup>(2)</sup>	2023	68,333	-	-	-	-	68,333
	2022	50,000	-	-	-	-	50,000
D HALLER JR	2023	60,000	-	-	-	-	60,000
	2022	55,000	-	-	-	-	55,000
N JURCHESHIN <sup>(3)</sup>	2023	6,087	-	-	-	-	6,087
	2022	-	-	-	-	-	-
D WAKE <sup>(4)</sup>	2023	-	-	-	-	-	-
	2022	50,000	-	-	-	-	50,000
<b>EXECUTIVE DIRECTORS</b>							
R TEGONI <sup>(5)</sup>	2023	159,474	-	9,997	223	-	169,694
	2022	120,000	25,000	-	-	-	145,000
S WALTERS	2023	191,215	3,515	19,950	2,474	2,112	219,266
	2022	183,567	12,500	19,045	3,862	-	218,974
<b>OTHER KEY MANAGEMENT PERSONNEL</b>							
I STACEY <sup>(6)</sup>	2023	140,915	-	12,947	-	-	153,862
	2022	208,265	-	20,250	4,798	22,529	255,842
C LAI <sup>(7)</sup>	2023	298,417	5,180	25,292	977	3,112	332,978
	2022	15,139	-	1,400	31	-	16,570
E TERN <sup>(8)</sup>	2023	-	-	-	-	-	-
	2022	194,531	7,500	19,850	4,134	-	226,015
<b>TOTAL REMUNERATION</b>							
TOTAL	2023	924,441	8,695	68,186	3,674	5,224	1,010,220
	2022	876,502	45,000	60,545	12,825	22,529	1,017,401

(1) Based on performance on various projects and services

(2) Appointed Non-Executive Chairman on 1 February 2023

(3) Appointed on 25 May 2023

(4) Resigned on 30 June 2022

(5) Appointed Chief Executive Officer and Executive Director on 1 February 2023 and was previously the Executive Chairman

(6) Resigned on 1 February 2023. On resigning, all entitlements to share-based payments were forfeited. He was paid accrued annual leave on resignation.

(7) Commenced employment on 14 June 2022

(8) Resigned on 14 June 2022. On resigning, all entitlements to share-based payments were forfeited. He was paid accrued annual leave on resignation.

## REMUNERATION REPORT (continued)

### PERFORMANCE-RELATED BONUSES

A discretionary cash bonus scheme was awarded for service performed during the year for eligible Executive Directors and Executive Management based on various projects and services.

There were 822,744 performance rights under the Employee Share Incentive Plan issued during the year.

### OPTIONS ISSUED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2023

No options were issued as part of remuneration during the year.

### PERFORMANCE RIGHTS

In September 2022, the Company issued 822,774 performance rights under the Employee Share Incentive Plan. Of these 504,776 were issued to key management personnel of the Company. Each right can be converted to a fully paid ordinary share on satisfying service and performance vesting conditions. The service vesting condition requires the employee to remain an employee of the Company until the vesting date of 30 September 2025. The performance vesting conditions are based on FY25 Company performance in relation to the following metrics:

- Revenue
- Earnings before interest, tax, depreciation and amortisation
- Return on invested capital

In September 2021, the Company issued 786,425 performance rights under the Employee Share Incentive Plan.

Of these 533,455 were issued to key management personnel of the Company. Each right can be converted to a fully paid ordinary share on satisfying service and performance vesting conditions. The performance vesting conditions consist of multiple non-market performance vesting conditions allocated to each tranche of rights which are individualised to the employee granted the performance rights. The overarching performance hurdle is in line with internal management targets and goals for future years.

	OPENING BALANCE 1 JULY 2022	RECEIVED AS COMPENSATION	VESTED AND EXERCISED	CHANGE AS A RESULT OF RESIGNATION	CLOSING BALANCE 30 JUNE 2023
<b>R TEGONI</b>	-	-	-	-	-
<b>S WALTERS</b>	-	87,189	-	-	87,189
<b>C LAI</b>	-	128,488	-	-	128,488
<b>I STACEY</b>	410,886	289,099	-	(699,985)	-
<b>TOTAL</b>	<b>410,886</b>	<b>504,776</b>	<b>-</b>	<b>(699,985)</b>	<b>215,677</b>

GRANT DATE	EXPIRY DATE	VESTING DATE	FAIR VALUE PER RIGHT	EXERCISE PRICE	PROBABILITY OF ACHIEVING NON-MARKET CONDITIONS
09-Sep-2021	01-Nov-2023	30-Sep-2023	33.5 cents	-	75%
09-Sep-2021	01-Nov-2024	30-Sep-2024	33.5 cents	-	75%
08-Sep-2022	01-Nov-2025	30-Sep-2025	12.0 cents	-	75%

**REMUNERATION REPORT (continued)****A. OPTION HOLDINGS****Number of Options Held by Key Management Personnel (Direct and Indirect Interest)**

No options are held by key management personnel as at 30 June 2023.

**B. SHARE HOLDINGS (DIRECT AND INDIRECT)**

	OPENING BALANCE 1 JULY 2022	RECEIVED AS COMPENSATION	ON MARKET TRANSACTION	CHANGE AS A RESULT OF RESIGNATION	CLOSING BALANCE 30 JUNE 2023
<b>R TEGONI</b>	<b>14,606,231</b>	-	923,078	-	<b>15,529,309</b>
<b>S WALTERS</b>	<b>29,044,639</b>	-	-	-	<b>29,044,639</b>
<b>J WALSH</b>	<b>3,761,189</b>	-	461,539	-	<b>4,222,728</b>
<b>D HALLER JR</b>	<b>45,748,826</b>	-	-	-	<b>45,748,826</b>
<b>N JURCHESHIN</b>	-	-	-	-	-
<b>C LAI</b>	-	-	-	-	-
<b>I STACEY</b>	<b>3,392,054</b>	-	-	(3,392,054)	-

**This concludes the remuneration report, which has been audited.**

This report of the Directors incorporating the Remuneration Report is signed in accordance with a Resolution of the Board of Directors.



**Jim Walsh**  
**Non-Executive Chairman**

25 August 2023  
Melbourne, Australia

## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SECOS GROUP LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

*William Buck*

**William Buck Audit (Vic) Pty Ltd**  
ABN 59 116 151 136

*Alan Finnis*

**A. A. Finnis**

Director

Melbourne, 25 August 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	NOTES	2023 \$'000	2022 \$'000
Sales	3	22,836	31,043
Cost of sales		(19,691)	(26,977)
<b>Gross profit</b>		<b>3,145</b>	<b>4,066</b>
Other Income	3	464	128
Employment related expense		(3,287)	(3,133)
Marketing and distribution expenses		(1,869)	(1,541)
Administration expense		(1,853)	(347)
Legal and compliance		(498)	(512)
Occupancy costs		(73)	(76)
Depreciation and amortisation expense		(1,595)	(1,304)
Finance costs		(185)	(194)
<b>Loss before income tax</b>		<b>(5,751)</b>	<b>(2,913)</b>
Income tax (expense)/benefit	5	(999)	(172)
<b>Loss for the year after tax</b>		<b>(6,750)</b>	<b>(3,085)</b>
<b>Other comprehensive income</b>			
<b>Item that may be reclassified to the profit or loss in subsequent periods (net of tax)</b>			
Foreign currency translation differences for foreign operations		(509)	498
<b>Total comprehensive loss for the year</b>		<b>(7,259)</b>	<b>(2,587)</b>
<b>Loss per share</b>			
Basic / diluted loss per share		(1.2 cents)	(0.6 cents)

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	NOTES	2023 \$'000	2022 \$'000
<b>Current Assets</b>			
Cash at bank		8,424	4,122
Trade and other receivables	9	4,033	7,955
Inventories	10	4,095	7,841
Prepayments		630	745
Other assets		34	34
<b>Total Current Assets</b>		<b>17,216</b>	<b>20,697</b>
<b>Non-Current Assets</b>			
Deferred tax assets	5	960	1,918
Plant and equipment	11	4,535	4,703
Right-of-use asset	12	1,645	2,266
Intangible assets	14	3,591	3,622
Other assets		15	15
<b>Total Non-Current Assets</b>		<b>10,746</b>	<b>12,524</b>
<b>Total Assets</b>		<b>27,962</b>	<b>33,221</b>
<b>Current Liabilities</b>			
Trade and other payables	15	1,807	3,244
Employee benefits		290	373
Accrued expenses		861	483
Lease liability	13	780	818
<b>Total Current Liabilities</b>		<b>3,738</b>	<b>4,918</b>
<b>Non-Current Liabilities</b>			
Employee benefits		30	62
Lease liability	13	1,061	1,572
<b>Total Non-Current Liabilities</b>		<b>1,091</b>	<b>1,634</b>
<b>Total Liabilities</b>		<b>4,829</b>	<b>6,552</b>
<b>Net Assets</b>		<b>23,133</b>	<b>26,669</b>
<b>Equity</b>			
Issued capital	16	48,447	44,730
Reserves	17	(751)	(248)
Accumulated losses		(24,563)	(17,813)
<b>Total Equity</b>		<b>23,133</b>	<b>26,669</b>

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	ISSUED CAPITAL	ACCUMULATED LOSSES	SHARE BASED PAYMENT RESERVE	FOREIGN CURRENCY TRANSLATION RESERVES	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2022</b>	<b>44,730</b>	<b>(17,813)</b>	<b>36</b>	<b>(284)</b>	<b>26,669</b>
Loss for the Year	-	(6,750)	-	-	(6,750)
Other comprehensive income for the year	-	-	-	(509)	(509)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(6,750)</b>	<b>-</b>	<b>(509)</b>	<b>(7,259)</b>
Transactions with owners in their capacity as owners					
Shares issued during the year net of costs	3,717	-	-	-	3,717
Vesting of share based payments	-	-	6	-	6
<b>Balance at 30 June 2023</b>	<b>48,447</b>	<b>(24,563)</b>	<b>42</b>	<b>(793)</b>	<b>23,133</b>

	ISSUED CAPITAL	ACCUMULATED LOSSES	SHARE BASED PAYMENT RESERVE	FOREIGN CURRENCY TRANSLATION RESERVES	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2021</b>	<b>44,730</b>	<b>(14,728)</b>	<b>-</b>	<b>(782)</b>	<b>29,220</b>
Loss for the Year	-	(3,085)	-	-	(3,085)
Other comprehensive income for the year	-	-	-	498	498
<b>Total comprehensive income / (loss) for the year</b>	<b>-</b>	<b>(3,085)</b>	<b>-</b>	<b>498</b>	<b>(2,587)</b>
Transactions with owners in their capacity as owners					
Vesting of share based payments	-	-	36	-	36
<b>Balance at 30 June 2022</b>	<b>44,730</b>	<b>(17,813)</b>	<b>36</b>	<b>(284)</b>	<b>26,669</b>

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	NOTES	2023 \$'000	2022 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		29,289	31,572
Payments to suppliers and employees		(27,086)	(35,438)
Finance costs		(185)	(194)
<b>Net Cash Inflow/(outflow) from Operating Activities</b>	<b>22</b>	<b>2,018</b>	<b>(4,060)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of plant and equipment		(639)	(2,442)
<b>Net Cash Outflow from Investing Activities</b>		<b>(639)</b>	<b>(2,442)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issues of ordinary shares (net of costs)		3,717	-
Lease payments		(779)	(747)
<b>Net Cash Inflow/(outflow) from Financing Activities</b>		<b>2,938</b>	<b>(747)</b>
<b>Net (decrease)/increase in cash held</b>			
Increase/(decrease) in cash due to changes in foreign exchange rate		(15)	84
Cash at the beginning of the financial year		4,122	11,287
<b>Cash at the end of the financial year</b>		<b>8,424</b>	<b>4,122</b>

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PREPARATION

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

The amounts contained in this financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SECOS Group Limited ("Company" or "parent entity") as at 30 June 2023 and the results of all subsidiaries for the year then ended. SECOS Group Limited and its subsidiaries together are referred to in these financial statements as the "Group".

SECOS Group Limited is a listed public company, incorporated and domiciled in Australia. The Company is a for-profit entity for accounting purposes.

The financial statements were authorised for issue on **25 August 2023** by the Board of Directors.

### REPORTING BASIS AND CONVENTIONS

These financial statements have been prepared on an accruals basis and are based on historical costs. Except for new accounting standards as stated below, the financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2022.

At this time the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report.

#### **A. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED IN THE PERIOD**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The impact of these standards did not have a material impact on the Group.

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

#### **B. PRINCIPLES OF CONSOLIDATION**

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****B. PRINCIPLES OF CONSOLIDATION (CONTINUED)**

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss. A list of controlled entities is contained in Note 19 to the financial statements.

**C. GOODWILL**

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Goodwill is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of. Changes in the ownership interests in a subsidiary that do not result in a change in control are accounted for as equity transactions and do not affect the carrying values of goodwill.

**D. INCOME TAX**

The charge for current income tax expense is based on the profit or loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted at the end of the reporting period.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**E. INVENTORIES**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### F. PLANT AND EQUIPMENT

Plant and equipment are measured on the cost basis less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

#### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

CLASS OF FIXED ASSET	DEPRECIATION RATE
Plant and Machinery	10% to 33%
Office Equipment and Motor Vehicles	7.5% to 40%
Leasehold Improvements	2.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement profit or loss and other comprehensive income.

### G. FAIR VALUE MEASUREMENT

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

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

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability.

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### H. FINANCIAL INSTRUMENTS

Investments and other financial liabilities are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for the financial assets at fair value through the profit and loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

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

### I. IMPAIRMENT OF FINANCIAL ASSETS

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

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

### J. IMPAIRMENTS OF NON-FINANCIAL ASSETS

At the end of each reporting period, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives or more frequently if events or changes in circumstances indicate that they might be impaired.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### K. FOREIGN CURRENCY TRANSACTIONS AND BALANCES

#### Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income; otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### K. FOREIGN CURRENCY TRANSACTIONS AND BALANCES (CONTINUED)

#### Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at the end of reporting period.
- Income and expenses are translated at average exchange rates for the period. The average rate is only used where the rate approximates the rate at the date of transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

### L. CURRENT AND NON-CURRENT CLASSIFICATION

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

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

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

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

### M. BORROWINGS

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

### N. FINANCE COSTS

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### O. EMPLOYEE BENEFITS

#### Short-term employee benefits

Liabilities for wages and salaries, including, annual leave and long service leave expected to be wholly settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### Other long-term employee benefits

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****P. PROVISIONS**

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

Provisions are measurable using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**Q. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also include bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

**R. ISSUED CAPITAL**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**S. REVENUE****Revenue from contracts with customers**

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price, which takes into account estimates of variable consideration and the time value of money; allocates the transaction price on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised. Variable consideration with the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential add-ons or bonuses from the customer and any other contingent events. Such estimates are determined using either the “expected value” or “most likely amount” method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate liability.

**Sale of goods**

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally the time of delivery.

**Other revenue**

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

**T. TRADE AND OTHER RECEIVABLES**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 to 60 days. In accordance with AASB 9 “Financial Instruments”, the Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance (“ECL”) for all trade receivables. Specific allowances are made for any expected credit losses based on a review of all outstanding amounts and individual receivables are written off when management deems them unrecoverable. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates and the Group uses judgement in making these assumptions based on the Group’s history and existing market conditions as well as forward-looking estimates.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### U. GOODS AND SERVICES TAX (GST) AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognised as part of the cost of the acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### V. RIGHT-OF-USE ASSETS

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

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

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### W. LEASE LIABILITIES

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

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

### X. PROFIT OR LOSS PER SHARE

#### Basic profit or loss per share

Basic profit or loss per share is calculated by dividing the profit or loss attributable to the owners of SECOS Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### Diluted profit or loss per share

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Y. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED NOT YET MANDATORY OR EARLY ADOPTED**

The below are Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, which we do not expect to have material impact in future reporting:

<b>ACCOUNTING STANDARDS AND INTERPRETATIONS</b>	<b>APPLICABLE TO ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER</b>
<i>AASB 2020-1 Amendments to AASs - Classification of Liabilities as Current or Non-current liabilities as Current or Non-current</i>	1 Jan 2023
<i>AASB 2021-2 Amendments to AASs - Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 Jan 2023
<i>AASB 2021-5 Amendments to AASs - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 Jan 2023
<i>AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards</i>	1 Jan 2023
<i>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 Jan 2024
<i>AASB 2014-10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 Jan 2025

**Z. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

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

**Expected credit loss for impairment of receivables**

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of expected credit loss is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

**Provision for impairment of inventories**

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

**Estimation of useful lives of assets**

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Z. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (CONTINUED)****Goodwill and other indefinite life intangible assets**

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1(j).

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal. The fair value less costs of disposal calculation is based on available funds, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 14.

**Recovery of deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and/or tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those losses carried forward. The Directors and management of the Group have made a significant judgement in respect of forecasting the future profitability of the Group to determine the carrying value of the deferred tax asset.

**Share-based payment transactions**

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the performance rights are determined to be the share price on the date that the rights are issued as there is no exercise price. There are multiple non-market performance vesting conditions allocated to each tranche of rights. An estimate is made of the number of equity instruments for which the service and non-market performance conditions are expected to be satisfied. Refer to note 18 for further information.

## NOTE 2 PARENT ENTITY

The individual financial statements for the parent entity show the following aggregate amounts:

	2023 \$'000	2022 \$'000
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Current assets	4,829	2,772
Non-current assets	40,140	40,773
<b>TOTAL ASSETS</b>	<b>44,969</b>	<b>43,545</b>
<b>LIABILITIES</b>		
Current liabilities	592	475
Non-current liabilities	11	31
<b>TOTAL LIABILITIES</b>	<b>603</b>	<b>506</b>
<b>EQUITY</b>		
Issued capital	97,515	93,799
Accumulated losses	(53,149)	(50,760)
<b>TOTAL EQUITY</b>	<b>44,366</b>	<b>43,039</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Loss for the year after tax	(2,397)	(2,021)
<b>Total comprehensive income</b>	<b>(2,397)</b>	<b>(2,021)</b>

### GUARANTEES

SECOS Group Limited has from time to time provided guarantees to third parties in relation to the performance and obligations of controlled entities in respect to finance facilities. The guarantees are for the terms of the facilities. No amount is outstanding as at 30 June 2023 (2022: NIL).

### CONTINGENT LIABILITIES

SECOS Group Limited had no contingent liabilities as at 30 June 2023 (2022: NIL).

### CONTRACTUAL COMMITMENTS

At 30 June 2023, SECOS Group Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2022: NIL).

### SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 1, except for investments in subsidiaries that are accounted for at cost, less any impairment, in the parent entity.

## NOTE 3 REVENUE

	NOTE	2023 \$'000	2022 \$'000
<b>Revenue</b>			
Sales of goods at a point in time	21	22,836	31,043
<b>Total sales revenue</b>		<b>22,836</b>	<b>31,043</b>
<b>Other Income</b>			
Sundry income and subsidies		464	128
<b>Total other income</b>		<b>464</b>	<b>128</b>

## NOTE 4 EXPENSES FOR THE YEAR

	2023 \$'000	2022 \$'000
<b>The Profit/(loss) before income tax includes the following items of expenses:</b>		
Research, development, and patent costs	380	170
Superannuation expense	173	152
Amortisation of right-of-use assets	851	802
Finance cost for leases	185	194

## NOTE 5 INCOME TAX EXPENSE

## INCOME TAX RECOGNISED IN PROFIT OR LOSS

	2023 \$'000	2022 \$'000
Current tax expense	(41)	(172)
Deferred tax expense	(958)	-
<b>Income tax expense</b>	<b>(999)</b>	<b>(172)</b>

## RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX ON ACCOUNTING PROFIT OR LOSS

	2023 \$'000	2022 \$'000
Loss before income tax	(5,751)	(2,913)
Prima facie income tax benefit at the Australian tax rate of 25% (2022: 25%)	1,438	728
Overseas tax rate differential	(61)	(47)
Current year tax losses not brought into account	(1,377)	(681)
Reversal of previously booked tax losses	(958)	-
Withholding tax	(26)	(19)
Other	(15)	(153)
<b>Total income tax expense recognised in the current period</b>	<b>(999)</b>	<b>(172)</b>

**NOTE 5 INCOME TAX EXPENSE (CONTINUED)****DEFERRED TAX ASSETS**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred tax asset comprises temporary differences attributable to:		
Employee benefits	-	-
Leases	-	-
Recognition of tax losses carried forward	960	1,918
Accrued expenses	-	-
<b>Deferred tax asset</b>	<b>960</b>	<b>1,918</b>
Movements:		
Opening balance	1,918	2,071
Write down of deferred tax assets	(958)	-
Expensed to profit or loss	-	(153)
<b>Closing balance</b>	<b>960</b>	<b>1,918</b>

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Tax benefit carried forward at applicable tax rate</b>	<b>12,281</b>	<b>9,441</b>

The Group has carried forward tax losses that can be offset against taxable profit at each tax jurisdiction, subject to probable future taxable profit and in accordance with the laws of each tax jurisdiction. As of 30 June 2023, there is a deferred tax asset in respect of Cardia Bioplastics (Australia) for a total of \$1.0 million (\$1.9 million as of 30 June 2022). An assessment on the deferred tax asset was performed based on the future cash flows used in the impairment test described in Note 14, and it was considered unlikely that the full amount of the \$1.9 million tax expense would be recognised in the first three years of the projection. As a result, an impairment of \$1.0 million was recognised in FY23. Tax losses for the other jurisdictions have not been brought to account in this financial report at 30 June 2023.

**NOTE 6 KEY MANAGEMENT PERSONNEL COMPENSATION**

Names and positions held of Group and parent entity key management personnel in office at any time during the financial year are included in the "Remuneration Report".

Key management personnel remuneration details have been included in the Remuneration Report section of the Directors Report.

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Short-term employee benefits	933	922
Post-employment benefits	68	60
Long-term employee benefits	4	13
Share based payments	5	22
<b>Total</b>	<b>1,010</b>	<b>1,017</b>

**NOTE 7 REMUNERATION OF AUDITORS**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Remuneration of the auditor of the parent entity (William Buck) for: <ul style="list-style-type: none"> <li>• auditing or reviewing the financial statements</li> <li>• research and development tax compliance services</li> </ul>	90 25	84 -
Remuneration of other auditors of subsidiaries for: <ul style="list-style-type: none"> <li>• auditing or reviewing the financial statements of subsidiaries</li> </ul>	10	10
<b>Total</b>	<b>125</b>	<b>94</b>

**NOTE 8 LOSS PER SHARE**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Loss used to calculate basic/diluted EPS</b>	<b>(6,750)</b>	<b>(3,085)</b>

	<b>NUMBER</b>	<b>NUMBER</b>
<b>Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share <sup>(1)</sup></b>	<b>551,727,297</b>	<b>535,901,862</b>
<b>Loss per share</b>	<b>(1.2 cents)</b>	<b>(0.6 cents)</b>

(1) The potential vesting of performance rights and exercise of options are not included in diluted EPS as the impacts are anti-dilutive given the Group made a loss

**NOTE 9 TRADE AND OTHER RECEIVABLES**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Trade Receivables	4,075	7,870
Less: Allowance for expected credit losses	(479)	-
	<b>3,596</b>	<b>7,870</b>
Other receivables	437	85
<b>Trade and other receivables</b>	<b>4,033</b>	<b>7,955</b>

**NOTE 9 TRADE AND OTHER RECEIVABLES (CONTINUED)****ALLOWANCE FOR EXPECTED CREDIT LOSSES**

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

	<b>TRADE RECEIVABLES</b>	<b>&lt;30</b>	<b>31-60</b>	<b>61-90</b>	<b>&gt;90</b>
<b>2023</b>					
Trade receivables	4,075	1,742	746	152	1,435
Expected credit loss rate	-	-	-	-	33.3%
Allowance for expected credit losses	(479)	-	-	-	(479)
<b>Total</b>	<b>3,596</b>	<b>1,742</b>	<b>746</b>	<b>152</b>	<b>956</b>
<b>2022</b>					
Trade receivables	7,869	2,739	1,401	660	3,069
Expected credit loss rate	-	-	-	-	-
Allowance for expected credit losses	-	-	-	-	-
<b>Total</b>	<b>7,869</b>	<b>2,739</b>	<b>1,401</b>	<b>660</b>	<b>3,069</b>

Current trade receivables are non-interest bearing and are generally on 30-to-60-day terms. The receivables in the 61-90 and over 90 days ageing category are generally on longer credit terms.

Based on the above, the Directors have deemed the \$0.5 million allowance for expected credit losses as prudent in 2023 (2022: NIL) at the reporting date.

**Movement in the expected credit loss for receivables is as follows:**

<b>EXPECTED CREDIT LOSS</b>	<b>OPENING BALANCE</b>	<b>CHARGE FOR THE YEAR</b>	<b>AMOUNTS WRITE OFF/BACK</b>	<b>CLOSING BALANCE</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2023</b>	-	(552)	73	(479)
2022	-	-	-	-

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

**COLLATERAL PLEDGED**

No security over trade receivables has been provided as at 30 June 2023 (2022: Nil).

**NOTE 10 INVENTORIES**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Raw materials including work in progress	2,483	3,591
Finished goods	2,307	4,263
Provision for obsolescence	(695)	(13)
<b>Total</b>	<b>4,095</b>	<b>7,841</b>

Inventories are held at the lower of cost or net realisable value. The decrease in total inventories reflects decreased sales activity and the increased provision for obsolescence to provide for slow-moving inventory.

## NOTE 11 PLANT AND EQUIPMENT

## MOVEMENT IN CARRYING AMOUNTS

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial years are set out below.

<b>2023</b>	<b>PLANT, MACHINERY AND EQUIPMENT \$'000</b>	<b>LEASEHOLD IMPROVEMENTS \$'000</b>	<b>CONSTRUCTION IN PROGRESS \$'000</b>	<b>TOTAL \$'000</b>
<b>Opening Balance</b>	<b>4,093</b>	<b>32</b>	<b>578</b>	<b>4,703</b>
Additions	614	-	25	639
Transfers	268	-	(268)	-
Depreciation Expenses	(711)	(2)	-	(713)
Exchange Rate Variations	(94)	-	-	(94)
<b>Closing Balance</b>	<b>4,170</b>	<b>30</b>	<b>335</b>	<b>4,535</b>
As at 30 June 2023				
Cost	16,566	108	335	17,009
Accumulated Depreciation	(12,396)	(78)	-	(12,474)
<b>Closing Balance</b>	<b>4,170</b>	<b>30</b>	<b>335</b>	<b>4,535</b>

<b>2022</b>	<b>PLANT, MACHINERY AND EQUIPMENT \$'000</b>	<b>LEASEHOLD IMPROVEMENTS \$'000</b>	<b>CONSTRUCTION IN PROGRESS \$'000</b>	<b>TOTAL \$'000</b>
<b>Opening Balance</b>	<b>2,617</b>	<b>33</b>	<b>-</b>	<b>2,650</b>
Additions	1,864	-	578	2,442
Transfers	-	-	-	-
Depreciation Expenses	(829)	(1)	-	(830)
Exchange Rate Variations	441	-	-	441
<b>Closing Balance</b>	<b>4,093</b>	<b>32</b>	<b>578</b>	<b>4,703</b>
As at 30 June 2022				
Cost	16,207	109	578	16,894
Accumulated Depreciation	(12,114)	(77)	-	(12,191)
<b>Closing Balance</b>	<b>4,093</b>	<b>32</b>	<b>578</b>	<b>4,703</b>

**NOTE 12 NON-CURRENT ASSETS - RIGHT-OF-USE ASSETS**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Opening Balance</b>	<b>2,266</b>	<b>2,105</b>
Additions	286	881
Depreciation	(851)	(802)
Exchange rate variations	(56)	82
<b>Closing Balance</b>	<b>1,645</b>	<b>2,266</b>
Cost	4,175	4,175
Accumulated Depreciation	(2,530)	(1,909)
<b>Closing Balance</b>	<b>1,645</b>	<b>2,266</b>

The Group leases land and buildings for its offices, factories and warehouses under agreements of between three to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

**NOTE 13 LEASE LIABILITY**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Lease liability – current	780	818
Lease liability – non-current	1,061	1,572
<b>Lease liability</b>	<b>1,841</b>	<b>2,390</b>

## NOTE 14 INTANGIBLE ASSETS

	GOODWILL	PRODUCT DEVELOPMENT	TOTAL
2023	\$'000	\$'000	\$'000
<b>Opening Balance</b>	<b>3,532</b>	<b>90</b>	<b>3,622</b>
Additions	-	-	-
Amortisation Expenses	-	(31)	(31)
<b>Closing Balance</b>	<b>3,532</b>	<b>59</b>	<b>3,591</b>
As at 30 June 2023			
Cost	3,532	167	3,699
Accumulated Amortisation	-	(108)	(108)
<b>Closing Balance</b>	<b>3,532</b>	<b>59</b>	<b>3,591</b>

	GOODWILL	PRODUCT DEVELOPMENT	TOTAL
2022	\$'000	\$'000	\$'000
<b>Opening Balance</b>	<b>3,532</b>	<b>86</b>	<b>3,618</b>
Additions	-	37	37
Amortisation Expenses	-	(33)	(33)
<b>Closing Balance</b>	<b>3,532</b>	<b>90</b>	<b>3,622</b>
As at 30 June 2022			
Cost	3,532	167	3,699
Accumulated Amortisation	-	(77)	(77)
<b>Closing Balance</b>	<b>3,532</b>	<b>90</b>	<b>3,622</b>

## IMPAIRMENT DISCLOSURES

The Group first recognised goodwill on its balance sheet following the acquisition of Stellar Film Group in April 2015.

Per AASB 138, \$58,677 relates to product development costs incurred prior to commercialisation of new products which are captured in the Statement of Financial Position as intangible assets.

Since then and as required by AASB 136 regulatory guidelines, the Group has undertaken annual impairment tests for its single cash-generating unit ("CGU") being the manufacture and distribution of polyethylene films and the renewable resource-based resins and finished products.

The Group has determined the recoverable amount of the Group's cash generating unit by a value-in-use calculation using a discounted cash flow ("DCF") model. Value-in-use is calculated based on the present value of cash flow projections for the next five years. The cash flows are discounted using an estimated discount rate based on a capital asset pricing model. Revenue has been projected using the assumptions described below. Costs are calculated taking into account historical gross margins as well as estimated weighted inflation rates over the period which is consistent with inflation rates applicable to the locations in which the unit operates. Discount rates are pre-tax and reflect risks associated with the distribution division.

## NOTE 14 INTANGIBLE ASSETS (CONTINUED)

A set of assumptions were applied in the value-in-use-calculation for the purpose of the impairment test. These assumptions are not an exact reflection of management expectations of future performance of the Group.

- a. Revenue is premised on a “zero based budget” approach whereby each customer, or potential customer, has been specifically assessed having regard to current indications of demand, customer contacts or as assessed by the relevant sales managers. Terminal growth post year 5 of the forecast period has been estimated at 2.5% (2022: 2.5%). The weighted average growth rate over the 5-year forecast period was 15.0% (2022: 16.2%).

Long term contracts typically include expenditure “rise and fall” clauses. Accordingly, revenue is forecast to alter in line with relevant changes to the Group’s direct manufacturing cost.

- b. Projected cash flows have been discounted using a pre-tax discount rate of 14.5% (2022: 12.3%).

Based on the above assumptions, the recoverable amount of the cash generating unit has been determined to exceed its carrying amount as at 30 June 2023 and; accordingly, no impairment loss has been recognised.

No reasonably possible change in any of the aforesaid assumptions materially impacting the above analysis would result in an impairment charge.

## NOTE 15 TRADE AND OTHER PAYABLES

	2023 \$'000	2022 \$'000
<b>Current</b>		
Trade payables	1,315	2,742
Sundry payables	492	502
<b>Total</b>	<b>1,807</b>	<b>3,244</b>

## NOTE 16 ISSUED CAPITAL

### A) SHARE CAPITAL

	2023 \$'000	2022 \$'000
<b>Ordinary - fully paid shares</b>	<b>48,447</b>	<b>44,730</b>

### B) MOVEMENTS IN ORDINARY SHARE CAPITAL

Date		Number of Shares	\$/share	Amount (\$'000)
<b>01-Jul-22</b>	<b>Balance</b>	<b>535,901,862</b>	-	<b>44,730</b>
15-Mar-23	Placement <sup>(1)</sup>	43,332,569	0.065	2,817
15-Mar-23	Placement – Unissued Shares <sup>(1)</sup>	-	-	203
11-Apr-23	Share Purchase Plan <sup>(1)</sup>	14,246,236	0.065	926
	Cost of capital <sup>(1)</sup>	-	-	(229)
<b>30-Jun-23</b>	<b>Balance</b>	<b>593,480,667</b>	-	<b>48,447</b>

#### (1) PLACEMENT AND SHARE PURCHASE PLAN

SECOS announced on 7 March 2023 the settlement of its \$3.0 million placement. The placement received strong support from existing shareholders and attracted new investors. The placement shares, together with one free attaching option for every one share subscribed, were issued using the Company’s existing capacity under ASX Listing Rules 7.1 and 7.1A and will not require general shareholder approval apart from the subscription by Non-Executive Director Donald Haller Jr for US\$137,500 (A\$203,408) in the placement, which will be subject to shareholder approval at the Company’s Annual General Meeting. SECOS announced on 6 April 2023 the settlement of its \$0.9 million from the Share Purchase Plan.

## NOTE 16 ISSUED CAPITAL (CONTINUED)

### C) OPTIONS

The unlisted options were attached to placement shares on 15 March 2023 and Share Purchase Plan shares on 11 April 2023 with the following terms and conditions:

- Each option is exercisable at a price of A\$0.10 per option.
- The options held by the option holder are exercisable in whole or in part at any time before expiry date of 11 April 2025.
- Options not exercised before the expiry date will automatically lapse.
- Each Share allotted as a result of the exercise of an option will rank in all respects pari passu with the existing shares in the Company on issue at the date of allotment.
- The Company will make application for official quotation on ASX of new shares allotted on exercise of the options.
- Options do not have any voting rights at general meetings of the Company.
- There are no participating entitlements inherent in the options to participate in new issues of capital, which may be offered to shareholders. Prior to any new pro rata issue of securities to shareholders, holders of options will be notified by the Company before the record date (to determine entitlements to the issue), to exercise options.

### D) ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value, and the Company does not have a limited amount of authorised share capital.

### E) CAPITAL MANAGEMENT

Management controls the capital of the Group in order to maintain sufficient liquidity to cover the Group's working capital requirements, to meet any new investment opportunities as they arise and to safeguard the Group's ability to continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities supported by financial assets.

Management effectively manages the Group's capital by regularly monitoring its current and expected liquidity requirements and by assessing the Group's financial risks, rather than using debt/equity ratio analyses. The Group's capital structure is adjusted in response to significant changes in liquidity requirements and financial risks. These responses include the management of debt levels and share issues.

There are no externally imposed capital requirements other than Australian Securities Exchange (ASX) listing rule 7.1 and 7.1A placement capacity.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

## NOTE 17 RESERVES

Reserves comprise a foreign currency translation reserve which records exchange differences arising on translation of a foreign controlled subsidiary as described in Note 1(k) and a share based payments reserve.

## NOTE 18 SHARE BASED PAYMENTS

The Company has an Employee Share Incentive Plan which was established to encourage employees of the consolidated entity, including directors, to share in the ownership of the consolidated entity, in order to promote their long-term success. The Plan offers selected employees of the consolidated entity, including directors, an opportunity to share in the growth and profits of the consolidated entity alongside the Company's shareholders.

During the financial year ended 30 June 2023, there were 822,774 performance Rights ("rights") issued to employees and a Director of the Company (30 June 2022: 786,425). The 87,189 rights issued to the Director were approved at the Annual General Meeting held on 30 November 2022.

There are multiple non-market performance vesting conditions allocated to each tranche of rights. The overarching performance hurdle is in line with internal management targets and goals for future years.

The probability of non-market performance conditions occurring has been assessed to be 75%.

For the rights granted during the current financial period, the fair value of the rights equates to the share price on the date that the rights were issued being 12 cents as there is no exercise price.

The following tables illustrate the movements in performance rights, during the current financial year and the comparative financial year.

	NUMBER OF RIGHTS 2023	NUMBER OF RIGHTS 2022
<b>Outstanding at the beginning of the financial year</b>	<b>661,854</b>	-
Granted	822,774	786,423
Exercised / Forfeited	(783,641)	(124,569)
<b>Outstanding at the end of the financial year</b>	<b>700,987</b>	661,854

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE PERIOD	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ OTHER	BALANCE AT THE END OF THE PERIOD
09-Sep-2021	01-Nov-2022	-	220,618	-	-	(220,618)	-
09-Sep-2021	01-Nov-2023	-	220,618	-	-	(136,962)	83,656
09-Sep-2021	01-Nov-2024	-	220,620	-	-	(136,964)	83,656
08-Sep-2022	01-Nov-2025	-	-	822,774	-	(289,099)	533,675
		-	<b>661,856</b>	<b>822,774</b>	-	<b>(783,643)</b>	<b>700,987</b>

## NOTE 19 CONTROLLED ENTITIES

## CONTROLLED ENTITIES CONSOLIDATED

NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	EQUITY HOLDING (%)	
			2023	2022
<b>Stellar Films (Malaysia) Sdn Bhd</b>	Malaysia	Manufacturing	100%	100%
<b>CO2 Starch Pty Ltd</b>	Australia	Research	100%	100%
<b>Secos Americas Inc</b>	USA	Sales and marketing	100%	100%
<b>Cardia Bioplastics (Australia) Pty Ltd</b>	Australia	Sales and marketing	100%	100%
<b>Cardia Bioplastics (Malaysia) Sdn Bhd</b> 100% owned by Cardia Bioplastics (Australia) Pty Ltd	Malaysia	Manufacturing	100%	100%
<b>Tristano Pty Ltd</b> 100% owned by Cardia Bioplastics (Australia) Pty Ltd	Australia	Research	100%	100%
<b>Biograde (Hong Kong) Pty Ltd</b> 100% owned by Cardia Bioplastics (Australia) Pty Ltd	Hong Kong	Holding company	100%	100%
<b>Biograde (Nanjing) Pty Ltd</b> 100% owned by Biograde (Hong Kong) Pty Ltd	China	Manufacturing	100%	100%
<b>Cardia Bioplastics, S.A de C.V</b>	Mexico	Sales and marketing	100%	100%

## NOTE 20 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Estimates of the potential financial effect of contingent liabilities that may become payable:

	2023 \$'000	2022 \$'000
Bank Guarantees	34	34

There were no contingent assets as at 30 June 2023 (2022: NIL).

## NOTE 21 OPERATING SEGMENTS

### IDENTIFICATION OF REPORTABLE OPERATING SEGMENT

Management views the business as a single operating segment being the manufacture and distribution of polyethylene films, and the renewable resource-based resins and finished products.

The management team prepares internal reports with a multi-dimensional view with emphasis on Group consolidated results that are used by the Board of Directors in assessing the performance and in determining the allocation of resources of the Group. The information is reported monthly.

<b>SALES REVENUE BY GEOGRAPHICAL REGION (EXTERNAL CUSTOMERS)</b>	<b>2023 \$'000</b>	<b>2022 \$'000</b>
Oceanic	7,092	6,512
Asia	10,254	15,617
Americas	3,259	6,337
Europe	1,355	1,426
Africa	876	1,151
<b>Total Revenue</b>	<b>22,836</b>	<b>31,043</b>

### MAJOR CUSTOMERS

The Group has a number of customers to whom it provides products. The Group has supplied a single external customer in the manufacturing segment who accounted for 11.5% (2022: 13.5%) of external revenue.

<b>PLANT AND EQUIPMENT BY GEOGRAPHICAL REGION</b>	<b>2023 \$'000</b>	<b>2022 \$'000</b>
The location of segment assets (plant and equipment) by geographical location is disclosed below:		
Oceanic	870	783
Asia	3,665	3,920
<b>Total Assets</b>	<b>4,535</b>	<b>4,703</b>

**NOTE 22 CASH FLOW INFORMATION****RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT/(LOSS) AFTER INCOME TAX**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit/(Loss) for the year after tax</b>	<b>(6,750)</b>	<b>(3,085)</b>
<b>Non-Cash Items</b>		
Provision for obsolescence	695	-
Allowance for expected credit loss	479	-
Impairment of deferred tax assets	958	153
Depreciation and amortisation	1,595	1,304
Share based payments expense	6	36
Unrealised foreign currency differences	(336)	391
<b>Movements in assets and liabilities</b>		
Decrease/(increase) in inventories	2,484	(2,532)
Decrease/(increase) in receivables and other assets	3,191	(2,016)
(Decrease)/increase in payables	(304)	1,689
<b>Net cash inflow / (outflow) from operating activities</b>	<b>2,018</b>	<b>(4,060)</b>

**NOTE 23 EVENTS AFTER THE REPORTING DATE**

SECOS announced on 1 August 2023 the asset sale and closure of its traditional plastic business (Stellar Films Malaysia) which is expected to be completed by December 2023. This will see the Group producing 100% of its products as sustainable or compostable in line with its strategy to become a world leader in sustainable packaging.

Apart from the above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**NOTE 24 RELATED PARTIES****PARENT ENTITY**

SECOS Group Limited is the parent entity.

**SUBSIDIARIES**

Interests in subsidiaries are set out in Note 19.

**KEY MANAGEMENT PERSONNEL**

Disclosures relating to key management personnel are set out in Note 6 and the remuneration report in the directors' report. There were no other related party transactions.

## NOTE 25 FINANCIAL INSTRUMENTS

### FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and minimise potential adverse effects on the financial performance of the Group.

### SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk.

#### CREDIT RISK

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. Credit risk is managed through the negotiation of payment terms with customers such as advance payment on orders or payments through letter of credits, title retention clauses over goods, ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and monitoring the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 9. Credit risk arising on cash balances is considered low.

#### LIQUIDITY RISK

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or meeting its obligations related to financial liabilities. The Group manages liquidity risk by maintaining a reputable credit profile, managing credit risk related to financial assets, monitoring forecasted cash flows and ensuring that new funding facilities are in place either in the form of the issuing of new securities or establishing borrowing facilities.

**NOTE 25 FINANCIAL INSTRUMENTS (CONTINUED)**

A summary of the entity's financial assets and liabilities is shown in the table below:

<b>YEAR ENDED 30 JUNE 2023</b>	<b>&lt;6 MONTHS \$'000</b>	<b>6-12 MONTHS \$'000</b>	<b>1-5 YEARS \$'000</b>	<b>TOTAL \$'000</b>
Financial assets				
Cash	8,424	-	-	8,424
Trade and other receivables	4,033	-	-	4,033
	<b>12,457</b>	<b>-</b>	<b>-</b>	<b>12,457</b>
Financial liabilities				
Trade and other payables	1,807	-	-	1,807
Lease liability	430	350	1,061	1,841
	<b>2,237</b>	<b>350</b>	<b>1,061</b>	<b>3,648</b>
<b>Net maturity</b>	<b>10,220</b>	<b>(350)</b>	<b>(1,061)</b>	<b>8,809</b>

<b>YEAR ENDED 30 JUNE 2022</b>	<b>&lt;6 MONTHS \$'000</b>	<b>6-12 MONTHS \$'000</b>	<b>1-5 YEARS \$'000</b>	<b>TOTAL \$'000</b>
Financial assets				
Cash	4,122	-	-	4,122
Trade and other receivables	7,955	-	-	7,955
	<b>12,077</b>	<b>-</b>	<b>-</b>	<b>12,077</b>
Financial liabilities				
Trade and other payables	3,244	-	-	3,244
Lease liability	399	419	1,572	2,390
	<b>3,643</b>	<b>419</b>	<b>1,572</b>	<b>5,634</b>
<b>Net maturity</b>	<b>8,434</b>	<b>(419)</b>	<b>(1,572)</b>	<b>6,443</b>

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

Unless otherwise stated, the carrying amount of financial instruments reflects their fair value.

**MARKET RISKS**

There is no material exposure for the Group.

**INTEREST RATE RISK**

There is no material exposure for the Group.

**INTEREST RATE RISK SENSITIVITY ANALYSIS**

An official increase/decrease in interest rates of 2% has no adverse/favourable effect on profit or loss before tax. The Group had no borrowings as at 30 June 2023 (2022: NIL).

## NOTE 25 FINANCIAL INSTRUMENTS (CONTINUED)

### FOREIGN CURRENCY RISK

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

As the Group's significant purchase and sales transactions are in US dollars, any fluctuations in US dollars may impact on the Group's financial assets. The risk is measured using sensitivity analysis and cash flow forecasting.

For payments in all other foreign currencies, the Group has established that its exposure to foreign currency risk is not material at this stage.

The carrying amount of the Group's foreign currency (US dollars) denominated financial assets and financial liabilities at the reporting date were as follows:

	<b>2023</b> <b>\$'000</b>	<b>2022</b> <b>\$'000</b>
Financial Assets	381	159
Financial Liabilities	-	-

The Group has performed sensitivity analysis relating to its net exposure to foreign currency risk at the end of reporting period. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

### FOREIGN CURRENCY RISK SENSITIVITY ANALYSIS

At 30 June 2023, the effect on profit or loss and equity as a result of changes in the value of the Australian dollar to the US dollar with all other variables remaining constant is as follows:

	<b>2023</b> <b>\$'000</b>	<b>2022</b> <b>\$'000</b>
Change in Profit and Equity		
<ul style="list-style-type: none"> <li>• movement in AUD to USD by 10.0%</li> </ul>	+/-43	+/- 23

### FOREIGN CURRENCY TRANSLATION RESERVES ("FCTR")

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary as described in Note 1(k). At 30 June 2023, all balance sheet items in foreign currencies are translated to local currency at closing exchange rates and this is further translated to Australian dollar. Upon consolidation of the entities, the impact is captured in the reserves line in the equity section.

## DIRECTORS' DECLARATION

In the Directors' opinion:

- a. the financial statements and notes set out on pages 26 to 51 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- 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; and
- c. The remuneration disclosures set out on pages 16 to 20 of the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



**Jim Walsh**

**Non-Executive Chairman**

Melbourne, Australia

Date: 25 August 2023

## SECOS Group Limited Independent auditor's report to members

### REPORT ON THE AUDIT OF THE FINANCIAL REPORT

#### Opinion

We have audited the financial report of SECOS Group Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Key Audit Matters

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

**KEY AUDIT MATTER - ASSESSMENT OF CARRYING VALUE OF GOODWILL**

Area of focus Refer also to notes 1 and 14	How our audit addressed it
<p>During the financial year ended 30 June 2015 the group expanded its activities through the reverse acquisition of Cardia Bioplastics Limited by Stellar Films Group. As a result, the acquisition created Goodwill on the Group's consolidated statement of financial position of \$3.5 million.</p> <p>There is a risk that the carrying amount of the cash generating unit to which the goodwill belongs exceeds its recoverable amount and may be impaired.</p> <p>The Group continues to operate as a single Cash Generating Unit ("CGU") being the manufacture and distribution of polyethylene films, and renewable resources-based resins. Management has assessed that there had been no significant change to the business which would require a change in the current year.</p> <p>The recoverable amount of the CGU has been calculated based on a value-in-use discounted cashflow model, this examines the expected discounted cashflows of its sole CGU over a five-year period extending from reporting date, plus a terminal value.</p> <p>Overall due to the high level of judgement involved, and the significant carrying amounts involved, we have determined that this is a key judgemental area that our audit concentrated on.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— A detailed analysis of any changes to the business to determine the continued appropriateness of a single segment and CGU;</li> <li>— An examination of the discounted cashflow model which includes testing for its arithmetical accuracy, checking the reasonableness of the future cashflows, comparing to historical trends of the business and its pipeline of future sales transactions and the overall industry climate affecting the economics of the business model;</li> <li>— The reasonableness of key inputs into the model, including growth rates, the pre-tax discount rate as reviewed by an independent expert and the working capital levels associated with the derivation of those growth rates;</li> <li>— An examination of key sensitivities of the Group's future discounted cash flows to changes in key inputs;</li> <li>— Cross-checking the overall net present value derived by the model to the current enterprise value of the business, embodied in its market capitalisation; and</li> </ul> <p>We also considered the adequacy of the Group's disclosures in relation to the impairment testing in the financial report.</p>

**KEY AUDIT MATTER - INVENTORY**

Area of focus Refer also to notes 1 and 10	How our audit addressed it
<p>The Group's inventory of \$4.1 million is significant to the financial statements and has decreased significantly from prior year. The Group's inventory predominantly includes polyethylene films and renewable resource-based resins.</p> <p>Inventory is required to be carried at the lower of its cost and net realisable value applying the weighted average cost method.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— A physical verification of inventory at material locations within the Group;</li> <li>— Performance of cut-off testing for both inwards and outwards goods around the year end date;</li> <li>— On a sample basis, validated the cost price of inventory items through to supporting documentation;</li> </ul>

<b>KEY AUDIT MATTER - INVENTORY</b>	
<b>Area of focus Refer also to notes 1 and 10</b>	<b>How our audit addressed it</b>
<p>The valuation of inventory involves significant judgement by management as value depends on the age and types of polyethylene films and renewable resource-based resins.</p>	<ul style="list-style-type: none"> <li>– A review of subsequent product sales to ensure inventory was valued at the lower of cost and net realisable value;</li> <li>– We assessed management’s judgements in relation to the need for provisioning based on the aging and condition of the inventory; and</li> </ul> <p>We also considered the adequacy of disclosures in relation to inventory.</p>
<b>KEY AUDIT MATTER – DEFERRED TAX ASSET</b>	
<b>Area of focus Refer also to notes 1 and 5</b>	<b>How our audit addressed it</b>
<p>During the year ended 30 June 2023, the group reduced the deferred tax asset balance recognised on the statement of financial position from \$1.9 million to \$0.96 million based on the Group’s reassessment of its recoverability.</p> <p>Assessing the recoverability of deferred tax assets requires the Group to make significant estimates related to the quantum and timing of future taxable income.</p> <p>Estimates of future taxable income are based on the forecast of cash flows from operations, the reversal of temporary differences and the application of existing tax laws in each jurisdiction.</p> <p>To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. Due to the above-mentioned factors, recoverability of deferred tax assets is considered a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>– Understanding the initial tax position taken by the Group, reviewing the correspondence between the Group and its external tax specialist;</li> <li>– Assessing the board approved budgets to determine the likelihood of future profitability and the use of its deferred tax assets in future periods;</li> <li>– Understanding the basis of accounting for recognised deferred tax assets based on our knowledge of the tax environment in which the Group operates, and assessing management’s judgements on the cash flow projections used in forecasting future taxable income and the reversal of temporary differences; and</li> </ul> <p>We also considered the adequacy of the Group’s disclosures in relation to the recognised and unrecognised deferred tax assets in the financial report.</p>

## Other Information

The directors are responsible for the other information. The other information comprises the information in the Group’s annual report for the year ended 30 June 2023, but does not include the financial report and the auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

## **Responsibilities of the Directors for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

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

A further description of our responsibilities for the audit of this financial report is located at the Auditing and Assurance Standards Board website at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our independent auditor's report.

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of SECOS Group Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

## Responsibilities

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

Yours sincerely



**William Buck Audit (Vic) Pty Ltd**  
ABN 59 116 151 136



**A. A. Finnis**  
Director  
Melbourne, 25 August 2023

# SHAREHOLDERS' INFORMATION

The shareholder information set out below was applicable as at **10 August 2023**

## (A) DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

ORDINARY SHARES	NUMBER OF HOLDERS
1 - 1,000	321
1,001 - 5,000	1,237
5,001 - 10,000	668
10,001 - 100,000	1,371
100,001 and over	424
<b>Total</b>	<b>4,021</b>

**There were 1,902 holders of less than a marketable parcel of ordinary shares.**

## (B) EQUITY SECURITY HOLDERS

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

FULLY PAID ORDINARY SHARES	NUMBER HELD	PERCENTAGE OF ISSUED SHARES (%)
BELGRAVIA STRATEGIC EQUITIES PTY LTD	62,211,275	10.5%
R&K EDWARDS INVESTMENTS	57,295,825	9.7%
DONALD HALLER JR	45,748,826	7.7%
SECOS FRIENDS LLC	30,212,228	5.1%
UBS NOMINEES	27,637,796	4.7%
STELLAR DEVELOPMENTS	20,696,906	3.5%
RICHARD TEGONI	15,529,309	2.6%
BRENDAN O'SULLIVAN	11,189,054	1.9%
HSBC CUSTODY NOMINEES	9,087,223	1.5%
ADVANCE PUBLICITY	8,425,000	1.4%
HELPLESS PTY LTD	8,024,262	1.4%
GOBBLE PTY LTD	7,203,346	1.2%
NATIONAL NOMINEES	5,516,016	0.9%
PLANET JANET SUPER PTY LTD	5,403,397	0.9%
DAVID WAKE	5,157,109	0.9%
SCOTCH INVESTMENTS PTY LTD	5,000,000	0.8%
KIRZY (PHILLIPPA WEEKLEY)	4,990,191	0.8%
GARY T HEDRICK	4,864,555	0.8%
MARK L DEUTSCH CAPITAL LLC	4,741,575	0.8%
ROBERT V DEUTSCH CAPITAL LLC	4,741,575	0.8%
<b>Total</b>	<b>343,675,468</b>	<b>57.9%</b>

### (C) SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders listed in the holding company's register as at **10 August 2023** are:

	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF ISSUED SHARES (%)
BELGRAVIA STRATEGIC EQUITIES PTY LTD	62,211,275	10.5%
R&K EDWARDS INVESTMENTS LLC	57,295,825	9.7%
DONALD HALLER JR	45,748,826	7.7%
SECOS FRIENDS LLC	30,212,228	5.1%

### (D) VOTING RIGHTS

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

#### Ordinary Shares:

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.

SECOS  
GROUP

