

## ASX RELEASE

27 April 2017

## SECOS GROUP QUARTERLY CASH FLOW STATEMENT AND APPENDIX 4C

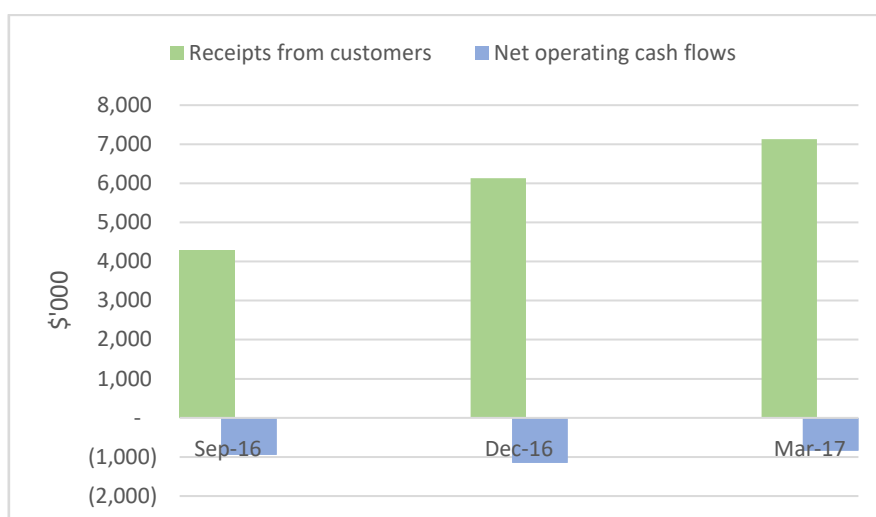
### Highlights:

- Record level of quarterly cash receipts from customers of \$7.1 million, up \$1.0 million from December 2016 quarter
- Cash outflows reduced further to only \$840,000
- Sales growth expected to continue as SECOS addresses rising demand across the attractive niche markets of films, packaging and waste management
- Closing cash balance of \$0.9 million

The Board of sustainable packaging company SECOS Group Limited (ASX: SES, “the Company”) is pleased to present its Quarterly Activities Report and Appendix 4C Quarterly Cash Flow Statement for the consolidated entity consisting of SECOS Group Limited and the entities it controlled (“SECOS Group”) for the quarter ended 31 March 2017.

The chart below shows the consistent revenue growth and healthy cash flow improvements that SECOS achieved in the three quarters of FY17.

### Cash receipts and cash flows for first three quarters of FY17



SECOS Managing Director, Stephen Walters, said:

*“We are proud to announce the continued improvement of the Group’s results in the March quarter. The Company’s recent growth in sales suggests that our sustainable films and packaging products are gaining traction across multiple markets.”*

*“We will continue to deliver on our strategy to be a world leader in sustainable plastics and packaging. There is further scope to both grow sales and reduce our cost base.”*

## **Financial highlights**

- During the March 2017 quarter, SECOS achieved a record level of cash receipts from customers of \$7.1 million — up \$1 million from the previous quarter.
- Net operating cash outflow for the quarter reduced to \$0.8 million as SECOS continues to focus on fixed cost reduction and growth in sales.
- Cash balance at 31 March 2017 was \$0.9 million.

## **Operational highlights**

SECOS continues to implement its business strategy to become a leader in sustainable packaging, with core market segments being Films & Packaging and Waste Management Solutions.

### **Films & Packaging**

#### *US sales growth continues*

- SECOS has continued to fulfil orders with newly-acquired customers including protective packaging specialist Storopack with the expectation of recurring business.
- The Company will launch the MyEcoPet website in the June quarter as an online sales channel to address the attractive market for earth-friendly and compostable pet supplies.
- SECOS continues to grasp opportunities to reinforce its growing reputation as an innovator in sustainable packaging.

#### *Asian business development success continues*

- Orders have increased with a second Japanese pet sheet manufacturing client, having validated SECOS' product offering in late 2016. The Company looks forward to deepening its relationship with this prominent plastics company.

#### *Global sales continue to gain momentum*

- SECOS has built on its initial deliveries of biohybrid resin for adhesive bottles to an industry-leading chemical company, having negotiated ongoing supply terms after initial trials were approved. Several key customers have requested to analyse the innovative product, and SECOS has received additional inbound enquiries from Brazil and Russia supporting potential new business relating to the product.

### **Waste Management Solutions**

SECOS' renewed focus on commercialising existing projects and product applications continues to deliver positive sales outcomes.

- SECOS has fulfilled initial orders for delivery into the US and Canada and awaits sell-through for repeat orders from that region.

- SECOS continued to supply organic waste management systems to the Australian local council sector during the quarter. During and after the March quarter, SECOS secured material orders from the Nedlands and Wodonga councils and the South Melbourne Market. Official municipal certification of the Company's newly-developed High Speed Compostable bag should open significant opportunities for SECOS to grow sales in this market.
- Trials in Malaysia have been successful with external convertors of film and bags to produce products locally and support the Malaysian Government initiative to ban plastic bags in preference to compostable bags in this fast-growing and emerging market.

## Outlook

The Company is pleased to report that SECOS is experiencing strong levels of interest in its products, particularly its innovative biohybrid films and resins.

SECOS intends to continue to review its cost base while pursuing top line growth through selling more products more efficiently, reaping productivity benefits which should drive more attractive group margins.

Appendix 4C follows.

## For more information, please contact:

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## About SECOS Group Limited

**SECOS Group Limited (ASX: SES)** is a leading developer and manufacturer of sustainable packaging materials. Based in Melbourne, Australia, SECOS supplies its proprietary biodegradable resins, packaging products and high-quality cast films to a blue-chip global customer base.

SECOS holds a strong patent portfolio and the global trend toward sustainable packaging is fuelling the Company's growth, bringing FY16 revenue of \$21 million.

The Company's headquarters and Global Application Development Centre are based in Melbourne, Australia. SECOS has a Product Development Centre and manufacturing plant for resins and finished products in Nanjing, China, with manufacturing plants for high quality cast films in Melbourne and Kuala Lumpur, Malaysia. SECOS' annual production capacity is 7,200 tonnes of bioplastic resins, 15,000 tonnes of cast film and 2,000 tonnes of blown film and finished products.

SECOS has sales offices in Australia, Malaysia, China and the US, with a network of leading distributors across the Americas, Asia and Europe.

## APPENDIX 4C

### QUARTERLY REPORT FOR ENTITIES SUBJECT TO LISTING RULE 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

#### Name of entity

**SECOS GROUP LIMITED**

#### ABN

**89 064 755 237**

#### Quarter ended ("current quarter")

**31 March 2017**

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		7,133	17,556
1.2 Payments for			
(a) research and development		(73)	(232)
(b) product manufacturing and operating costs		(6,642)	(16,182)
(c) advertising and marketing		(61)	(233)
(d) leased assets		(74)	(285)
(e) staff costs		(795)	(2,797)
(f) administration and corporate costs		(164)	(681)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		-	-
1.5 Interest and other costs of finance paid		(165)	(274)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	199
1.8 Other (provide details if material)		-	-
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(840)</b>	<b>(2,929)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(34)	(192)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	15
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(34)</b>	<b>(177)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	1,124
3.2 Proceeds from issue of convertible notes	-	996
Proceeds from exercise of share options		
3.3	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	121	1,152
3.6 Repayment of borrowings	(46)	(627)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>75</b>	<b>2,644</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	<b>1,660</b>	<b>1,347</b>
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(840)	(2,929)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(34)	(177)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	75	2,644
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>886</b>	<b>886</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	929	1,782
5.2	Call deposits	-	-
5.3	Bank overdrafts	(98)	(152)
5.4	Other (provide details)		
	Funds in Transit	-	-
	Deposits against Bank Guarantee Issued	55	55
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>886</b>	<b>1,685</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	<b>99</b>
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

<b>8.</b>	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1	Loan facilities	1,181	1,082
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	2,521	2,241

- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered or are proposed to be entered into after quarter end, include details of those facilities as well.

Sr No	Facility and lender	Interest Rate	Secured/ Unsecured	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<b>8.1</b>	<b>Loan Facilities include</b>				
1	Term Loan CIMB Bank, Malaysia	8.85%	Secured	414	414
2	Term Loan National Australia Bank	8.36%	Secured	767	668
				<b>1,181</b>	<b>1,082</b>
<b>8.3</b>	<b>Other Facilities include</b>				
1.	Bank Overdraft CIMB Bank, Malaysia	8.85%	Secured	98	98
2.	Multi Option Line Facility CIMB Bank, Malaysia	1.83%	Secured	966	899
3	Payroll overdraft National Australia Bank	8.36%	Secured	75	-
4	Debtor Finance Facility Timelio Pty Ltd	9.50%	Secured against invoices	1,382	1,244
				<b>2,521</b>	<b>2,241</b>
	<b>Total</b>			<b>3,702</b>	<b>3,323</b>

<b>9.</b>	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Research and development	90
9.2	Product manufacturing and operating costs	6,000
9.3	Advertising and marketing	100
9.4	Leased assets	150
9.5	Staff costs	1,000
9.6	Administration and corporate costs	300
9.7	Other (provide details if material)	-
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>7,640</b>



<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

#### Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....

Date: **27 April 2017**

(Director/Company Secretary)

Print name: **Edmond Tern**

#### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.