

## 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 2020**  
Previous Corresponding Period: 30 June 2019

### Results for announcement to the market

<b>Key information</b>	<b>2020 \$</b>	<b>2019 \$</b>	<b>% Change</b>
Revenues from ordinary activities	21,038,608	20,851,647	0.9%
Loss from ordinary activities after tax attributable to members	(1,186,003)	(4,169,981)	71.6%
Net loss attributable to members	(1,186,003)	(4,169,981)	71.6%

<b>Dividends Paid and Proposed</b>	<b>Amount per security</b>	<b>Franked amount per security at 30% of Tax</b>
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

<b>Net Tangible Assets Backing</b>	<b>2020</b>	<b>2019</b>
Net tangible asset backing per ordinary security	1.9 cents	1.8 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 "Review of Operations" included within the Directors' report.

### Status of Audit

The 30 June 2020 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 2020 Annual Report for a copy of the auditor's report.

# SECOS GROUP



SECOS GROUP LIMITED & ITS CONTROLLED ENTITIES

# ANNUAL REPORT

# 2020





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# **SECOS GROUP LIMITED AND ITS CONTROLLED ENTITIES**

**(ABN 89 064 755 237)**

**(ASX: SES)**

**ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020**

## CONTENTS

CORPORATE DIRECTORY.....	4
CHAIRMAN'S REPORT .....	5
DIRECTORS' REPORT .....	6
AUDITOR'S INDEPENDENCE DECLARATION.....	20
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	21
STATEMENT OF FINANCIAL POSITION .....	22
STATEMENT OF CHANGES IN EQUITY .....	23
STATEMENT OF CASH FLOWS .....	24
NOTES TO THE FINANCIAL STATEMENTS.....	25
DIRECTORS' DECLARATION .....	50
INDEPENDENT AUDITOR'S REPORT .....	51
SHAREHOLDERS' INFORMATION .....	55



## CORPORATE DIRECTORY

<b>DIRECTORS:</b>	Mr. Richard Tegoni (Executive Chairman) Mr. Stephen Walters (Executive Director) Mr. Donald Haller Jr. (Non-Executive Director) Mr. David Wake (Non-Executive Director) Mr. Jim Walsh (Non-Executive Director)
<b>COMPANY SECRETARY:</b>	Mr. Edmond Tern
<b>REGISTERED OFFICE:</b>	Level 3, 302 Burwood Road Hawthorn, VIC 3122 Telephone: +61 3 8566 6800 Email: <a href="mailto:info@secosgroup.com.au">info@secosgroup.com.au</a>
<b>SHARE REGISTRY:</b>	Advanced Share Registry Limited 110 Stirling Highway, NEDLANDS, W.A. 6009 Telephone: +61 8 9389 8033 Email: <a href="mailto:admin@advancedshare.com.au">admin@advancedshare.com.au</a>
<b>BANKERS:</b>	Bank of Melbourne Level 8, 530 Collins Street, MELBOURNE, VIC 3000
<b>AUDITORS:</b>	William Buck Level 20, 181 William Street, MELBOURNE, VIC 3000 Telephone: +61 3 9824 8555
<b>LAWYERS:</b>	CBW Partners Level 1, 159 Dorcas Street, South Melbourne, VIC 3205
<b>SECURITIES EXCHANGE:</b>	Australian Securities Exchange Level 45 South Tower, Rialto 525 Collins Street MELBOURNE, VIC 3000  ASX Code: SES
<b>WEBSITE:</b>	Corporate: <a href="http://www.secosgroup.com.au">www.secosgroup.com.au</a> E-commerce: <a href="http://www.cardiabioproducts.com">www.cardiabioproducts.com</a> ; <a href="http://www.myeocbag.com.au">www.myeocbag.com.au</a>
<b>CORPORATE GOVERNANCE STATEMENT:</b>	The Corporate Governance statement can be found on 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 ending 30 June 2020.

2020 saw the continued unprecedented shift in government and community attitudes to address the world's plastic waste crisis. While some conventional plastic manufacturing incumbents remain wedded to petrochemical supply chains, many others accept that "recycling" alone can no longer be promoted as the environmental fix-all it has been made out to be over the decades. With less than 10% of all plastics being recycled worldwide the shift to remove the most damaging plastics from waste streams or to replace them with environmentally sustainable solutions such as compostable technology has become a key focus for government and global brands alike.

Over the last few years your board has focused entirely on positioning SECOS as the leading developer and producer of compostable technology to replace single use plastics. I am pleased to confirm that after executing on a long list of improvement initiatives the Company is now in a very strong position to take advantage of the growth opportunities that lay ahead with major contract wins already being achieved in 2021

The financial performance improvements for 2020 delivered a 71.6% improvement in NPAT or FY20 (\$1.2m) vs FY19 (\$4.2m); gross margins nearly doubled with FY20 at 17.5% vs FY19 at 9.4%, fixed overheads (before lease accounting adjustments) dropped by 22.2%; operating cash outflow is \$0.6m for the year (after reclassifying \$0.6m of rental expenses as financing activities as per new accounting standard). This compares to restated FY19 operating cash outflow of \$2.4m which is quite an achievement. The significant turnaround in financial performance for the full year was complemented by a positive EBITDA in the second half and cash flow positive result in the final quarter of 2020. The company also finished the year with negligible debt and over \$2.9m surplus cash in the bank as at 30 June 2020.

During the year, the company focused on developing new resin grades and improved technology in film and product applications resulting in a substantial customer pipeline across all categories of resin, film and finished products. SECOS is currently supplying over 14 countries and working with hundreds of plastic converters and major brands across a range of industries. Joint product trials progressed well during the year which has established a strong growth platform for 2021. Already this year, major success has been achieved in feminine hygiene products, pet waste bags, and further growth in council led organic waste business.

On behalf of the board, I would like to congratulate everyone in the SECOS team responsible for achieving these excellent results and for the strong support from shareholders and our key stakeholders. We believe the company is now well positioned for growth and to take advantage of the shift to bioplastics with the year ahead expected to be very positive.



**Richard Tegoni**  
**Executive 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 2020.

### DIRECTORS

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

Richard Tegoni (Executive Chairman)  
 Stephen Walters (Executive Director)  
 Donald Haller Jr. (Non-Executive Director)  
 David Wake (Non-Executive Director)  
 Jim Walsh (Non-Executive Director)

### COMPANY SECRETARY

The Company Secretary is Edmond Tern who is also the Chief Financial Officer of SECOS.

### PRINCIPAL ACTIVITIES

SECOS Group Limited (ASX: SES) is a leading developer and manufacturer of sustainable packaging materials. Headquartered in Melbourne, Australia, 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 toward sustainable packaging is fueling the Company's growth.

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 China and resins plant in 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 United States.

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

### OPERATING RESULTS

The consolidated loss for the year attributable to the members of the Group:

	2020	2019
	\$	\$
Loss for the year after income tax	(1,186,003)	(4,169,981)
<b>Net Loss attributable to members of the Company</b>	<b>(1,186,003)</b>	<b>(4,169,981)</b>

### 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.



## REVIEW OF OPERATIONS

SECOS' Business Transformation Program sees SECOS finish FY19/20 in a strong position ready to capture current and future growth opportunities.

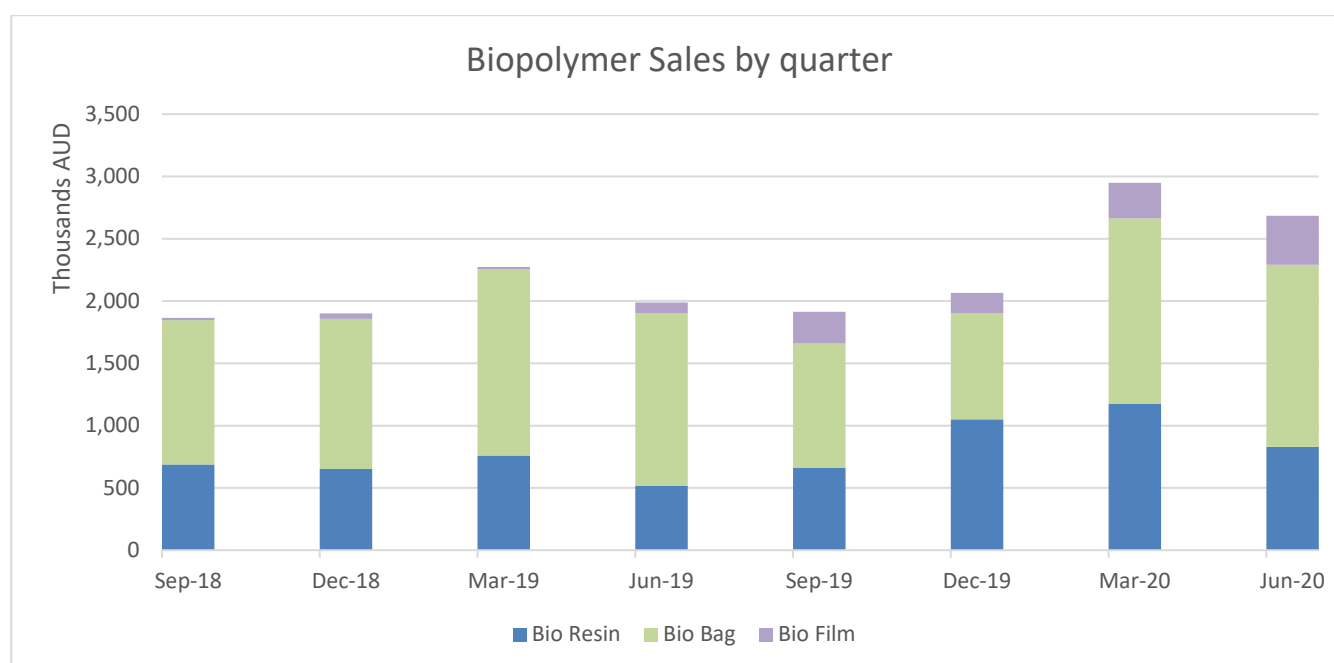
At the close of FY19/20, SECOS has a strong cash position with \$2.9 million cash on hand. This was backed up by a further reduction in company debt year on year (YOY) of 53.1% to \$0.7 million.

SECOS' operational performance was further improved by positive EBITDA results in the second half of FY19/20 and positive NPAT in the last quarter emphasizing improved margins and continuing discipline on overheads (which fell by a further 22.2% compared to the same period last year).

The Business Transformation Program has extracted significant value for the business and has established a solid foundation for it to now leverage additional sales opportunities some of which have already been announced in the new financial year.

Sales growth continues in our Compostable Biopolymer range with 20% year on year growth recorded. SECOS Group traditional film business continued to improve its performance initially through better volumes in first half of FY19/20 and significantly improved margins throughout FY20.

Compostable Resins, Films and Bags continue to record double digit growth with the largest segment compostable bags continuing to grow strongly as a consequence of strong demand from councils rolling out of replenishing household food organics garden organics (FOGO) programs as well as expanding demand for dog waste bags.



SECOS remains committed to the Australian Council initiatives to divert food waste from landfill to organic waste stations. SECOS promotes Compostable Kitchen Tidy Bags to Councils which are used to facilitate Council food waste diversion programs. These programs have the benefits of redirecting food waste from land fill to organic waste treatment which creates fertile mulch, which in turn mitigates green gas emissions as well as Council land fill costs.

SECOS is also committed to replacing single use plastics with more sustainable compostable solutions within the consumer and food packaging industry. Sales demand continues to be supported by film converter and significant brand-owner enquiries.



**REVIEW OF OPERATIONS (continued)****FINANCIAL HIGHLIGHTS**

	<b>FY20</b>	<b>FY19</b>	<b>% change</b>
Revenue	21,038,608	20,851,647	0.9%
	of which, Biopolymer was		20.0%
Gross Margin %	17.5%	9.4%	85.7%
NPAT	(1,186,003)	(4,169,981)	71.6%
Current assets	9,107,264	9,243,677	-1.5%
Current liabilities	3,627,935 <sup>1</sup>	3,358,376	8.0%
Current ratio	2.5	2.8	-8.8%
Debt	672,075	1,432,065	-53.1%
Equity	11,375,302	9,994,735	13.8%
Total assets	15,753,690	14,563,802	8.2%
Debt/equity	5.9%	14.3%	-58.8%
Debt/assets	4.3%	9.8%	-56.6%

Overall revenue reported a nominal growth of 0.9%. Biopolymer recorded an encouraging 20.0% growth overshadowed by covid-19 interruption in the last quarter of the year. Cost discipline, manufacturing efficiencies and product mix had contributed to improved margin.

The Group closed off the year with the balance sheet in good shape with key financial statistics summarized in the table above.

**OPERATIONAL ASSETS**

During the financial year SECOS:

- Installed additional film and bag production capacity at its plant in China to cater for expanding compostable bag segments,
- Installed additional equipment in cast line operation in Malaysia which increased efficiency of production,
- Increased asset utilization and efficiency of use in China compostable compound operation, and
- Installed Courier Bag production capacity.

SECOS is in the process of increasing its small compostable and bio-resin bag production capacity in line with increasing demand we see in various retail markets.

A product efficiency program to enhance performance and reduce formulation costs continues to yield positive results.

**SALES ACTIVITIES****Double Digit Sales Growth**

Biopolymer Sales were up 20% YOY with compostable film sales growing rapidly as a consequence of new hygiene film sales into Diaper manufacturers. Compostable Biopolymer sales for Council and Pet Waste Bag applications continue to grow strongly.

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<sup>1</sup> Included \$548,188 current lease liability due to change in accounting standards (AASB 16 Lease Accounting)

**REVIEW OF OPERATIONS (continued)****Expansion in Sales Territories where SECOS is active**

Significant contract wins for new Australian council business were added during the year with six new city councils secured in the last two quarters of 2020.

The number of Australian city councils proposing to adopt FOGO waste programs continues to expand.

SECOS has launched the MyEcoPet and MyEcoBag brands to support branded retail sales initiatives in the USA and Australia.

**OUTLOOK**

Further strong growth in biopolymer resin and film sales is expected in view of significant opportunities and the Company's available manufacturing capacity.

SECOS has progressed negotiations for a strategic supply agreement with Jewett-Cameron (USA) Inc which will enhance sales demand and plant capacity utilization for the production of compostable dog waste bags (recently announced to the market).

Research and Development activities added to our proprietary bio-resin formulations which in turn expanded the compostable film applications and compostable certifications under which SECOS Biopolymer resin and film can be sold.

SECOS is working on developing compostable film for hygiene and medical applications utilizing its Malaysian cast-line assets with trial work yielding results that suggest the running rate is close to meeting commercial levels.

**COVID-19**

The impact of the Coronavirus (COVID-19) pandemic is ongoing. While the financial impact on the Group up to 30 June 2020 had been negligible, it is not practicable to estimate the potential impact after the reporting date. The situation is dependent on measures imposed by governments in various jurisdictions in which the Group operates. No other matter or circumstance has arisen since 30 June 2020 that has significantly affected or may significantly affect the Group's operations in future financial years.

**CORPORATE****Capital Raising**

During the year, SECOS raised \$1.6 million via placement issue pursuant to ASX Listing Rule 7.1 and 7.1A placement capacity.

The funds raised provided working capital to expand biopolymer capacity in Malaysia and China following a sustained period of strong growth demand for the Company's proprietary biopolymer resin.

**Convertible Notes**

No new notes were issued during the year. Post balance date, the remaining 350,000 convertible notes were converted to equity on 10-July-2020.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

No significant changes in the state of affairs of the Group occurred during the year.

**EVENTS AFTER THE REPORTING DATE**

On 7 July 2020, the Company issued 1,459,159 fully paid ordinary shares to Mr. Richard Tegoni and Mr. Donald Haller Jr, Mr. David Wake, Mr. Jim Walsh as payment of director's fees in lieu of cash for the quarter ending 30 June 2020 and to two marketing consultants for consultancy fees. The directors share issue was approved by shareholders in the Annual General Meeting held on 22 November 2019. The shares were issued at an issue price of \$0.057/share. The share issue price had been determined based on volume weighted average sale price of SECOS shares for the June 2020 Quarter.

On 10 July 2020, the Company issued 7,458,346 fully paid ordinary shares to convertible note holders pursuant to Convertible Notes Deed of 27 November 2017. The shares were issued at an issue price of \$0.0469/share. Consequently, there are no outstanding convertible notes left in the accounts.

On 26 August 2020, the Company issued 3,166,666 fully paid ordinary shares to option holders per Options expiring 16 May 2021. The shares were issued at an issue price of \$0.06/share pursuant to option deed.

**FUTURE DEVELOPMENTS**

SECOS will continue to focus on its principal business activities with its sustainable packaging strategy and waste management solutions.

**ENVIRONMENTAL REGULATIONS**

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

# INFORMATION ON DIRECTORS

<b>Richard Tegoni</b>	<b>Executive Chairman</b>
Experience and qualifications	<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.</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>
Special Responsibilities	<p>Chairman of the Board of directors</p> <p>Corporate Strategy and Capital Raisings</p>
Interest in Shares and Options	19,611,386 Ordinary Shares
Directorships held in Other Listed Entities	Has not held a directorship in any other listed entity over the last 3 years
<b>Stephen Walters</b>	<b>Executive Director</b>
Experience and qualifications	<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). Steve was instrumental in the integration of the Stellar and Cardia business.</p> <p>Steve has a B. Bus (Marketing).</p>
Special Responsibilities	Responsible for the sales management of the Group.
Interest in Shares and Options	30,054,639 Ordinary Shares
Directorships held in Other Listed Entities	Has not held a directorship in any other listed entity over the last 3 years

**INFORMATION ON DIRECTORS (continued)**

<b>Donald Haller Jr.</b>		<b>Non-Executive Director</b>
Experience and qualifications	Appointed 1 September 2016. Don has a distinguished background in accounting as a former partner of a major international accounting firm in the USA before venturing into management consulting as a leading professional consultant.	
Special Responsibilities	Non-Executive Director	
Interest in Shares and Options	37,548,775 Ordinary Shares	
Directorships held in other Listed Entities	Has not held a directorship in any other listed entity over the last 3 years.	
<b>David Wake</b>		<b>Non-Executive Director</b>
Experience and qualifications	Appointed 16 July 2018. David held a number of positions in the US at Imperial Chemical Industries' (ICI) multi-billion-dollar specialty chemical subsidiary, National Starch and Chemical Co, including Finance Director for the Specialty Synthetic Polymer division, Senior Director of Financial Planning and Reporting, and ultimately Vice President Finance in the company's New Jersey head office. David was Chief Financial Officer of polymer banknote company Securrency.	
Special Responsibilities	David has a B. Ec. from Monash University	
Interest in Shares and Options	Non-Executive Director	
Directorships held in other Listed Entities	4,681,042 Ordinary Shares	
	Has not held a directorship in any other listed entity over the last 3 years.	
<b>Jim Walsh</b>		<b>Non-Executive Director</b>
Experience and qualifications	Appointed 16 November 2018. Previous executive roles include Finance Director at carpet manufacturer Godfrey Hirst Australia Pty Ltd for 10 years, and most recently 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, GAICD. He is a chairman and non-executive director of several unlisted organisations including:	
Special Responsibilities	Non-Executive Chairman of GMHBA Ltd	
Interest in Shares and Options	Non- Executive Director of A.G. Coombs Group Pty Ltd	
Directorships held in other Listed Entities	Non-Executive Chairman of KM Property Funds Ltd	
	Non-Executive Director	
	3,285,122 Ordinary Shares	
	Has not held a directorship in any other listed entity over the last 3 years.	

## **DIRECTORS' MEETINGS**

The number of meetings of the Company's Board of Directors and the Audit and Compliance Committee held during the year ended 30 June 2020 and the number of meetings attended by each Director.

<b>Director</b>	<b>Board Meetings</b>		<b>Audit and Compliance Committee</b>	
	<b>Number eligible to attend</b>	<b>Number attended</b>	<b>Number eligible to attend</b>	<b>Number attended</b>
R Tegoni	<b>12</b>	<b>12</b>	<b>2</b>	<b>2</b>
S Walters	<b>12</b>	<b>12</b>	<b>2</b>	<b>2</b>
D Haller Jr	<b>12</b>	<b>12</b>	<b>2</b>	<b>2</b>
D Wake	<b>12</b>	<b>12</b>	<b>2</b>	<b>2</b>
J Walsh	<b>12</b>	<b>12</b>	<b>2</b>	<b>2</b>

## REMUNERATION REPORT (AUDITED)

### Remuneration Policy

The Group's policy for determining the nature and amount of remuneration of board members and senior executives 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 *Corporations Act 2001*.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

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, and duties and accountability.

ASX listing rules require 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 2019 was passed at the 2019 Annual General Meeting ("AGM"), which occurred on 22 November 2019.

### Relationship between share price and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives.

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

	2019 \$	2018 \$	2017 \$	2016 \$	2015 \$
Revenue	20,851,647	23,638,055	22,364,976	20,954,668	24,039,849
Net Profit/(loss)	(4,169,981)	(3,107,886)	(2,949,170)	(4,958,162)	(4,279,803)
Share price at year-end (cents)	4.2	8.1	7.7	8.9	13.7



**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 2020 and any change during the year	Contract Details (Duration and Termination)	Proportions of remuneration package not related to performance at 30 June 2020	Proportions of remuneration package not related to performance at 30 June 2019
<b>Executive Directors</b>				
Richard Tegoni	Executive Chairman	Letter of appointment	100%	100%
Stephen Walters	Executive Director	Executive Service Agreement 3 months' termination notice period	100%	100%
<b>Non-Executive Directors</b>				
Donald Haller Jr	Non-Executive Director	Letter of appointment	100%	100%
David Wake	Non-Executive Director	Letter of appointment	100%	100%
Jim Walsh	Non-Executive Director	Letter of appointment	100%	100%
<b>Executive Management</b>				
Ian Stacey	Chief Executive Officer	Executive Service Agreement 3 months' termination notice period	100%	100%
Edmond Tern	Chief Financial Officer and Company Secretary	Executive Service Agreement 3 months' termination notice period	100%	100%

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	Termination Benefits	Total
		Salary, fees and leave	Pension and Superannuation	LSL	Shares Issue		
		\$	\$	\$	\$		
Non-Executive Directors							
D Haller Jr	2020	-	-	-	50,000	-	50,000
D Haller Jr	2019	35,000	-	-	15,000	-	50,000
D Wake <sup>2</sup>	2020	-	-	-	40,000	-	40,000
D Wake	2019	15,000	-	-	23,333	-	38,333
J Walsh <sup>3</sup>	2020	-	-	-	40,000	-	40,000
J Walsh	2019	-	-	-	25,000	-	25,000
Executive Directors							
R Tegoni	2020	-	-	-	120,000	-	120,000
R Tegoni	2019	70,000	-	-	50,000	-	120,000
S Walters	2020	104,133	12,461	1,164	-	-	117,758
S Walters	2019	148,874	13,427	-	-	-	162,302
T Haines <sup>4</sup>	2020	-	-	-	-	-	-
T Haines	2019	119,972	5,655	-	-	-	125,627
Key Management Personnel							
E Tern	2020	194,324	18,145	3,888	-	-	216,357
E Tern	2019	186,000	17,670	-	-	-	203,670
I Stacey <sup>5</sup>	2020	181,579	18,076	876	30,000	-	230,530
I Stacey	2019	120,000	5,700	-	-	-	125,700
Total	2020	480,036	48,681	5,928	280,000	-	814,645
Total	2019	694,846	42,453	-	113,333	-	850,632

Share based payments are shares issued in lieu of cash remuneration, not based on performance.

Effective December 2018, in order to preserve the Company's cash the Board of Directors resolved to accept shares in lieu of cash for directors' fee. This was approved by shareholders at the Annual General Meeting held on 22 November 2019.

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<sup>2</sup> Appointed in July 2018

<sup>3</sup> Appointed in November 2018

<sup>4</sup> Resigned in November 2018

<sup>5</sup> Appointed in December 2018

**REMUNERATION REPORT (continued)****Cash Bonuses, Performance-related Bonuses**

There was no performance related remuneration paid during the year.

**Options Issued as part of remuneration for the year ended 30 June 2020**

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

**a. Option Holdings****Number of Options Held by Key Management Personnel (Direct and Indirect Interest)**

No option held by KMP as at 30-June-2020.

**b. Share Holdings (Direct and Indirect)**

	Opening Balance 1 July 2019	Received as Compensation	On market transaction	Change as a result of resignation	Closing Balance 30 June 2020
R Tegoni	15,278,903	2,347,483	1,985,000	-	19,611,386
S Walters	30,054,639	-	-	-	30,054,639
D Haller Jr	28,595,909	1,140,009	7,812,857	-	37,548,775
D Wake	2,666,666	889,376	1,125,000	-	4,681,042
J Walsh	470,902	939,220	1,875,000	-	3,285,122
I Stacey	1,556,452	719,425	675,000	-	2,950,877
E Tern	2,131,945	-	-	-	2,131,945

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

**OPTIONS**

The Group has unlisted Options which were attached to Placement Shares on 15 May 2019 with the following Terms and Conditions:

Options are unlisted securities.

The options held by the option holder are exercisable in whole or in part at any time before expiry date of 16 May 2021. Options not exercised before the expiry date will automatically lapse.

Each Option is exercisable at a price of A\$0.06 per option.

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.

Subject to the Constitution of the Company and the Corporations Act, the Options will be freely transferable. There are no participating entitlements inherent in the options to participate in new issues of capital, which may be offered to shareholders during the currency of the Options. 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.

In the event of any reconstruction (including a consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of holders of Options will be changed to the extent necessary to comply with the Listing Rules at the time of the reorganisation.

Shares issued pursuant to the exercise of Options will be issued not more than 14 days after the Notice of Exercise.

9,517,875 options were outstanding as at the date of this report.

**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**

No non-audit services were undertaken by the auditors during the period.

**AUDITOR'S INDEPENDENCE DECLARATION**

The lead Auditor's Independence Declaration for the year ended 30 June 2020 is attached to the Directors' Report.

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



**Richard Tegoni**  
**Executive Chairman**

28 August 2020  
Victoria, 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 2020  
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

*N. S. Benbow*  
**N. S. Benbow**  
Director

Dated this 28<sup>th</sup> day of August, 2020

**ACCOUNTANTS & ADVISORS**  
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(WB015\_2007)



**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Sales	3	21,038,608	20,851,647
Cost of sales		(17,350,253)	(18,918,844)
<b>Gross profit</b>		<b>3,688,355</b>	<b>1,932,803</b>
Other Income	3	2,279	126,491
Employment related expense		(2,408,555)	(2,987,460)
Marketing and distribution expenses		(565,468)	(806,096)
Administration expense		(288,452)	(632,617)
Legal and compliance		(336,935)	(623,751)
Occupancy costs		(146,357)	(655,730)
Depreciation expense		(827,410)	(91,835)
Finance costs		(303,460)	(358,635)
<b>Loss before income tax</b>		<b>(1,186,003)</b>	<b>(4,096,831)</b>
Income tax expense	5	-	(73,150)
<b>Loss for the year after tax</b>		<b>(1,186,003)</b>	<b>(4,169,981)</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		(324,109)	259,626
<b>Total comprehensive loss for the year</b>		<b>(1,510,112)</b>	<b>(3,910,354)</b>
<b>Loss per share</b>			
Basic / diluted loss per share		0.3 cents	1.5 cents

*The accompanying notes form part of these financial statements.*



**STATEMENT OF FINANCIAL POSITION**

As at 30 June 2020

	Notes	2020 \$	2019 \$
<b>Current Assets</b>			
Cash at bank		2,878,827	2,874,945
Trade and other receivables	9	3,245,454	3,545,371
Inventories	10	2,449,616	2,439,596
Prepayments		533,367	383,765
<b>Total Current Assets</b>		<b>9,107,264</b>	<b>9,243,677</b>
<b>Non-Current Assets</b>			
Other assets		23,297	19,587
Property, plant and Equipment	11	1,830,503	1,768,193
Right-of-use asset	12	1,187,622	-
Intangible assets	14	3,605,004	3,532,345
<b>Total Non-Current Assets</b>		<b>6,646,426</b>	<b>5,320,125</b>
<b>Total Assets</b>		<b>15,753,690</b>	<b>14,563,802</b>
<b>Current Liabilities</b>			
Trade and other payables	15	1,539,525	2,279,477
Borrowings	16	672,075	300,000
Short term provisions	17	868,147	778,899
Lease Liability	13	548,188	-
<b>Total Current Liabilities</b>		<b>3,627,935</b>	<b>3,358,376</b>
<b>Non-Current Liabilities</b>			
Borrowings	16	-	1,132,065
Long term provisions	18	55,319	78,626
Lease Liability	13	695,134	-
<b>Total Non-Current Liabilities</b>		<b>750,453</b>	<b>1,210,691</b>
<b>Total Liabilities</b>		<b>4,378,388</b>	<b>4,569,067</b>
<b>Net Assets</b>		<b>11,375,302</b>	<b>9,994,735</b>
<b>Equity</b>			
Issued Capital	19	29,065,503	26,159,423
Reserves	20	(371,852)	(47,743)
Accumulated Losses		(17,318,349)	(16,116,945)
<b>Total Equity</b>		<b>11,375,302</b>	<b>9,994,735</b>

*The accompanying notes form part of these financial statements.*

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2020

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Asset Revaluation reserve	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 01 July 2019</b>	<b>26,159,423</b>	<b>(16,116,945)</b>	<b>(47,743)</b>	<b>-</b>	<b>9,994,735</b>
Adjustments due to change of accounting policy (note 1)	-	(15,401)	-	-	(15,401)
<b>Balance of 01 July 2019 restated</b>	<b>26,159,423</b>	<b>(16,132,346)</b>	<b>(47,743)</b>	<b>-</b>	<b>9,979,334</b>
Loss for the Year	-	(1,186,003)	-	-	(1,186,003)
Other Comprehensive income for the year	-	-	(324,109)	-	(324,109)
<b>Total comprehensive income / (loss) for the year</b>	<b>-</b>	<b>(1,186,003)</b>	<b>(324,109)</b>	<b>-</b>	<b>(1,510,112)</b>
Shares issued during the year net of costs	2,906,080	-	-	-	2,906,080
<b>Balance at 30 June 2020</b>	<b>29,065,503</b>	<b>(17,318,349)</b>	<b>(371,852)</b>	<b>-</b>	<b>11,375,302</b>

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Asset Revaluation reserve	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 01 July 2018</b>	<b>19,478,284</b>	<b>(13,708,284)</b>	<b>(297,917)</b>	<b>1,751,867</b>	<b>7,223,950</b>
Loss for the Year	-	(4,169,981)	-	-	(4,169,981)
Other Comprehensive income for the year	-	9,452	250,174	-	259,626
<b>Total comprehensive income / (loss) for the year</b>	<b>-</b>	<b>(4,160,529)</b>	<b>250,174</b>	<b>-</b>	<b>(3,910,354)</b>
Retirement of asset revaluation reserve upon disposal and settlement of Land and Buildings.	-	1,751,867	-	(1,751,867)	-
Shares issued during the year net of costs	6,681,139	-	-	-	6,681,139
<b>Balance at 30 June 2019</b>	<b>26,159,423</b>	<b>(16,116,945)</b>	<b>(47,743)</b>	<b>-</b>	<b>9,994,735</b>

*The accompanying notes form part of these financial statements*

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		23,155,046	22,770,727
Payments to suppliers and employees		(23,504,246)	(25,535,778)
Finance Costs		(301,180)	(358,635)
<b>Net Cash Outflow from Operating Activities</b>	<b>26</b>	<b>(650,380)</b>	<b>(3,123,686)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of plant and equipment		(493,330)	(748,460)
Proceeds from sale of land and building		-	3,232,000
<b>Net Cash Outflow from Investing Activities</b>		<b>(493,330)</b>	<b>2,483,540</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issues of ordinary shares (net of costs)		1,630,557	3,727,571
(Repayments of) / proceeds from borrowings		-	(2,150,345)
Repayments of leases		(482,964)	-
<b>Net Cash Inflow from Financing Activities</b>		<b>1,147,593</b>	<b>1,577,226</b>
<b>Net increase in cash and cash equivalents Held</b>		<b>3,883</b>	<b>937,078</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>2,874,944</b>	<b>1,937,866</b>
<b>Cash and Cash Equivalents at the end of the financial year</b>		<b>2,878,827</b>	<b>2,874,944</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 consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SECOS Group Limited ('company' or 'parent entity') as at 30 June 2020 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 authorized for issue on **28 August 2020** 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 2019.

At this time the Directors are of the opinion that no asset is likely to be realized 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.

##### AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognized in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognized lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impact of adoption**

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening accumulated losses as at 1 July 2019 was as follows:

	\$
Operating lease commitments as at 30 June 2019 (AASB 117)	2,135,681
Finance lease commitments as at 30 June 2019 (AASB 117)	37,064
Operating lease commitments discount based on the weighted average incremental borrowing rate of 6% (AASB 16)	(444,957)
Short-term leases not recognized as a Right-of-use asset (AASB 16)	-
Low-value assets leases not recognized as a right-of-use asset (AASB 16)	-
Accumulated depreciation as at 1 July 2019 (AASB 16)	(285,882)
<b>Right-of-use assets (AASB 16)</b>	<b>1,712,386</b>
Lease liabilities - current (AASB 16)	(469,228)
Lease liabilities - non-current (AASB 16)	(1,258,560)
Tax effect on the above adjustments	-
Increase in accumulated losses as at 1 July 2019	15,401

**Right-of-use assets**

A right-of-use asset is recognized 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 recognize 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.

**Lease liabilities**

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized 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 amortized 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.

**Impact on Statement of Cash Flows**

Lease payments of \$577,422 for the year ended 30 June 2020 allocated to the lease liability is recognized in cash flows from financing activities.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****b. Principles of Consolidation**

Subsidiaries are all those entities over which the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

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

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 recognized directly in equity attributable to the parent.

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 consolidated entity. Losses incurred by the consolidated entity 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 derecognizes the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognized in equity. The consolidated entity recognizes 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 22 to the financial statements.

**c. Goodwill**

Goodwill arises on the acquisition of a business. Goodwill is not amortized. 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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****d. Income Tax**

The charge for current income tax expense is based on the profit 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 recognized 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 realized 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 recognized to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilized.

The amount of benefits brought to account or which may be realized 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 realized and comply with the conditions of deductibility imposed by the law.

**e. Inventories**

Inventories are measured at the lower of cost and net realizable 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.

**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 recognized 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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and Machinery	10% to 33%
Office Equipment and Motor Vehicles	7.5% to 40%
Leasehold Improvements	2.50%

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

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.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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, maximizing the use of relevant observable inputs and minimizing 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.

**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.

**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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****i. 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.

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.

**j. 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 recognized in the statement of profit or loss and other comprehensive income.

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

**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 recognized in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

**k. Borrowings**

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

**l. 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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****m. 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 recognized 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 recognized 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.

**n. Provisions**

Provisions are recognized 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.

**o. 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 includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

**p. Revenue****Revenue from contracts with customers**

Revenue is recognized 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; determine 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 recognize 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 adds-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 recognized 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 recognized as deferred revenue in the form of a separate liability.

**Sale of goods**

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Other revenue**

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

**q. Goods and Services Tax (GST) and other similar taxes**

Revenues, expenses and assets are recognized net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognized 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.

**r. Loss per share*****Basic loss per share***

Basic loss per share is calculated by dividing the 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 loss per share***

Diluted loss per share adjusts the figures used in the determination of basic 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.

**s. 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. No provision for impairment has been recorded during the year.

***Estimation of useful lives of assets***

The Group determines the estimated useful lives and related depreciation and amortization 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 amortization 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)*****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.

Impairment exists when the carrying value of an asset or cash generating unit 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 fund, 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 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 recognized 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 consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. No deferred tax assets were recognised as at 30 June 2020.

***t. New Accounting Standards and interpretations issued not yet mandatory or early adopted***

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

***Conceptual Framework for Financial Reporting (Conceptual Framework)***

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

**NOTE 2 PARENT ENTITY**

	2020 \$	2019 \$
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The following information has been extracted from the books and records of the parent ("SECOS Group Limited") and has been prepared in accordance with Australian Accounting Standards.

**STATEMENT OF FINANCIAL POSITION****ASSETS**

Current assets	297,973	1,042,734
Non-current assets	32,162,055	35,470,627
<b>TOTAL ASSETS</b>	<b>32,460,028</b>	<b>36,513,361</b>

**LIABILITIES**

Current liabilities	1,383,945	1,439,847
Non-current liabilities	10,489	1,137,268
<b>TOTAL LIABILITIES</b>	<b>1,394,434</b>	<b>2,577,115</b>

**EQUITY**

Issued capital	78,134,022	75,227,942
Accumulated losses	(47,068,428)	(41,291,696)
<b>TOTAL EQUITY</b>	<b>31,065,594</b>	<b>33,936,246</b>

**STATEMENT OF COMPREHENSIVE INCOME**

Loss for the year after tax	(2,067,740)	(2,423,424)
<b>Total comprehensive income</b>	<b>(2,067,740)</b>	<b>(2,423,424)</b>

**Guarantees**

SECOS Group Limited has 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 outstanding as at 30 June 2020 (2019: \$2,024,982).

**Contingent liabilities**

SECOS Group Limited had no contingent liabilities as at 30 June 2020. (2019: NIL).

**Contractual commitments**

At 30 June 2020, SECOS Group Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2019: NIL).

**Significant accounting policies**

The accounting policies of the parent entity are consistent with those of the consolidated entity, 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	2020 \$	2019 \$
<b>Revenue</b>			
Sales revenue	25	21,038,608	20,851,647
<b>Total sales revenue</b>		<b>21,038,608</b>	20,851,647
<b>Other Income</b>			
Gains on disposal of assets		2,279	126,491
<b>Total other income</b>		<b>2,279</b>	<b>126,491</b>

**NOTE 4 LOSS FOR THE YEAR**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>

The Loss before income tax includes the following items of expenses:

Research, development, and patent costs	155,494	268,489
Superannuation expense	102,493	97,187
Depreciation of right-of-use assets	523,263	-
Finance cost for leases	94,360	-

**NOTE 5 INCOME TAX**

The directors estimate the potential deferred income tax assets in respect of tax losses not brought to account is:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Tax losses carried forward	<b>9,328,279</b>	<b>10,175,862</b>

The Group has carried forward tax losses (prior year did not include overseas subsidiaries' credits) that can be offset against taxable profit at each tax jurisdiction (China, Australia and Malaysia). This is subject to probable future taxable profit and in accordance to each tax jurisdiction.

Deferred tax assets have not been brought to accounts at this stage.

**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>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	480,036	694,846
Post-employment benefits	48,681	42,453
Long-term employee benefits	5,928	-
Share based payment	280,000	113,333
	<b>814,645</b>	<b>850,632</b>

**NOTE 7 REMUNERATION OF AUDITORS**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Remuneration of the auditor of the parent entity for		
- auditing or reviewing the financial statements	77,850	68,000
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial statements of subsidiaries	10,192	8,112
	<b>88,042</b>	<b>76,112</b>



**NOTE 8 LOSS PER SHARE**

	2020	2019
Loss used to calculate basic/diluted EPS	\$1,186,003	\$4,169,981
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	394,804,785	273,173,351
Loss per share <sup>6</sup>	0.3 cents	1.5 cents

**NOTE 9 TRADE AND OTHER RECEIVABLES**

	2020	2019
	\$	\$
<b>Current</b>		
Trade Receivables	3,168,351	3,699,119
Less: expected credit loss	(47,842)	(153,748)
	<b>3,120,509</b>	<b>3,545,371</b>
Other receivables	124,945	-
Trade and other receivables	<b>3,245,454</b>	<b>3,545,371</b>
	<b>3,245,454</b>	<b>3,545,371</b>

**Expected credit loss of Receivables**

Current trade receivables are non-interest bearing and are generally on 30-day terms.

The Company recognizes a loss allowance for expected credit losses ('ECL') on financial assets excluding investments that are measured at FVTOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The amount of the impairment loss will be recognized in the Statement of Comprehensive Income within other expenses. An expected credit loss for impairment is recognized when there is objective evidence that an individual trade receivable is impaired. These amounts have been disclosed as a separate line item in the statement of profit or loss and other comprehensive income. Receivables are impaired if aged more than 365 days.

On the above basis, the Directors have deemed necessary to impair trade receivables by \$47,842 (2019: \$153,748) at the reporting date.

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<sup>6</sup> Not including unlisted options due to the anti-dilutive effect.

**NOTE 9 TRADE AND OTHER RECEIVABLES (continued)**

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

<b>2020</b>	<b>Opening Balance</b>	<b>Charge for the Year</b>	<b>Amounts Write- off/back</b>	<b>Closing Balance</b>
<b>Group</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current Trade and Other Receivables	153,748	-	105,906	47,842

<b>2019</b>	<b>Opening Balance</b>	<b>Charge for the Year</b>	<b>Amounts Write- off/back</b>	<b>Closing Balance</b>
<b>Group</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current Trade and Other Receivables	75,261	78,487	-	153,748

	<b>Trade Receivables</b>	<b>Impaired</b>	<b>&lt;30</b>	<b>31-60</b>	<b>61-90</b>	<b>&gt;90</b>
<b>2020</b>	<b>3,120,509</b>	<b>(47,842)</b>	<b>1,518,414</b>	<b>618,869</b>	<b>575,331</b>	<b>455,737</b>
2019	3,545,371	(153,748)	1,740,129	1,037,674	440,311	481,005

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 2020. Refer to Note 16 for further details.

**NOTE 10 INVENTORIES**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Raw materials including work in progress	1,247,232	1,302,757
Finished goods	1,202,384	1,136,839
<b>TOTAL</b>	<b>2,449,616</b>	<b>2,439,596</b>

Inventories are held at the lower of cost or net realizable value

**NOTE 11 PLANT AND EQUIPMENT**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Leasehold Improvements</b>		
At cost	108,938	108,938
Accumulated depreciation	(74,700)	(13,238)
	<b>34,238</b>	<b>95,700</b>
<b>Plant, Machinery and Equipment</b>		
At cost	12,838,917	13,539,040
Accumulated depreciation	(11,042,652)	(11,866,547)
	<b>1,796,265</b>	<b>1,672,493</b>
Total Cost of Assets	12,947,855	13,647,978
Total Accumulated Depreciation	(11,117,352)	(11,879,784)
<b>Written down value of assets</b>	<b>1,830,503</b>	<b>1,768,193</b>

**Movement in Carrying Amounts**

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

<b>2020</b>	<b>Leasehold Improvements</b>	<b>Plant, Machinery and Equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2019</b>	<b>95,700</b>	<b>1,672,493</b>	<b>1,768,193</b>
Additions/(Disposals)	-	541,322	541,322
Depreciation Expenses	(61,462)	(242,685)	(304,147)
Exchange Rate Variations	-	(174,865)	(174,865)
<b>Balance at 30 June 2020</b>	<b>34,238</b>	<b>1,796,265</b>	<b>1,830,503</b>

<b>2019</b>	<b>Leasehold Improvements</b>	<b>Plant, Machinery and Equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2018</b>	<b>36,600</b>	<b>832,419</b>	<b>869,019</b>
Additions/(Disposals)	61,695	648,224	709,919
Depreciation Expenses	(2,595)	(89,240)	(91,835)
Exchange Rate Variations	-	281,090	281,090
<b>Balance at 30 June 2019</b>	<b>95,700</b>	<b>1,672,493</b>	<b>1,768,193</b>

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

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Land and buildings - Right-of-use	1,712,386	-
Less: Accumulated amortization	(524,764)	-
<b>Total Land and buildings</b>	<b>1,187,622</b>	<b>-</b>
<b>Total right-of-use assets</b>	<b>1,187,622</b>	<b>-</b>

Additions to the right-of-use assets were \$1,712,386 due to adoption of AASB 16 Leases. The consolidated entity 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>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Lease liability – current	548,188	-
Lease liability – non-current	695,134	-
<b>Lease liability</b>	<b>1,243,322</b>	<b>-</b>

**NOTE 14 INTANGIBLE ASSETS**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Goodwill	3,532,345	3,532,345
Product Development	90,824	-
Less: amortization	(18,165)	-
<b>Net carrying value</b>	<b>3,605,004</b>	<b>3,532,345</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, \$72,659 related to product development incurred prior to commercialization of new products were captured in Balance Sheet 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 goodwill 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 Capital Asset Pricing Model.

Management has based the value-in-use calculations on five-year budget forecasts of the group. Revenue has been projected on the below mentioned assumptions. 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.

The following assumptions were used in the value-in-use-calculations:

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. 5.0% growth year on year is forecasted for year 2 to year 5. Terminal growth post year 5 of the forecast period has been estimated at 2.5%.

Long term contracts typically include expenditure "rise and fall" clauses. Accordingly, Revenue is forecast to alter in line with relevant changes to the Company's direct manufacturing costs.

b. Projected cash flows have been discounted using discount rate of 15% (2019: 15%).

c. Gross profit margins are forecast to be in a range of 17%-19% dependent upon product and each geographic region.

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 2020 and accordingly; no impairment loss has been recognized.

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**

	2020 \$	2019 \$
<b>Current</b>		
Trade Payables	1,008,934	1,940,305
Sundry payables	530,591	339,172
	<u>1,539,525</u>	<u>2,279,477</u>

**NOTE 16 BORROWINGS**

	2020 \$	2019 \$
<b>Current</b>		
<b>Unsecured Liabilities</b>		
Unsecured Loan (Shareholder) <sup>7</sup>	300,000	300,000
Convertible Notes <sup>8</sup>	350,000	-
Unsecured Loans <sup>9</sup>	22,075	-
	<u>672,075</u>	<u>300,000</u>
<b>Total Current borrowings</b>	<u>672,075</u>	<u>300,000</u>
<b>Non-Current</b>		
<b>Unsecured Liabilities</b>		
Convertible Notes	-	1,132,065
<b>Total Non-Current Borrowings</b>	<u>-</u>	<u>1,132,065</u>
<b>Total borrowings</b>	<u>672,075</u>	<u>1,432,065</u>

**NOTE 17 SHORT TERM PROVISIONS**

	2020 \$	2019 \$
Employee benefits	307,519	331,997
Other provisions	560,628	446,902
	<u>868,147</u>	<u>778,899</u>

<sup>7</sup> Unsecured loan at 10% annual interest. Loan is repayable on demand by 4-weeks' notice period.

<sup>8</sup> Convertible notes subject to a minimum price of \$0.04 per share and a maximum price of \$0.12 per share, each convertible Note will convert into shares at the lower of the price that is equivalent to 85% VWAP of SECOS Shares over the 10 trading days immediately preceding the date the Conversion Notice is received OR the price of any equity capital raising that occurred in the 2 month period prior to the date the Conversion Notice is received. These have since been converted to equity on 10-July-2020.

<sup>9</sup> Unsecured covid-19 related loan from US government.

**NOTE 18 LONG TERM PROVISIONS**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	10,489	5,203
Other provisions	44,830	73,423
	<b>55,319</b>	<b>78,626</b>

**NOTE 19 ISSUED CAPITAL****a) Share Capital**

	<b>2020</b>	<b>2019</b>
	<b>\$29,065,503</b>	<b>\$26,159,423</b>

**b) Movements in Ordinary Share Capital**

Date		Number of Shares	\$/share	Amount (\$)
<b>01-Jul-19</b>	<b>Balance</b>	<b>359,193,077</b>	<b>-</b>	<b>26,159,423</b>
3-Jul-19	Director shares in lieu of cash	389,689	\$0.093	\$16,250
16-Aug-19	Convertible notes converted	7,094,575	\$0.075	\$283,783
30-Aug-19	Convertible notes converted	13,352,431	\$0.041	\$550,000
10-Sep-19	Convertible notes converted	1,851,852	\$0.054	\$100,000
10-Oct-19	Director shares in lieu of cash	4,122,601	\$0.049	\$200,490
25-Oct-19	Exercise options	1,000,000	\$0.060	\$60,000
20-Nov-19	Exercise options	833,334	\$0.060	\$50,000
26-Nov-19	Placement with options, related party	8,652,107	\$0.007	\$63,869
23-Dec-19	Options exercised	5,410,750	\$0.060	\$324,645
7-Jan-20	Director shares in lieu of cash	703,035	\$0.089	\$62,500
31-Mar-20	Placement 2020.03	14,924,858	\$0.050	\$746,243
31-Mar-20	Placement 2020.03, director related	Subject to shareholders' approval <sup>10</sup>		\$385,800
3-Apr-20	Director shares in lieu of cash	820,208	\$0.076	\$62,500
<b>30-Jun-20</b>	<b>Balance</b>	<b>418,348,517</b>		<b>29,065,503</b>

**c) Options**

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
<b>Unlisted Options</b>	<b>12,684,541</b>	<b>15,892,875</b>

The unlisted Options were attached to Placement Shares on 15 May 2019 with the following Terms and Conditions:

<sup>10</sup> Directors invested \$385,800 along with sophisticated investors on 31-March-2020. 7,716,000 new shares to be issued at \$0.05 per share are subject to shareholders' approval at next Annual General Meeting.

**NOTE 19 ISSUED CAPITAL (continued)**

Options are unlisted securities.

The options held by the option holder are exercisable in whole or in part at any time before expiry date of 16 May 2021. Options not exercised before the expiry date will automatically lapse.

Each Option is exercisable at a price of A\$0.06 per option.

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.

Subject to the Constitution of the Company and the Corporations Act, the Options will be freely transferable. There are no participating entitlements inherent in the options to participate in new issues of capital, which may be offered to shareholders during the currency of the Options. 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.

In the event of any reconstruction (including a consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of holders of Options will be changed to the extent necessary to comply with the Listing Rules at the time of the reorganisation.

Shares issued pursuant to the exercise of Options will be issued not more than 14 days after the Notice of Exercise.

**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 the 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 Stock Exchange (ASX) listing rule 7.1 and 7.1A placement capacity. As at 30 June 2020, available placement capacity were circa 110 million new shares.

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



**NOTE 20 RESERVES**

Nature and purpose of Reserves is foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary as described in Note 1(j).

**NOTE 21 SHARE BASED PAYMENTS**

In July 2019, the Company issued 389,689 fully paid ordinary shares to directors, Mr. Tegoni and Mr. Haller as payment of their respective director fee for the quarter ending 30 June 2019. The shares were issued at an issue price of \$0.093/share, had been determined based on the volume weighted average sale price of SECOS share for June 2019 Quarter.

In October 2019, the Company issued 4,122,601 fully paid ordinary shares to directors, Mr. Tegoni, Mr. Haller, Mr. Wake and Mr. Walsh as payment of their respective director fee for the period between December 2018 and September 2019 and prior. The shares were issued at an issue price of \$0.049/share. The share issue price had been determined based on volume weighted average sale price of SECOS shares for September 2019 Quarter.

In January 2020, the Company issued 703,035 fully paid ordinary shares to directors, Mr. Tegoni, Mr. Haller, Mr. Wake and Mr. Walsh as payment of their respective director fee for the quarter ending 31 December 2019. The shares were issued at an issue price of \$0.089/share. The share issue price had been determined based on volume weighted average sale price of SECOS shares for the December 2019 Quarter.

In April 2020, the Company issued 820,208 fully paid ordinary shares to directors, Mr. Tegoni, Mr. Haller, Mr. Wake and Mr. Walsh as payment of their respective director fee for the quarter ending 31 March 2020. The shares were issued at an issue price of \$0.076/share. The share issue price had been determined based on volume weighted average sale price of SECOS shares for the March 2020 Quarter.

The issue of these shares to Directors was approved by shareholders at the Annual General Meeting held on 22 November 2019.

**NOTE 22 CONTROLLED ENTITIES****Controlled Entities Consolidated**

Name	Country of Incorporation	Principal activities	Equity Holding (%)	
			2020	2019
<b>Stellar Films (Malaysia) Sdn Bhd</b>	Malaysia	Manufacturing	100%	100%
<b>CO2 Starch Pty Ltd</b>	Australia	Research	100%	100%
<b>Secos Americas LLC</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> <i>100% owned by Cardia Bioplastics (Australia) Pty Ltd</i>	Malaysia	Manufacturing	100%	100%
<b>Tristano Pty Ltd</b> <i>100% owned by Cardia Bioplastics (Australia) Pty Ltd</i>	Australia	Research	100%	100%
<b>Biograde (Hong Kong) Pty Ltd</b> <i>100% owned by Cardia Bioplastics (Australia) Pty Ltd</i>	Hong Kong	Holding company	100%	100%
<b>Biograde (Nanjing) Pty Ltd</b> <i>100% owned by Biograde (Hong Kong) Pty Ltd</i>	China	Manufacturing	100%	100%

**NOTE 23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

	2020 \$	2019 \$
Bank Guarantees	50,713	50,713
The parent entity provided guarantees to third parties in relation to the performance and obligations of controlled entities in respect lease obligations.	-	-
	<b>50,713</b>	<b>50,713</b>

There were no contingent assets as at 30 June 2020 (2019: NIL).

**NOTE 25 OPERATING SEGMENTS****Identification of reportable operating segment**

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

Operationally, Chief Executive Officer and Chief Financial Officer oversee the previously separate Cardia and Stellar business. The Group now share common R&D resources actively promoting the films and renewable resources part of the business. There is now one warehouse location in each region housing films, resins and biodegradable finished goods.

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

<b>Sales Revenue by geographical region (external customers)</b>	2020 \$	2019 \$
Oceanic	3,682,281	3,323,420
Asia	14,148,774	14,032,910
Americas	1,311,399	3,121,664 <sup>11</sup>
Europe	1,257,307	-
Africa	638,847	-
<b>Total Revenue</b>	<b>21,038,608</b>	<b>20,851,647</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 23.1% (2019: 27.7%) of external revenue.

<b>Assets by geographical region</b>	2020 \$	2019 \$
The location of segment assets (non-current) by geographical location of assets is disclosed below:		
Australia	55,769	120,504
Asia	1,774,735	1,647,689
<b>Total Assets</b>	<b>1,830,504</b>	<b>1,768,193</b>

• \_\_\_\_\_  
<sup>11</sup> Included Europe and Africa

**NOTE 26 CASH FLOW INFORMATION**

	2020 \$	2019 \$
<b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>		
<b>Profit/(Loss) for the year after tax</b>	<b>(1,186,003)</b>	<b>(4,169,981)</b>
<b>Non-Cash Items</b>		
Depreciation and Amortization	827,410	91,835
Issue of shares in lieu of cash	341,740	65,000
Unrealized foreign currency differences	(50,460)	(19,625)
Financing costs paid during the year		358,635
	<b>(67,313)</b>	<b>(3,674,136)</b>
<b>Movements in assets and liabilities</b>		
Decrease/(increase) in inventories	(10,020)	572,984
Decrease/(increase) in receivables and other assets	150,316	831,275
(Decrease)/increase in payables	(650,704)	-
R&D capitalized	(72,659)	(926,961)
<b>Net cash outflow from operating activities</b>	<b>(650,380)</b>	<b>(3,123,686)</b>

**NOTE 27 EVENTS AFTER THE REPORTING DATE**

On 7 July 2020, the Company issued 1,459,159 fully paid ordinary shares to Mr. Richard Tegoni and Mr. Donald Haller Jr, Mr. David Wake, Mr. Jim Walsh as payment of director's fees in lieu of cash for the quarter ending 30 June 2020 and to two marketing consultants for consultancy fees. The directors share issue was approved by shareholders in the Annual General Meeting held on 22 November 2019. The shares were issued at an issue price of \$0.057/share. The share issue price had been determined based on volume weighted average sale price of SECOS shares for the June 2020 Quarter.

On 10 July 2020, the Company issued 7,458,346 fully paid ordinary shares to convertible note holders pursuant to Convertible Notes Deed of 27 November 2017. The shares were issued at an issue price of \$0.060/share. Consequently, there are no outstanding convertible notes left in the accounts.

On 26 August 2020, the Company issued 3,166,666 fully paid ordinary shares to option holders per Options expiring 16 May 2021. The shares were issued at an issue price of \$0.06/share pursuant to option deed.

**NOTE 28 RELATED PARTIES****Parent Entity**

SECOS Group Limited is the parent entity.

**Subsidiaries**

Interests in subsidiaries are set out in Note 22.

**Key management personnel**

Disclosures relating to key management personnel are set out in Note 6 and the remuneration report in the directors' report.

**NOTE 29 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 seeks to minimize potential adverse effects on the financial performance of the consolidated entity.

**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 order 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 recognized 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. Aggregate of such amounts are as detailed in Note 9.

Credit risk arising on cash balances is not material.

**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. Unused borrowing facilities at the reporting date are disclosed under Note 16.

**NOTE 29 FINANCIAL INSTRUMENTS (continued)**

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

<b>Year ended 30 June 2020</b>	<b>&lt;6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Cash and cash equivalents	2,878,827	-	-	2,878,827
Trade and other receivables	3,245,454	-	-	3,245,454
	<b>6,124,281</b>	<b>-</b>	<b>-</b>	<b>6,124,281</b>
<b>Financial liabilities</b>				
Trade and other payables	1,539,525	-	-	1,539,525
Borrowings	672,075	-	-	672,075
Lease Liability	548,188	-	-	548,188
	<b>2,759,788</b>	<b>-</b>	<b>-</b>	<b>2,759,788</b>
<b>Net maturity</b>	<b>3,364,494</b>	<b>-</b>	<b>-</b>	<b>3,364,494</b>

<b>Year ended 30 June 2019</b>	<b>&lt;6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Cash and cash equivalents	2,874,945	-	-	2,874,945
Trade and other receivables	3,545,371	-	-	3,545,371
	<b>6,420,316</b>	<b>-</b>	<b>-</b>	<b>6,420,316</b>
<b>Financial liabilities</b>				
Trade and other payables	2,279,477	-	-	2,279,477
Borrowings	300,000	-	1,132,065	1,432,065
	<b>2,579,477</b>	<b>-</b>	<b>1,132,065</b>	<b>3,711,542</b>
<b>Net maturity</b>	<b>3,840,839</b>	<b>-</b>	<b>(1,132,065)</b>	<b>2,708,774</b>

**Fair Value of financial instruments**

Unless otherwise stated, the carrying amount of financial instruments reflect 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/favorable effect on profit before tax of \$0 (2019: \$45,000) per annum. The Group has total borrowings of \$0.7 million as at 30 June 2020 at fixed interest rate of 10.0% (2019: \$1.4 million).

**NOTE 29 FINANCIAL INSTRUMENTS (continued)****Foreign Currency Risk**

The consolidated entity 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:

	2020 \$	2019 \$
Financial Assets	241,097	803,923
Financial Liabilities	22,075	183,709

The Group has performed a 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 2020, the effect on profit 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:

	2020 \$	2019 \$
Change in Profit and Equity		
- movement in AUD to USD by 7.0%	+/- 31,796	+/- 46,000

**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(j). At 30 June 2020, all balance sheet items in foreign currencies are translated to local currency at closing exchange rate and this is further translated to Australian dollar. Upon consolidation of the entities, the impact is captured in reserves line in equity section.

**DIRECTORS' DECLARATION**

1. The Directors declare that the financial statements and notes; and remuneration disclosures that are detailed within the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards, the *Corporations Regulations 2001*; and
  - b. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the company and Group.
  - c. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.
2. The Managing Director and Chief Financial Officer have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view.
3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Richard Tegoni  
Executive Chairman

Victoria, Australia  
Date: 28 August 2020



## 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 controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2020 and of its financial performance for the year then ended; 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.

#### ACCOUNTANTS & ADVISORS

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Telephone: +61 3 9824 8555  
[williambuck.com](http://williambuck.com)





### 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

ASSESSMENT OF CARRYING VALUE OF GOODWILL	
Area of focus	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 goodwill exceeds its recoverable amount and may be impaired.</p> <p>The Group continues to operate as a single CGU being the manufacture and distribution of polyethylene films, and renewable resources-based resins. Management has assessed that they had been no significant change to the business which would require a change in the current year.</p> <p>The recoverable amount of the cash generating unit (CGU) has been calculated based on a value-in-use discounted cashflow model, the examines the expected discounted cashflows of its soles CGU over a five-year period extending from reporting date, plus a terminal value for the fifth year.</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, testing for a) its arithmetical accuracy; b) 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; c) the reasonableness of key inputs into the model, including growth rates, the discount rate 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; and</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 capitalization.</li> </ul> <p>We also considered the adequacy of the Group's disclosures in relation to the impairment testing in the financial report.</p>



INVENTORY	
Area of focus	How our audit addressed it
<p>The Group's inventory of \$2.4 million is significant to the financial statements and is consistent with the 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>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>	<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>— a review of subsequent product sales to ensure inventory was valued at the lower of cost and net realisable value, the aging and condition of the inventory;</li> <li>— we evaluated management's judgement and assumptions in determining the valuation of the inventory at balance date; and</li> <li>— we assessed management's judgements in relation to the need for provisioning against the value of inventory.</li> </ul> <p>We also considered the adequacy of disclosures in relation to inventory in the notes to the financial statements.</p>

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 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 accordingly 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 statements as a whole are 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 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 these financial statements.

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

[https://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar1.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 2020.

In our opinion, the Remuneration Report of SECOS Group Limited, for the year ended 30 June 2020, 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.

A handwritten signature in black ink that reads 'William Buck'.

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

A handwritten signature in black ink that appears to read 'N. S. Benbow'.

**N. S. Benbow**  
Melbourne, 28 August 2020

## SHAREHOLDERS' INFORMATION

The shareholder information set out below was applicable as at **14 August 2020**

### (A) DISTRIBUTION OF EQUITY SECURITIES

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

Ordinary Shares	Number of Holders
1 - 1,000	302
1,001 - 5,000	382
5,001 - 10,000	268
10,001 - 100,000	607
100,001 and over	271
	<b>1,830</b>

There were **1,830** 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	56,309,074	13.2
R&K EDWARDS INVESTMENTS LLC	50,152,950	11.7
DONALD HALLER JR.	37,768,846	8.8
STELLAR DEVELOPMENTS PTY LTD	20,716,906	4.9
RICHARD TEGONI	20,139,556	4.7
NATIONAL NOMINEES LIMITED	10,881,468	2.6
STEPHEN WALTERS	9,337,733	2.2
BRENDAN O'SULLIVAN	8,834,487	2.1
KIRZY and INSYNC	8,678,217	2.0
GOBBLE PTY LTD	8,303,346	1.9
GANSRUSE PTY LTD	7,595,891	1.8
ADVANCE PUBLICITY PTY LTD	6,474,963	1.5
J L COLMAN	5,432,713	1.3
DAVID WAKE	4,857,109	1.1
FEMALE PTY LTD	4,750,718	1.1
MARK DEUTSCH	4,741,575	1.1
ROBERT DEUTSCH	4,741,575	1.1
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,225,371	1.0
GARY T HEDRICK	3,726,606	0.9
SCOTCH INVESTMENTS PTY LTD	3,450,000	0.8
<b>TOTAL</b>	<b>281,119,104</b>	<b>65.8</b>

**(C) SUBSTANTIAL SHAREHOLDERS**

The names of the substantial shareholders listed in the holding company's register as at **14 August 2020** are:

	<b>Number of Ordinary Shares Held</b>	<b>Percentage of Issued Shares %</b>
BELGRAVIA STRATEGIC EQUITIES PTY LTD	56,309,074	13.2
R&K EDWARDS INVESTMENTS LLC	50,152,950	11.7
DONALD HALLER JR	37,768,846	8.8

**(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

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