SECOS GROUP

Changing the world of packaging

SECOS GROUP LIMITED (ASX:SES)

ACN 064 755 237

ANNUAL REPORT

For the year ended 30 June 2021

“SECOS has established itself as one of the key global participants in the bioplastics and environmental packaging space.”

CONTENTS

CORPORATE DIRECTORY

DIRECTORS:	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)
COMPANY SECRETARY:	Mr. Edmond Tern
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SHARE REGISTRY:	Advanced Share Registry Limited 110 Stirling Highway, NEDLANDS, W.A. 6009 Telephone: +61 8 9389 8033 Email: admin@advancedshare.com.au
BANKERS:	Bank of Melbourne Level 8, 530 Collins Street, MELBOURNE, VIC 3000
AUDITORS:	William Buck Level 20, 181 William Street, MELBOURNE, VIC 3000 Telephone: +61 3 9824 8555
LAWYERS:	CBW Partners Level 1, 159 Dorcas Street, South Melbourne, VIC 3205
SECURITIES EXCHANGE:	Australian Securities Exchange Level 45 South Tower, Rialto 525 Collins Street MELBOURNE, VIC 3000 ASX Code: SES
WEBSITE:	Corporate: www.secosgroup.com.au
	E-commerce www.cardiabioproducts.com www.myecobag.com.au www.myecoworld.com.au www.myecopet.com.au www.myecopet.com
CORPORATE GOVERNANCE STATEMENT:	The Corporate Governance statement can be found on the Investors page at www.secosgroup.com.au

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 2021.

The momentum to solve the world's plastic waste crisis is building and has resulted in strong demand for compostable packaging and products globally. SECOS has delivered vastly improved results in 2021 but most importantly, your Company has established itself as one of the key global participants in the bioplastics and environmental packaging space.

SECOS enjoys advanced technological capabilities in the compostable and bioplastic industry. It has established significant manufacturing assets with three plants in Malaysia and one in China. It has long standing relationships and sales offices across Asia and the Americas and has high achieving distribution network partners in Mexico and throughout Europe. With sales to over 20 countries and a sales run rate of over $35 million achieved in the final quarter of FY2021, SECOS is well positioned to maintain sustainable growth in the coming years.

"Your Board is now moving SECOS to a growth phase and will focus the Company on sales growth in bio-resins, biofilms, bio-bags and will make further investments in the MyEco™ branded product range."

The Company recently announced an investment in a global research and development centre in Australia which will focus on new product developments aimed at achieving the environmental, economic and health benefits as replacement technologies for toxic, petrochemical-based traditional plastics.

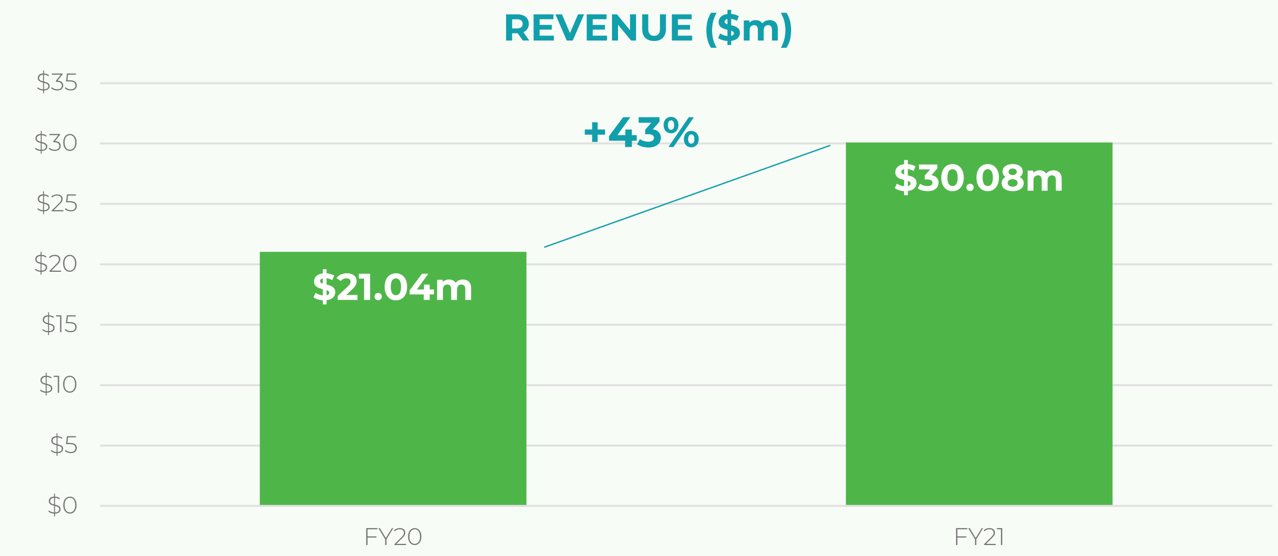
The financial performance improvements for FY2021 reveal a strong scorecard with highlights including a 318% improvement in NPAT with FY21 $2.59m vs FY20 ($1.19m loss); sales growth of 43% or FY 21 $30m vs FY20 $21m, margins improved to 19% vs FY20, 17.5% and the ongoing strength of the Company's balance sheet with total assets growing by 114% to $33.7m with no debt and cash of $11.3m as of 30 June 2021. Compostable sales increased 584.4% in the Americas representing the Company's fastest growing region. Past tax losses of over $2m were taken up to reflect the board's expectation that the Company will maintain a profit position that can absorb past establishment phase losses incurred by the Company.

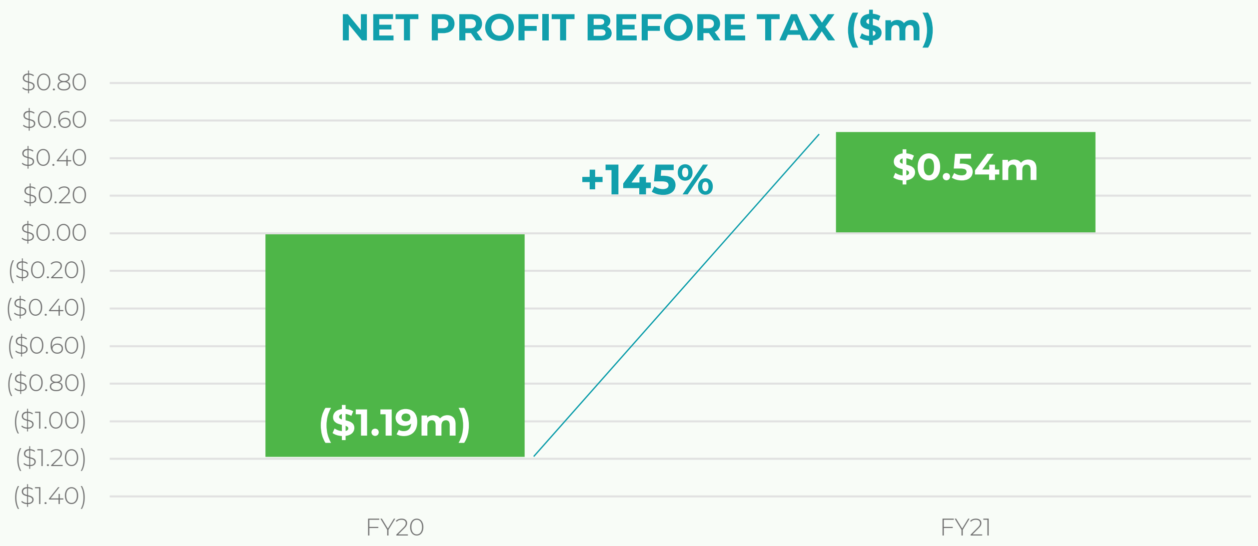
The Company's excellent results were achieved despite very difficult global trading conditions hampered by Covid-19 restrictions and the impact the virus has had on the world economies generally. During the year, SECOS experienced significant worldwide shipping challenges. However, SECOS staff managed its supply chain well and maintained strong customer service levels to deliver on its growth targets. Covid-19 continues to disrupt the Company's operations with the Delta variant posing even greater challenges. SECOS staff have proven highly capable in managing this difficult situation and the Board remains optimistic that the Company's multi-country manufacturing capability, strong balance sheet and participation in over twenty countries provides resilience when navigating supply chains worldwide.

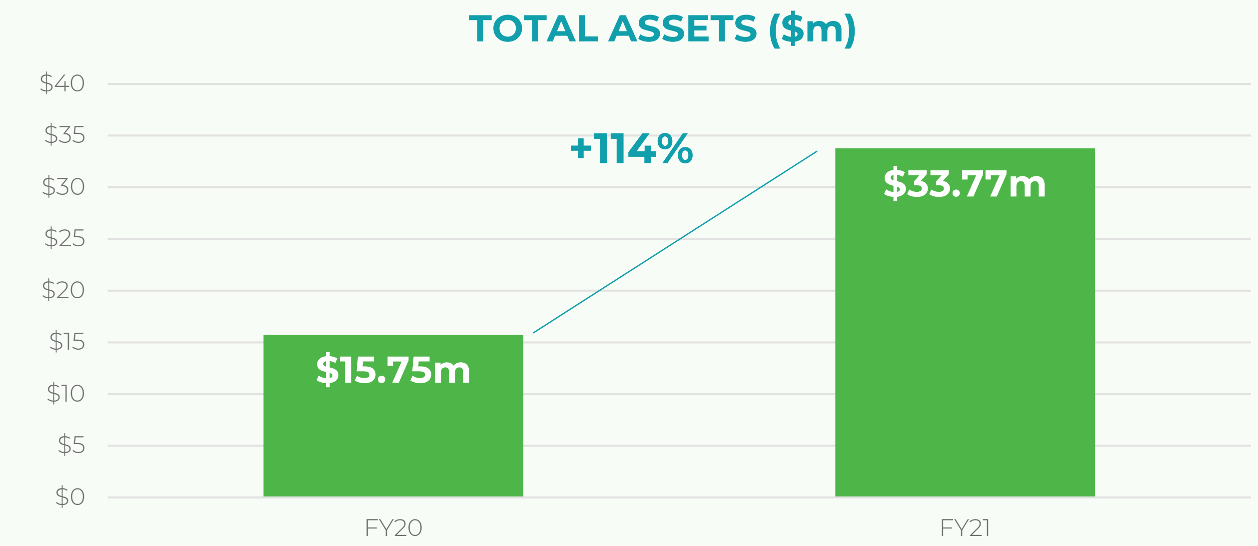
On behalf of the board, I would like to congratulate everyone in SECOS team responsible for achieving these excellent results and for the strong support from shareholders and our key stakeholders. We believe the Company is now well positioned for further growth and to take advantage of the shift to bioplastics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

Richard Tegoni
Executive Chairman
SECOS Group Limited

KEY FINANCIAL INDICATORS







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 2021.

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 profit / (loss) for the year attributable to the members of the Group:

	2021 $	2020 $
Profit / (Loss) for the year before income tax	537,072	(1,186,003)
Profit / (Loss) for the year after income tax	2,590,171	(1,186,003)
Net Profit / (Loss) attributable to members of the Company	**2,590,171**	**(1,186,003)**

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 finished FY2021 in a strong position with 43% growth in year on year (yoy) sales; a further increase in Gross Margin and a net profit of $ 2.6 million, which is a significant turnaround from a net loss of $1.2 million a year ago.

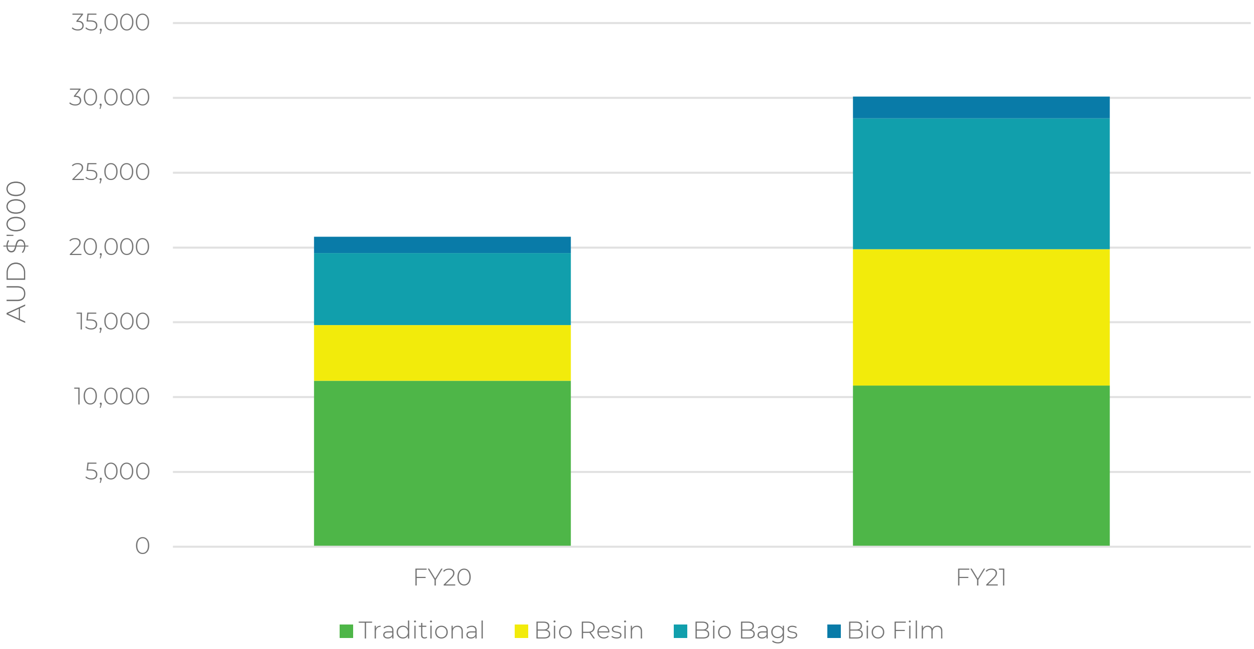
At the close of FY2021, SECOS has a strong net cash position with $11.3m in cash and no debt.

SECOS' operational performance saw increasing utilisation rates in all its plants, which supported additional investment in capacity expansion in both China and Malaysia to add to bioresin, film and bag capacity. The China expansion was installed on time and budget and in line with the capex plan. The expansion in Malaysia continues despite some COVID-19 associated shipping delays. Initial commissioning runs for film extrusion and bagging lines have commenced, with further lines arriving for installation shortly. Once completed, SECOS will be one of the largest compostable film and bag manufacturer and exporters in Malaysia.

Sales growth continues in our Compostable Biopolymer range with 126.6% year on year growth recorded. SECOS'traditional film business saw weaker sales through a combination of COVID-19 impacts on end use demand in some markets and a line breakdown over January which was resolved in March.

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

Figure: Annual sales by product group



SECOS has continued to build on The Business Transformation Program commenced in FY2020 which has delivered significant value to the business to turnaround profitability and margins. Over FY2021 SECOS delivered on assets expansion to capture sales growth in its compostable range and enhance its profitability. The recently announced investment in a new Australian Research and Development centre and associated staff as well as the launch of SECOS branded products will support growth in new higher end product sales.

REVIEW OF OPERATIONS (CONTINUED)

FINANCIAL HIGHLIGHTS

	FY21	FY20	% Change
Revenue	30,081,012	21,038,608	43.0%
Traditional	11,339,104	12,767,001	-11.2%
Bio	18,741,908	8,271,607	126.6%
Gross Margin %	19.0%	17.5%	8.3%
Net Profit before tax	537,072	(1,186,003)	145.3%
Net Profit after tax	2,590,171	(1,186,003)	318.4%
Current assets	23,313,228	9,107,264	156.0%
Current liabilities	2,944,815	3,627,935	-18.8%
Current ratio	7.9	2.5	216.0%
Debt	-	672,075	-100.0%
Equity	29,219,820	11,375,302	156.9%
Total assets	33,771,755	15,753,302	114.4%
Debt/equity	0.0%	5.9%	-100.0%
Debt/assets	0.0%	4.3%	-100.0%

Overall revenue delivered significant growth of 43.0%. Biopolymer recorded an encouraging 126.6% growth, more than offsetting a decline in traditional sales that were affected by COVID-19 interruptions and an extrusion line outage in January. The spring back in global demand for goods after the initial COVID waves, combined with bottlenecks and industrial action around key ports and shipping lanes, combined to contribute to longer lead times on shipping and an increase in transport costs and a general increase in raw material costs.

SECOS Group managed to offset these increased costs through price increases, cost discipline and greater manufacturing efficiencies, once new capacity was fully installed (at the halfway point of FY2021). SECOS also made product mix changes and experienced a significant increase in volume demand for its products. All of these factors contributed to SECOS' significant improvement in operational profit for FY2021 vs the previous year.

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

REVIEW OF OPERATIONS (continued)

OPERATIONAL ASSETS

During the financial year SECOS:

- Installed additional film and bag production capacity at its plant in China to cater to expanding compostable bag market segments,
- Installed additional equipment in cast line operation in Malaysia which increased efficiency of production,
- Installed additional compostable resin capacity at its Malaysian bio-resin plant
- Increased asset utilisation rates in current compostable operations
- Secured a new facility for the expansion of new compostable film and bag capacity in Malaysia to meet the demands of expanding compostable markets in Australia, Asia, the Subcontinent, South Africa and the Americas.

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

SALES ACTIVITIES

Double Digit Sales Growth

Biopolymer Sales were up 126% over the prior year with compostable film sales growing rapidly as a consequence of new markets evolving within which SECOS is active.

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 greenhouse 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 significant film converter and name brand-owner enquiries.

SECOS secured new business with Woolworths supermarket chain in July 2020 to supply 82 stores with the MyEcoBag™ bin liner range. Following a successful year of sales in those stores, Woolworths recently announced an expansion to now supply to 203 stores in FY2022.

Council business continues to expand with total Council business increasing by 33.1% on FY2020 as the number of Australian city councils adopting Food Organics & Garden Organics (FOGO) waste programs grows.

OUTLOOK

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

Research and Development activities are on track to further enhance manufacturing efficiencies. Additional efforts will be invested around SECOS' own 'MyEco' branded finished products in both Australian and USA retail markets. These are markets where we see considerable consumer demand surrounding the use of bioproducts, as their renewable content has the double benefit of sequestering atmospheric carbon and reducing the blight of conventional plastic leakage into the environment.

COVID-19

The impact of the Coronavirus (COVID-19) pandemic is ongoing. While the financial impact on the Group up to 30 June 2021 was 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.

REVIEW OF OPERATIONS (continued)

CORPORATE

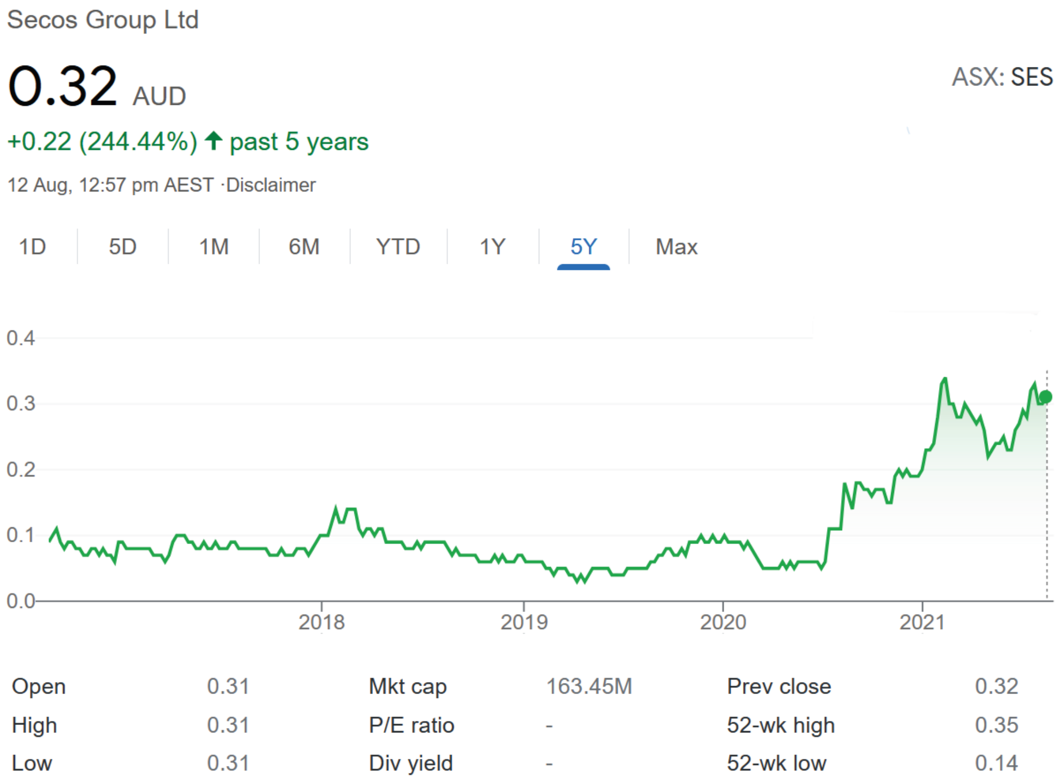
Capital Raising

During the year, SECOS raised $15 million via a placement issue pursuant to ASX Listing Rule 7.1 and 7.1A placement capacity.

The funds raised provided funding to invest in capital equipment and working capital to expand biopolymer capacity in Malaysia and China following a sustained period of strong growth in demand for the Company's proprietary biopolymer resin. As stated above, as at 30 June 2021, the Company holds over $11m in available cash for ongoing investment.

Share Price

The Board noted there had been significant uplift in the Company's share price over the past year as the Company delivered strong revenue growth, improved profitability and communicated a positive outlook for its proprietary biopolymer technology and products.



REVIEW OF OPERATIONS (continued)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

- *On 9-Jul-2020, the Company* announced the supply of 8L Kitchen Caddy Bag and 36L Bin Liner under its MyEcoBag™ brand to Woolworths *Limited* for 86 of their stores.
- *On 10-Jul-2020, the Company issued 7,458,346 fully paid ordinary shares to unlisted convertible noteholders in full settlement of the remaining $0.35 million of convertible notes debt.*
- *On 10-Aug-2020, the Company announced a significant supply contract being entered into with Jewett-Cameron Trading Company Limited for the supply of dog waste bag for big box retail stores in the Americas.*
- *On 26-Aug-2020, the Company issued 3,166,666 fully paid ordinary shares to option holders that were expiring 16 May 2021. The shares were issued at $0.06/share pursuant to the option deed.*
- *On 16-Sep-2020, the Company issued 87,423,379 fully paid ordinary shares at $0.17/share under the terms of Placement Shares to institutional and sophisticated investors.*
- *On 25-Sep-2020, the Company issued 7,142,875 fully paid ordinary shares to option holders that were expiring 16 May 2021. The shares were issued at $0.06/share pursuant to the option deed.*
- *On 26-Nov-2020, the Company issued 7,716,000 and 811,920 fully paid ordinary shares to related parties from previous placement plans which required shareholder approval. The shares were issued in line with the terms of the Placement Shares at $0.05/share and $0.17/share respectively.*
- On 18-Mar-2021, the Company announced the expansion of a new biopolymer plant in Malaysia and signing of a lease on the new site.
- On 11-May-2021, the Company issued 2,375,000 fully paid ordinary shares to option holders *that were expiring 16 May 2021. The shares were issued at $0.06/share pursuant to the option deed which cleared all unlisted options issued by the Company.*
- *On 15-Jun-2021, the Company* updated the market on the supply of 8L Kitchen Caddy Bag and 36L Bin Liner under its MyEcoBag™ brand to Woolworths *Limited* being increased to 203 of their stores.

EVENTS AFTER THE REPORTING DATE

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years. The ongoing impact of COVID 19 is commented upon above.

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

Richard Tegoni, Executive Chairman

Experience and qualifications	Joined the Board as a Non-Executive Director on 21 December 2012. Richard was nominated as Non-Executive Chairman on 18 October 2013 before being appointed as Executive Chairman effective 16 September 2014. Richard has held executive positions with various large private and public companies with a strong background in Finance and Banking, Sales and Marketing. Richard has an MBA (AGSM) and Diploma in Financial Markets (SIA).
Special Responsibilities	Chairman of the Board of directors Corporate Strategy and Capital Raisings
Interest in Shares and Options	14,606,231 Ordinary Shares
Directorships held in Other Listed Entities	Has not held a directorship in any other listed entity over the last 3 years

Stephen Walters, Executive Director

Experience and qualifications	Joined the Board on 21 April 2015. Steve is a veteran in the flexible packaging industry having held senior management positions with Orica Limited (formerly ICI Australia) and Stellar Films Group. Steve was instrumental in the integration of the Stellar and Cardia businesses. Steve has a B. Bus (Marketing).
Special Responsibilities	Responsible for the sales management of the Group.
Interest in Shares and Options	29,044,639 Ordinary Shares
Directorships held in Other Listed Entities	Has not held a directorship in any other listed entity over the last 3 years

Donald Haller Jr., Non-Executive Director

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	45,748,826 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)

David Wake, Non-Executive Director

Experience and qualifications	Appointed 16 July 2018. David held a number of positions in the USA 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 Securency. David has a B. Ec. from Monash University
Special Responsibilities	Non-Executive Director
Interest in Shares and Options	5,157,109 Ordinary Shares
Directorships held in Other Listed Entities	Has not held a directorship in any other listed entity over the last 3 years.

Jim Walsh, Non-Executive Director

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, FAICD. He is a chairman and non-executive director of several unlisted organisations including: Non- Executive Director of A.G. Coombs Group Pty Ltd Non-Executive Chairman of KM Property Funds Ltd
Special Responsibilities	Chair of Remuneration Committee
Interest in Shares and Options	3,771,189 Ordinary Shares
Directorships held in Other Listed Entities	Has not held a directorship in any other listed entity over the last 3 years.

Company Secretary

Edmond Tern has held the role of Company Secretary since March 2017. He was previously Company Secretary of Q Technology Group Limited for 4 years.

DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors and Board Committees held during the year ended 30 June 2021 and the number of meetings attended by each Director.

	Board Meetings		Audit Committee		Remuneration Committee	
Director	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R Tegoni	13	13	2	2	N/A	N/A
S Walters	13	13	2	2	N/A	N/A
D Haller Jr	13	13	2	2	2	2
D Wake	13	13	2	2	2	2
J Walsh	13	13	2	2	2	2

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 2020 was passed at the 2020 Annual General Meeting ("AGM"), which occurred on 25 November 2020.

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.

	FY2021	FY2020	FY2019	FY2018	FY2017
Revenue	$30,081,012	$21,038,608	$20,851,647	$23,638,055	$22,364,976
Net Profit/(loss)	$2,590,171	($1,186,003)	($4,169,981)	($3,107,886)	($2,949,170)
Share price at year-end (cents)	26.6	6.0	4.2	8.1	7.7

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 2021 and any change during the year	Contract Details (Duration and Termination)	Proportions of remuneration package not related to performance at 30 June 2021	Proportions of remuneration package not related to performance at 30 June 2020
Executive Directors				
Richard Tegoni	Executive Chairman	Letter of appointment	100%	100%
Stephen Walters	Executive Director	Executive Service Agreement One month's termination notice period	100%	100%
Non-Executive Dlirectors				
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%
Executive Management				
Ian Stacey	Chief Executive Officer	Executive Service Agreement Three months' termination notice period	100%	100%
Edmond Tern	Chief Financial Officer and Company Secretary	Executive Service Agreement Three 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 Salary, fees and leave $	Post-employment Benefits Pension and Superannuation $	Long Term Benefits LSL $	Share-based Payments Shares Issue $	Termination Benefits $	Total $
Non-Executive Directors							
D Haller Jr	**2021**	**50,000**	**-**	**-**	**-**	**-**	**50,000**
	2020	-	-	-	50,000	-	50,000
D Wake	**2021**	**40,000**	**-**	**-**	**-**	**-**	**40,000**
	2020	-	-	-	40,000	-	40,000
J Walsh	**2021**	**40,000**	**-**	**-**	**-**	**-**	**40,000**
	2020	-	-	-	40,000	-	40,000
Executive Directors							
R Tegoni	**2021**	**120,000**	**-**	**-**	**-**	**-**	**120,000**
	2020	-	-	-	120,000	-	120,000
S Walters	**2021**	**146,785**	**14,160**	**2,920**	**-**	**-**	**163,865**
	2020	104,133	12,461	1,164	-	-	117,758
Other Key Management Personnel							
E Tern	**2021**	**205,141**	**18,857**	**3,791**	**-**	**-**	**227,789**
	2020	194,324	18,145	3,888	-	-	216,357
I Stacey	**2021**	**220,156**	**18,249**	**2,558**	**-**	**-**	**240,963**
	2020	181,579	18,076	876	30,000	-	230,531
Total remuneration							
Total	**2021**	**822,082**	**51,266**	**9,269**	**-**	**-**	**882,617**
	2020	480,036	48,682	5,928	280,000	-	814,646

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

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 2021

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

Consequent to Employee Incentive Plan approved by shareholders at Annual General Meeting held on 25 November 2020 it is expected that performance-based incentives will be introduced in the coming months in accordance with the approved Employee Incentive Plan.

a. Option Holdings

Number of Options Held by Key Management Personnel (Direct and Indirect Interest)

No options are held by KMP as at 30 June 2021.

b. Share Holdings (Direct and Indirect)

	Opening Balance 1 July 2020	Received as Compensation[1]	On market transaction	Change as a result of resignation	Closing Balance 30 June 2021
R Tegoni	**19,611,386**	528,170	(5,533,325)	-	**14,606,231**
S Walters	**30,054,639**	-	(1,010,000)	-	**29,044,639**
D Haller Jr	**37,548,775**	220,071	7,979,980	-	**45,748,826**
D Wake	**4,681,052**	176,057	300,000	-	**5,157,109**
J Walsh	**3,285,132**	176,057	300,000	-	**3,761,189**
I Stacey	**2,950,877**	-	441,177	-	**3,392,054**
E Tern	**2,131,945**	-	-	-	**2,131,945**

1. Shares in lieu of cash for directors fee for quarter ended 30 June 2020

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

The Group has no unlisted Options as at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of SECOS Group Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
26-Aug-20	$0.060	3,166,666
25-Sep-20	$0.060	7,142,875
11-May-21	$0.060	2,375,000

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 2021 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

27 August 2021
Melbourne, Australia

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2021 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

A. A. Finnis
Director
Melbourne, 27 August 2021

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 $	2020 $
Sales	3	30,081,012	21,038,608
Cost of sales		(24,370,932)	(17,350,253)
Gross profit		**5,710,080**	**3,688,355**
Other Income	3	226,312	2,279
Employment related expense		(2,604,283)	(2,408,555)
Marketing and distribution expenses		(905,635)	(565,468)
Administration expense		(321,680)	(288,452)
Legal and compliance		(477,041)	(336,935)
Occupancy costs		(72,662)	(146,357)
Depreciation and amortisation expense		(882,419)	(827,410)
Finance costs		(135,600)	(303,460)
Profit / (Loss) before income tax		**537,072**	**(1,186,003)**
Income tax benefit	5	2,053,099	-
Profit / (Loss) for the year after tax		**2,590,171**	**(1,186,003)**
Other comprehensive income			
Item that may be reclassified to the profit or loss in subsequent periods (net of tax)			
Foreign currency translation differences for foreign operations		(410,265)	(324,109)
Total comprehensive profit / (loss) for the year		**2,179,906**	**(1,510,112)**
Profit / (Loss) per share			
Basic / diluted profit / (loss) per share		0.5 cents	(0.3) cents

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	2021 $	2020 $
Current Assets			
Cash at bank		11,286,927	2,878,827
Trade and other receivables	9	5,975,010	3,245,454
Inventories	10	5,308,512	2,449,616
Prepayments		742,779	533,367
Total Current Assets		**23,313,228**	**9,107,264**
Non-Current Assets			
Other assets		14,257	23,297
Deferred tax assets	5	2,071,091	-
Plant and equipment	11	2,650,056	1,830,503
Right-of-use asset	12	2,105,136	1,187,622
Intangible assets	14	3,617,987	3,605,004
Total Non-Current Assets		**10,458,527**	**6,646,426**
Total Assets		**33,771,755**	**15,753,690**
Current Liabilities			
Trade and other payables	15	1,498,848	1,539,525
Borrowings	16	-	672,075
Short term provisions	17	339,387	307,519
Accrued expenses		531,103	560,628
Lease Liability	13	575,476	548,188
Total Current Liabilities		**2,944,814**	**3,627,935**
Non-Current Liabilities			
Long term provisions	18	41,770	55,319
Lease Liability	13	1,565,351	695,134
Total Non-Current Liabilities		**1,607,121**	**750,453**
Total Liabilities		**4,551,935**	**4,378,388**
Net Assets		**29,219,820**	**11,375,302**
Equity			
Issued Capital	19	44,730,115	29,065,503
Reserves	20	(782,117)	(371,852)
Accumulated Losses		(14,728,178)	(17,318,349)
Total Equity		**29,219,820**	**11,375,302**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Total Equity
	$	$	$	$
Balance at 01 July 2020	**29,065,503**	**(17,318,349)**	**(371,852)**	**11,375,302**
Profit for the Year	-	2,590,171	-	2,590,171
Other Comprehensive income for the year	-	-	(410,265)	(410,265)
Total comprehensive income / (loss) for the year	**-**	**2,590,171**	**(410,265)**	**2,179,906**
Shares issued during the year net of costs	15,664,612	-	-	15,664,612
Balance at 30 June 2021	**44,730,115**	**(14,728,178)**	**(782,117)**	**29,219,820**

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

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash Flows from Operating Activities			
Receipts from customers		30,096,899	23,155,046
Payments to suppliers and employees		(34,665,105)	(23,504,246)
Finance costs		(135,600)	(301,180)
Net Cash Outflow from Operating Activities	**25**	**(4,703,806)**	**(650,380)**
Cash Flows from Investing Activities			
Purchase of plant and equipment		(1,150,417)	(493,330)
Net Cash Outflow from Investing Activities		**(1,150,417)**	**(493,330)**
Cash Flows from Financing Activities			
Proceeds from issues of ordinary shares (net of costs)		15,131,732	1,630,557
Lease payments		(541,951)	-
Repayments of unsecured loan		(200,000)	(482,964)
Net Cash Inflow from Financing Activities		**14,389,781**	**1,147,593**
Net increase in cash and cash equivalents Held		**8,535,558**	**3,883**
(Decrease) in cash due to changes in foreign exchange rate		(127,458)	-
Cash and cash equivalents at the beginning of the financial year		2,878,827	2,874,944
Cash and Cash Equivalents at the end of the financial year		**11,286,927**	**2,878,827**

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 2021 and the results of all subsidiaries for the year then ended. SECOS Group Limited and its subsidiaries together are referred to in these financial statements as the "Group'.

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

The Financial statements were authorised for issue on **27 August 2021** 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 2020.

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

During the financial year the Group adopted the following new interpretation;

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

b. Principles of Consolidation

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Principles of Consolidation (continued)

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

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss. A list of controlled entities is contained in Note 22 to the financial statements.

c. Goodwill

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

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

d. Income Tax

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

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

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

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

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

e. Inventories

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Plant and Equipment

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

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

Depreciation

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

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

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

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

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

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

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

g. Fair Value Measurement

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial Instruments

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

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

i. Impairment of financial assets

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

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

j. Impairments of Non-Financial Assets

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

k. Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Group companies

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

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

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

l. Borrowings

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

m. 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.

n. Employee Benefits

Short-term employee benefits

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

Other long-term employee benefits

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

o. Provisions

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. 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.

q. Revenue

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group identifies the contract with a customer; identifies the performance obligations in the contract; 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 recognise 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 recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate liability.

Sale of goods

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

Other revenue

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

r. Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

s. Goods and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

t. Right-of-use assets

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

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

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

u. Lease liabilities

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

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

v. Profit or Loss per share

Basic profit or loss per share

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

Diluted profit or loss per share

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 14.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and/or tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those losses carried forward. A deferred tax asset of $2,071,091 was recognised as at 30 June 2021. The Directors and management of the Group have made a significant judgment in respect of forecasting the future profitability of the Group to determine the carrying value of the deferred tax asset.

x. 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 2021. There are no new standards that have been issued but not yet effective that will impact the financial position and performance of the Group.

NOTE 2 PARENT ENTITY

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.

	2021 $	2020 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	7,766,388	297,973
Non-current assets	37,713,648	32,162,055
TOTAL ASSETS	**45,480,036**	**32,460,028**
LIABILITIES		
Current liabilities	437,822	1,383,945
Non-current liabilities	18,412	10,489
TOTAL LIABILITIES	**456,234**	**1,394,434**
EQUITY		
Issued capital	93,798,614	78,134,022
Accumulated losses	(48,774,813)	(47,068,428)
TOTAL EQUITY	**45,023,801**	**31,065,594**
STATEMENT OF COMPREHENSIVE INCOME		
Loss for the year after tax	(1,706,386)	(2,067,740)
Total comprehensive income	**(1,706,386)**	**(2,067,740)**

Guarantees

SECOS Group Limited has from time to time provided guarantees to third parties in relation to the performance and obligations of controlled entities in respect to finance facilities. The guarantees are for the terms of the facilities. No amount outstanding as at 30 June 2021 (2020: NIL).

Contingent liabilities

SECOS Group Limited had no contingent liabilities as at 30 June 2021. (2020: NIL).

Contractual commitments

At 30 June 2021, SECOS Group Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2020: NIL).

Significant accounting policies

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

NOTE 3 REVENUE

	Note	2021 $	2020 $
Revenue			
Sales of goods at a point in time	24	30,081,012	21,038,608
Total sales revenue		**30,081,012**	**21,038,608**
Other Income			
Sundry income and subsidies		226,312	2,279
Total other income		**226,312**	**2,279**

NOTE 4 EXPENSES FOR THE YEAR

	2021 $	2020 $
The Profit/(loss) before income tax includes the following items of expenses:		
Research, development, and patent costs	181,997	155,494
Superannuation expense	112,922	102,493
Amortisation of right-of-use assets	541,951	523,263
Finance cost for leases	135,600	94,360

NOTE 5 INCOME TAX EXPENSE

Income tax expense

	2021 $	2020 $
Current tax (withholding tax)	(17,992)	-
Recognition of previously unrecognised tax losses	2,071,091	-
Income tax benefit	**2,053,099**	**-**

Deferred Tax Assets

	2021 $	2020 $
Deferred tax asset comprises temporary differences attributable to:	**2,071,091**	**-**
Amounts recognised in profit or loss:		
Employee benefits	-	-
Leases	-	-
Recognition of tax losses carried forward	2,071,091	-
Accrued expenses	-	-
Deferred tax asset	**2,071,091**	**-**
Movements:		
Opening balance	-	-
Credited to profit or loss	2,071,091	-
Closing balance	**2,071,091**	**-**

The Group sought professional advice from Deloitte Tax consultants to assess the ability of the Company to satisfy the Continuity of Ownership Test (COT) in connection with carried forward tax losses per Income Tax Assessment Act 1997 (ITAA 1977). Consequently, it was determined that $2,071,091 of deferred tax assets are to be taken up at this time.

	2021 $	2020 $
Tax losses carried forward	**7,585,929**	**9,328,279**

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 with the laws of each tax jurisdiction.

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.

	2021 $	2020 $
Short-term employee benefits	822,082	480,036
Post-employment benefits	51,266	48,681
Long-term employee benefits	9,269	5,928
Share based payment	-	280,000
Total	**882,617**	**814,645**

NOTE 7 REMUNERATION OF AUDITORS

	2021 $	2020 $
Remuneration of the auditor of the parent entity for		
• auditing or reviewing the financial statements	77,000	77,850
Remuneration of other auditors of subsidiaries for:		
• auditing or reviewing the financial statements of subsidiaries	11,346	10,192
Total	**88,346**	**88,042**

NOTE 8 PROFIT / (LOSS) PER SHARE

	2021 $	2020 $
Gain/(Loss) used to calculate basic/diluted EPS	**$2,590,171**	**(1,186,003)**

	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted profit / (loss) per share	**509,259,297**	**394,804,785**
Profit / (Loss) per share	**0.5 cents**	**(0.3) cents**

NOTE 9 TRADE AND OTHER RECEIVABLES

	2021 $	2020 $
Current		
Trade Receivables	5,862,360	3,168,351
Less: Allowance for expected credit losses	-	(47,842)
	5,862,360	**3,120,509**
Other receivables	112,650	124,945
Trade and other receivables	**5,975,010**	**3,245,454**

Allowance for expected credit losses

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

	Trade Receivables	Impaired	<30	31-60	61-90	>90
2021	**5,862,360**	**-**	**2,403,945**	**1,838,337**	**1,023,061**	**597,017**
2020	3,120,509	(47,842)	1,518,414	618,869	575,331	455,737

Current trade receivables are non-interest bearing and are generally on 30 to 60 day terms. The receivables in the over 60 day ageing category are generally on longer credit terms. Receivables are in line with their payment terms.

Based on the above, the Directors have deemed that no impairment on trade receivables is required in 2021 (2020: $47,842) at the reporting date.

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

Expected credit loss	Opening Balance $	Charge for the Year $	Amounts Write off/back $	Closing Balance $
2021	**47,842**	**-**	**(47,842)**	**-**
2020	153,748	-	(105,906)	47,842

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 2021. (2020: Nil).

NOTE 10 INVENTORIES

	2021 $	2020 $
Current		
Raw materials including work in progress	3,256,171	1,247,232
Finished goods	2,052,341	1,202,384
TOTAL	**5,308,512**	**2,449,616**

Inventories are held at the lower of cost or net realisable value. The increase in inventories held reflects increased sales activity.

NOTE 11 PLANT AND EQUIPMENT

	2021 $	2020 $
Leasehold Improvements		
At cost	108,938	108,938
Accumulated depreciation	(75,881)	(74,700)
	33,057	**34,238**
Plant, Machinery and Equipment		
At cost	13,250,219	12,838,917
Accumulated depreciation	(10,633,221)	(11,042,652)
	2,616,998	**1,796,265**
Total Cost of Assets	13,359,158	12,947,855
Total Accumulated Depreciation	(10,709,102)	(11,117,352)
Written down value of assets	**2,650,056**	**1,830,503**

NOTE 11 PLANT AND EQUIPMENT (continued)

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.

2021	Leasehold Improvements $	Plant, Machinery and Equipment $	Total $
Balance at 1 July 2020	**34,238**	**1,796,265**	**1,830,503**
Additions/(Disposals)	-	1,150,417	1,150,417
Depreciation Expenses	(1,181)	(339,287)	(340,468)
Exchange Rate Variations	-	9,604	9,604
Balance at 30 June 2021	**33,057**	**2,616,999**	**2,650,056**

2020	Leasehold Improvements $	Plant, Machinery and Equipment $	Total $
Balance at 1 July 2019	**95,700**	**1,672,493**	**1,768,193**
Additions/(Disposals)	-	541,332	541,322
Depreciation Expenses	(61,462)	(242,685)	(304,147)
Exchange Rate Variations	-	(174,875)	(174,875)
Balance at 30 June 2020	**34,238**	**1,796,265**	**1,830,503**

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

	2021 $	2020 $
Land and buildings - Right-of-use	3,164,173	1,712,386
Less: Accumulated amortisation	(1,059,037)	(524,764)
Total Land and buildings	**2,105,136**	**1,187,622**
Total right-of-use assets	**2,105,136**	**1,187,622**

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

During the year the Group signed a new lease for a facility in Malaysia.

Additions to the right-of-use assets during the year were $1,228,294.

NOTE 13 LEASE LIABILITY

	2021 $	2020 $
Lease liability – current	575,476	548,188
Lease liability – non-current	1,565,351	695,134
Lease liability	**2,140,827**	**1,243,322**

NOTE 14 INTANGIBLE ASSETS

	2021 $	2020 $
Goodwill	3,532,345	3,532,345
Product Development	109,462	90,824
Less: amortisation	(23,820)	(18,165)
Net carrying value	**3,617,987**	**3,605,004**

Impairment Disclosures

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

Per AASB 138, $85,662 relates to product development costs incurred prior to commercialisation of new products which are captured in the 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. 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 12.3% (2020: 15%).

c. Gross profit margins are forecast to be in a range of 22%-29% 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 2021 and; accordingly, no impairment loss has been recognised.

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

NOTE 15 TRADE AND OTHER PAYABLES

	2021 $	2020 $
Current		
Trade Payables	1,176,664	1,008,934
Sundry payables	322,184	530,591
Total	**1,498,848**	**1,539,525**

NOTE 16 BORROWINGS

	2021 $	2020 $
Current		
Unsecured Liabilities		
Unsecured Loan (Shareholder)	-	300,000
Convertible Notes	-	350,000
Unsecured Loans	-	22,075
Total Current borrowings	**-**	**672,075**
Total borrowings	**-**	**672,075**

NOTE 17 SHORT TERM PROVISIONS

	2021 $	2020 $
Employee benefits	339,387	307,519
Total	**339,387**	**307,519**

NOTE 18 LONG TERM PROVISIONS

	2021 $	2020 $
Employee benefits	18,412	10,489
Other provisions	23,358	44,830
Total	**41,770**	**55,319**

NOTE 19 ISSUED CAPITAL

a) Share Capital

	2021	2020
Ordinary - fully paid shares	**$44,730,115**	**$29,065,503**

b) Movements in Ordinary Share Capital

Date		Number of Shares	$/share	Amount ($)
01-Jul-20	**Balance**	**418,348,517**	**-**	**29,065,503**
7-Jul-20	Director shares in lieu of cash	1,100,355	$0.057	$62,500
7-Jul-20	Marketing consultants	358,804	$0.057	$20,380
10-Jul-20	Convertible notes converted	7,458,346	$0.047	$350,000
26-Aug-20	Options exercised	3,166,666	$0.060	$190,000
16-Sep-20	Placement $15m	87,423,379	$0.170	$14,861,974
	Cost of capital			(529,341)
25-Sep-20	Options exercised	7,142,875	$0.060	$428,573
26-Nov-20	March placement shares by related parties	7,716,000	$0.050	cash received in March 2020
26-Nov-20	September placement shares by related party	811,920	$0.170	$138,026
11-May-21	Options exercised	2,375,000	$0.060	$142,500
30-Jun-21	**Balance**	**535,901,862**		**44,730,115**

c) Options

	2021 Number	2020 Number
Unlisted Options	**-**	**12,684,541**

No unlisted Options outstanding as at 30 June 2021.

NOTE 19 ISSUED CAPITAL (CONTINUED)

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 2021, available placement capacity were circa 134 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(k).

NOTE 21 SHARE BASED PAYMENTS

In July 2020, the Company issued 1,100,355 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 30 June 2020. The shares were issued at an issue price of $0.057/share, determined based on the volume weighted average sale price of SECOS shares for the June 2020 Quarter.

In July 2020, the Company issued 358,804 fully paid ordinary shares to a marketing consultant being professional fees for the quarter ending 30 June 2020. The shares were issued at an issue price of $0.057/share, determined based on the volume weighted average sale price of SECOS share for the June 2020 Quarter.

NOTE 22 CONTROLLED ENTITIES

Controlled Entities Consolidated

Name	Country of Incorporation	Principal activities	Equity Holding (%) 2021	Equity Holding (%) 2020
Stellar Films (Malaysia) Sdn Bhd	Malaysia	Manufacturing	100%	100%
CO2 Starch Pty Ltd	Australia	Research	100%	100%
Secos Americas LLC	USA	Sales and marketing	100%	100%
Cardia Bioplastics (Australia) Pty Ltd	Australia	Sales and marketing	100%	100%
Cardia Bioplastics (Malaysia) Sdn Bhd 100% owned by Cardia Bioplastics (Australia) Pty Ltd	Malaysia	Manufacturing	100%	100%
Tristano Pty Ltd 100% owned by Cardia Bioplastics (Australia) Pty Ltd	Australia	Research	100%	100%
Biograde (Hong Kong) Pty Ltd 100% owned by Cardia Bioplastics (Australia) Pty Ltd	Hong Kong	Holding company	100%	100%
Biograde (Nanjing) Pty Ltd 100% owned by Biograde (Hong Kong) Pty Ltd	China	Manufacturing	100%	100%

NOTE 23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

	2021 $	2020 $
Bank Guarantees	-	50,713
The parent entity provided guarantees to third parties in relation to the performance and obligations of controlled entities in respect lease obligations.	-	-
	-	**50,713**

There were no contingent assets as at 30 June 2021 (2020: NIL).

NOTE 24 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 recourses 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.

Sales Revenue by geographical region (external customers)	2021 $	2020 $
Oceanic	5,060,050	3,682,281
Asia	13,929,724	14,148,774
Americas	8,975,370	1,311,399
Europe	1,401,819	1,257,307
Africa	714,049	638,847
Total Revenue	**30,081,012**	**21,038,608**

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 13.2% (2020: 23.1%) of external revenue.

Plant and equipment by geographical region	2021 $	2020 $
The location of segment assets (plant and equipment) by geographical location is disclosed below:		
Australia	49,474	55,769
Asia	2,600,582	1,774,735
Total Assets	**2,650,056**	**1,830,504**

NOTE 25 CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2021 $	2020 $
Profit/(Loss) for the year after tax	**2,590,171**	**(1,186,003)**
Non-Cash Items		
Deferred tax assets	(2,071,091)	-
Depreciation and amortisation	882,419	827,410
Issue of shares in lieu of cash	82,880	341,740
Unrealised foreign currency differences	(410,265)	(50,460)
	1,074,114	**(67,313)**
Movements in assets and liabilities		
Decrease/(increase) in inventories	(2,858,897)	(10,020)
Decrease/(increase) in receivables and other assets	(2,938,968)	150,316
(Decrease)/increase in payables	32,928	(650,704)
R&D capitalised	(12,983)	(72,659)
Net cash outflow from operating activities	**(4,703,806)**	**(650,380)**

NOTE 26 EVENTS AFTER THE REPORTING DATE

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

NOTE 27 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 28 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 minimise potential adverse effects on the financial performance of the Group.

Specific Financial Risk Exposures and Management

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

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the negotiation of payment terms with customers such as advance payment on 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 recognised financial assets at the end of the reporting period is equivalent to the carrying amount of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. 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.

NOTE 28 FINANCIAL INSTRUMENTS (CONTINUED)

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

	<6 months	6-12 months	1-5 years	Total
Year ended 30 June 2021	**$**	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	11,286,927	-	-	11,286,927
Trade and other receivables	5,975,010	-	-	5,975,010
	17,261,937	**-**	**-**	**17,261,937**
Financial liabilities				
Trade and other payables	1,498,848	-	-	1,498,848
Lease Liability	342,641	232,835	1,565,351	2,140,827
	1,841,489	**232,835**	**1,565,351**	**3,639,675**
Net maturity	**15,420,448**	**(232,835)**	**(1,565,351)**	**13,622,262**

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

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 (2020: $0) per annum. The Group had no borrowings as at 30 June 2021 (2020: $0.7 million).

NOTE 28 FINANCIAL INSTRUMENTS (CONTINUED)

Foreign Currency Risk

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

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

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

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

	2021 $	2020 $
Financial Assets	1,391,854	241,097
Financial Liabilities	-	22,075

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 2021, 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:

	2021 $	2020 $
Change in Profit and Equity		
• movement in AUD to USD by 9.6%	+/- 174,479	+/- 31,796

Foreign Currency Translation Reserves ("FCTR")

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary as described in Note 1(k). At 30 June 2021, 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 2021 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

Melbourne, Australia
Date: 27 August 2021

SECOS Group Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of SECOS Group Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2021, 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 2021 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

ACCOUNTANTS & ADVISORS

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ASSESSMENT OF CARRYING VALUE OF GOODWILL	
Area of focus **Refer also to notes 1 and 14**	**How our audit addressed it**
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. There is a risk that the carrying amount of goodwill exceeds its recoverable amount and may be impaired. The Group continues to operate as a single Cash Generating Unit ("CGU") being the manufacture and distribution of polyethylene films, and renewable resources-based resins. Management has assessed that they had been no significant change to the business which would require a change in the current year. The recoverable amount of the CGU has been calculated based on a value-in-use discounted cashflow model, the examines the expected discounted cashflows of its sole CGU over a five-year period extending from reporting date, plus a terminal value. 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.	Our audit procedures included: — A detailed analysis of any changes to the business to determine the continued appropriateness of a single segment and CGU; — 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; — An examination of key sensitivities of the Group's future discounted cash flows to changes in key inputs; and — Cross-checking the overall net present value derived by the model to the current enterprise value of the business, embodied in its market capitalisation. We also considered the adequacy of the Group's disclosures in relation to the impairment testing in the financial report.

RECOVERABILIITY OF DEFERRED TAX ASSETS	
Area of focus **Refer also to notes 1 and 5**	**How our audit addressed it**
As at 30 June 2021, the Group has recognised a deferred tax asset of $2.1 million. Assessing the recoverability of deferred tax assets requires the Group to make significant estimates related to the quantum and timing of future taxable income. Estimates of future taxable income are based on the forecast of cash flows from operations, the reversal of temporary differences and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. Due to the above mentioned factors, recoverability of deferred tax assets is considered a key audit matter.	Our audit procedures included: — Understanding the tax position taken by the group, reviewing correspondence between the Group and its external tax specialist; — Assessing the board approved budgets to determine the likelihood of future profitability and the use of its deferred tax assets in future periods; and — Understanding the basis of accounting for recognised deferred tax assets based on our knowledge of the tax environment in which the Group operates and work performed on the cash flow projections used in forecasting future taxable income and the reversal of temporary differences. We also considered the adequacy of the Group's disclosures in relation to the recognised and unrecognised deferred tax assets in the financial report.

INVENTORY	
Area of focus **Refer also to notes 1 and 10**	**How our audit addressed it**
The Group's inventory of $5.3 million is significant to the financial statements and has increased significantly from prior year. The Group's inventory predominantly includes polyethylene films and renewable resource-based resins. Inventory is required to be carried at the lower of its cost and net realisable value applying the weighted average cost method. 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.	Our audit procedures included: — A physical verification of inventory at material locations within the Group; — Performance of cut-off testing for both inwards and outwards goods around the year end date; — A review of subsequent product sales to ensure inventory was valued at the lower of cost and net realisable value; and — We assessed management's judgements in relation to the need for provisioning based on the aging and condition of the inventory. We also considered the adequacy of disclosures in relation to inventory in the notes to the financial statements.

Other Information
The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and the auditor's report thereon.

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

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

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

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

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

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

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

http://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 2021.

In our opinion, the Remuneration Report of SECOS Group Limited, for the year ended 30 June 2021, 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.

William Buck

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

A. A. Finnis
Director
Melbourne, 27 August 2021

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at **1 August 2021**

(A) DISTRIBUTION OF EQUITY SECURITIES

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

Ordinary Shares	Number of Holders
1 - 1,000	314
1,001 - 5,000	867
5,001 - 10,000	528
10,001 - 100,000	1170
100,001 and over	363
Total	**3,242**

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 (%)
R&K EDWARDS INVESTMENTS	57,295,825	10.7%
BELGRAVIA STRATEGIC EQUITIES PTY LTD	51,500,000	9.6%
DONALD HALLER JR	45,748,826	8.5%
STELLAR DEVELOPMENTS	20,696,906	3.9%
SECOS FRIENDS LLC	18,832,738	3.5%
HSBC CUSTODY NOMINEES	17,219,030	3.2%
UBS NOMINEES	16,704,457	3.1%
RICHARD TEGONI	14,606,231	2.7%
NATIONAL NOMINEES	11,449,995	2.1%
BRENDAN O'SULLIVAN	11,189,054	2.1%
KIRZY (PHILLIPPA WEEKLEY)	8,698,217	1.6%
CITICORP NOMINEES	8,173,730	1.5%
HELPLESS PTY LTD	8,024,262	1.5%
GOBBLE PTY LTD	7,203,346	1.3%
ADVANCE PUBLICITY	6,474,963	1.2%
PLANET JANET PTY LTD	6,030,000	1.1%
DAVID WAKE	5,157,109	1.0%
MARK DEUTSCH	4,741,575	0.9%
ROBERT DEUTSCH	4,741,575	0.9%
FEMALE PTY LTD	4,418,950	0.8%
TOTAL	**328,906,789**	**61.4%**

(C) SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders listed in the holding company's register as at 1 August 2021 are:

	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
R&K EDWARDS INVESTMENTS LLC	57,295,825	10.7
BELGRAVIA STRATEGIC EQUITIES PTY LTD	51,500,000	9.6
DONALD HALLER JR	45,748,826	8.5

(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.

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SECOS
GROUP