



ABN: 89 064 755 237

**SECOS GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

(ASX: SES)

**Half-Yearly Report and Appendix 4D
31 December 2021**

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the 30 June 2021 Annual Report and
public announcements made for the period ended 31 December 2021

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SECOS GROUP LIMITED

ABN 89 064 755 237

APPENDIX 4D**HALF-YEAR PERIOD**

Half-year ended ("current reporting period")	31 December 2021
Half-year ended ("previous corresponding period")	31 December 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities (\$'000)	Up	10.3%	to	15,286
Losses from ordinary activities after tax attributable to members (\$'000)	Up	>100%	to	(789)

DIVIDENDS

Current reporting period	Nil
Previous corresponding period	Nil

NTA BACKING

	Current reporting period	Previous corresponding period ("PCP")
Net tangible assets per ordinary share	4.8 cents	5.1 cents

BRIEF EXPLANATION OF THE ABOVE FIGURES

This Half-year report should be read in conjunction with the Annual Financial Report for the year ended 30 June 2021 and any public announcements made by SECOS Group Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

REVENUE

Sales revenue for the current reporting period was up 10.3% to \$15.3m compared to the Prior Corresponding Period (PCP). Despite COVID-19 restrictions and global supply chain challenges, the Group's diversified and growing sales profile has delivered strong results. During the period sales grew in every region globally with growth in the Oceanic region of 40% over PCP.

Biopolymer sales increased 21.2% vs PCP and increased as a percentage of total sales from 61.1% to 65.3% of Group's revenue in 1HFY22 vs PCP. These increases continue to support the Company's strategy to replace single use plastics with compostable and environmentally sustainable alternatives

OPERATING RESULT

Key financial highlights	1HFY22 Actual (\$'000)	1HFY21 Actual (\$'000)	YoY Change
Revenue	15,286	13,859	+ 10.3%
Gross profit	2,550	2,529	+ 0.8%
<i>Gross profit margin (%)</i>	16.7%	18.2%	- 8.2%
Net profit/(loss) after tax	(789)	66	>(100%)
<i>Other comprehensive income/(expense)</i>	512 ¹	(382)	>100%
Total comprehensive loss for the period	(277)	(316)	+ 12.5%

A \$789k net loss was reported for the current reporting period compared with a net profit of \$66k in the PCP however when considering increases in freight costs and increased investments in sales and marketing net profit would have been \$153k. In addition, these results do not include \$800k sales that left the plants prior to 31 December 2021 but were delayed at Port Klang, Malaysia due to the extreme flooding event that occurred in the final weeks of December 2021.

Freight costs rose from 5.2% of sales to 9.5% of sales during the period and while price increases have been passed on to customers in many cases, there is a lag which is not fully reflected in the current period results. The impact of increased freight costs resulted in a 1.5% margin reduction for the half year compared with PCP. Margin is expected to improve as freight costs normalise and scale benefits are realized from the increased capacity recently added in Malaysia.

CASH FLOWS

Closing cash was \$7.1 million as at 31 December 2021 and with zero debt, SECOS remains in a strong position to fund its organic growth plans.

During 1HFY22, the Group invested an additional \$3.8 million in working capital (\$3.4 million and \$0.4 million in inventory and receivables respectively) to secure the supply chain necessary to support the current growth in SECOS' customer orders and pipeline. The Group's strong inventory position at half year end will support sales growth in the second half and provide customers with a reliable supply of products to counter the current global supply chain disruption due to Covid-19.

The Group also invested \$1.2 million in plant and equipment for the period as part of expansion programs in both China and Malaysia. The Group has successfully commissioned its new Malaysian biopolymer plant which has the current capacity to increase sales by over \$25 million per annum taking the Group's sales potential with existing facilities to over \$60 million per annum.

DETAILS OF ENTITIES OVER WHICH CONTROL HAD BEEN GAINED OR LOST DURING THE PERIOD

No change of entities during the period.

FOREIGN ENTITIES

There has been no change in foreign entities controlled by SECOS Group Limited during the period.

AUDIT DISPUTE OR QUALIFICATION

The accompanying half-year financial statements are not subject to any audit dispute or qualification.

- _____

¹ Foreign currency translation gains resulted from weaker Australian dollars on consolidation of overseas entities

CORPORATE DIRECTORY

DIRECTORS: Mr. Richard Tegoni (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

REGISTERED OFFICE: Level 3,
302 Burwood Road
Hawthorn, VIC 3122
Telephone: +61 3 8566 6800
Email: info@secosgroup.com.au

SHARE REGISTRY: **Advanced Share Registry Limited**
110 Stirling Highway
NEDLANDS
WA 6009
Telephone: +61 8 9389 8033
Facsimile: +61 8 9262 3723

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
www.cardiabioproducts.com
www.cardiabioplastics.com
E-commerce: www.myecopet.com.au
www.myecobag.com.au
www.myecoworld.com
www.myecopet.com

CORPORATE GOVERNANCE STATEMENT: The Corporate Governance statement can be found on Investors page at www.secosgroup.com.au

DIRECTORS' REPORT

The Directors present their report on SECOS Group Limited ("SECOS" or the "Company") and the entities it controlled (the "Group") at the end of, or during, the half-year ended 31 December 2021.

DIRECTORS

The following persons were Directors of SECOS during the period and up to the date of this report:

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

COMPANY SECRETARY

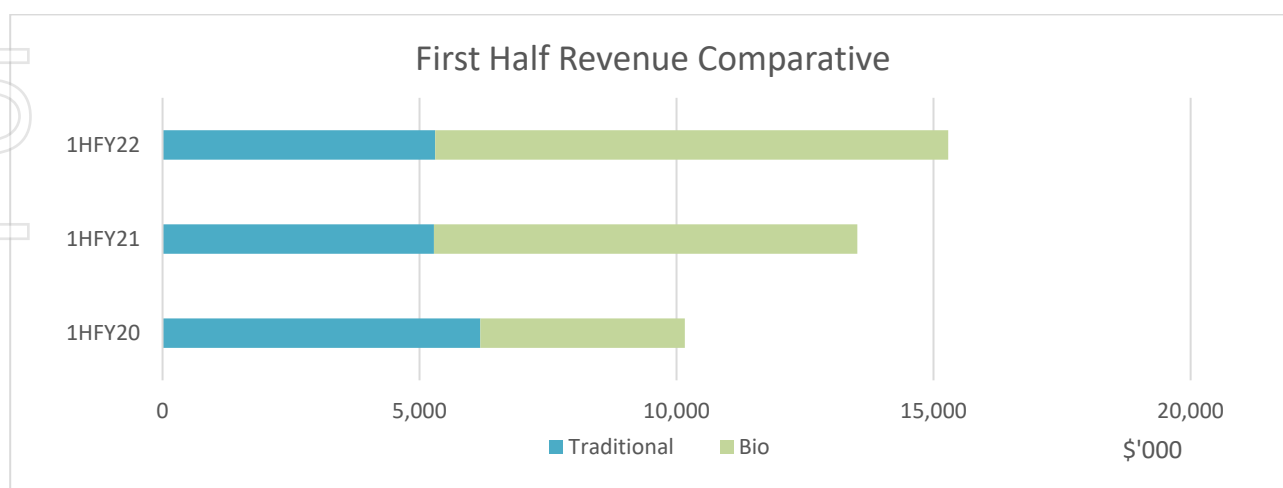
Edmond Tern

REVIEW OF OPERATIONS:

Highlights:

- Sales revenue increased by 10.3% on PCP despite global shipping delays with an increase in Biopolymer sales mix to 65.3% of total sales
- Revenue reported in the half year excluded \$0.8 million in sales that left the Group's plants however were delayed in Port Klang, Malaysia due to extreme flooding experienced in the final weeks of December 2021
- Cash receipts from customers were up 23% to \$16.1 million from \$13.9 million PCP
- Lower margin due to material cost increases and higher freight costs were partially offset by price increases passed onto customers
- Strong inventory position will support sales pipeline in second half and counter impacts on shipping delays caused by Covid-19
- New capacity with \$25 million additional sales potential now online following capital investment in Malaysia's new biopolymer compound and film plant
- Significant investment in digital and MyEco® assets to expand sales via USA and Australian retailer chains
- Prioritisation of staff safety through successive COVID waves and support of Malaysian staff to recover following severe floods in the second half of December has led to a stronger and more resilient business

Sales revenue was interrupted by shipping delays at the end of December as flash flooding severely affected the operation of Port Klang in Malaysia. Despite the delay, overall revenue was up 10.3% on PCP. Biopolymer sales growth continued forming 65.3% of Group's revenue in 1HFY22 compared with 61.1% PCP and the Company's reported results excluded \$0.8 million in sales that were carried over into January 2022 due to containers being delayed in ports impacted by Covid and flooding in Port Klang, Malaysia.



DIRECTORS' REPORT (continued)

During the period, the Group experienced unprecedented sea freight cost hikes and unreliable vessel availability which resulted in a doubling of freight costs as a percentage of sales. Freight cost increases during the period also included the use of urgent airfreight to maintain supply commitments to customers. While some cost increases were passed to customers, such adjustments take time to flow to the bottom line. Margin is expected to improve as freight costs normalise and selling price increases flow through to customers. The Company is also increasing its investment in local warehousing and expanding available inventory.

Overheads were higher in 1HFY22 due to an increased marketing investment of \$218k vs PCP. These planned investments are to expand retail sales with the launch of MyEco® products to retailers in Australia and the USA such as, Officeworks, Pacchini and Veterans Canteen as previously announced. Further announcements regarding expansion of the Company's distribution network are expected. Combined with Woolworths and other retail store fronts SECOS is distributing its MyEco® products to over 1,300 stores. SECOS also launched e-commerce sites in the USA and Australia to support B2C sales of MyEco® products at potentially greater margin. Investment in marketing has delivered positive results with SECOS compostable MyEcoBag® bin-liners sold in Woolworths recently announced as the fastest growing garbage bag in 2020/21 (ASX announcement 31-Jan-22). As more retail stores are now stocking SECOS' MyEco® branded compostable products, we expect this investment to contribute significantly to growth.

SECOS has built a strong inventory position as of 31 December 2021 which increased to \$8.7 million from \$5.3 million PCP. SECOS' increased inventory position and local warehousing facilities are expected to counter logistical delays and will better assist with higher freight costs.

Despite global logistic challenges, ongoing Covid-19 disruption and 1-in-50-year flood event in Malaysia, the Group operated safely and efficiently with staff safety and wellbeing at the forefront of business operation. SECOS did not receive any Covid-19 related financial assistance from statutory bodies during the period. The Group did provide financial assistance to those staff members who were adversely impacted by flash flooding in Malaysia in December 2021. Headcount at December 31 for the Group was 198, up from 170 PCP to support planned growth of the business.

The first half of 2022 fiscal year has seen the establishment of four key initiatives required to implement the Company's planned growth strategy. These initiatives are expected to position SECOS for growth in the current half year as planned. The four growth investments were:

1. Significantly increased manufacturing capacity largely via the newly built biopolymer manufacturing plant in Malaysia (ASX announcement dated 18-Mar-2021). The expansion is on track to deliver an extra 3600 tonnes of compostable resin and 480 million compostable bags; equivalent to \$25 million in additional sales capacity per annum. Capacity can be further expanded by another 20% or 720 tonnes per annum as demand requires. The first commercial quantity of bio film and bags has recently been delivered.
2. Developed a substantial retail network of major and highly regarded distributors and retail chains throughout Australia and the USA to support the sale of the Company's "MyEco®" branded compostable product range. Major retailers now include Woolworths, Veteran Canteen Services in the USA, Officeworks and independent retailers supplied via Pacchini Distribution in Australia. The Company now has increased access for its branded products to potentially over 1300 retail outlets with sales in this segment set to become one of the fast-growing areas for SECOS.
3. Strengthen supply chains by increasing inventory reserves and warehousing capability to ensure SECOS' customers have certainty of supply and to better manage supply chain disruption due to the impacts of Covid-19 globally.
4. Continue to grow the Company's product pipeline with the establishment of a new Global Biopolymer Research and Development Centre. Expanded collaboration both with university and industry partners and potential customers that are seeking to develop new sustainable packaging solutions to replace traditional single use plastic packaging.

DIRECTORS' REPORT (continued)**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

On 10-Sep-2021, the Company issued 786,425 Performance Rights to management personnel.

The Rights were issued to employees under the Company's Employee Incentive Plan, approved by shareholder at the Annual General Meeting held on 25 November 2020. The Rights were issued to employees to aid with the retention and motivation of staff during a time of rapid expansion for the Company. Each Right issued can be converted to a fully paid ordinary share on satisfying service and performance vesting conditions. The service vesting condition requires the employee remain an employee of the Company until the time of vesting. The Rights will vest variously over three years (30 September 2022, 30 September 2023, 30 September 2024). The assessed fair value of each tranche of performance rights are \$0.335 (vesting 30 September 2022), \$0.335 (vesting 30 September 2023), and \$0.335 (vesting 30 September 2024).

EVENTS AFTER THE REPORTING DATE

On 15 January 2022, the Company entered into a three-year property lease with further three years option at Mount Waverley to house the Research and Development Centre.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

FUTURE DEVELOPMENTS

As jurisdictions around the world are shifting towards environmentally friendly packaging solution, SECOS is well positioned to respond to this market trend. Currently the Group's focus is on expansion to satisfy higher volume brought in by existing and new customers. Additionally, the research and development team are working closely with customers and industry partners on next generation formulation and applications of our proprietary compostable resin.

ENVIRONMENTAL REGULATIONS

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

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the half-year ended 31 December 2021 has been received and can be found in the attached Auditor's Independence Declaration page.



Richard Tegoni
Chairman
Melbourne
24 February 2022

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 half-year ended 31 December 2021 there have been:

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

William Buck

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

A. A. Finnis

A. A. Finnis
Director

Melbourne, 24 February 2022

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2021

	Notes	Consolidated	
		31-Dec-2021 \$'000	31-Dec-2020 \$'000
Sales	3	15,286	13,859
Cost of sales		(12,736)	(11,330)
Gross profit		2,550	2,529
Other income		59	148
Employment expense		(1,560)	(1,250)
Marketing and distribution expenses		(650)	(444)
Administration expense		(225)	(207)
Legal and compliance expenses		(261)	(231)
Depreciation and amortisation expense		(609)	(416)
Finance costs		(93)	(63)
Profit/(Loss) before income tax		(789)	66
Income tax expense		-	-
Profit/(Loss) for the period after tax		(789)	66
Other comprehensive profit/(loss)			
Items that may be reclassified to the profit or loss in subsequent reporting periods (net of tax)			
Foreign currency translation gain / (loss) for foreign operations		512	(382)
Total comprehensive loss for the period		(277)	(316)
Profit/(Loss) per share			
Basic / diluted profit/(loss) per share		(0.015) cents	0.010 cents

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	Consolidated	
		31-Dec-2021 \$'000	30-Jun-2021 \$'000
Current Assets			
Cash and cash equivalents		7,072	11,287
Trade and other receivables		6,456	5,975
Inventories		8,678	5,308
Prepayments		1,611	743
Total Current Assets		23,817	23,313
Non-Current Assets			
Other financial assets		15	14
Plant and equipment		3,465	2,650
Right-of-use assets		1,815	2,105
Deferred tax assets		2,072	2,072
Intangible assets		3,612	3,618
Total Non-Current Assets		10,979	10,459
Total Assets		34,796	33,772
Current Liabilities			
Trade and other payables		2,740	1,499
Short term provisions		346	339
Accrued expenses		787	531
Lease liability		508	576
Total Current Liabilities		4,381	2,945
Non-Current Liabilities			
Long term provisions		64	42
Lease liability		1,372	1,565
Total Non-Current Liabilities		1,436	1,607
Total Liabilities		5,817	4,552
Net Assets		28,979	29,220
Equity			
Issued capital	2	44,730	44,730
Reserves		(234)	(782)
Accumulated losses		(15,517)	(14,728)
Total Equity		28,979	29,220

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2021

Consolidated	Issued Share Capital	Accumulated Losses	Reserves	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance at 01-Jul-2021	44,730	(14,728)	(782)	29,220
Loss for the period	-	(789)	-	(789)
Other Comprehensive gain/(loss) for the period	-	-	512	512
Total comprehensive gain/(loss) for the period	-	(789)	512	(241)
Recognition of share-based payments	-	-	36	36
Balance at 31-Dec-2021	44,730	(15,517)	(234)	28,979

Consolidated	Issued Share Capital	Accumulated Losses	Reserves	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance at 01-Jul-2020	29,066	(17,318)	(372)	11,375
Profit for the period	-	66	-	66
Other Comprehensive loss for the period	-	-	(382)	(382)
Total comprehensive loss for the period	-	66	(382)	(316)
Shares issued during the period net of costs	15,522	-	-	15,522
Balance at 31-Dec-2020	44,588	(17,252)	(754)	26,581

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOW

For the half-year ended 31 December 2021

	Consolidated	
	31-Dec-2021 \$'000	31-Dec-2020 \$'000
Cash Flows from Operating Activities		
Receipts from customers	16,129	13,093
Payments to suppliers and employees	(18,565)	(14,856)
Finance costs	(93)	(63)
Net Cash Outflow from Operating Activities	(2,529)	(1,826)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(1,218)	(578)
Net Cash Outflow from Investing Activities	(1,218)	(578)
Cash Flows from Financing Activities		
Proceeds from issues of ordinary shares	-	14,989
Payment for capital raising costs	-	(529)
Lease payments	(389)	(253)
Repayment of unsecured loan	-	(200)
Net Cash Inflow from Financing Activities	(389)	14,007
Net increase/(decrease) in cash and cash equivalents held	(4,136)	11,603
(Decrease) in cash due to changes in foreign exchange rate	(79)	(99)
Cash and cash equivalents at the beginning of the period	11,287	2,879
Cash and cash equivalents at the end of the period	7,072	14,383

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 AASB 134 Interim Financial Reporting and the Corporations Act 2001. They do not include all the information required in annual financial statements in accordance with Australian Accounting Standards and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2021 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SECOS Group Limited ('Company' or 'parent entity') as at 31 December 2021 and the results of all subsidiaries for the half-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 by the Board of Directors on the date of signing the attached Directors' Declaration.

The financial statements are presented in Australian dollars, which is the Group's functional and presentational currency.

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 interim 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 2021.

a. New Accounting Standards and interpretations issued in the period.

The accounting policies adopted in the preparation of the interim half-yearly financial statements are consistent with those followed in the preparation of the consolidated entity's annual consolidated financial statements for the year ended 30 June 2021, except for the adoption of new standards effective as of 1 July 2021. The consolidated entity has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the half yearly financial statements of the consolidated entity.

b. Changes in accounting policies

Other than the policies described above there have been no changes in accounting policies during the half-year ended 31 December 2021.

c. Rounding of Amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

NOTE 2 ISSUED CAPITAL**a) Share Capital**

Consolidated	31-Dec-2021	30-Jun-2021
\$'000	44,730	44,730
Ordinary fully paid shares	533,901,862	533,901,862

b) Movements in Ordinary Share Capital

No movement during the period.

c) Performance Rights

On 10 September 2021, the Company issued 786,425 Performance Rights ("Rights") to management personnel of the Company.

The Rights were issued to employees under the Company's Employee Incentive Plan, approved by shareholder at the Annual General Meeting held on 25 November 2020. The Rights were issued to employees to aid with the retention and motivation of staff during a time of rapid expansion for the Company. Each Right issued can be converted to a fully paid ordinary share on satisfying service, performance and share price vesting conditions. The service vesting condition requires the employee remain an employee of the Company until the time of vesting. The Rights will vest variously over three years (30 September 2022, 30 September 2023, 30 September 2024). The assessed fair value of each tranche of performance rights are \$0.335 (vesting 30 September 2022), \$0.335 (vesting 30 September 2023), and \$0.335 (vesting 30 September 2024).

NOTE 3 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, the Group shares common R&D resources and commercial team actively promoting the resins, films and bags business. There is one warehouse location in each region housing films, resins and biodegradable finished goods.

The management team prepares internal reports with multi-dimensional views 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 on a monthly basis.

Sales Revenue by geographical region	31-Dec-2021	31-Dec-2020
	\$'000	\$'000
Oceanic	3,293	2,344
Asia	7,547	7,382
Americas	3,117	3,082
Europe	856	734
Africa	473	317
Total Consolidated Revenue	15,286	13,859

Assets by geographical region	31-Dec-2021	30-Jun-2021
	\$'000	\$'000
Australia	258	49
Asia	3,207	2,601
Total Consolidated Assets	3,465	2,650

NOTE 4 FAIR VALUE MEASUREMENT

The carrying amounts of the Group's financial assets and financial liabilities are approximate to their fair values.

NOTE 5 EVENTS AFTER THE REPORTING DATE

On 15 January 2022, the Company entered into a three-year property lease with further three years option at Mount Waverley to house the Research and Development Centre.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 6 CONTINGENT LIABILITIES

There are no outstanding contingent liabilities and assets reported by the Group as at 31 December 2021 (30 June 2021: Nil).

NOTE 7 SHARE-BASED PAYMENTS

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

During the six-month period ending 31 December 2021, there was 786,425 Performance Rights ("rights") issued to the employees (no directors included) of the Company (December 2020: nil). There were an additional 411,105 rights issued, but these fail to meet the definition of cash-settled share-based payment transaction outlined in AASB 2 *Share-based payments*.

Performance rights vest in three tranches:
Tranche 1 vesting date is 30 September 2022,
Tranche 2 vesting date is 30 September 2023,
Tranche 3 vesting date is 30 September 2024.

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

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

For the rights granted during the current financial period, the fair value of the rights equates to the share price on the date that the rights were issued being 33.5 cents as there is no exercise price.

NOTE 7 SHARE-BASED PAYMENTS (continued)

The following tables illustrate the movements in performance rights, during the current period ending 31 December 2021 and comparative period ending 31 December 2020.

	Number of rights 31-Dec-2021	Number of rights 31-Dec-2020
Outstanding at the beginning of the financial half-year	-	-
Granted	786,425	-
Exercised / Forfeited	-	-
Outstanding at the end of the financial half-year	786,425	-

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
09-Sep-2021	01-Nov-2022	-	-	262,141	-	-	262,141
09-Sep-2021	01-Nov-2023	-	-	262,141	-	-	262,141
09-Sep-2021	01-Nov-2024	-	-	262,143	-	-	262,143
		-	-	786,425	-	-	786,425

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes are in accordance with the Corporations Act 2001, including

- a) complying with Accounting Standard, AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and
- b) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that SECOS Group Ltd will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5)(a) of the *Corporations Act 2001*.



Richard Tegoni
Chairman
Melbourne
24 February 2022

Secos Group Limited

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Secos Group Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Secos Group Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report

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

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

William Buck

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

A. A. Finnis

A. A. Finnis
Director

Melbourne, 24 February 2022

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