



ABN: 89 064 755 237

**SECOS GROUP LIMITED
AND ITS CONTROLLED ENTITIES
(ASX: SES)**

**Appendix 4D and Half-Year Report
31 December 2023**

**Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the 30 June 2023 Annual Report and
public announcements made for the period ended 31 December 2023**

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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 2023
Half-year ended (“previous corresponding period”)	31 December 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Continuing operations

Revenue from ordinary activities (\$'000) (Continued and Discontinued operations)	Down	31.6%	to	7,902
Loss from ordinary activities after tax attributable to members (\$'000)	Up	22.2%	to	(3,033)

DIVIDENDS

Current reporting period	Nil
Previous corresponding period	Nil

NET TANGIBLE ASSET BACKING

	Current reporting period	Previous corresponding period (“PCP”)
Net tangible assets per ordinary share	2.8 cents	3.9 cents

This Half-year report should be read in conjunction with the Annual Financial Report for the year ended 30 June 2023 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.

CORPORATE DIRECTORY

DIRECTORS: Mr. James (Jim) Walsh (Non-Executive Chairman)
Mr. Richard Tegoni (CEO, Executive Director)
Mr. Stephen J Walters (Executive Director)
Mr. Donald F Haller Jnr (Non-Executive Director)
Ms. Natalya Jurcheshin (Non-Executive Director)

COMPANY SECRETARY: Mr. Colin Lai

REGISTERED OFFICE: Level 1, 247 Ferntree Gully Road
MOUNT WAVERLEY, VIC 3149
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
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
www.cardiabioproducts.com
www.myecopet.com.au
E-commerce: 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 2023.

DIRECTORS

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

Mr. James (Jim) Walsh (Non-Executive Chairman)
Mr. Richard Tegoni (CEO, Executive Director)
Mr. Stephen J Walters (Executive Director)
Mr. Donald F Haller Jnr (Non-Executive Director)
Ms. Natalya Jurcheshin (Non-Executive Director)

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

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

SECOS holds a strong patent portfolio and the global trend towards sustainable packaging is fueling the Company's growth. The Company's headquarters and global Research and Development (R&D) centre are based in Melbourne, Australia. SECOS has R&D capability as well as manufacturing plants for resins and finished products in both China and Malaysia. The Company also has manufacturing partners for film, bag making, and other applications in Malaysia, Mexico, and the USA. SECOS has sales offices in Australia, Malaysia, China, Mexico and the USA, with a network of leading distributors across the Americas, Europe and Asia.

REVIEW OF OPERATIONS (CONTINUED AND DISCONTINUED OPERATIONS)

\$'000	H1 FY24	H1 FY23	% Change
Revenue	7,902	11,559	(31.6%)
Bio	6,193	7,493	(17.3%)
Traditional	1,709	4,066	(58.0%)
Gross Margin %	16.8%	13.2%	358bps
EBITDA ^{(1) (2)}	(1,872)	(1,582)	(18.3%)
Net Loss before tax	(3,014)	(2,455)	(22.8%)
Net Loss after tax	(3,033)	(2,481)	(22.2%)

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

⁽²⁾ H1 FY24 EBITDA is before restructuring costs of \$0.297 million arising from divestment of the traditional plastics business.

\$'000	31 December 2023	30 June 2023	% Change
Current assets	14,230	17,216	(17.3%)
Current liabilities	3,214	3,738	(14.0%)
Current ratio	4.4	4.6	(3.9%)
Debt	-	-	-
Equity	20,153	23,133	(12.9%)
Total assets	24,201	27,962	(13.5%)
Debt ⁽²⁾ /equity	-	-	-
Debt ⁽²⁾ /assets	-	-	-

⁽³⁾ Does not include lease liabilities

The loss before tax reported for the year is \$3.0 million compared to a loss before tax of \$2.5 million in the prior comparative period (PCP) and a loss before interest, tax, depreciation, amortisation and restructuring expenses of \$1.9 million versus PCP of \$1.6 million. H1 FY24 sales (continued and discontinued operations) of \$7.9 million compared to the prior comparative period (PCP) were impacted mainly due to the Group's strategic decision to exit low margin traditional plastic sales in line with its strategy to become a leader in sustainable packaging products and solutions. It is also in part due to lower resin sales, down 24.9% on PCP, which was due to difficult global market conditions and logistic and pandemic factors that led to excess resin inventory being held by customers.

MyEcoBag® range achieved 26% of sales ⁽¹⁾ within the compostable bin liner and kitchen caddy category in 850 stores in Coles since the launch in November 2022. MyEcoBag® has also maintained the position as the number one brand in 970 stores in Woolworths' compostable kitchen caddy and bin liner category contributing 43% of all sales ⁽²⁾ in this category. This has resulted in the company achieving over 20.9% growth in MyEco® retail brand sales in major retailers and independent distributors in H1 FY24 versus PCP.

The council and waste management business has grown by 11.1% versus PCP through demand from Councils to supply their food organics and garden organics programs ("FOGO") and demand from waste companies which require food-diversion bags. SECOS remains committed to Australian Council initiatives to divert food waste from landfill to organic waste stations with the supply of Compostable Kitchen Tidy Bags. The Council programs redirect food waste from land fill to organic waste treatment which creates fertile mulch, which in turn mitigates greenhouse gas emissions as well as Council land fill costs.

Gross Margin is 16.8% up from 13.2% in PCP, underpinned by freight rates and lead times returning to pre-pandemic levels, which has improved the predictability of working capital management. The national marketing campaign launched in Australia in April 2023, which continues to drive brand awareness has contributed to increased sales in Woolworths and Coles and traction in new retail distributors and customers. The Company had net operating cash outflows of \$0.4 million and closed H1 FY24 with a cash position of \$7.4 million and no debt.

Loss before tax was also impacted by one-off restructuring costs of \$0.297 million relating to the divestment of the traditional plastics business and greater investment in people and marketing to drive and support business growth.

SALE OF TRADITIONAL PLASTIC MANUFACTURING ASSETS

On 1 August 2023, the Company announced that it entered into an asset sale agreement to divest its traditional plastic manufacturing assets held in Stellar Films (Malaysia) Sdn Bhd and entered into a strategic manufacturing agreement to supply resin for compostable pallet wrap and sustainable packaging films under the SECOS MyEco® brand. The assets were disposed of in December 2023.

SUCCESSFUL BID TO PARTICIPATE IN COOPERATIVE RESEARCH CENTRE PROGRAM

The Company was successful in a joint Industry-University bid to secure new matched research and development (R&D) funding from the Australian Federal Government which supports the establishment of a new Cooperative Research Centre ("CRC") program aimed at solving the plastic waste problem ("Solving Plastic Waste CRC"). SECOS' allocation of funding from this CRC will enable the Company to accelerate its product development program and partner with RMIT and researchers to develop new compostable formulations which replace conventional plastic. SECOS may utilise compostable ingredients from another CRC industry participant, the Minderoo Foundation, an Australian independent philanthropic organisation, which is developing a viable PHA process for production in Australia. To secure funding, CRC partners will need to execute the Commonwealth CRC Agreement, Partners Agreements, and Project Agreements by 1 July 2024 with project funding commencing from then. SECOS' share of the \$140.6 million allocated under the CRC program will be confirmed when full scoping details of the final R&D projects have been agreed amongst the participating CRC partners.

⁽¹⁾ IRI Scan Data between 12/11/22 to 9/1/24

⁽²⁾ Quantum Scan Data between 18/1/23 to 16/1/24

OUTLOOK

The completion of the divestment of SECOS' traditional plastic business enables the Company to focus on a growing range of environmentally and sustainable products being produced via a combination of outsourcing and in-house manufacturing.

The Company shall continue driving growth in MyEco® products in Australian retail stores and by building and entering into other geographic markets through its global distributors. Despite falling short of the annual sales target, SECOS and Jewett Cameron Company have agreed to renew the existing exclusive sales agreement under the same terms reflecting the significant work over the last twelve months to establish a meaningful presence in the USA and Canada. Both companies believe this provides a good runway for sales growth over the coming 12 months. Growth in sales to local Councils is expected to continue in the second half of FY24 based on current orders and contracts in place and as more Australian Councils introduce FOGO waste programs to achieve their 2025 sustainability targets.

SECOS is also developing new resin grades aimed at meeting various sustainability needs in markets globally, which are expected to be launched in FY25. The Company will work in partnership with Latin American distributor SM Resinas under a recently signed agreement to drive these and other resin sales in the region.

The Company also continues with other R&D activities developing new products including future compostable resin technology with funding support from the recently established Solving Plastic Waste CRC program.

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.

EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since 31 December 2023 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 products and solutions, 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 2023 has been received and can be found in the attached Auditor's Independence Declaration page.



James (Jim) Walsh
Chairman
Melbourne
21 February 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of SECOS Group Limited

As lead auditor for the review of SECOS Group Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, 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.

This declaration is in respect of SECOS Group Limited and the entities it controlled during the period.

William Buck

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136

A. A. Finnis

A. A. Finnis

Director

Melbourne, 21 February 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Half-Year Ended	
		31-Dec-2023 \$'000	31-Dec-2022 \$'000
Continuing operations			
Sales	3	6,193	7,723
Cost of sales		(5,104)	(6,455)
Gross profit		1,089	1,268
Other income		15	170
Employment expense		(1,718)	(1,486)
Marketing and distribution expenses		(1,007)	(829)
Administration expense		(374)	(555)
Legal and compliance expenses		(338)	(224)
Depreciation and amortisation expense		(648)	(601)
Finance costs		(56)	(115)
Loss before tax from continuing operations		(3,037)	(2,372)
Income tax expense		(9)	(23)
Loss for the period after tax from continuing operations		(3,046)	(2,395)
Discontinued operations			
Profit/(Loss) after income tax from discontinued operations	8	13	(86)
Loss after tax for the year attributed to the owners of SECOS Group		(3,033)	(2,481)
Other comprehensive loss			
<i>Items that may be subsequently reclassified to the profit or loss, net of tax</i>			
Foreign currency translation gain / (loss) of foreign operations		5	(137)
Total comprehensive loss for the period		(3,028)	(2,618)
Loss per share from continuing operations attributable to the owners of SECOS Group			
Basic / diluted profit/(loss) per share		(0.51) cents	(0.45) cents
Loss per share from discontinued operations attributable to the owners of SECOS Group			
Basic / diluted profit/(loss) per share		(0.00) cents	(0.02) cents
Loss per share for loss attributable to the owners of SECOS Group			
Basic / diluted profit/(loss) per share		(0.51) cents	(0.46) cents

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to the Consolidated Financial Statements.

STATEMENT OF FINANCIAL POSITION

	Notes	As at	
		31-Dec-2023 \$'000	30-Jun-2023 \$'000
Current Assets			
Cash and cash equivalents		7,445	8,424
Trade and other receivables		2,483	4,033
Inventories		3,444	4,095
Prepayments		824	630
Other assets		34	34
Total Current Assets		14,230	17,216
Non-Current Assets			
Other assets		-	15
Deferred tax assets		960	960
Plant and equipment		4,215	4,535
Right-of-use asset		1,205	1,645
Intangible assets		3,591	3,591
Total Non-Current Assets		9,971	10,746
Total Assets		24,201	27,962
Current Liabilities			
Trade and other payables		1,482	1,807
Employee benefits		320	290
Accrued expenses		827	861
Lease liability		585	780
Total Current Liabilities		3,214	3,738
Non-Current Liabilities			
Employee benefits		19	30
Lease liability		815	1,061
Total Non-Current Liabilities		834	1,091
Total Liabilities		4,048	4,829
Net Assets		20,153	23,133
Equity			
Issued capital	2	48,447	48,447
Reserves		(698)	(751)
Accumulated losses		(27,596)	(24,563)
Total Equity		20,153	23,133

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the Consolidated Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Half-Year ended 31 December 2023	Issued Share Capital \$'000	Accumulated Losses \$'000	Share Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Total Equity \$'000
Balance at 01-Jul-2023	48,447	(24,563)	42	(793)	23,133
Loss for the period	-	(3,033)	-	-	(3,033)
Other Comprehensive income/(loss) for the period	-	-	-	5	5
Total comprehensive income/(loss) for the period	-	(3,033)	-	5	(3,028)
Vesting of share-based payments	-	-	48	-	48
Balance at 31-Dec-2023	48,447	(27,596)	90	(788)	20,153
Half-Year ended 31 December 2022	Issued Share Capital \$'000	Accumulated Losses \$'000	Share Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Total Equity \$'000
Balance at 01-Jul-2022	44,730	(17,813)	36	(284)	26,669
Loss for the period	-	(2,481)	-	-	(2,481)
Other Comprehensive income/(loss) for the period	-	-	-	(137)	(137)
Total comprehensive income/(loss) for the period	-	(2,481)	-	(137)	(2,618)
Vesting of share-based payments	-	-	29	-	29
Balance at 31-Dec-2022	44,730	(20,294)	65	(421)	24,080

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes to the Consolidated Financial Statements

STATEMENT OF CASH FLOWS

	Half-Year Ended	
	31-Dec-2023 \$'000	31-Dec-2022 \$'000
Cash Flows from Operating Activities		
Receipts from customers	7,227	9,910
Payments to suppliers and employees	(7,452)	(9,136)
Finance costs	(56)	(115)
Net operating cash generated by/(used in) continuing operations	(281)	659
Net operating cash generated by/ (used in) discontinued operations	(105)	478
Net Cash Inflow/(Outflow) from Operating Activities	(386)	1,137
Cash Flows from Investing Activities		
Purchase of plant and equipment	(329)	(371)
Net cash used in continuing operations' investing activities	(329)	(371)
Net cash (used in)/from discontinued operation's investing activities	99	(1)
Net Cash Outflow from Investing Activities	(230)	(372)
Cash Flows from Financing Activities		
Repayment of lease liabilities	(252)	(253)
Net cash from continuing operations' financing activities	(252)	(253)
Net cash from/(used in) discontinued operation's financing activities	(100)	(143)
Net Cash Outflow from Financing Activities	(352)	(396)
Net increase/(decrease) in cash and cash equivalents held	(968)	369
Increase/(Decrease) in cash due to changes in foreign exchange rate	(11)	9
Cash and cash equivalents at the beginning of the period	8,424	4,122
Cash and cash equivalents at the end of the period	7,445	4,500

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the Consolidated Financial Statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF MATERIAL 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 2023 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 2023 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 2023.

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 2023, except for the adoption of new standards effective as of 1 July 2023. The consolidated entity has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

b. Changes in accounting policies

There have been no changes in accounting policies during the half-year ended 31 December 2023.

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.

COMPARATIVE INFORMATION

The consolidated financial statements provide comparative information in respect of the previous period. There can be a restatement of comparatives through either a correction of error, a change in accounting policy or a reclassification. The consolidated entity has made a number of reclassifications to comparative information, as a result of which neither is there an impact on the consolidated entity's net profit after tax for the period ended 31 December 2022 nor its net assets at 30 June 2023 as previously reported.

NOTE 1 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

NOTE 2 ISSUED CAPITAL

Share Capital	Half-Year Ended 31 December 2023		Full-Year Ended 30 June 2023	
	Number	\$'000	Number	\$'000
Balance at start of period	593,480,667	48,447	535,901,862	44,730
Placement	-	-	43,332,569	2,817
Placement –Uninsured Shares	-	-	-	203
Share Purchase Plan	-	-	14,246,236	926
Cost of Capital Placement ⁽¹⁾	3,129,360	-	-	(229)
Balance at end of period	596,610,027	48,447	593,480,667	48,447

⁽¹⁾ Refers to March 2023 placement subscription by Non-Executive Director Donald Haller Jr, which was approved by shareholders at the Company's 2023 Annual General Meeting on 17 November 2023. The cash was received by the Group during the year ended 30 June 2023.

NOTE 3 OPERATING SEGMENTS

Identification of reportable operating segment

Historically Group management viewed the business as a single operating segment being the manufacture and distribution of polyethylene films, and renewable resource-based resins and finished products. During the time up until 30 June 2023 the management team prepared internal reports with a multi-dimensional view with emphasis on Group consolidated results that were used by the Board of Directors in assessing the performance and in determining the allocation of resources of the Group.

Following the change of CEO during the FY23 financial year and the repositioning and transitioning of the Group to a manufacturer and distributor of biopolymer materials management reviewed its operations on 1 July 2023 and identified two distinct operating segments being, traditional plastic and the manufacture and distribution of renewable resource-based resins and finished products.

During the period to 31 December 2023 the Company entered into an asset sale agreement to divest its traditional plastic manufacturing assets held in Stellar Films (Malaysia) Sdn Bhd, resulting in the traditional plastics segment being identified as a discontinued operation as at the reporting date.

The continuing operations of the Group as at 31 December 2023 reflects the single operating segment with the principal activities being the manufacture and distribution of renewable resource-based resins and finished products as disclosed in the Statement of Profit or Loss and Other Comprehensive Income. This is how the Chief Operating Decision Makers of the Group view the business on a monthly basis.

Major customers

The Group has a number of customers to whom it provides products and has supplied a single external customer in the manufacturing segment who accounted for 12.2% (2022: 12.9%) of external revenue.

NOTE 3 OPERATING SEGMENTS (CONTINUED)

Note 3 excludes discontinued operations of Stellar Films (Malaysia) Sdn Bhd.

Sales Revenue by geographical region (external customers)	31-Dec-2023 \$'000	31-Dec-2022 \$'000
Oceania	3,218	3,087
Asia	1,610	2,043
Americas	643	1,470
Europe	712	840
Africa	10	283
Total Consolidated Revenue	6,193	7,723

Plant & Equipment by geographical region	31-Dec-2023 \$'000	30-Jun-2023 \$'000
Oceania	842	870
Asia	3,373	3,386
Total Consolidated Plant & Equipment	4,215	4,256

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

No matters or circumstances have arisen since 31 December 2023 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 2023 (30 June 2023: Nil).

NOTE 7 SHARE-BASED PAYMENTS

The Company has an Employee Share Incentive Plan which has been established to encourage employees and directors of the Group 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 2023, there were 3,114,276 Performance Rights ("rights") issued to the employees and Directors of the Company (December 2022: 822,774). The 1,170,419 rights issued to Directors were approved at the Annual General Meeting held on 17 November 2023.

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 5.1 cents as there is no exercise price.

The following tables illustrate the movements in performance rights, during the current period ending 31 December 2023 and the prior period.

NOTE 7 SHARE-BASED PAYMENTS (CONTINUED)

	Number of rights 31-Dec-2023	Number of rights 30-Jun-2023
Outstanding at the beginning of the period	700,986	661,853
Granted	3,114,276	822,774
Exercised / Forfeited	(83,656)	(783,641)
Outstanding at the end of the financial half-year	3,731,606	700,986

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-2023	-	83,656	-	-	(83,656)	-
09-Sep-2021	01-Nov-2024	-	83,655	-	-	-	83,655
08-Sep-2022	01-Nov-2025	-	533,675	-	-	-	533,675
31-Aug-2023	01-Nov-2026	-	-	3,114,276	-	-	3,114,276
			700,986	3,114,276	-	(83,656)	3,731,606

NOTE 8 DISCONTINUED OPERATIONS

On 1 August 2023, the Company announced that it entered into an asset sale agreement to divest its traditional plastic manufacturing assets held in Stellar Films (Malaysia) Sdn Bhd and entered into a strategic manufacturing agreement to supply resin for compostable pallet wrap and sustainable packaging films under the SECOS MyEcoWorld™ brand. The assets have been disposed of as at 31 December 2023.

Statement of Profit or Loss for discontinued operations

	Half-Year Ended	
	31-Dec-2023 \$'000	31-Dec-2022 \$'000
Sales	1,709	3,836
Cost of sales	(1,469)	(3,574)
Gross profit	240	262
Other income	91	29
Employment expense	(85)	(171)
Marketing and distribution expenses	(17)	(37)
Administration expense	(36)	(6)
Legal and compliance expenses	(4)	(3)
Depreciation and amortisation expense	(167)	(170)
Finance costs	26	13
Loss on disposal of asset	(25)	-
Profit/(Loss) before income tax	23	(83)
Income tax expense	(10)	(3)
Profit/(Loss) for the period after tax from discontinued operations	13	(86)

DIRECTORS' DECLARATION

In the Directors' opinion:

- a. the financial statements and notes set out on pages 9 to 16 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



James (Jim) Walsh
Chairman
Melbourne
21 February 2024

Independent auditor's review report to the members of SECOS Group Limited

Report on the half-year financial report



Our conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of SECOS Group Limited (the Company), and its subsidiaries (the Group) does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year then ended; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

What was reviewed?

We have reviewed the accompanying half-year financial report of the Group, which comprises:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of profit or loss and other comprehensive income for the half-year then ended,
- the consolidated statement of changes in equity for the half-year then ended,
- the consolidated statement of cash flows for the half-year then ended,
- notes to the financial statements, including a summary of material accounting policy information, and
- the directors' declaration.

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 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report


The directors of the Company 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.

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 Group's financial position as at 31 December 2023 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 Audit (Vic) Pty Ltd
ABN 59 116 151 136


A. A. Finnis
Director
Melbourne, 21 February 2024