SECOS GROUP
Changing the world of packaging

TO: **COMPANY ANNOUNCEMENTS OFFICE**
ASX LIMITED

DATE: **26 February 2016**

SECOS Group Ltd Announces First Half Year Results

The SECOS Board is pleased to release its first half year financial results representing the first full half performance since the Group's merger of Stellar Films Pty Ltd & Cardia Bioplastics Ltd.

The SECOS Board is very pleased to announce that on a "like for like" basis the financial performance of the combined companies has demonstrated a significant improvement in its trading and operating profile.

Key highlights* include:

- **Improvement in gross profit by $962,504**
  $745,783 H1'15 from ($216,721) H1'14

- **A reduction in total expenditure of $716,551**
  ($2,851,914) H1'15 from ($3,568,465) H1'14

- **Reduced loss from continuing operations by $1,615,538**
  ($2,096,827) H1'15 from ($3,712,365) H1'14

The strong improvement in business performance highlights the successful implementation of the merger and execution of the business plan.

The Company has invested heavily to realise the merger benefits achieved so far. SECOS Group Ltd is now positioned to continue its growth and delivery of its strategy to become the leading manufacturer of sustainable packaging for the films & packaging and waste management solutions markets.

The Company is considering to raise further funding to support the continued growth of the group. The market will be advised when the SECOS Board has assessed its options.

Investors should contact the Chairman for further information.

Richard Tegoni
Chairman
0411 110 901

** Key Highlights from "like for like" comparative financial statements should be read in conjunction with the full SECOS half year report.*

ACN 064 755 237

SECOS GROUP LIMITED
AND ITS CONTROLLED ENTITIES

(ASX: SES)

HALF-YEAR REPORT AND APPENDIX 4D

31 DECEMBER 2015

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the 30 June 2015 Annual Report and public announcements made for the period ended 31 December 2015

1. Half –Year Period

Half-year ended ("current reporting period")	Half-year ended ("previous corresponding period")
31 December 2015	31 December 2014

2. Results for announcement to the market

2.1	Revenue from ordinary activities	**Up**	**15.16%**	**to**	**11,023,064**
2.2	Loss from ordinary activities after tax attributable to members	**Up**	**26.50%**	**to**	**(2,394,678)**
2.3	Net loss for the half year attributable to members	**Up**	**26.50%**	**to**	**(2,394,678)**

2.4 **Dividends**

It is not proposed to pay dividends.

2.5 **Brief Explanation of the above figures**

Background
On 21 April 2015, the Company completed its legal acquisition of 100% of shares in Stellar Group Companies. The acquisition was treated as a "reverse acquisition" in accordance with *AASB 3 "Business Combinations*" whereby Stellar was deemed to be the accounting acquirer of the consolidated Group. Accordingly, within the financial statements and for analysis of the above results, it should be noted that the comparatives for the half-year ended 31 December 2014 represent consolidated results of Stellar Group companies only. For the half-year ended 31 December 2015, the financial statements and above results present the activities of the merged group for the full six months period to December 2015.

This Half-Year report should be read in conjunction with the annual financial report for the year ended 30 June 2015 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

Revenue for the current reporting period has increased by **15.16%** to **$11,023,064** as compared to revenue of previous corresponding period- **($9,572,062).** The main reason for the increase in revenue was due to inclusion of Cardia Bioplastics revenues- **$2,819,197** for six months period to 31 December 2015.

Loss Position

The Company's loss from its operating activities for the current reporting period was (**$2,394,806),** an increase of **26.50%** or **$501,743** compared to loss of previous corresponding period **($1,893,063).** The increase in the company's loss position is attributable to:

- Inclusion of Cardia's operating losses of approximately $1.2 million for six months period to December 2015.
- Inclusion of SECOS corporate costs of approximately $500,000 for six months period to December 2015.
- Improved loss position of Stellar Films Group Australia after restructuring of its manufacturing operations. Losses for that entity were down by approximately $1.2 million compared to the previous corresponding period.

Results on a "Like for Like" basis

The trading position on a "like for like" basis (with the previous corresponding period including Cardia's trading results) has been prepared to facilitate a more meaningful analysis of the Group's trading results

Revenue from ordinary activities	**Down**	**17.45%**	**to**	**$11,023,064**
Loss from ordinary activities after tax attributable to members	**Down**	**41.36%**	**to**	**($2,394,678)**

Pro-forma Income Statement on "Like for Like" basis

	31/12/2015 $	31/12/2014 $
Sales from main operations	**10,246,068**	**12,011,821**
Wholesale Material Trading Sales	**635,625**	**992,252**
	10,881,693	**13,004,073**
Cost of sales (main operations)	**(9,637,195)**	**(12,518,616)**
Cost of Purchase (Wholesale Material)	**(630,782)**	**(978,981)**
	(10,267,977)	**(13,497,597)**
Other Trading income	**132,067**	**276,803**
Gross profit	**745,783**	**(216,721)**
	6.85%	**(1.67%)**
Other income	**9,304**	**72,821**
Administrative expenses	**(520,568)**	**(759,082)**
Employment benefits	**(1,163,498)**	**(1,264,343)**
Marketing & Distribution expenses	**(166,792)**	**(320,131)**
Research & Development expenses & Patent costs	**(352,587)**	**(405,414)**
Depreciation & amortisation	**(157,255)**	**(178,400)**
Borrowing costs	**(141,814)**	**(181,829)**
Net foreign exchange (losses)/gains	**(28,338)**	**302,315**
Other expenses	**(161,709)**	**(116,268)**
Impairment-Trade & other receivables	**(69,160)**	**(212,821)**
Impairment- Inventories	**-**	**(220,722)**
Impairment- Non Current Assets	**-**	**(211,770)**
Merger transaction costs	**(15,073)**	**-**
Loss on sale of financial assets	**(75,120)**	**-**
Total expenditure	**(2,851,914)**	**(3,568,465)**
Loss before income tax	**(2,096,827)**	**(3,712,365)**
Income tax expense	**-**	**-**
Loss for the period from continuing operations	**(2,096,827)**	**(3,712,365)**
Share in loss of joint venture after tax (classified as held for sale)	**(297,979)**	**(371,462)**
Loss for the period	**(2,394,806)**	**(4,083,827)**

Note: Comparative figures disclosed in the above table have not been reviewed by the auditor.

Revenue

Revenues from ordinary activities on a "like for like" basis (including Cardia's revenues for the previous corresponding period) has decreased by **17.45% or $2,330,633.**

Sales generated by the Group during the current period were lower than that of the previous corresponding period. Detailed analysis indicates that, in part, the lower sales resulted from a strategic re-positioning of Cardia's business operations which included:

- Closure of Cardia's Brazilian operation. Cardia Brazil's sales were **$387,611** in the previous corresponding period reducing to **NIL** in the current reporting period.

- Reduction in wholesale material trading sales to focus on higher margin sustainable waste diversion products (being the major focus of Cardia's sales strategy). Wholesale trading material sales were **$992,252** in the previous corresponding period reducing to **$635,625** for the current reporting period.
- Reduction in government sales by Cardia Nanjing, again, as part of Cardia's strategy to replace low margin business with Cardia's strategically focused sustainable waste diversion products.

Other contributing factors to lower sales generated in the current review period include:

- Reduction in sales from Stellar Films Malaysia. Stellar Films Malaysia encounted difficulties in obtaining supply of polymer and, as a consequence, one of Stellar Film Malaysia major customers temporarily sought alternate supply of film product. With the polymer supply issues now fully resolved, that major customer has now resumed trading with Stellar Films Malaysia.
- Delays in establishing working capital facilities impacting on production with some customer orders being deferred until post 1 January 2016.
- Deferment of planned new customer business originally planned for late in the second half of 2016 FY.

Loss Position

Loss Position on a like for like basis (including Cardia Bioplastics' results for the previous corresponding period) has improved by **41.36% or $1,689,021**

The reduced level of trading losses is attributable to the following:

- Improved gross profit margin (from -1.67% to 6.85%) resulting from the Group's focus on achieving greater production efficiency, and exploitation of favourable exchange rates and lower polymer prices.
- The result for the half year to 31 December 2015 also improved due to cost reductions resulting from the closure of Brazilian operations and the restructure of Stellar Australia's operations.

3. NTA Backing

	31/12/2015	31/12/2014
	$	$
Net tangible assets per ordinary share	**0.014**	(0.002)

4. Details of aggregate share of profits(losses) of associates and joint venture entities

Name of associate/joint venture	Akronn Industries	
Percentage Holding	50.8%	
Group's aggregate share of associates' and joint venture entities	**31/12/2015**	**31/12/2014**
Profit/ (loss) from ordinary activities before tax	**(297,979)**	(371,462)
Income tax on ordinary activities	**-**	-
Profit/ (loss) from ordinary activities after tax	**(297,979)**	(371,462)

5. Details of entities over which control has been gained or lost during the period

N/A

6. Details of individual and total dividends or distributions and dividend or distribution payments.

It is not proposed to pay dividends

7. Details of any dividend or distribution reinvestment plans in operation.

N/A

8. Foreign entities

Which set of accounting standards are used in compiling the report.	N/A

9. All entities

A description of accounts subject to audit dispute or qualification	N/A

Directors:	Richard Tegoni (Chairman) Stephen Walters (Managing Director) Frank Glatz (Chief Operating Officer) Trevor Haines (Chief Financial Officer)
Company Secretary:	Rekha Bhambhani
Registered Office:	Suite 6, Level 2 205-211 Forster Road Mount Waverley VICTORIA 3149 Telephone (03) 85666800 Facsimile (03) 95620422 Email: info@cardiabioplastics.com
Share Registry:	Advanced Share Registry Limited 110 Stirling Highway, NEDLANDS W.A.-6009 Telephone: +61 8 9389 8033 Facsimile +61 8 92623723
Banker:	Bank of Melbourne Level 8, 530 Collins Street, MELBOURNE VIC 3000
Auditor:	William Buck Level 20, 181 William Street, MELBOURNE, VIC 3000
Lawyer:	CBW Partners Level 1, 159 Dorcas Street, South Melbourne, VIC 3205
Stock Exchange:	Australian Securities Exchange Exchange Centre 20 Bridge Street, Sydney NSW 2000
Corporate Website:	www.cardiabiplastics.com
Ecommerce Website:	www.cardiabioproducts.com
Corporate Governance Statement:	The Corporate Governance Statement was approved by the Board of Directors on 30 September 2015 and can be found on the Invest page at www.cardiabioplastics.com

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 half-year ended 31 December 2015.

DIRECTORS

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

Richard Tegoni (Chairman)
Stephen Walters (Managing Director)
Frank Glatz (Chief Executive Officer)
Trevor Haines (Chief Financial Officer)
Gideon Meltzer (Appointed 7 November 2013, Resigned 24 August 2015)

Acquisition of Stellar Films Group Companies- reverse acquisition

On 21 April 2015, the Company completed its legal acquisition of 100% of shares in Stellar Group Companies. Under the acquisition, the Company (formerly known as Cardia Bioplastics Limited) has issued 129.93 new Cardia shares for each Stellar Films Group Pty Ltd's ("Stellar") share held. The Company had issued 51,972,604 ordinary shares to Stellar vendors.

On Completion of the merger with Stellar Films Group, Mr Stephen Walters and Mr Trevor Haines were appointed as Managing Director and Chief Financial Officer, respectively of SECOS Group Limited and Mr Steven Bendel, who had been a non-executive director of the Company since 7 October 2013, retired from the Board.

The acquisition was treated as a "reverse acquisition" in accordance with AASB 3 "Business Combinations" whereby Stellar was deemed to be the accounting acquirer of the consolidated Group. Within the financial statements, the comparatives for the half- year ended 31 December 2014 represent those of the Stellar Group companies only. For the half-year ended 31 December 2015, the financial statements present the activities of the merged group for full six months period to December 2015.

REVIEW OF OPERATIONS:

The highlight of the Group's trading performance over the current review period is the significant reduction in the Group's loss on operations (when compared on a "like for like" basis to the corresponding previous period).

The reduction in the Group's loss on operations has been achieved by a combination of:

- Significantly improved gross margins resulting from improved production efficiency and exploitation of favourable exchange rates and lower polymer prices.
- Cost reductions resulting from the closure of Brazilian operations and the restructure of Stellar Australia's operations that occurred in previous year.

The current review period saw the Group ("the Group") continue to gain significant traction in achieving strategic goals following the merger of the Cardia Bioplastics ("Cardia") and Stellar businesses. Despite achieving some significant milestones over the current review period, the Group did not achieve expected levels of revenue and profitability with the Group's trading profile being impacted by several challenges.

Current reporting period challenges:

Supply of below specification polymer: The supply of below specification polymer to Stellar Malaysia's plant resulted in a slowing of production which, in turn, impacted on sales performance.

Supply of an alternate grade of polymer is now in place and normal production at Stellar Malaysia's plant has been resumed. Also, the financial cost relating to the initial supply of below specification polymer is now the subject of a claim against the supplier.

Delays in offtake of orders: Delays experienced in negotiations for Stellar Australia to supply film product to a global hygiene company (and a long standing customer of Stellar) resulted in:

- That customer not fulfilling orders over the current review period (as was previously agreed); their preference now being to transition their production requirements across to Cardia Biohybrid™ film made from renewable resources. Whilst the potential to supply Biohybrid™ film creates an opportunity to achieve one of the major synergies identified in the merger process (combining Stellar's manufacturing technology with Cardia's renewable resource based film technology to sell into the hygiene sector) the anticipated ramping up of sales to this customer will be deferred.

- Production capacity had been reserved for this customer's anticipated demand resulting in production for other customers having to be deferred. That production capacity has now been released for other customers' production requirements and Stellar is actively negotiating with other existing and new customers domestically, in the Middle East, and in the Philippines for production orders to be placed in the second half of 2016 FY.

Proposed divestment of Akronn joint venture: The Group's Board of Directors has taken the decision for the Group to divest its joint venture with Akronn Industries. That decision has been driven by:

- The considerable delays experienced in bringing the Akronn business to a sustainable and profitable level of operations.

- The above issue resulting in the Group having to commit additional cash resources to Akronn ($A0.5 million since 30 June 2015).

- The lack of proactive management direction and support by Akronn's management team resulting in the Group having to adopt a more "hands on" role in this regard which, in turn, provided a distraction to the Group's management team in achieving its strategic goals and direction for both the Cardia and Stellar businesses.

- All of the above issues reaffirmed the Group's Board of Directors' decision that the Akronn joint venture did not reflect the Group's core business activities.

Delays in establishing approved debtor financing facility: Whilst approval was obtained mid-way through the current review period for the establishment of a debtor financing facility, administrative delays (including obtaining the underwriter's approval of export customers) meant that the facility did not become operational until mid-December.

The Group's inability to access funding from the debtor financing facility until mid-December impacted on production (across both Cardia and Stellar's businesses) resulting in deferral of certain customers' production into the second half of 2016 FY.

The debtor financing facility is now fully operational and is an integral part of the Group's strategy for funding the anticipated strong growth for the remainder of 2016 FY (and beyond).

Having satisfactorily met and resolved the above challenges, the Group anticipates strong growth going forward; such growth being underpinned by significant milestones that were achieved over the current review period.

Current reporting period achievements:

Organic waste diversion program gaining further traction: Cardia has achieved significant ongoing success with its organic waste diversion program with:

- Increased demand from council municipalities in Victoria, Queensland and Western Australia; currently 17 councils have joined Cardia's organic waste diversion program with negotiations in place with several others.

- Negotiations in place to supply local governments through Cardia distributors in both the US and United Kingdom.

- Significant orders obtained for the supply of Biohybrid™ dog waste bags to major US based pet product suppliers.

Resulting increased demand from the above initiatives reflects Cardia's core strategy of focusing on the sale of sustainable waste diversion products and sees Cardia's manufacturing plant operating at close to full capacity which, in turn, will lift sales over the remainder of 2016 FY.

Improved gross margins: The Group achieved a significant improvement in gross margins. The current review period's margins averaged 6.85% compared with -1.67% for the previous corresponding period.

The margin improvement results from a combination of:

- Strategic re-alignment of the Group's product mix.

- Improved production efficiency resulting from the exploitation of Stellar's manufacturing capabilities across all 3 manufacturing sites.

- All businesses taking advantage of favourable exchange rates and lower polymer prices.

Targeting the hygiene sector with Biohybrid™ films: Combining Stellar's manufacturing technology with Cardia's Biohybrid™ film technology has progressed to a point where successful production trials have been completed at Stellar's Australian plant facility followed by several major customers now engaging in product evaluation processes.

The prospect of future orders is driven by the combination of successful trialling results achieved thus far with the major hygiene manufacturers' desire to embrace sustainable technology.

The early acceptance of the Group's combined technical and intellectual property is a critical milestone in the Group's growth strategy.

Improved operating conditions: Key synergies identified in the merger process have now been achieved with:

- Consolidation of the Group's Australian warehousing operations at Stellar Australia's plant facilities with resultant cost savings and operational efficiencies.

- Improved manufacturing and production efficiency resulting from the combination of Cardia and Stellar's intellectual properties, technology and manufacturing strengths.

- The Group capitalising on favourable exchange rates and lower prevailing polymer prices assisting margin performance on all customer sales but, particularly, export customer sales.

- The Group's economies of scale (with global operations including 3 strategically based manufacturing sites) supporting negotiation of improved supplier terms (for polymer purchases) in addition to the potential for a global supply agreement with resultant pricing improvements for the purchase of polymer.

- Broadening of the Group's product base by full utilisation of the Group's combined technical and manufacturing capabilities thus allowing focus on long term and high value customers. The strategy also assists in capitalising on "value added" products.

Growth achieved by Stellar Australia: The strategic decision to re-commence manufacturing operations at Stellar's Australian plant has been a major success with that business generating a 100% growth in current review period sales compared with the previous corresponding period. Current orders for Stellar Australia support annualised sales of $A4.8 million.

Even with Stellar Australia achieving annualised sales of $A4.8 million, that business has excess capacity approaching 60%. That capacity will be utilised in supporting further anticipated growth across the Group.

Finally, Stellar Australia is well progressed with its strategy of utilising the Group's unique technology to produce high grade Cardia Biohybrid™ films.

Working capital facilities established: The Group's stated objective of supporting anticipated growth with the establishment of debt working capital facilities has resulted in the establishment of a debtor financing facility in December 2015. The facility provides available funding of $A2.05 million to support both domestic and export customer sales.

Negotiations are also continuing to extend existing working capital facilities with a trade finance facility. The combination of trade finance and debtor finance would provide an integrated working capital solution to the Group's trading cycle.

Focus on core business activities: During the current review period, the Group's Board of directors re-affirmed its strategy on focusing on core business – identified as:

- Sustainable film and packaging products focused on the hygiene sector.

- Sustainable waste diversion solutions and products.

In keeping with this strategy, the Board has taken the decision to divest non-core assets - investments in Bioglobal Limited as well as the joint venture in Akronn industries. The Group's investment in Bioglobal was realised in the latter half of the current review period whilst, more recently, an unconditional offer has been received for the sale of the Group's Akronn joint venture interest with terms of a related contact of sale are currently being negotiated.

Whilst the Group's initial strategy was to utilise Akronn's coating expertise to provide clients with coated film, it is acknowledged that ongoing coating requirements can be obtained by utilising either:

- Akronn as an independent supplier, or

- Other coating suppliers.

The divestment of the Akronn joint venture interest also provides the Group with the opportunity of continuing to sell film to Akronn (as was the original strategy) as well as selling film to Akronn's competitors in the coating market sector – sales to the latter not being previously possible due to the Group's relationship with Akronn.

INVESTMENTS

On 6 October 2015, SECOS sold its investment in Bioglobal Limited (ACN 091 488 505) (Bioglobal) for consideration of $488,280. SECOS held 18.78 million ordinary shares in Bioglobal representing 2.97% equity interest in that company. Bioglobal is a developer and manufacturer of integrated insect management products and services. The sale of the Bioglobal investment resulted in cash becoming available to fund working capital for SECOS' sales growth. The sale of the investment resulted in a loss of $75,120 on the carrying book value of this investment, and a profit of $244,140 on the investment's cost base.

The Company held other investments which were immaterial in value and/or were inactive during the period.

CORPORATE EVENTS

On 24 August 2015, Mr Gideon Meltzer resigned as a Non-Executive Director of the Company.

EVENTS AFTER THE REPORTING DATE

In the interval between the end of the half-year and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect the operations of the consolidated entity, the results of these operations or the state of affairs of the consolidated entity in subsequent years.

AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independence Declaration for the half-year ended 31 December 2015 has been received and can be found on page 11.

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

Richard Tegoni
Director
26 February 2016
Mount Waverley, Victoria

William Buck

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

I declare that, to the best of my knowledge and belief during the period ended 31 December 2015 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

N. S. Benbow
Director
Dated this 26th day of February, 2016

CHARTERED ACCOUNTANTS & ADVISORS

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated Entity	
	31/12/2015	**31/12/2014**
	$	**$**
Sales from main operations	**10,246,068**	9,288,378
Wholesale Material Trading Sales	**635,625**	-
	10,881,693	9,288,378
Cost of sales (main operations)	**(9,637,195)**	(9,988,373)
Cost of Purchase (Wholesale Material)	**(630,782)**	-
	(10,267,977)	(9,988,373)
Other Trading income	**132,067**	276,803
Gross profit /(loss)	**745,783**	(423,192)
Other income	**9,304**	6,881
Administrative expenses	**(520,568)**	(336,667)
Employment benefits	**(1,163,498)**	(377,252)
Marketing & distribution expenses	**(166,792)**	(12,540)
Research & development expenses & patent costs	**(352,587)**	-
Depreciation & amortisation	**(157,255)**	(91,494)
Finance costs	**(141,814)**	(181,829)
Net foreign exchange (losses)/gains	**(28,338)**	111,824
Other expenses	**(161,709)**	(4,511)
Impairment-trade & other receivables	**(69,160)**	(212,821)
Merger transaction costs	**(15,073)**	-
Loss on sale of financial assets	**(75,120)**	-
Loss before income tax	**(2,096,827)**	(1,521,601)
Income tax expense	**-**	-
Loss for the period from continuing operations	**(2,096,827)**	(1,521,601)
Share in loss of joint venture after tax (classified as held for sale)	**(297,979)**	(371,462)
Loss for the period	**(2,394,806)**	(1,893,063)
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	**(276,669)**	153,838
Share of other comprehensive income of joint venture	**39,155**	22,418
	(237,514)	176,256
Total comprehensive income for the period	**(2,632,320)**	(1,716,807)
(Loss)/Profit attributable to :		
Members of the Company	**(2,394,678)**	(1,893,063)
Non controlling interest	**(128)**	-
Loss for the period after tax	**(2,394,806)**	(1,893,063)
Total comprehensive income attributable to :		
Members of the Company	**(2,632,192)**	(1,716,807)
Non-controlling interest	**(128)**	-
Total comprehensive income for the period	**(2,632,320)**	(1,716,807)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

Earnings per share	**$**	$
From continuing and discontinued operations		
-Basic loss per share	**(0.019)**	(0.036)
From continuing operations		
-Basic loss per share	**(0.017)**	(0.029)
From discontinuing operations		
-Basic loss per share	**(0.002)**	(0.007)

As set out in Note 1, basis of preparation, to these financial statements, as a result of the reverse acquisition of Cardia Bioplastics Limited and its controlled entities ("Cardia") by Stellar Films Group Pty Ltd, the comparative information for 31 December 2014 within the above Statement represents the consolidated results for the Stellar Films Group Companies only for the period from 1 July 2014 to 31 December 2014. The statement of profit or loss and other comprehensive income for the half -year ended 31 December 2015 represents the results of the whole new merged group for the full six months period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

	Notes	CONSOLIDATED 31/12/ 2015 $	ENTITY 30/6/2015 $
Current Assets			
Cash and cash equivalents		**539,132**	2,627,392
Trade and other receivables		**4,905,573**	3,508,535
Inventories		**2,588,239**	2,940,902
Assets held for sale	**2**	**-**	-
Total current assets		**8,032,944**	9,076,829
Non-current assets			
Financial assets		**-**	563,400
Deferred tax assets		**251,861**	251,861
Property, plant and equipment		**3,095,518**	3,632,208
Intangible assets		**3,532,345**	3,532,345
Total Non-current assets		**6,879,724**	7,979,814
Total assets		**14,912,668**	17,056,643
Current liabilities			
Trade and other payables		**4,917,259**	4,942,205
Borrowings		**2,610,058**	2,484,081
Bank overdrafts		**132,561**	450,349
Short term provisions		**729,390**	717,861
Total current liabilities		**8,389,268**	8,594,496
Non-current liabilities			
Borrowings		**1,177,471**	483,898
Long term provisions		**44,330**	44,330
Total non-current liabilities		**1,221,801**	528,228
Total liabilities		**9,611,069**	9,122,724
Net assets		**5,301,599**	7,933,919
Equity			
Issued capital		**10,549,724**	10,549,724
Reserves		**(198,312)**	39,202
Accumulated losses		**(5,087,744)**	(2,693,066)
Parent entity interest		**5,263,668**	7,895,860
Non controlling interest		**37,931**	38,059
Total equity		**5,301,599**	7,933,919

The accompanying notes form part of these financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Consolidated Entity

	Issued Share Capital	Accumulated Profits/ (Losses)	Foreign Currency Translation Reserve	Parent Entity Interest	Non Controlling Interests	Total Equity
	$	$	$	$	$	$
Balance at *1.7.2014*	400,004	1,586,737	(378,881)	1,607,860	-	1,607,860
(Loss)/Profit for the period	-	(1,893,063)	-	(1,893,063)	-	(1,893,063)
Other comprehensive income/(deficit) for the period	-	-	176,256	176,256	-	176,256
Total comprehensive income/(deficit) for the period	-	(1,893,063)	176,256	(1,716,807)	-	(1,716,807)
Transactions with owners in their capacity as owners						
Shares/Options issued during the period	-	-	-	-	-	-
Cost of Capital	-	-	-	-	-	-
Balance at *31.12.2014*	400,004	(306,326)	(202,625)	(108,947)	-	(108,947)
Balance at *1.7.2015*	**10,549,724**	**(2,693,066)**	**39,202**	**7,895,860**	**38,059**	**7,933,919**
(Loss)/Profit for the period	**-**	**(2,394,678)**	**-**	**(2,394,678)**	**(128)**	**(2,394,806)**
Other Comprehensive income/(deficit) for the period	**-**	**-**	**(237,514)**	**(237,514)**	**-**	**(237,514)**
Total comprehensive income/(deficit) for the period	**-**	**(2,394,678)**	**(237,514)**	**(2,632,192)**	**(128)**	**(2,632,320)**
Transactions with owners in their capacity as owners						
Shares/Options issued during the period	**-**	**-**	**-**	**-**	**-**	**-**
Cost of Capital	**-**	**-**	**-**	**-**	**-**	**-**
Balance at *31.12.2015*	**10,549,724**	**(5,087,744)**	**(198,312)**	**5,263,668**	**37,931**	**5,301,599**

The accompanying notes form part of these financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half -year ended 31 December 2015	ECONOMIC ENTITY 31/12/2015 $	31/12/2014 $
Cash flows from operating activities		
Receipts from customers	**9,845,883**	10,449,233
Payments to suppliers and employees	**(12,477,986)**	(10,222,387)
Interest received	**9,304**	-
Borrowing costs	**(141,814)**	(181,829)
Net cash outflow/inflow from operating activities	**(2,764,613)**	45,017
Cash flows from investing activities		
Purchase of fixed assets	**(78,617)**	(8,083)
Proceeds from sale of fixed assets	**-**	45,591
Proceeds from sale of financial assets	**488,280**	-
Loans to joint venture entity	**(258,824)**	(32,861)
Net cash inflow from investing activities	**150,839**	4,647
Cash flows from financing activities		
Proceeds from borrowings	**480,122**	50,000
Loans from related parties	**-**	183,047
Repayment of borrowings	**(499,215)**	(300,059)
Repayment of finance lease liability	**(6,242)**	(2,620)
Proceeds from/(repayments) to trade and debtor finance facilities	**844,886**	(62,587)
Net Cash Inflow/outflow from financing activities	**819,551**	(132,219)
Net decrease in cash and cash equivalents held	**(1,794,223)**	(82,555)
Cash and cash equivalents at the beginning of the period	**2,177,043**	(418,960)
Effect of exchange rates on cash holding in foreign currencies	**23,751**	553
Cash and cash equivalents at the end of the period	**406,571**	(500,962)

As set out in Note 1, basis of preparation, to these financial statements, as a result of the reverse acquisition of Cardia Bioplastics Limited and its controlled entities ("Cardia") by Stellar Films Group Pty Ltd, the comparative information for 31 December 2014 represents Cash flows for Stellar Films Group Companies only for the period from 1 July 2014 to 31 December 2014. The statement of cash flows for the half-year ended 31 December 2015 represents the results of the whole merged group for the full six months period.

The accompanying notes form part of these financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 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.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Consolidated Group has adopted all the new and revised accounting standards and interpretation effective for annual reporting periods beginning 1 July 2015. The adoption of these requirements had no significant impact on the consolidated group's reported position or performance.

The financial statements cover the consolidated entity of SECOS Group Limited and its controlled entities.

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

The Financial statements were authorised for issue on **26 February 2016** by the Board of Directors.

Reverse acquisition

On 21 April 2015, SECOS Group Limited (formerly Cardia Bioplastics Limited), acquired 100% of the issued securities of Stellar Films Group Pty Ltd which comprises the Stellar Group of Companies ("Stellar"). For accounting purposes, the business combination was treated as a reverse acquisition. The half-year consolidated financial statements are issued under the name of the legal parent, SECOS Group Limited, but are the continuation of the consolidated financial statements of the deemed acquirer under the reverse acquisition rules, Stellar Films Group Pty Ltd.

Going Concern Assumption

The Consolidated Group's revenue from sales has been insufficient to cover operational costs of the business and hence the company has incurred net loss of **($2,394,806)** during the period ended 31 December 2015 (2014: Loss $1,893,063) and also experienced net cash outflows from operating activities of **($2,764,613)** during the period ended 31 December 2015. (2014: net cash inflows $45,017).The Company's continuing viability, its ability to continue as a going concern and to meet its debts and commitments as they fall due, are subject to the company being successful in:

- **Accessing additional capital/debt -** The Company has a track record of raising capital; during 12 months to June 2015, the Company has successfully raised approx. $4.1 million through rights issue and share placements after the completion of the merger. During the period, the Company has also been able to establish Debtor Finance Facility with an available limit of $2.05 million in relation to its Australian subsidiaries.

- **Continuing to develop profitable cash flows from current activities**- The Group has been working on a number of development projects with global brand owners and international packaging companies. Some of these projects are in commercial negotiations and others have advanced to "in-market trials" stages. Whist no assurances can be given, it is expected that on successful outcomes, these development projects can significantly contribute positively to the group's cash flows. The Group has already been successful in converting some of these development projects to commercial orders, the details of which have been communicated via the Company's ASX announcements.

  Moreover, SECOS' Board of Directors is continuously seeking and have put in measures in place to redirect resources to activities that are cash-
  flow positive in the short-term.

- **Controlling costs-**The Group will continue to look for avenues to reduce costs as it develops its operations.

- **Ability to divest non-core assets-** The Group may consider divesting some of its non-core assets, which could improve future cash flows of the Group. During the period, the Group managed to sell its equity interest in Bioglobal Limited.

The Directors are seeking to raise funds via capital raising and/or debt and in line with the above matters have prepared the financial report on a going concern basis. At this time the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the Report.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

NOTE 2 NON-CURRENT ASSET HELD FOR SALE

	Consolidated Entity Value of Investments	
	31/12/2015	**30/6/2015**
	$	**$**
Interest in Joint Venture Entity	-	-
	-	-

A controlled entity, Stellar Films (Malaysia) Sdn Bhd has a **50.8%** (2014: 50.8%) equity interest Joint venture entity- Akronn Industries. Akkronn Industries is incorporated in Malaysia and its principal activity is manufacture and distribution of silicone coated paper and film products.

Effective 6 October 2015, Investment in Joint Venture Entity has been classified as an "Asset Held for Sale". In accordance with principles of AASB 5- "Non-current Assets Held for Sale and Discontinued Operations", non-current asset held for sale is to be measured at the lower of carrying amount and fair value less costs to sell. Accordingly, Investment in Joint Venture has been valued at **NIL** as at 31 December 2015.

The interest in joint venture entity is accounted for in the consolidated statements using the equity method of accounting.

		31/12/2015	**30/6/2015**
		$	**$**
a.	**Movements During the period in Equity Accounted Investment in Joint Venture Entity**		
	Balance at beginning of the financial year	**-**	**488,011**
Add	Increase in Investments during the period	**258,824**	**366,893**
	Share of joint venture entity's loss after income tax	**(297,979)**	**(877,925)**
	Share of joint venture entity's other comprehensive income/ (deficit)	**39,155**	**23,021**
	Balance at end of the financial period	**-**	**-**
b.	**Equity accounted losses of joint venture entity are broken down as follows:**		
	Share of joint venture's loss before income tax expense	**(297,979)**	**(877,925)**
Less	Share of joint venture's income tax expense	**-**	**-**
	Share of joint venture's loss after income tax	**(297,979)**	**(877,925)**
c.	**Summarised presentation of aggregate assets, liabilities and performance of joint venture entity**		
	Current assets	**933,011**	**863,004**
	Non-current assets	**2,527,335**	**2,917,822**
	Total assets	**3,460,346**	**3,780,826**
	Current liabilities	**3,180,105**	**3,378,663**
	Non-current liabilities	**1,985,798**	**1,705,211**
	Total liabilities	**5,165,903**	**5,083,874**
	Net assets	**(1,705,557)**	**(1,303,048)**
	Revenues	**672,958**	**1,671,880**

Loss after income tax of joint venture entity	**(586,572)**	**(1,728,200)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 2 NON-CURRENT ASSET HELD FOR SALE (CONTINUED)

Loan advanced to Akronn Industries have been accounted for as net investment in Joint Venture Entity. The loan amounts outstanding as at 31 December 2015 were **$1,111,676** (2015: $866,931).

NOTE 3 ISSUED CAPITAL

(A) Share Capital

	Consolidated Entity	
	31/12/2015	**30/6/2015**
	$	**$**
Ordinary - fully paid shares	**10,549,724**	10,549,724

(B) Movements in Ordinary Share Capital

Date		Number of Shares	Issue Price	Amount
			$	$
30 June 2014	**Balance ***	**51,972,604**		**400,004**
21 April 2015	Recognition of shares in SECOS (formerly Cardia) prior to merger in accordance with requirements of reverse acquisition accounting	42,523,040		6,378,456
23 April 2015	Issue of shares to Directors in lieu of accrued remuneration of the March'15 Quarter	115,000		-
15 May 2015	Placement of Shares	7,827,144	0.14	1,095,800
26 June 2015	Rights Issue	17,072,355	0.14	2,390,145
30 June 2015	Placement of Shares	4,713,016	0.14	659,822
	Cost of Capital			(374,503)
30 June 2015	**Balance**	**124,223,159**		**10,549,724**
31 December 2015	**Balance**	**124,233,159**		**10,549,724**

* As a result of the reverse acquisition, the number of shares are based on Stellar Films Group Pty Ltd on issue, converted at the exchange ratio of 129.93 Shares to 1.

NOTE 4 OPERATING SEGMENTS

Segment Information

Operating segments are premised on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.
The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

-the products sold and/or services provided by the segment;
-the manufacturing process;
-the distribution method; and
-any external regulatory requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 4 OPERATING SEGMENTS (CONTINUED)

The following operating segments have been identified

(i) Manufacturing Division
(ii) Distribution Division

Types of products and services by segment

(i) Manufacturing Division
The manufacturing segment develops and manufactures sustainable resins derived from renewable resources for the global packaging and plastic products industries and also manufactures high quality cast films for the personal care, hygiene, pet care and medical product industries.

The Manufacturing segment, which includes the manufacturing units in China, Malaysia and Australia is responsible for distribution and sales of products locally and overseas.

The manufacturing segment also sells products to the distribution segment.

(ii) Distribution Division
Distribution segment includes the Group's cash generating unit that is designated to develop and distribute the Group's strategic products both locally and overseas.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

Corporate charges are allocated to reporting segments based on the segments' overall performance of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 4 OPERATING SEGMENTS (CONTINUED)

	Manufacturing Division $	Distribution Division $	Intersegment eliminations/ unallocated $	Total $
Segment Performance- 31/12/2015				
Revenue				
External Sales	9,853,125	1,028,568	-	10,881,693
Inter-segment sales	863,476	-	(863,476)	-
Trading Income	132,067	-	-	132,067
Interest Revenue	-	-	9,304	9,304
Total Segment Revenue	10,848,668	1,028,568	(854,172)	11,023,064
EBITDA	(936,567)	(540,749)	-	(1,477,316)
Depreciation and amortisations	-	-	(157,255)	(157,255)
Depreciation and amortisations (included in cost of goods sold)	-	-	(236,209)	(236,209)
Borrowing costs	-	-	(141,814)	(141,814)
Impairments- Trade & Other Receivables	(69,160)	-	-	(69,160)
Merger Transaction Costs	-	-	(15,073)	(15,073)
Share in loss of Joint Venture	-	-	(297,979)	(297,979)
Profit/(loss) before income tax expense				(2,394,806)
Income tax expense				-
Profit/(loss) after income tax expense				(2,394,806)
Segment Assets-31/12/2015				
Segment assets	10,041,333	4,577,204	-	14,618,537
Inter segment assets	-	11,375,184	(11,375,184)	-
Total Segment assets	10,041,333	15,952,388	(11,375,184)	14,618,537
Unallocated assets:				
Cash & cash equivalents				174,868
Trade & other receivables				45,233
Fixed Assets				74,030
Total Assets				14,912,668
Included in segment assets are				
Goodwill	-	3,532,345	-	3,532,345
Segment Liabilities-31/12/2015				
Segment Liabilities	7,622,384	1,437,705	-	9,060,089
Inter segment liabilities	7,682,306	-	(7,682,306)	-
Total Segment liabilities	15,304,690	1,437,705	(7,682,306)	9,060,089
Unallocated liabilities:				
External Loans				239,087
Trade & Other Payables				247,635
Short & Long Term Provisions				64,258
Total Liabilities				9,611,069

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 4 OPERATING SEGMENTS (CONTINUED)

	Manufacturing Division	Distribution Division	Intersegment eliminations/ unallocated	Total
	$	$	$	$
Segment Performance- 31/12/2014				
Revenue				
External Sales	9,288,378	-	-	9,288,378
Inter-segment sales	-	-	-	-
Trading Income	276,803	-	-	276,803
Interest revenue	-	-	-	-
Other Income	6,881	-	-	6,881
Total Segment Revenue	9,572,062	-	-	9,572,062
EBITDA	(788,905)	-	-	(788,905)
Depreciation and amortisations	(91,494)	-	-	(91,494)
Depreciation and amortisations (included in cost of goods sold)	(246,552)	-	-	(246,552)
Impairments- Trade & Other Receivables	(212,821)	-	-	(212,821)
Borrowing costs	(181,829)	-	-	(181,829)
Share in loss of Joint Venture	(371,462)	-	-	(371,462)
Profit/(loss) before income tax expense				(1,893,063)
Income tax expense				-
Profit/(loss) after income tax expense				(1,893,063)
Segment Assets-30/6/2015				
Segment assets	11,882,332	2,139,533	-	14,021,865
Inter segment assets	-	8,888,847	(8,888,847)	-
Total Segment assets	11,882,332	11,028,380	(8,888,847)	14,021,865
Unallocated assets:				
Cash & cash equivalents				2,340,132
Trade & other receivables				131,246
Financial Assets				563,400
Total Assets				17,056,643
Included in segment assets are				
Goodwill	-	3,532,345	-	3,532,345
Acquisition of non-current assets	11,230	-	-	11,230
Segment Liabilities-30/6/2015				
Segment Liabilities	8,183,649	812,523	-	8,996,172
Inter segment liabilities	6,487,231	-	(6,487,231)	-
Total Segment liabilities	14,670,880	812,523	(6,487,231)	8,996,172
Unallocated liabilities:				
Trade & Other Payables				126,552
Total Liabilities				9,122,724

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 4 OPERATING SEGMENTS (CONTINUED)

Sales Revenue by geographical region	31/12/2015	31/12/2014
	$	$
Sales Revenue attributable to external customers is disclosed below, based on the location of the external customer		
Australia	**985,580**	930,800
Asia	**8,610,446**	7,744,312
Americas	**771,143**	241,843
Others (*)	**514,524**	371,423
Total Revenue	**10,881,693**	9,288,378

*Others include countries falling within Europe and Africa Continents.

Assets by geographical region	31/12/2015	30/6/2015
	$	$
The location of segment assets (non current) by geographical location of assets is disclosed below:		
Australia	**3,919,938**	3,970,448
Asia	**2,885,757**	3,445,966
Total Assets	**6,805,695**	7,416,414

Major customers
The Group has a number of customers to whom it provides products. The Group has supplied a single external customer in the manufacturing segment who accounted for **23.19%** (2014: 23.27%) of external revenue. The next two significant customers accounted for **17.69%** (2014: 19.54%) and **3.83%** (2014: 2.63%) of external revenue respectively.

NOTE 5 CASH FLOW INFORMATION

	Consolidated Entity	
	31/12/2015	31/12/2014
	$	$
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Operating Loss after income tax	**(2,394,806)**	(1,893,063)
Depreciation & Amortisation	**157,255**	91,494
Depreciation included in Costs of goods sold	**236,209**	246,552
Foreign Currency translation differences	**(147,740)**	727
Loss on Sale of Financial Assets	**75,120**	-
Profit (net of loss) on Sale of Fixed Assets	**-**	(5,943)
Impairments	**69,160**	212,821
Share in loss of joint venture entity	**297,979**	371,462
Changes in operating assets and liabilities, net of business combination effects:		
(Increase)/decrease in receivables	**(1,167,743)**	884,052
Decrease in other operating assets	**123,371**	955,618
Decrease in creditors	**(201,361)**	(705,304)
Increase/(decrease) in provisions and payables	**187,943**	(113,399)
Net cash outflow from operating activities	**(2,764,613)**	45,017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 FAIR VALUE MEASUREMENT

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

NOTE 7 EVENTS AFTER THE REPORTING DATE

In the interval between the end of the half-year and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect the operations of the consolidated entity, the results of these operations or the state of affairs of the consolidated entity in subsequent years.

The Directors declare that the financial statements and notes set out on pages 12 to 24 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 consolidated entity's financial position as at 31 December 2015 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.

This declaration is made in accordance with a resolution of the Directors made on 26 February 2016.

Richard Tegoni
Director

Mount Waverley
26 February 2016

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SECOS GROUP LIMITED AND CONTROLLED ENTITIES

Report on the Half-Year Financial Report

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 2015, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

— giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 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

As the auditor of SECOS Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

CHARTERED ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SECOS GROUP LIMITED AND CONTROLLED ENTITIES (CONT)

Conclusion

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 2015 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.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of $2,394,806 during the period ended 31 December 2015 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $356,324. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

William Buck

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

N. S. Benbow
Director

Dated this 26th day of February, 2016