SENETAS

SENETAS CORPORATION LIMITED

A global leader in the development of advanced encryption technologies, protecting data-in-motion – from core IT infrastructure to large-scale WANs and secure file sharing.

2018/2019 ANNUAL FINANCIAL REPORT

Security without compromise

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Senetas Corporation Limited Annual Financial Report

for the year ended 30 June 2019

ACN 006 067 607

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Francis W. Galbally – Chairman

Lachlan P. Given

Kenneth J. Gillespie

Lawrence D. Hansen

Philip Schofield

Executive director and chief executive officer

Andrew R. Wilson

Company secretary

Brendan Case

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Investor relations

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Auditors

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Annual general meeting date and place

Annual General Meeting of shareholders of Senetas Corporation Limited (Company) will be held at Royce Hotel 379 St Kilda Road Melbourne VIC 3004, Friday 22 November 2019.

Senetas Corporation Ltd

Senetas Corporation Ltd (ASX: SEN) (Senetas / the Company), a leading developer and manufacturer of certified, high-assurance encryption hardware; virtualised (software based) network encryption; and advanced encrypted file sharing application.

Your directors are pleased to submit their report for the year ended 30 June 2019 (FY19).

Names, Qualifications, Experience and Special Responsibilities

The following directors were in office for the entire financial year and until the date of this report unless otherwise noted:

Francis W. Galbally	Director (Non-Executive Chairman)
Andrew R. Wilson	Director (Executive)
Lachlan P. Given	Director (Non-Executive)
Kenneth J. Gillespie	Director (Non-Executive)
Lawrence D. Hansen	Director (Non-Executive)
Philip Schofield	Director (Non-Executive)

Francis W. Galbally LLB (Hons)
Non-Executive Chairman

Mr Francis Galbally is the founder and non-executive Chairman of Senetas.

He held the positions of CEO and Chairman of the company from its commencement in 1999 until, for family reasons, Mr Galbally retired as an executive in February 2006 and as a director in May 2007.

In 2012 Mr Galbally led Senetas's significant capital and business restructure and re-joined the company as a significant shareholder and board member. He was re-appointed chairman on 30 April 2013.

Mr Galbally has over 35 years' experience in international business and commercial law. He is a graduate (first class honours) in Law at Melbourne University and worked in a professional legal practice for 15 years, specialising in business law. He was a partner in the leading law firm Galbally & O'Bryan during which time he successfully led a number of landmark commercial litigation cases.

An investor and corporate advisor, Mr Galbally is the major shareholder in Southbank Capital Pty Ltd. (AFSL 343678). He specialises in technology, environment, food, mining and energy sectors.

Mr Galbally has been a director, chairman and significant investor in a number of Australian Stock Exchange (ASX) listed companies over the past 25 years. As a result Mr Galbally has developed an extensive network of international business partners.

During his successful legal career, Mr Galbally was responsible for recovering more than $1 billion in investor funds ($1 for $1) lost as a result of the major corporate failures (Pyramid Building Societies and Estate Mortgage Trusts) during the 1990's.

Francis Galbally is the Victorian convenor of the Constitution Education Fund of Australia – a non-political charity dedicated to advancing knowledge of the Australian constitution within the community. He is also a member of the Australian Institute of Company Directors.

Andrew R. Wilson
BEcon, CA, ACIS – Chief Executive Officer

Mr Andrew Wilson was appointed CEO on 15 August 2012. Previously he was Senetas's Chief Financial Officer (CFO) and Company Secretary. Throughout his career with Senetas, Mr Wilson has had a significant role in the important stages of the company's development since it was first listed on the ASX in 1999.

Mr Wilson has developed a strong understanding of Senetas's technologies and product applications, including customers' requirements and their distribution channels. His focus included product development, manufacturing and the business's financial drivers. Mr Wilson has significant expertise in the global cyber-security market and the data networking and encryption segments in particular.

Through his extensive engagement with cyber-security communities – government, commercial and regulatory – Mr Wilson has been closely involved in the management of the company's R&D and customers' security solution needs and expectations.

Mr Wilson's strong relationships in the international cyber-security sector, including solutions vendors and service providers, has contributed to his strong understanding of the markets and demand drivers for Senetas security products.

Commencing his career with KPMG working with the banking and broking financial sectors, Mr Wilson has also worked in the United Kingdom with Deutsche Bank and NatWest Bank Plc. His experience in corporate restructure has added to Mr Wilson's considerable financial and administrative skills.

Importantly, Mr Wilson brings to his CEO role strategic planning skills, a customer-centric focus and an understanding of the cyber-security markets' dynamics.

Mr Wilson is a member of the Institute of Chartered Accountants Australia and the Institute of Chartered Secretaries Australia.

Lachlan P. Given BBus
Non-Executive Director

Mr Lachlan Given is currently a consultant to Madison Park LLC, a global strategic and financial advisory business. Madison Park is Senetas's largest single shareholder, after participating in a comprehensive capital restructure in June 2012.

Prior to joining Madison Park in 2004, Mr Given spent five years working in the investment banking and equity capital markets divisions of Merrill Lynch in Hong Kong and Sydney, Australia. He specialised in the origination and execution of a variety of M&A, equity, equity-linked and fixed income transactions.

Mr Given is currently Executive Chairman of EZCORP, Inc., a Nasdaq listed speciality financial services firm; is a board member of The Farm Journal Corporation, a 134 year old pre-eminent US agricultural media company; of CANSTAR Pty Ltd, the leading Australian financial services ratings and research firm; and of Cash Converters, an ASX listed retail and financial services organisation.

Mr Given graduated from the Queensland University of Technology with a Bachelor of Business majoring in banking and finance with distinction.

Kenneth J. Gillespie AC DSC CSM
on-Executive Director

Mr Ken Gillespie retired from the Australian Army after a distinguished 43 year career rising to Lieutenant General and Chief of the Australian Army. He demonstrated high-order strategic planning, engagement and implementation skills, and excelled in high-command appointments. He was awarded a Companion in the Military Division of the Order of Australia and awarded the Legion of Merit (Commander) by the United States of America. He was also awarded the Meritorious Service Medal (Military) by the Republic of Singapore.

Mr Gillespie currently serves on government, public company and not-for-profit sector organisations' boards. These include the Australian Strategic Policy Institute Council, Naval Group Australia, Airbus Group (Asia Pacific) and the Anzac Research Institute. Mr Gillespie is also a member of the Government Advisory Panel and a member of the advisory board for Veolia Australia and New Zealand.

Recently, Mr Gillespie competed a five-year role as Chairman of the NSW Centenary of Anzac Advisory Council and has been the Defence Industry Advocate for the New South Wales Government. He also completed an independent advisory role to the Premier of NSW.

Currently, Mr Gillespie holds the position of Land Forces 2020 Convenor with the Aerospace Maritime Defence and Security Foundation. He advises government departments and corporations on strategy, infrastructure, leadership, and culture and change management. These include his appointment as Chair of the NSW Government Central West Freight and Transport Task Force.

Mr Gillespie is a successful speaker and supports ex-service organisations. He is an ambassador for national bowel and prostate cancer organisations, White Ribbon Australia and Soldier On.

Lawrence D. Hansen
Non-Executive Director

Mr Lawrence Hansen has had a successful career in leading international IT and data security organisations. He has a strong international M&A and business integration background, having directed world-wide teams since 2005.

Mr Hansen is currently an Operating Executive for Marlin Operations Group, Inc. Mr. Hansen joined Marlin in September 2015. Prior to joining Marlin, Mr Hansen was VP and general manager of Dell Software Group employing 3,000 staff in sales, marketing, channels and services, and oversaw its go to market strategy. Previously, Mr Hansen was President and CEO of SafeNet Inc., Senetas's global distribution partner. At SafeNet, he led a significant recapitalisation of the company that saw strong growth in revenues and profits before its successful sale to Gemalto NV.

Mr Hansen's deep knowledge of Senetas's existing and potential global customer base, sales function, product development and innovation program makes him an extremely valuable addition to the Senetas board. Mr Hansen also brings his wealth of global experience in services, products, marketing and business planning.

Mr Hansen also held the role of president and CEO of Numara Software, a $100 million business, where he oversaw the company's successful sale and integration into BMC Software.

From 2002 to 2011, Mr Hansen held several executive positions with CA Technologies including CIO, GM, Security and GM, Enterprise Products and Solutions.

Mr Hansen, a Canadian born US citizen, resides in McKinney, Texas.

Philip Schofield BEc
Non-Executive Director

Appointed to the Senetas board in December 2017, Mr Philip Schofield is an Executive Director of Australian financial services firm, Patersons Securities Limited (AFSL 239 052), a role he has held since 2004. Patersons specialises in investment and wealth management.

Mr Schofield has over 30 years of international experience in the banking and finance sectors, including senior management and director roles. These positions include major investment banking groups Goldman Sachs and Citi Group.

Mr Schofield's experience in capital markets around the world's financial centres include his working in London, New York, Melbourne and Sydney. He obtained a Bachelor of Economics degree from Monash University, Melbourne.

As Senetas reviews and implements the Group's capital management and market facing strategies, Mr Schofield's expertise will provide local and international perspectives.

Company Secretary

Brendan Case MCom Law, BEc, CPA

Mr Brendan Case has more than 20 years of company secretarial, corporate governance and finance experience. He is a former Associate Company Secretary of National Australia Bank Limited (NAB), former secretary of NAB's Audit and Risk Committees and has held senior management roles in risk management and regulatory affairs.

Mr. Case worked for the NAB for almost 15 years and prior to joining NAB, he worked at UniSuper Limited for 8 years. He is a Chartered Secretary with a Masters of Commercial Law from the University of Melbourne and has degrees in both economics and finance.

Chief Accountant

Barbara F. McMeekin Dip Arts (Psych), Grad. Dip. Business (Computing), MPAcc, CPA

Ms Barbara McMeekin is a member of the Certified Practicing Accountants Australia with over 30 years business experience. She was appointed to the position of Chief Accountant of Senetas in 2012.

Ms McMeekin has worked in all areas of Senetas's accounting and administration as Senior Accountant assisting the Chief Financial Officer.

Ms McMeekin's skills include financial and ERP systems, cost accounting and business processes. During her career at Senetas she has developed extensive knowledge of the company's operations and financial matters. She had a key role in Senetas's successful implementation of enhanced ERP and financial systems, which were important to achieving cost efficiencies.

Distributions paid and proposed

Distributions paid during the year:	Cents	$
Cash distributions on ordinary shares declared and paid:	0.000462	499,567
Special cash distribution on ordinary shares declared and paid	0.003237	3,500,209
		3,999,776
Final distributions recommended – ordinary shares*		**500,000**

Record Date: 29/11/2019

Distribution payment date*: 13/12/2019

*Subject to shareholder approval

Corporate information

Senetas is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

Corporate structure

Senetas has a direct controlling interest in each of the entities listed in Note 27. No other entities are included in the consolidated entity.

Nature of operations and principal activities

The principal activity of the entities within the consolidated group during the year was the sale of IT security products which provide network data security solutions to businesses and governments around the world.

Employees

The consolidated group employed 30 employees as at 30 June 2019 (2018: 28 employees).

Significant changes in the state of affairs

There are no significant changes in the state of affairs.

Operating & financial review

Senetas Corporation Ltd (ASX: SEN) (Senetas / the Company), a leading developer and manufacturer of certified, high-assurance encryption hardware; virtualised (software based) network encryption; and advanced encrypted file sharing application. Your directors are pleased to submit their report for the year ended 30 June 2019 (FY19).

FY2019 Highlights:

Operational review

- 12.3% growth in operating revenue, well ahead of industry growth
- Thales confirmed as Senetas's global distribution partner post completion of its acquisition of Gemalto
- R&D pipeline expanding addressable market and opportunities
- Expanding Votiro distribution network to drive sales growth
- Distribution for FY2019 of $0.000462 per share subject to shareholder approval
- Strong balance sheet position and no debt
- Operating revenue of $21.31 million was up 12.3% over the prior year (FY2018: $18.97 million) with good growth in both product sales and maintenance revenue
- The strong revenue growth reflects increasing global awareness of cyber security concerns and is significantly ahead of the expected growth in industry spending on information security products and services of 8.7% in 2019 as forecast by Gartner, Inc
- Gross margin of 78% was slightly below the prior year reflecting increased sales of the higher cost 100Gbps encryptors
- Having exceeded $20 million of operating revenue for FY2019 Senetas is no longer eligible for the refundable R&D rebate. Instead, a non-refundable tax offset equal to 38.5% of eligible expenditure applies. Other Income and NPBT are therefore lower in FY2019, but tax expense has been reduced by $1.40 million. The R&D rebate included in Other Income in FY2018 was $2.05 million
- The share of Votiro loss of $1.65 million for the period since Senetas made its investment in November 2018 was in line with expectations
- Operating profit before tax was $3.86 million prior to the $1.89 million impairment to the carrying value of unlisted investments that was announced by the Company on 19 January 2019, and Senetas's share of the Votiro loss
- Net loss after tax was $0.46 million
- FY2019 expenses include a number of non-recurring legal and other expenses totaling $0.92 million during the period related to the Australian Government's Assistance and Access legislation and a legal dispute related to the Company's investment in Deep Radiology
- The first US$4 million (AU$5.65 million) tranche of Senetas's investment into Votiro was paid on completion in November 2018. The US$2 million second tranche of the investment in Votiro is to be paid in 2 instalments – US$1 million (A$1.48 million) was paid in August 2019 with the remainder to be paid prior to the end of CY2019. The final US$2 million tranche of the investment is expected to be paid in the first half of CY2020

- Given the net loss after tax, Senetas will pay a distribution to shareholders (in the form of a return of capital) for FY2019 of $0.000462 per share (a cash distribution of approximately $0.5 million). The distribution is subject to shareholder approval which will be voted on at the 22 November 2019 AGM and if approved will be paid on 13 December 2019 to shareholders registered at 29 November 2019
- Strong balance sheet with no debt and $17.86 million of cash at 30 June 2019 following the $6.62 million of payments related to the first tranche of the investment in Votiro and $4.00 million distributed to shareholders in relation to the FY2018.

In order to provide a like-for-like comparison of the underlying operating results without the impact of changes to Senetas's R&D offset and non-recurring expenses, the Company has provided below a reconciliation of the relevant adjustments between underlying operating profit before tax and the statutory NPBT for FY2019 and FY2018.

Reconciliation to underlying operating profit ($000's)	FY2019	FY2018
Profit before tax	320	4,438
• Loss of fair value through profit or loss investment	1,893	1,362
• Share of loss of associate (Votiro)	1,651	–
• Non-recurring legal & other expenses	919	–
• R&D refund included in Other Income (FY2018)	–	(2,053)
Underlying operating profit before tax and R&D offset	**4,783**	**3,747**

Senetas's vision is to be recognised globally as a trusted provider of high-assurance cyber-security solutions, providing protection without compromising systems' performance or user experience.

The past few years has seen Senetas evolve considerably through substantial investments that build upon specialist engineering and our high-assurance security capabilities to expand our customer solutions. These investments allow us to better protect our customers' most valuable asset – their data.

The strong growth in revenue in FY2019 has been very pleasing and, in part, reflects investments made some years ago into the ultra-fast 100Gbps encryptors. The 100Gbps encryptor is now a core product line and a key driver of revenue growth.

Whilst our Net Profit for FY2019 has been impacted by the first time recognition of Senetas's share of the Votiro loss, changes to the nature of our R&D rebate and some other non-recurring items, our underlying operating profit excluding these items has seen strong growth over the prior year.

That growth reflects increases in both hardware sales revenue and maintenance revenue, with 16% growth in revenue from our global distribution partner, Thales. Sales of the new 100Gbps encryptor are progressing well and we continue to be encouraged by the number of new customers purchasing Senetas encryptors.

Thales recently completed its acquisition of Gemalto and we are very pleased that Thales has agreed to continue as Senetas's exclusive global distributor. Thales employs over 80,000 people in 68 countries and is now the number one global company in digital security, including data encryption.

Senetas's opportunity is to leverage our growing product portfolio and Thales's huge customer base and sales force to significantly expand the market coverage for our products.

The first US$4 million tranche of our $US8 million investment in Votiro Cybersec, was completed in the first half of the year and presents a significant opportunity for Senetas to expand its portfolio into a fast growing segment of the security market and to use its distribution relationships to accelerate Votiro's growth. Votiro has made good recent progress with new distribution relationships and sales into new markets and its financial performance to date is in line with our expectations at the time of acquisition.

The US$2 million second tranche of our investment in Votiro will now take place in 2 instalments, the first US$1 million (A$1.48 million) of which was paid earlier in August 2019. The next instalment is expected prior to the end of the calendar year.

Senetas's balance sheet remains strong with no debt and $17.86 million of cash on hand at 30 June 2019. Cash on hand at 1 August 2019 was $19.9 million. Operating cash flow during the year was up in line with the strong growth in operating revenue.

Operational review

Operating revenue was up 12.3% in FY2019 with revenue received from Senetas's global distribution partner Thales up 15.8%. Higher sales in Europe during the year were the key driver of revenue growth. Revenue from the ANZ region was slightly lower.

FY2019 maintenance revenue was just over 40% of total revenue, slightly higher than FY2018.

Gross margins were 78%, slightly lower than the prior period largely due to an increased proportion of sales from the higher cost 100Gbps encryptor. Margins on the 100Gbps encryptors are expected to increase over time as the cost of 100Gbps components reduce.

A number of non-recurring legal and other expenses totalling $0.92 million were incurred during the period arising from the Australian Government's Assistance and Access legislation and a legal dispute related to the Company's investment in Deep Radiology Inc. At this stage, costs in relation to these matters are not expected to have a material impact on Senetas's financial results in FY2020.

Earlier in the year Senetas signed an agreement with Thales in relation to the distribution of SureDrop and the product was this month officially launched by Thales to its customers. Additionally, Thales has also taken on distribution of Senetas's new virtualised encryption technology.

The strong growth in sales by Thales is an indicator of both the strength of the relationship and the growing market awareness of the need for data security and encryption. The recent confirmation that Thales will continue as Senetas's exclusive global distribution partner following its completed acquisition of Gemalto provides Senetas with a significant opportunity to take advantage of Thales's pre-eminent position as the world's largest digital security company with over 30,000 organisations globally that currently use data encryption and access management solutions.

Together with the ongoing development of new technologies, such as the virtualised encryption products and transport layer independence for hardware encryptors, which continue to expand customer use cases and the addressable market for Senetas's products, the relationship with Thales provides continuing revenue growth opportunities.

Votiro

The investment in Votiro is a further expansion of Senetas's security product suite and a significant opportunity for future growth. Votiro's content disarm and reconstruction (CDR) technology protects against content based threats from all communication channels and represents a significant global market opportunity. It is a patented solution that automatically scans and sanitises each and every file sent or shared with the organisation, and reconstructs a fully functional, threat free file in less than a second.

The recent focus for Votiro has been to build distribution relationships and sales capability with the primary target markets in the near term being Japan, APAC and the US. New distribution relationships have been established in Japan, APAC and the US with a number of important new customers already won.

Votiro is also in the process of developing in-house sales capability in the US market with the recent appointment of a Sales VP and new sales and marketing campaigns underway. Successful product evaluation/proof of concept trials have been completed with potential customers in the US market.

A key priority is to build large scale strategic partnerships across international markets. Discussions are underway with potential global cybersecurity partners that have the potential to substantially increase Votiro's market penetration.

Votiro's financial performance to date is in line with expectations.

R&D and new product development

With Senetas's operating revenue having exceeded $20 million for FY2019 the Company is no longer eligible for the refundable Australian Government R&D rebate. Instead, Senetas is eligible for a non-refundable tax offset equal to 38.5% of eligible expenditure. Senetas's Other Income and NPBT are therefore lower in FY2019, however, Senetas's tax expense in FY2019 has been reduced by $1.40 million reflecting the new tax offset available. The R&D rebate included in Senetas's Other Income in FY2018 was $2.05 million.

R&D and new product development will continue to be significant drivers of future revenue growth for Senetas. The major areas of R&D focus in FY2019 were:

- Development of multi-layer capability for Senetas hardware encryptors;
- Further development of the virtualised encryption solutions to provide enhanced capabilities in public cloud environments; and
- New European certification for Senetas's hardware encryptors.

Significant progress has been made in the development of transport layer independence capabilities for Senetas's hardware products and enhancing the capabilities of the virtualised encryption solutions during the year. A number of successful trials have been undertaken with these products and the products will be formally launched in FY2020.

The new European certification that will broaden the addressable market for Senetas products in that region is proceeding with completion expected before the end of calendar 2019.

R&D spend in FY2019 was similar to the spend in FY2018. Slower than expected progress on the new European certification led to FY2019 R&D spend being slightly lower than anticipated.

Balance sheet and cash flow

Senetas' balance remains strong with no debt and substantial cash reserves. Net assets reduced 16% to $19.73 million and the cash balance at 30 June 2019 was $17.86 million. The cash balance at 1 August 2019 was $19.9 million.

Net operating cash flow was $5.87 million in FY2019 up 13% on the prior period reflecting the strong growth in operating revenue during the year.

Significant cash outflows during the year included the $6.62 million first tranche of the investment in Votiro and associated costs in November 2018, and the payment of $4.00 million for the FY2018 distributions to shareholders.

Outlook

The events of FY2019 have provided a strong platform for future growth.

The continuing evolution of our product suite with transport layer independence and virtual technologies provides an expanded range of use cases and revenue opportunities for the Company.

Most importantly the confirmation that Thales will continue to be Senetas's exclusive global distributor following its acquisition of Gemalto provides certainty and a significantly expanded sales and distribution platform for our products.

The investment in Votiro provides an exposure to the fast growing area of CDR technology which has application for all security conscious enterprises. Votiro has made some important progress in further developing its sales and distribution network since Senetas's investment.

In the near term revenue will continue to be driven substantially by Senetas's traditional hardware encryption products until the new software products such as virtualised encryption, SureDrop and also our transport layer independent hardware products begin to develop sales momentum in FY2020 and beyond. Senetas's share of Votiro's financial results will continue to have an impact on our net profit in FY2020, however, we expect revenue growth will continue and profitability will improve with the absence of the non-recurring expenses that impacted FY2019 results.

Impact of AASB15

In accordance with the new standard, the Company is required to estimate and recognise the revenue expected to be earned from customer contracts, rather than waiting for the actual end sale before recognising the revenue.

The practical effect of this for Senetas is that it is required to estimate in a reporting period the revenue expected to be generated from the inventory held by its global distribution partner, Thales in the period in which the inventory is originally purchased by Thales, before it is on-sold to end customers.

Similarly, Senetas cannot recognise in the current reporting period revenue generated from the inventory held by Thales at the beginning of that period as, under the new standard, revenue expected to be generated from that inventory would have been recognised in the prior reporting period.

The net accounting impact of the new AASB15 on Senetas's results in FY2019 is to increase revenue and net profit before tax by $0.20m compared to what would have been recognised under the previous accounting standard.

Unlisted investments

Smart Antenna Technologies Ltd. (SAT)

Senetas announced on 16 January 2019 that it expected to recognise an impairment to the carrying value of its investment in SAT. The impairment was recognised in Senetas's HY2019 financial results.

SAT remains in the hands of administrators and given the continuing uncertainty surrounding the carrying value of the investment the board resolved to write down the carrying value of the investment in SAT from $1.89 million to nil.

Managing the risks to our growth strategy

The Board and senior management regularly review the key business risks that may potentially impact the implementation of the Company's business strategy.

The material business risks that are likely to have an effect on the financial prospects of Senetas include:

- Over time, Senetas may be subjected to increased competition if potential competitors develop new technologies that compare with or compete with Senetas's products. To address this risk, the Company has a focus at Board and senior management level to ensure its products are "Certified In Depth", meaning that the Company has the broadest range of industry certifications to differentiate the platform and address multiple geographic requirements.
- The data security market is rapidly changing – if the Company does not accurately prepare for and respond quickly to these technological and market based changes, then the Company's products will become obsolete and its competitive position threatened. To address this risk, the Company employs a highly qualified and motivated engineering team that regularly performs internal assessments of its products. In addition the Company focuses on funding research and development to continue to maintain and develop its products to remain competitive and maintains an appropriate remuneration framework and working environment to attract and retain significant engineering talent.
- Adverse conditions in the national and global economies and financial markets may adversely affect the business and financial results with reductions in product sales, longer sales cycles, slower adoption of new technologies and increased price competition. To address this risk, a key focus of the Company has been and continues to be to extend its product and market opportunities. In addition the executive team reviews its progress in achieving internal targets in relation to product development and major cost drivers on a regular basis to ensure Company goals are achieved within approved budgets. The Company also strives to maintain a strong relationship with its major distribution partner, Thales.

Significant events after the reporting date

The second tranche of the investment in Votiro (see Note 10 for further information) was due to take place on or before 30 June 2019. This payment was delayed due to a modification in the agreement and the second tranche payment of US$2,000,000 was split. US$1,000,000 (AU$1,478,675) was paid on 7 August 2019 and the remaining US$1,000,000 will be paid on 1 November 2019.

Share options

Unissued Shares

As at the date of this report there were 8,244,731 unissued ordinary shares under performance rights and options. Refer to the remuneration report for executive performance rights and options and Note 19 for full details of the performance rights and options outstanding.

Performance rights and option holders do not have any right, by virtue of the performance right or option, to participate in any share issue of the Company or any related body corporate.

Shares Issued as a Result of the Exercise of Performance Rights

During the year 17,500 ordinary shares were issued to staff on the exercise of performance rights. These performance rights had an exercise price of zero. Refer Note 19 to the financial statements for further details.

Indemnification and insurance of directors and officers

Senetas has Director's & Officer's Liability Insurance covering the directors and officers against liability in addition to Employment Practices Insurance. The terms of the insurance and the insurer are subject to a confidentiality clause and are therefore not disclosed.

The Group also indemnifies all directors, the chief executive officer and the company secretary for any liability incurred by the officer as officers of the Group to the full extent permitted by law. In accordance with the Group's constitution in consideration of the officer agreeing to continue to act as an officer of the Group, the Group has agreed to:

- indemnify the officer against liabilities incurred while acting as an officer of the Group;
- provide the officer with insurance cover; and

- provide the officer access to Group documents which relate to the obligations of the officer contained in the Corporations Act for a period of 7 years.

The Group also has Professional Risk Insurance (including cover for cyber attack) and Public Liability Risk Insurance.

Indemnification of auditors

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Rounding

The Company is an entity to which ASIC Class Order 2016/191 applies and, accordingly the amounts contained in the financial report have been rounded to the nearest $1 (where rounding is applicable).

Remuneration report – (audited)

This remuneration report for the year ended 30 June 2019 outlines the remuneration arrangements in accordance with the requirements of the *Corporations Act 2001* for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

For the purposes of this report, the term "executive" includes the Chief Executive Officer (CEO) and other senior executives of the Company and the Group.

The following directors and key management personnel were in office for the entire financial year and until the date of this report unless otherwise noted.

Non-executive directors (NEDs)

F. Galbally	Chairman
L. Given	Director
K. Gillespie	Director
L. Hansen	Director
P. Schofield	Director

Executive directors

A. Wilson	Chief Executive Officer

Other key management personnel

J. Weston	Chief Architect
J. Fay	Chief Technology Officer

Current Year Performance and Short Term Remuneration

As the Group did not meet the performance targets set by the Board, executives of the Group are not entitled to short term incentives for the year ended 30 June 2019. Details of these short term incentives are disclosed further in this report.

Remuneration Philosophy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Group embodies the following principles in its remuneration framework:

provide competitive rewards to attract high calibre executives;

- link executive rewards to shareholder value;
- have a significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks;
- establish appropriate and stretched performance hurdles in relation to 'at risk' executive remuneration; and
- strongly encourage directors to invest a portion of their fees to acquire shares in the Company at market price during designated trading windows.

Remuneration Policy

Remuneration policies are determined by the Board which makes specific recommendations of remuneration packages and other terms of employment for Executive Directors and Non-Executive Directors.

Executive remuneration and other terms of employment are reviewed annually by the CEO with regard to performance. Remuneration packages include superannuation, performance related bonuses and an entitlement to participate in the Senetas Directors and Employees Share Option Plan. The Company has a securities dealing policy for directors, senior executives and employees.

Details of the nature and amount of each element of the remuneration of each director and executive of Senetas and the consolidated entity are included in this report.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises three non-executive directors – two independent directors and one non-independent director.

The Remuneration and Nomination Committee of the board of directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and the CEO. The Remuneration and Nomination Committee has delegated decision making authority to the CEO for some matters related to the remuneration arrangements of KMP and other staff.

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of directors and the CEO on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The Remuneration and Nomination Committee did not use the services of a remuneration consultant during the year. The Remuneration and Nomination Committee meets regularly throughout the year. The CEO attends certain Remuneration and Nomination Committee meetings by invitation, where management input is required. The CEO is not present during any discussions related to his own remuneration arrangements.

Remuneration Structure

Non-Executive Director Remuneration

The board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 16 November 2017 when shareholders approved an aggregate remuneration of $1,000,000 per year. The combined payment to all non-executive directors does not exceed this aggregate amount.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. No consultants were used for the remuneration review for the 2019 financial year.

Each director receives a fee for being a director of the Company.

Non-executive directors are encouraged by the board to hold shares in the Company (purchased by the director on market during designated trading windows). It is considered good governance for directors to have an investment in the Company on whose board he or she sits. The non-executive directors of the Company can participate in the Employee Share Incentive Plan which provides incentives where specified criteria are met.

There has not been an increase in director remuneration during the 2019 FY.

The remuneration of directors for the years ending 30 June 2019 and 30 June 2018 is detailed on pages 13 to 14 of this report.

Executive Remuneration

Objective

The Company aims to reward executives, including the CEO, with a level and mix of remuneration commensurate with their position and responsibilities within the Company that:

rewards executives for Company and individual performance against targets set by reference to appropriate benchmarks;

- align the interests of executives and shareholders;
- links executive rewards with the strategic goals and performance of the Company; and
- ensures total remuneration for executives is competitive by market standards.

Structure

In determining the level and make-up of the CEO's remuneration, the Remuneration and Nomination Committee considers advice from external consultants as well as market survey information on remuneration for comparable roles. No consultants were used for the remuneration review for the 2019 financial year.

In determining the level and make-up of the remuneration for executives other than the CEO, the CEO considers advice from external consultants as well as remuneration paid to executives from comparable companies using market-based surveys.

It is the policy of the Remuneration and Nomination Committee that employment contracts are entered into with all executives. These are similar to those for all employees except for the contract entered into with the CEO. Details of these contracts are provided on page 12 of this report.

Executive remuneration consists of the following key elements:

Fixed Remuneration

Variable Remuneration

- Short Term Incentive ('STI'); and
- Long Term Incentive ('LTI').

The mix between fixed and variable remuneration is established for the Executive by the Remuneration and Nomination Committee. Pages 13 to 14 of this report details the fixed and variable components of the executive remuneration.

Fixed Remuneration

Objective

Fixed remuneration is set at a level which is both appropriate to the position and competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee having regard to company-wide and individual performance, relevant comparative remuneration in the market and internally, and where appropriate, external advice on policies and practices. As noted above, the Remuneration and Nomination Committee has access to external advice independent of management.

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component for key management persons is detailed on pages 13 to 14 of this report.

Variable Remuneration — Short Term Incentive (STI)

Objective

The Group operates an annual STI program that is available to executives and awards a cash bonus subject to the attainment of clearly defined Group performance measures.

Payments made are usually delivered as a cash bonus.

The aggregate of annual STI payments available for the CEO is subject to the approval of the Remuneration and Nomination Committee.

Structure

Actual STI payments awarded to each executive depend on the extent to which specific set operating targets during the financial year are met. The operational targets may consist of a number of financial and non-financial measures, typically including measures such as contribution to profit before tax, customer service, risk management, product management, and leadership/team contribution. For the 2019 financial year the target was based on a combination of the contribution to profit before tax and other key drivers for the short and long term success of the business. These drivers included project completion for new products, team leadership and customer relationship management.

On an annual basis the Remuneration and Nomination Committee reviews and determines the amount of the STI paid to the CEO. The following factors are taken into account during the committee's review: overall remuneration, overall performance of the Group and the individual performance of the CEO.

For executives other than the CEO, annual STI payments are determined by consideration of the overall performance rating for the Group, plus the performance of individual executives, as approved by the CEO.

The variable remuneration component for key management persons is detailed on pages 13 to 14 of this report.

STI Bonus for 2018 Financial Year

The Remuneration and Nomination Committee (for the CEO) and the CEO (for other executives) considered the STI payments for the 2018 year in July 2019. The maximum STI payable for the 2019 financial year to the CEO and executives was $150,000 of which $nil was allocated. The minimum payable to each executive including the CEO was $nil. These payments, when made, are allocated as a proportion of the total bonus funds available for all employees.

There have been no alterations to the STI bonus plans since their grant date.

Variable Remuneration — Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward executives for their contribution to shareholder wealth creation by linking rewards to improvements in the financial performance of the Company and aligning interests with shareholders.

Structure

LTI grants are delivered in the form of options, shares or performance rights. These securities are defined below:

- An ordinary share (Share) is a share of stock giving the stockholder the right to vote on matters of corporate policy and the composition of the members of the board of directors.
- A call option (Option) is a financial instrument that gives its owner the right, but not the obligation, to purchase a Share at price set at the date of grant (the exercise price).
- A Performance Right is a grant of actual shares of stock, the receipt of which is contingent on performance as measured against predetermined objectives over a period of time.

Performance Hurdles and Conditions

Both options and performance rights are subject to a tenure condition and the financial performance of the company. The tenure conditions vary between 18 to 24 months; the time period selected by the Board at the time of the grant.

The performance rights fully vest on meeting the tenure condition.

The options are subject to both a tenure hurdle and an exercise price – the exercise price exceeds the current share price thus tying rewards to improved financial performance and shareholder wealth.

Hurdles and conditions were elected by the board and are reviewed and revised periodically.

Maximum LTI payable to each executive including the CEO is 100% of the options and performance rights outstanding at 30 June 2019. The minimum payable is nil. Refer tables (v) and (vi) for details of outstanding performance rights and options.

The table below provides a summary of the key financial results for Senetas over the past five financial years, which influence the remuneration outcomes is provided in the following sections:

Performance measure	2019	2018	2017	2016	2015
Profit before tax (excluding loss of associate and investment writedown)	3,863,975	5,799,059	5,264,464	7,021,599	6,021,000
Profit after tax	(463,345)	1,955,345	2,879,103	5,218,430	4,016,258
Average number of ordinary shares for basic earnings per share	1,081,317,462	1,083,231,560	1,079,905,126	1,078,641,948	1,077,891,948
Earnings per share (cents)	0.0004	0.0018	0.0027	0.0048	0.0037
Net tangible assets per share (cents per share)	1.75	2.10	1.92	1.65	1.20
Closing share price	$0.06	$0.11	$0.09	$0.13	$0.02

Distributions were declared for the 2018 FY and paid in January 2019. No distributions were declared or paid in the previous five years.

Distributions for the financial reporting period ended 30 June 2019 will, subject to shareholder approval, be by way of a capital reduction of $500,000 in total an estimate of $0.000462 per share. The proposed record date for the capital reduction is 29 November 2019 and the expected payment date is 13 December 2019.

Employment Contracts

Employment agreements are entered into with all executives. These agreements are similar to the employment agreements used for all staff.

Chief Executive Officer – Mr A. Wilson

Under the CEO's contract:

Mr Wilson receives fixed remuneration of $432,600 per annum including superannuation of $20,531 and he is eligible to receive short term incentives based on a combination of the contribution to profit before tax and other key drivers for the short and long term success of the business.

Mr. Wilson has a rolling contract and may resign from his position and thus terminate his contract by giving six months written notice. The Company may terminate Mr Wilson's employment agreement with six months written notice or payment in lieu of notice (based on the fixed component of Mr. Wilson's remuneration). On resignation by Mr Wilson, any unvested LTI options will be forfeited within one month of the resignation date. On termination or notice by the Company, any LTI options that have vested, or will vest during the notice period will be released. LTI options that have not yet vested will be forfeited within twelve months of the termination date. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the CEO is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

Chief Technical Officer – Mr J. Fay, Chief Architect – Mr J. Weston

Under the CTO and CA's contracts:

Mr Fay and Mr Weston receive fixed remuneration of $288,400 each per annum including superannuation of $20,531 and are eligible to receive short term incentives based on a combination of the contribution to profit before tax and other key drivers for the short and long term success of the business.

Mr. Fay and Mr Weston have rolling contracts and may resign from their positions and thus terminate their contracts by giving three months written notice. The Company may terminate Mr Fay and Mr Weston's employment agreement with three months written notice or payment in lieu of notice (based on the fixed component of Mr. Fay and Mr Weston's remuneration). On resignation by Mr Fay or Mr Weston, any unvested LTI options will be forfeited within one month of the resignation date. On termination or notice by the Company, any LTI options that have vested, or will vest during the notice period will be released. LTI options that have not yet vested will be forfeited within twelve months of the termination date. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the CTO and CA are only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

Directors' and executives' remuneration

(a) Remuneration of directors and executives for the year ended 30 June 2019

Consolidated	Short-term			Post-employment	Long-term			
	Salary & fees	Cash bonus (i)	Non Monetary benefits (ii)	Superannuation	Long service leave	Share-based payment – options (iii)	Total	Performance related
Year ended 30 June 2019	$	$	$	$	$	$	$	
Directors								
F. Galbally (Non-Executive Chairman) *	265,000	–	23,568	–	–	–	288,568	0.00%
A. Wilson (Chief Executive Officer)	412,069	–	–	20,531	10,526	49,491	492,617	10.05%
L. Given (Non-Executive Director) **	115,000	–	–	–	–	–	115,000	0.00%
K. Gillespie (Non-Executive Director) ***	115,000	–	–	–	–	–	115,000	0.00%
L. Hansen (Non-Executive Director) ****	115,000	–	–	–	–	–	115,000	0.00%
P. Schofield (Non-Executive Director) *****	115,000	–	–	–	–	–	115,000	0.00%
Total Remuneration of Directors	**1,137,069**	**–**	**23,568**	**20,531**	**10,526**	**49,491**	**1,241,185**	**3.99%**
Executives								
J. Weston (Chief Architect)	267,869	–	–	20,531	6,179	9,094	303,673	2.99%
J. Fay (Chief Technology Officer)	267,869	–	–	20,531	6,724	9,094	304,218	2.99%
Total Remuneration of Executives	**535,738**	**–**	**–**	**41,062**	**12,903**	**18,188**	**607,891**	**2.99%**

(i) Cash bonus payments reward attainment of specific key performance indicators (KPI's) set for individual directors and executives. Cash bonuses are paid in August each year for KPI's met in the financial period ending in June of that year. The maximum payable for the CEO and executives was $150,000. No bonuses were paid for the year ended 30 June 2019.

(ii) Director's & executive's partners may travel once a year at company expense.

(iii) Share based payments in the form of options which will only vest when tenure conditions are met.

(vi) There were no other transactions with executives and directors during the year (2018: Nil).

* Mr Galbally's director fees are invoiced by and paid to Southbank Capital Pty Ltd.

** Mr Given's director fees are paid to LPG Group LLC.

*** Mr Gillespie's director fees are invoiced by and paid to Sector West Pty Ltd.

**** Mr Hansen's director fees are paid to Carikster Advisors, LLC.

***** Mr Schofield's director fees are paid to Cadigal Advisors Pty Ltd.

Directors' and executives' remuneration

Remuneration of directors and executives for the year ended 30 June 2018

	Short-term			Post-employment	Long-term			
Consolidated Year ended 30 June 2018	Salary & fees $	Cash bonus (i) $	Non Monetary benefits (ii) $	Superannuation $	Long service leave $	Share-based payment – performance rights (iii) $	Total $	Performance related
Directors								
F. Galbally (Non-Executive Director)	265,000	–	21,130	–	–	–	286,130	0.00%
A. Wilson (Chief Executive Officer)	399,952	60,000	22,223	20,048	6,542	22,833	531,599	15.58%
L. Given (Non-Executive Director)	115,000	–	–	–	–	–	115,000	0.00%
K. Gillespie (Non-Executive Director)	115,000	–	–	–	–	–	115,000	0.00%
L. Hansen (Non-Executive Director)	115,000	–	–	–	–	–	115,000	0.00%
P. Schofield (Non-Executive Director) *****	62,292	–	–	–	–	–	62,292	0.00%
Total Remuneration of Directors	**1,072,244**	**60,000**	**43,353**	**20,048**	**6,542**	**22,833**	**1,225,021**	**6.76%**
Executives								
J. Weston (Engineering Manager)	262,735	30,000	–	20,012	4,246	1,146	318,139	9.79%
J. Fay (Chief Technology Officer)	259,988	30,000	1,145	20,012	4,216	1,146	316,507	9.84%
Total Remuneration of Executives	**522,723**	**60,000**	**1,145**	**40,024**	**8,462**	**2,292**	**634,646**	**9.82%**

(i) Cash bonus payments reward attainment of specific key performance indicators (KPI's) set for individual directors and executives. Cash bonuses are paid in August each year for KPI's met in the financial period ending in June of that year. The total payable for the CEO and executives was $120,000.

(ii) Director's & executive's partners travel once a year at company expense.

(iii) Share based payments in the form of performance rights which will only vest when performance conditions are met

(b) Directors' and Executives' interests in the Securities of Senetas Corporation Limited

(i) At reporting date the Directors' and Executives' interests in shares of Senetas Corporation Limited

30 June 2019	Balance 01 July 18 Ord shares	Granted as remuneration Ord shares	On vesting of performance rights Ord shares	Shares bought / (sold)/transfer Ord shares	Balance 30 June 19 Ord shares
Directors					
A.Wilson	1,125,000	–	–	–	1,125,000
F. Galbally	140,000,000	–	–	1,005,000	141,005,000
L. Given	–	–	–	–	–
K. Gillespie	–	–	–	–	–
L. Hansen	–	–	–	–	–
P. Schofield	657,855	–	–	–	657,855
Executives					
J. Weston	1,995,412	–	–	–	1,995,412
J. Fay	442,725	–	–	–	442,725
Total	**144,220,992**	**–**	**–**	**1,005,000**	**145,225,992**

(ii) Shares issued on exercise of remuneration options

No shares were issued on exercise of remuneration options during the financial year ended 30 June 2019 (2018: 40,000).

(iii) Shares granted as part of remuneration

No shares were granted as part of remuneration during the financial year ended 30 June 2019 (2018: Nil).

(iv) Options/performance rights granted as part of remuneration

2,000,000 options were granted to the CEO as part of remuneration during the financial year ended 30 June 2019. Refer table (vi) for more details.

(v) Performance rights holdings of KMP

30 June 2019	Balance at beginning of period: 1 July 2018	Granted as remuneration	Fair value per performance right at award date $	Performance rights exercised	Performance rights lapsed	Balance at end of period: 30 June 2019	Performance rights vested and exercisable at end of period: 30 June 2019	Performance rights vested and non-exercisable at end of period: 30 June 2019
A. Wilson	187,500	–	–	–	–	187,500	187,500	–
J. Weston	–	–	–	–	–	–	–	–
J. Fay	40,000	–	–	–	–	40,000	40,000	–
Total	**227,500**	**–**	**–**	**–**	**–**	**227,500**	**227,500**	**–**

The above performance rights were fully vested in November 2017. The performance condition attached to these rights was a tenure period of two years. The performance rights for the CEO, Mr Wilson, will expire in November 2022 and for the executives in September 2022.

(b) Directors' and Executives' interests in the Securities of Senetas Corporation Limited (continued)

(vi) Options granted during the year

The Group granted the following share options during the financial year (2018: 2,000,000) to the CEO;

30 June 2019	Options awarded during the year No.	Award Date	Fair Value per option at award date $	Vesting Date	Exercise Price $	Expiry Date	No. Vested during the year	No. Lapsed during the year	Value of options granted during the year $	Value of options exercised during the year $
A. Wilson	2,000,000	29-Nov-18	0.018	29-Nov-20	0.120	29-Nov-28	–	–	35,325	–

The CEO, Mr Wilson, was granted 2,000,000 options at the AGM in November 2018. The Options are subject to a service condition of 24 months continuous service and the exercise price upon vesting is $0.12. Each option granted entitles Mr Wilson to one fully paid ordinary share in the company, subject to satisfaction of the vesting condition, and payment of the exercise price.

(vii) Option holdings of KMP

30 June 2019	Balance at beginning of period: 1 July 2018	Granted as remuneration	Weighted average fair value per option at award date $	Options exercised	Options lapsed	Balance at end of period: 30 June 2019	Options vested and exercisable at end of period: 30 June 2019	Options vested and non-exercisable at end of period: 30 June 2019
A. Wilson	2,000,000	2,000,000	0.028	–	–	4,000,000	–	–
J. Weston	500,000	–	0.115	–	–	500,000	–	–
J. Fay	500,000	–	0.115	–	–	500,000	–	–
Total	**3,000,000**	**2,000,000**	**–**	**–**	**–**	**5,000,000**	**–**	**–**

Environmental regulation and performance

The consolidated entity is not subject to any particular or significant environmental regulations.

Meetings of directors

The following table summarises the number of meetings of directors and their attendance.

	Number of meetings	
	Held while a director	Attended
F. Galbally (Chair)	4	4
L. Given	4	4
K. Gillespie	4	4
L. Hansen	4	4
P. Schofield	4	4
A. Wilson	4	4

A total of four (4) Directors' meetings were held during the year ended 30 June 2019.

In addition, a two day board strategy session was held and two board briefing sessions were held.

The Company has an Audit and Risk Committee.

Members acting on the committee of the board during the year were:

	Number of meetings	
	Held while a director	Attended
L. Given (Chair)	2	2
F. Galbally	2	2
K. Gillespie	2	2

Mr A. Wilson attended two (2) Audit and Risk Committee meetings in the capacity of CEO.

A total of two (2) Audit and Risk Committee meetings were held during the year ended 30 June 2019.

The Company has a Remuneration and Nomination Committee.

Members acting on the committee of the board during the year were:

Number of Meetings Held While A Member	Number of meetings	
	Held while a director	Attended
K. Gillespie (Chair)	1	1
F. Galbally	1	1
D. Hansen	1	1

A total of one (1) Remuneration and Nomination Committee meeting was held during the year ended 30 June 2019.

More information about the board and the sub-committees are set out in the 'Corporate Governance Statement' located on our website www.senetas.com.

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services $42,400

Signed in accordance with a resolution of the directors.

Francis W. Galbally
Chairman
Date: Wednesday 11 September 2019

Statement of Comprehensive Income for the year ended 30 June 2019

	Notes	Consolidated 2019 $	Consolidated 2018 $
Revenue from contracts with customers	4(a)	21,313,012	18,970,715
Revenue		**21,313,012**	**18,970,715**
Cost of sales		(4,619,326)	(3,556,831)
Gross profit		**16,693,686**	**15,413,884**
Other income	4(b)	707,941	2,949,298
Loss on fair value through profit or loss investment	13	(1,892,941)	(1,361,532)
Employee benefits expense	4(c)	(6,418,747)	(6,337,974)
Depreciation and amortisation expense	4(d)	(736,210)	(577,861)
Administration expenses	4(e)	(3,972,777)	(3,897,812)
Other expenses	4(f)	(2,409,918)	(1,750,476)
Share of loss of an associate	11	(1,651,232)	–
(Loss)/Profit before income tax		**319,802**	**4,437,528**
Income tax expense		(783,147)	(2,482,183)
(Loss)/Profit after income tax		**(463,345)**	**1,955,345**
Other comprehensive income/(loss)			
Items that may be subsequently classified to profit or loss			
Foreign currency translation reserve		55,399	(58,423)
Other comprehensive income/(loss) for the year		**55,399**	**(58,423)**
Total comprehensive (loss)/ income for the year, net of tax		**(407,945)**	**1,896,922**
(Loss)/profit for the period is attributable to:			
Owners of the parent		**(407,945)**	**1,955,345**
Total comprehensive (loss)/profit for the year is attributable to:			
Owners of the parent		**(407,945)**	**1,896,922**
Earnings per share			
Basic, profit for the year attributable to ordinary equity holders of the Parent.	6	(0.0004)	0.0018
Diluted, profit for the year attributable to ordinary equity holders of the Parent.		(0.0004)	0.0018

As disclosed in note 3.2(a), the Group has adopted AASB15 *Revenue from contracts with customers* from 1 July 2018. The comparative financial information for the year ended 30 June 2018 continues to be presented in accordance with AASB118 – *Revenue*.

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2019

	Notes	Consolidated 2019 $	Consolidated 2018 $
Assets			
Current assets			
Cash and cash equivalents	7	17,860,132	23,258,056
Trade and other receivables	8	5,055,592	6,529,034
Inventories	21	2,424,535	1,308,182
Prepayments		537,322	338,143
Other assets	22	45,395	66,753
Total current assets		**25,922,976**	**31,500,168**
Non-current assets			
Long-term cash deposit		97,670	91,667
Non-current prepayments		8,100	–
Investment securities	13	–	1,892,941
Investment in an associate	11	4,972,722	–
Deferred tax asset	5	568,591	540,477
Plant and equipment	16	1,593,598	1,732,438
Intangible assets	17	195,517	210,698
Total non-current assets		**7,436,198**	**4,468,221**
Total assets		**33,359,174**	**35,968,389**
Liabilities			
Current liabilities			
Trade and other payables	23	2,509,324	1,931,895
Contingent consideration liability	12	22,894	–
Current income tax payable	5	471,633	2,419,463
Contract liabilites	9	6,207,688	4,573,148
Provisions	24	1,068,891	1,006,176
Total current liabilities		**10,280,430**	**9,930,682**
Non-current liabilities			
Deferred tax liabilities	5	320,670	92,844
Provisions	24	53,493	31,715
Contract liabilities – non-current	9	2,881,966	2,337,220
Other non-current liabilities		88,838	24,248
Total non-current liabilities		**3,344,967**	**2,486,027**
Total liabilities		**13,625,397**	**12,416,709**
Net assets		**19,733,777**	**23,551,680**
Equity			
Equity attributable to equity holders of the parent			
Contributed equity	18	104,728,595	104,726,285
Accumulated losses		(85,824,079)	(81,902,985)
Employee benefit reserve		866,233	697,095
Foreign currency translation reserve		(36,974)	18,425
Equity attributable to owners of the parent		**19,733,777**	**23,538,820**
Non-controlling interests		–	12,860
Total equity		**19,733,777**	**23,551,680**

As disclosed in note 3.2(a), the Group has adopted AASB15 – *Revenue from contracts with customers* from 1 July 2018. The comparative financial information for the year ended 30 June 2018 continues to be presented in accordance with AASB118 – *Revenue*.

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of cash flows for the year ended 30 June 2019

	Notes	Consolidated 2019 $	Consolidated 2018 $
Cash flows from operating activities			
Receipts from customers		23,781,060	19,738,940
Payments to suppliers and employees		(17,547,285)	(14,538,731)
Income tax paid		(679,082)	(413,760)
Interest received		310,519	414,872
Net cash flows from operating activities	7	**5,865,212**	**5,201,322**
Cash flows used in investing activities			
Purchase of plant and equipment	16	(492,413)	(904,847)
Purchase of intangibles	17	(91,593)	(160,720)
Investment in unquoted equity instruments	13	–	(1,027,328)
Investment in associate	11	(6,623,955)	–
Net cash flows used in investing activities		**(7,207,961)**	**(2,092,894)**
Cash flows used in financing activities			
Distribution payment	10	(3,999,776)	–
Net cash flows used in financing activities		**(3,999,776)**	**–**
Net increase/(decrease) in cash and cash equivalents		(5,342,526)	3,108,428
Net foreign exchange differences		(55,399)	58,423
Cash and cash equivalents at beginning of the year		23,258,056	20,091,205
Cash and cash equivalents at 30 June		**17,860,132**	**23,258,056**

As disclosed in note 3.2(a), the Group has adopted AASB15 – *Revenue from contracts with customers* from 1 July 2018. The comparative financial information for the year ended 30 June 2018 continues to be presented in accordance with AASB118 – *Revenue*.

The above statement of cash flows should be read in conjunction with the accompanying notes

Statement of Changes in equity for the year ended 30 June 2019

	Attributable to equity holders of Senetas Corporation Ltd						
	Contributed equity	Accumulated (losses) / profits	Foreign currency translation reserve	Employee benefits reserve	Owners of the parent Total	Non-controlling interest	Total equity
Consolidated	$	$	$	$	$	$	$
At 30 June 2017	**104,679,425**	**(83,858,330)**	**(39,998)**	**689,150**	**21,470,247**	**12,860**	**21,483,107**
Profit for the year	–	1,955,345	–	–	1,955,345	–	1,955,345
Other comprehensive income	–	–	58,423	–	58,423	–	58,423
Total comprehensive income	–	1,955,345	58,423	–	2,013,768	–	2,013,768
Transactions with owners in their capacity as owners							
Shares issued	–	–	–	–	–	–	–
Options expensed	–	–	–	54,805	54,805	–	54,805
Options converted to shares	46,860	–	–	(46,860)	–	–	–
At 30 June 2018	**104,726,285**	**(81,902,985)**	**18,425**	**697,095**	**23,538,820**	**12,860**	**23,551,680**
At 1 July 2018	**104,726,285**	**(81,902,985)**	**18,425**	**697,095**	**23,538,820**	**12,860**	**23,551,680**
Impact of adoption of AASB 15 (Note 3.2a)	–	529,167	–	–	529,167	–	529,167
At 1 July 2018	**104,726,285**	**(81,373,818)**	**18,425**	**697,095**	**24,067,987**	**12,860**	**24,080,847**
Loss for the year	–	(463,345)	–	–	(463,345)	–	(463,345)
Other comprehensive income	–	–	(55,399)	–	(55,399)	–	(55,399)
Total Comprehensive Income	–	(463,345)	(55,399)	–	(518,744)		(518,744)
Transactions with owners in their capacity as owners							
Movement in non-controlling interest	–	12,860	–	–	12,860	–	12,860
Dividends declared and paid	–	(3,999,776)	–	–	(3,999,776)	–	(3,999,776)
Shares issued	–	–	–	–	–	–	–
Options converted to shares	2,310	–	–	(2,310)	–	–	–
Share based payment expense	–	–	–	171,448	171,448	–	171,448
At 30 June 2019	**104,728,595**	**(85,824,079)**	**(36,974)**	**866,233**	**19,733,777**	**–**	**19,733,777**

As disclosed in note 3.2(a), the Group has adopted AASB15 – *Revenue from contracts with customers* from 1 July 2018. The comparative financial information for the year ended 30 June 2018 continues to be presented in accordance with AASB118 – *Revenue.*

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Building a better
working world

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Auditor's Independence Declaration to the Directors of Senetas Corporation Limited

As lead auditor for the audit of the financial report of Senetas Corporation Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit*;* and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Senetas Corporation Limited and the entities it controlled during the financial year.

Ernst + Young

Ernst & Young

Alison Parker

Alison Parker
Partner
11 September 2019

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services $31,850

Signed in accordance with a resolution of the directors.

Francis W. Galbally
Chairman
11 September 2019

1 Corporate information

Senetas Corporation Limited (the Company or the Parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and is a for-profit entity.

The consolidated financial report of Senetas Corporation Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 26 August 2019.

The nature of the operations and principal activities of the Group are described in the Directors' report. The registered office of Senetas Corporation Limited is at 312 Kings Way, South Melbourne, Victoria 3205, Australia.

2 Significant accounting policies

Basis of preparation and Statement of Compliance

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on an historical cost basis except for contingent consideration, investment securities and derivatives that have been measured at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar ($) unless otherwise stated. Previous year's figures have been reclassified, as may be necessary to ensure consistency with the current year presentation.

Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

Basis of consolidation

The consolidated financial statements comprise the financial statements of Senetas Corporation Limited (the Company) and its subsidiaries as at 30 June each year (the Group).

All intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The acquisitions of subsidiaries of Senetas Corporation Limited are accounted for using the purchase method of accounting, which measures the acquiree's assets and liabilities at their fair value at acquisition date. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Investments in subsidiaries are carried at cost.

2 Significant accounting policies (continued)

Summary of significant accounting policies

(a) Revenues from contracts with customers

Revenue from contracts with customers is recognised when the control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

The disclosure of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.2(a).

Sale of equipment

Revenue from the sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on shipping of the equipment. The normal credit term is 30 to 90 days from delivery.

The Group has considered whether there are other promises in the contract that are separate perfomance obligations to which a portion of the transaction price needs to be allocated. There are no such obligations at this time.

Variable consideration

The Group's distribution agreement with Thales entitles the Group to variable consideration from when the goods are sold by Thales to its end users. The details of this variable consideration and the methods used for estimation are provided in Note 8.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right ot an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 3.2(b) Financial instruments – intitial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received the consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised whtn the payment is made or payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Maintenance revenue

Maintenance revenue is recorded over the period of the maintenance agreement. Cash received in advance for the maintenance agreement is originally recorded as a contract liability. This is recognised as revenue over the term of the agreement as the Group performs under the contract.

Revenue recognition under AASB 118 Revenue

Prior to the application of AASB 15 (effective for the Group on 1 July 2018) the following revenue policy

Revenue was recognised to the extent that it was probable that the economic benefits would flow to the Group and the revenue could be reliably measured. The following specific recognition criteria must also have been met before revenue was recognised:

Sale of goods and software (including sales under the distribution agreement with Thales)

Revenue was recognised when the significant risks and rewards of ownership of the goods had passed to the buyer and the costs incurred or to be incurred in respect of the transaction could be measured reliably. Risks and rewards were considered passed to the buyer at the time of delivery of goods to the customer.

Maintenance

Maintenance revenue was recorded over the period of the maintenance agreement. Cash received in advance for the maintenance agreement is initially recorded as unearned income. This is recognised over the term of the agreement as the performance conditions aremet.

(b) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Any goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss will reflect the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

2 Significant accounting policies (continued)

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained

investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating and accounting policies and other pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 *Financial Instruments,* is measured at fair value with the changes in fair value recognised in profit or loss in accordance with AASB 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or

(d) R&D tax incentive

The R&D Tax Incentive provides a 43.5% (2018: 43.5%) refundable tax offset for entities with an aggregated turnover of less than $20 million per annum. It is an Australian Government measure to encourage industry to invest in research and development and provides generous benefits for eligible

The R&D Tax Incentive is accounted for as a government grant related to income and is recognised when there is reasonable assurance that the income will be received and all conditions have been complied with. The incentive is recognised in profit or loss over the period in which expenses were recognised for the related costs for which the incentive compensates.

(e) Fair value measurement

The Group has various financial instruments such as investment in securities, cash in hand, trade debtors and trade creditors.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market of the asset or liability Or

In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be assessable by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group

2 Significant accounting policies (continued)

determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The board determines policies and procedures for recurring fair value measurement, such as unquoted investment security financial assets. At each reporting date, the Group analyse the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset with relevant external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the Group has determined the classes of assets and liabilities on the basis of nature, characteristics and risks of the assets or liability and the level of fair value hierarchy, as explained above.

(f) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(g) Interest

Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocates the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(h) Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Australia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

(i) Income tax and other taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2 Significant accounting policies (continued)

Tax consolidation legislation

Senetas Corporation Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002.

The head entity, Senetas Corporation Limited and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

(j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis. Included in the cost of purchase are other directly attributable costs as well as the purchase price.

Finished goods – cost of direct materials and external assembly costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provision for slow moving items

Inventories are reviewed annually to identify slow moving inventory. When these items are identified the remaining technological useful life is assessed, then an estimation is made of the quantum of sales expected over that remaining useful life. Where there is a shortfall of estimated sales versus the quantity of inventory on hand at the end of the period, a provision is raised.

(k) Foreign currency translation

Both the functional and presentation currency of Senetas Corporation Limited and its Australian subsidiaries is Australian dollars (A$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date all overseas subsidiaries, with the exception of Senetas Europe, are dormant. However any assets and liabilities of overseas subsidiaries are translated into the presentation currency of Senetas at the rate of exchange ruling at the reporting date and the income statements are translated at the weighted average exchange rates for the year.

Exchange differences resulting from the translation of foreign operations are recognised in equity.

On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit and loss.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of comprehensive income.

Long service leave and annual leave

The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of employess up to the reporting date. Consideration is given to expected future salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2 Significant accounting policies (continued)

(m) Share-based payment transactions

The Company has established a Share/Option Plan to issue and allot securities (shares and options) to directors, employees and contractors at the discretion of the board of directors. The terms and exercise dates of the options are set at the discretion of the board of the directors. The total number of securities that can be granted under the Plan may not exceed 20% of the issued capital of the Company from time to time. The options cannot be transferred and will not be quoted on the ASX.

The cost of these equity-settled transactions with directors and employees is measured by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined by an external valuer using a binomial option pricing model. Further details are provided in Note 15.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. The statement of comprehensive income charge or credit for a period reflects the movement in cumulative expense recognised at the beginning and end of that period. There is a corresponding credit or debit to equity.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share based payment arrangement.

If an equity-settled award is cancelled it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(n) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value though other comprehensive income (OCI), and fair value through profit and loss. This classification is made on the basis of the Group's business model for managing the financial asets and the cash flow characteristics of the financial assets. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI); and
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regula

The categories of financial assets which are most relevant to the group are:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

2 Significant accounting policies (continued)

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes primarily comprises of trade receivables and other assets.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit and loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unles designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit and loss, irrespective of the business model.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit and loss.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

- A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets

Detailed disclosures relating to impairment of financial assets are to be found in:

Disclosures for significant assumptions – Note 3 and trade receivables including contract assets – Note 8

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Intital recognition and measurement

Financial liabilities are classified, at intial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivaties designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs,

Financial liabilities at fair value through profit and loss and at amortised cost

The Group's financial liabilities are trade and other payables – carried at amortised cost and contingent consideration, classified as a financial liabilityat fair value through profit and loss.

Trade and other payables a represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Contingent consideration is held at fair value through profit and loss. It is assessed at each period end using a discounted cash flow analysis.

Subsequent measurement

Financial liabilities at fair value through profit and loss include liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss. Gains or losses on liabilities held for trading are recognised through profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2 Significant accounting policies (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(o) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated by the straight line method over the estimated useful life of the asset as follows:

- Leasehold improvements – the lease term
- Plant and equipment – over 3 to 15 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the asset is

(p) Intangible assets other than goodwill

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is

The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Software

A summary of the policies applied to the Group's intangible assets is as follows:

The useful life of software is finite and software assets are amortised on a straight line basis over periods of three to five years. All software assets are acquired and the amortisation method is reviewed annually, at each financial year-end, for indications of impairment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use and sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

(q) Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised as an expense.

(r) Share-based payment transactions

The Company has established a Share/Option Plan to issue and allot securities (shares and options) to directors, employees and contractors at the discretion of the board of directors. The terms and exercise dates of the options are set at the discretion of the board of the directors. The total number of securities that can be granted under the Plan may not exceed 20% of the issued capital of the Company from time to time. The options cannot be transferred and will not be quoted on the ASX.

2 Significant accounting policies (continued)

The cost of these equity-settled transactions with directors and employees is measured by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined by an external valuer using a binomial option pricing model. Further details are provided in Note 19.

In valuing equity-settled transactions, no account is taken of any performance conditions other than conditions linked to the price of shares of the Company.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired; and

(ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The income statement charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period. There is a corresponding credit to equity.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms

had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share based payment arrangement.

If an equity-settled award is cancelled it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares:

- diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:
  - costs of servicing equity (other than dividends); and
  - other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares.
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3 Changes in accounting policies and disclosures

3.1 New and amended accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards effective as of 1 July 2018.

The new accounting standards AASB 15 Revenue for Contracts with Customers ('AASB 15') and AASB 9 Financial Instruments ('AASB 9') became effective for the Group on 1 July 2018. Further details related the adoption of these accounting standards, including updated accounting policies and any changes to significant accounting judgements, estimates and assumptions are outlined below at 3.2

The new accounting standard AASB 16 Leases ('AASB 16') has an effective date for the Group of 1 July 2019. Further details related the adoption of these accounting standards, including updated accounting policies and any changes to significant accounting judgements, estimates and assumptions are outlined below at 3.4.

3.2 Impact of new and amended accounting standards

(a) AASB 15 Revenue from contracts with customers

AASB 15 supersedes AASB 118 Revenue ('AASB 118') and related Interpretations and it applies to all revenue arising from contracts with customers unless those contracts are in the scope of other standards. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15 the revenue recognition model changed from one based on the transfer of risk and reward of ownership to the transfer of control of ownership. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Impact of adoption

The Group has elected to apply the modified retrospective method of adoption. This transition method requires the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings from the date of initial application. In accordance with the modified retrospective method, comparative figures are not restated.

The transition adjustment at 1 July 2018 resulted in an increase to opening retained earnings of $529,167 and an increase to contract asset and deferred tax liabilities of $729,882 and $200,715 respectively.

The tables below provide additional information demonstrating the impacts to individual line items had the previous standard, AASB 118 Revenue, continued to be applied at 30 June 2019 .

The below table presents the impact on the consolidated statement of financial position had AASB 118 been applied as at 30 June 2019 (increase/(decrease)):

	As at 30 June 2019 (Under AASB 15)	Adjustment for AASB 118	As at 30 June 2019 (Under AASB 118)	As at 30 June 2018 (Under AASB 118)
Current assets				
Trade and other receivables	5,055,592		4,127,017	6,529,034
Contract assets	–	(928,575)	–	–
Total current assets	**5,055,592**	**(928,575)**	**4,127,017**	**6,529,034**
Non-current liabilities				
Deferred tax liabilities	320,670	(255,358)	65,312	92,844
Total non-current liabilities	**320,670**	**(255,358)**	**65,312**	**92,844**
Equity				
Accumlated losses	85,824,079	(674,217)	85,149,862	(81,902,985)
Total equity	**85,824,079**	**(674,217)**	**85,149,862**	**(81,902,985)**

3 Changes in accounting policies and disclosures (continued)

The below table presents the impact on the consolidated statement of comprehensive income had AASB 118 been applied as at 30 June 2019 (increase/(decrease)):

	30 June 2019 (Under AASB 15)	Adjustment for AASB 118	30 June 2019 (Under AASB 118)	30 June 2018 (Under AASB 118)
Revenue from contracts with customers	21,313,012	(198,694)	21,114,318	18,970,715
Profit before income tax	**319,802**	**(198,694)**	**121,108**	**4,437,528**
Income tax expense	(783,147)	54,641	(728,506)	(2,482,183)
Profit for the period	**(463,345)**	**(144,053)**	**(607,398)**	**1,955,345**

The change did not have an impact on OCI for the period. The inpact on the statement of cash flows for the year ended 30 June 2019 relates only to the changes in profit before tax from continuing operations. There was no impact on the net cash flows from operating activities, nor were the cash flows from investing and financing activities affected.

The adoption of AASB 15 has resulted in additional disclosures being made in the consolidated financial report.

From 1 July 2018, the following accounting policies have applied to the recognition of revenue and income:

Sale of equipment (including sales under the distribution agreement with Thales)

Under AASB 118, revenue from sale of equipment was recognised when equipment was dispatched from the Group's warehouse as the risk and rewards passed to the customer. In accordance with AASB 15, the satisfaction of the Group's performance obligation is deemed to occur upon dispatch of the customer's order. The normal credit term is 30 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

The Group's distribution agreement with Thales has fixed and variable consideration. Fixed consideration is received at the time of fulfilling the contractual obligation and Group is entitled for a variable consideration when the equipment is sold by Thales to its end users. Variable consideration is required to be estimated at contract inception and updated thereafter. Accordingly, the Group estimates and recognise the amount of total consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group has generally concluded that it is the principal in sale of products as part of its distribution agreement with Thales.

Maintenance

Maintenance revenue continues to be recorded over the period of the maintenance agreement. Cash received in advance for the maintenance agreement is recognised as unearned income (contract liability) which is subsequently recognised over the term of the agreement as the performance conditions are met. Previously the Group recognised maintenance revenue straight-line over the maintenance period. On adoption of AASB 15 there was no material change to revenue recognition.

Under the terms of the maintenance agreements, the Group has identified a separate performance obligation for maintenance services provided to customers. This is a stand-ready obligation where revenue is recognised overtime using time lapsed to measure progress towards satisfaction of the performance obligation. Management consider time lapsed is the most appropriate measurement on the basis customers can request Senetas to provide the maintenance services as and when the customer chooses during the contract period.

The Group receives short-term advances from its customers. Using the practical expedient in AASB 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group also receives long-term advances from customers for the maintenance agreements. Management has concluded that such agreements do not contain a significant financing component as the primary purpose for the upfront payment is not to obtain financing from the customer but to provide agreed maintenance service over the contract period.

(b) AASB 9 Financial Instruments

In the current year, the Group has applied AASB 9 retrospectively which is effective for annual period that begins on or after 1 January 2018. As permitted by the transitional provisions of AASB 9, the Group has elected not to restate comparative figures.

3 Changes in accounting policies and disclosures (continued)

AASB 9 introduces new requirements for:

- Classification and measurement of financial assets and financial liabilities.
- Impairment of financial assets.
- Hedge accounting (the Group did not apply hedge accounting during year ended 30 June 2019 and in the comparative period).

Classification and measurement of financial assets and financial liabilities

Under AASB 9, the Group has summarised below the changes to classification and measurement of financial assets and financial liabilities.

All recognised financial assets that are within the scope of AASB 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group has not designated any investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

Impact of adoption

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- the Group's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available for sale financial assets and were measured at fair value at each reporting date under AASB 139 have been designated as at FVTPL ((under AASB 9).

As a result of the transition adjustment at 1 July 2018, the subsequent fair value loss of the Group's investment in SAT, amounting to $1.9 million, has been recognised in the consolidated statement of comprehensive income for the year ended 30 June 2019.

- Other than the classification of investments mentioned above, there was no other impact on the classification and measurement of other financial assets and financial liabilities at the transition date of 1 July 2018.

Impairment of financial assets

Trade receivables and other financial assets have been classified as debt instruments held at amortised cost. The adoption of AASB 9 has changed the Group's accounting for impairment losses for trade and other receivables by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

The Group has applied the simplified approach to trade receivables and the contract asset in AASB 9 and has calculated ECLs based on lifetime expected credit losses. A provision for ECLs is determined based on historic credit loss rates and adjusted for forward looking factors specific to the debtor and the economic environment.

Based on the assessment undertaken by the Group, there has been no material impact to the consolidated statement of financial position as at 30 June 2019 and the consolidated statement of comprehensive income for the year ended 30 June 2019.

3.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3 Changes in accounting policies and disclosures (continued)

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining method to estimate variable consideration and assessing the constraint

The Group's distribution agreement with Thales has fixed and variable consideration. Fixed consideration is received at the time of fulfilling the contractual obligation and Group is entitled for a variable consideration when the equipment is sold by Thales to its end users. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The method used to calculate the variable consideration has been estimated using the most likely amount which represents the single most likely amount in a range of possible consideration amounts. This is an estimate of the likelihood of sales taking place to an end user and the amount of revenue due towards the Group if this event occurs. The nature of the promise within the contract is to perform an unknown number of sales to end users throughout the contract period and the consideration received is contingent upon the quantity which is sold to end users. Therefore, the total transaction price is variable since it is based upon the occurrence or non-occurrence of events outside the Group's control and the contract has a range of possible transaction prices.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are constrained based on its historical experience, business forecast and the current economic conditions.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 15 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (refer Note 12 for details).

As part of the accounting for the acquisition of Podzy Pty Ltd (SureDrop), contingent consideration with an estimated fair value of $109,763 was recognised at the reporting date, as a reliable estimate of the future sales of the product are available now. Future developments may require further revisions to the estimate. The contingent consideration is classified as other financial liability (see Note 12).

3.4 Standards issued but not yet effective

Australian Accounting Standards and Interpretations that are issued, but are not yet effective, up to the date of issuance of the Group's half-year financial statements are disclosed below. The Group intends to adopt these new standards and interpretations, if applicable, when they become effective.

(a) AASB 16 Leases

Effective and application dates

The standard is effective for annual reporting periods beginning on or after 1 January 2019. The application date for the Group will be 1 July 2019.

Scope

AASB 16 was issued in January 2016 and replaces AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation 115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

AASB 16 introduces a single lessee accounting model, requiring the recognition of assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events – for example, a change in the lease term. This remeasurement of the liability will generally be recognised as an adjustment to the right-of-use asset.

AASB 16 Leases is effective for annual periods beginning on or after 1 January, 2019

Transition to AASB 16

The Group is party to a contract for the lease of office premises. Adoption of the new lease standard will result in lower operating costs and higher finance and depreciation costs as the accounting profile of the lease payments changes under the new model. The statement of financial position will also be impacted, with an increase to both non-current assets (right-of-use assets) and liabilities (lease liabilities). Cash flows from operating activities will increase as affected lease payments will be now be classified as

3 Changes in accounting policies and disclosures (continued)

financing cashflows. Conversely, cash flows from financing activities will decrease for the same reason.

The Group will use the modified retrospective method of adoption on transition.

The Group has performed an impact assessment of AASB 16. Based on the analysis performed to date, the Group expects the impact of AASB 16 on the date of adoption (1 July 2019) will result in the recognition of additional right of use assets and lease liabilities of approximately $1.5 million. The cumulative effect on retained earnings will be immaterial.

(b) AASB Interpretation 23 Uncertainty over income tax treatments

This interpretation clarifies application of the recognition and measurement requirements in AASB 12 Income Taxes when there is uncertainty over income tax treatments

Effective and application dates

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The application date for the Group will be 1 July 2019.

Scope

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 12. It does not apply to taxes or levies outside the scope of AASB 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Impact

This interpretation is not likely to have an affect on the Group.

(c) Definition of a business – Amendments to AASB 3

Effective and application dates

The interpretation is effective for annual reporting periods beginning on or after 1 January 2020. The application date for the Group will be 1 July 2020.

Key requirements

Amendments to the definition of a business in AASB 3 Business Combinations help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business, remove assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce and optional fair value concentration test.

Transition

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit any such transactions that occurred in prior periods. The application date for the Group will be 1 July 2020.

Impact

No impact is expected by the Group on the date of application but the Group will need to consider the amendments should an acquisition of a set of activites or assets take place subsequent to the date of application for the Group.

(d) Amendments to AASB 28 – Long term interests in associates and joint ventures

Effective and application dates

These amendments are effective for annual periods beginning on or after 1 January 2019. The application date for the Group will be 1 July 2019.

Key requirements

The amendments clarify that an entity applies AASB 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The Board also clarified that, in applying AASB 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying AASB 128 Investments in Associates and Joint Ventures.

Impact

These amendments are designed to eliminate ambiguity and will have no affect on the Group.

4 Revenues and expenses

Revenue From Contracts With Customers

(a) Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers

	Consolidated	
	2019	2018
	$	$
(a) Disaggregated revenue information		
Sale of goods	12,632,143	11,469,840
Product maintenance revenue	8,668,633	7,491,644
Provision of services	12,236	9,231
Total revenue from contracts with customers	**21,313,012**	**18,970,715**
Geographical markets		
Australia & New Zealand	2,068,962	2,349,156
United States	13,213,823	13,327,812
Europe	6,030,227	3,293,747
Total Revenue from contracts with customers	**21,313,012**	**18,970,715**
Timing of revenue recognition		
Goods transferred at a point in time	12,644,379	11,479,071
Services transferred over time	8,668,633	7,491,644
Total Revenue from contracts with customers	**21,313,012**	**18,970,715**

The aggregate amount of transaction prices (i.e. unrecognised revenue) allocated to remaining performance obligations, at the reporting date, is as follows:

Sale of goods	–	–
Product maintenance revenue	9,089,654	6,910,368
Provision of services	–	–
Total	**9,089,654**	**6,910,368**

Of the aggregate amount of transaction prices (i.e. unrecognised revenue) allocated to remaining performance obligations, at the reporting date the following amounts are expected to be recognised.

	2019	2018
	$	$
Product maintenance revenue expected to be recognised within:		
One (1) year of the reporting date	6,207,688	4,573,148
Two (2) years from the reporting date	1,957,081	1,575,078
Three (3) years from the reporting date	735,453	618,127
Between four (4) and five (5) years	189,433	144,015
Total	**9,089,654**	**6,910,368**

4 Revenues and expenses (continued)

	2019	2018
	$	$
(b) Other income		
R&D tax incentive (i)	–	2,052,896
Net gain on foreign exchange	371,047	457,941
Interest income:		
Non–related parties	336,894	438,461
Total	**707,941**	**2,949,298**

As disclosed in note 3.2(a), the Group has adopted AASB15 – *Revenue from contracts with customers* from 1 July 2018. The comparative financial information for the year ended 30 June 2018 continues to be presented in accordance with AASB118 – *Revenue*.

(i) The R&D Tax Incentive is an entitlement program to help businesses offset some of the costs of conducting research and development. It is jointly managed by AusIndustry and the Australian Taxation Office. The core component that relates to the Group is a 43.5% (2018: 43.5%) refundable tax offset for entities with an aggregated turnover of less than $20 million per annum. As the Group's revenue exceeded $20 million per annum for the reporting period, the refundable tax offset becomes a non–refundable tax offset. For further information see Note 2.3(d).

		Consolidated	
		2019	2018
	Notes	$	$
(c) Employee benefits expense			
Salaries & wages		5,853,816	5,887,922
Superannuation		393,483	359,510
Termination payouts		–	35,737
Share based payment expense	19	171,448	54,805
Total		**6,418,747**	**6,337,974**
(d) Depreciation and amortisation expense			
Depreciation:			
Plant and equipment	16	525,379	420,977
Leasehold improvements	16	104,057	71,723
Amortisation:			
Software	17	106,774	85,161
Total		**736,210**	**577,861**
(e) Administration expenses			
Premises costs		468,568	427,302
Travel expenditure		624,415	746,043
Telephone and internet expenditure		128,405	95,383
Insurance expenditure		286,490	214,025
Loss on disposal of equipment		1,817	464
Marketing expenditure		551,430	505,337
External contractors –sales and corporate		1,911,652	1,909,258
Total		**3,972,777**	**3,897,812**
(f) Other expenses			
Impairment of inventories		1,863	19,540
Certification, testing and direct R&D expenditure		498,613	677,737
Legal fees		773,606	403,556
Re–measurement of contingent consideration liability		106,320	–
Other overhead expenses		1,029,516	649,643
Total		**2,409,918**	**1,750,476**

5 Income tax

	Consolidated	
	2019	2018
	$	$
Major components of income tax expense for the years ended 30 June 2019 and 2018 are:		
Current income tax		
Current income tax charge	830,272	2,419,463
Adjustments in respect of current income tax of previous years	(39,367)	(730)
Deferred income tax		
Relating to origination and reversal of temporary differences	(7,758)	63,450
Income tax expense reported in statement of comprehensive income	**783,147**	**2,482,183**
Reconciliation of tax expense and the accounting profit and multiplied by Australia's domestic tax rate for 2019 and 2018:		
Accounting profit before tax	319,802	4,437,528
At the statutory income tax rate of 27.5% (2018: 27.5%)	87,946	1,220,320
Expenditure not allowable for income tax purposes	68,882	66,729
Non-deductible share of loss of Votiro	533,972	—
Adjustments in respect of current income tax of previous years	(5,921)	–
Non-deductible impairment loss booked on SAT (FY19) and Deep Radiology (FY18)	520,559	374,422
R&D tax incentive	(399,024)	733,262
Foreign losses not recognised	(23,268)	44,921
DTA impact of tax rate change	–	42,590
Other	–	(61)
Income tax expense reported in statement of comprehensive income	**783,147**	**2,482,183**

5 Income tax (continued)

	Statement of Financial Position	
	2019	**2018**
Consolidated	**$**	**$**
Deferred tax assets		
Accruals:		
Accrued expenses	69,280	53,973
Employee benefits:		
Annual leave	90,765	87,733
Long service leave	217,891	197,198
Bonus accrual	–	35,370
Other:		
Amortised business costs	608	912
Patents	7,066	8,158
FBT accrual	11,234	6,648
DTA on unrealised foreign exchange loss	19,568	(84,266)
DTA on unutilised losses	121,452	143,816
Other	30,727	6,669
Total	**568,591**	**540,477**
Deferred tax liabilities		
Prepayments	(1,053)	(2,659)
DTL Variable Consideration	(255,358)	–
DTL on unrealised foreign exchange gain	(57,611)	–
FBT accrual	(6,648)	(5,919)
	(320,670)	**(8,578)**
Net deferred tax asset	**247,921**	**531,899**

5 Income tax (continued)

	Statement of Comprehensive Income	
	2019	2018
Consolidated	**$**	**$**
Deferred tax assets		
Accruals:		
Stock obsolescence	–	–
Accrued expenses	(15,308)	10,545
Employee benefits:		
Annual leave	(3,031)	(15,047)
Long service leave	(20,693)	12,177
Bonus accruals	28,550	(20,370)
Other:		
Amortised business costs	304	414
Patents	1,092	1,934
Unrealised foreign exchange loss	(103,834)	89,745
FBT accrual	(4,586)	84
DTA on unutilised tax losses	22,433	39,728
Other	(24,058)	2,914
Total	**(119,131)**	**122,124**
Deferred tax liabilities		
Prepayments	(1,606)	(114)
DTL Variable consideration	54,639	–
Unrealised foreign exchange gain	57,611	(58,113)
FBT accrual	729	(447)
	111,373	**(58,674)**
Deferred tax (benefit) /expense	**(7,758)**	**63,450**
Deferred tax asset (non-current)	568,591	540,477
Deferred tax liability (non-current)	320,670	92,844

The franking account balance for both 2019 and 2018 is $384,327.

5 Income tax (continued)

Tax consolidation

Senetas Corporation Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated Group with effect 1 July 2002. Senetas Corporation Limited is the head entity of the tax consolidated Group. Members of the Group entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

The allocation of current taxes and deferred taxes of subsidiaries has been allocated to the subsidiaries via intercompany transactions, in accordance with company policy.

Tax effect accounting by members of the tax consolidated group

Measurement method adopted under AASB Interpretation 1052 *Tax Consolidation Accounting*

The head entity and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The Group has estimated tax losses arising in Australia of $441,642 (2018: $523,430) that may be available indefinitely for offset against future income tax payable. Of the total tax losses available for offset against future income tax payable, $121,452 has been recognised as a deferred tax asset (2018: $143,816).

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the Group is based on accounting profit. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

6 Earnings per share

The following reflects the income and share data used in the basic and diluted profit per share computations:

	Consolidated	
	2019	2018
	$	$
Net profit attributable to equity holders of the parent	(463,345)	1,955,345
Net profit attributable to ordinary shareholders for diluted earnings per share	**(463,345)**	**1,955,345**
	No. of shares	No. of shares
Weighted average number of ordinary shares for basic earnings per share	1,081,317,462	1,081,178,701
Effect of dilution:	7,291,306	2,052,859
Adjusted weighted average number of ordinary shares for diluted profit per share	**1,088,608,768**	**1,083,231,560**

The outstanding share options were included in this calculation but were not considered to have a dilutive effect as the tenure condition for vesting has not yet been met.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the authorisation of these financial statements.

7 Cash and cash equivalents

	Consolidated	
	2019	2018
	$	$
Cash at bank and on hand	9,605,148	6,349,453
Short-term deposits	8,254,984	16,908,603
Total cash and cash equivalents	**17,860,132**	**23,258,056**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Reconciliation from the net profit after tax to the net cash flows from operations

	Consolidated	
	2019	2018
	$	$
Profit after tax	(463,345)	1,955,345
Adjustments for:		
Depreciation and amortisation	736,210	577,861
Unrealised foreign currency loss/(gain)	(138,335)	(306,423)
Impairment of unquoted equity instruments	1,892,941	1,361,532
Share of loss of an associate	1,651,232	–
Loss on disposal of equipment	1,817	464
Impairment of inventories	1,863	19,540
Share based payment expense	171,448	54,805
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables (net of foreign currency gains)	2,540,353	(821,160)
Decrease/(increase) in inventories	(1,118,216)	222,832
Increase in prepayments	(207,280)	(100,974)
Decrease in other current assets	15,354	4,011
Increase in trade and other payables	577,429	538,586
Decrease/(increase) in deferred income tax assets	28,114	37,859
Increase/(decrease) in deferred income tax liability	(227,826)	25,591
Increase/(decrease) in income tax payable	(1,947,830)	47,191
Increase in provisions	84,494	97,686
Increase in unearned income & other non-current liabilities	2,266,789	1,486,575
Net cash from operating activities	**5,865,212**	**5,201,322**

8 Trade receivables and contract assets

	Consolidated	
	2019	2018
	$	$
Trade receivables (i)	3,928,832	4,373,543
Contract asset (i)	928,575	–
Net GST receivable	198,185	102,595
R&D tax incentive (ii)	–	2,052,896
	5,055,592	**6,529,034**

(i) The fair value of trade receivables and the contract asset amount is equivalent to their carrying amounts. It is expected that the full contractual amounts can be collected. AASB 9 requires a calculation of expected credit losses (ECL's). The Group's evaluation of this requirement has determined that an allowance for expected credit losses is negligible.

The Group holds no collateral against possible default by a customer.

There were no receivables written off during the year.

(ii) R&D tax incentive – a 43.5% (2018: 43.5%) refundable tax offset – see Note 4(b) for further information

For further information on risk disclosures refer Note 20.

For further information on risk disclosures refer Note 21.

	Consolidated
	2019
Contract Assets	$
Open balance as at 1 July	729,882
Reclassified as a receivable during the year	(729,882)
Contract asset at the end of the year	928,575
Closing balance as at 30 June	**928,575**

Contract assets are originally recognised for the revenue earned from the sale of inventory from our world-wide distributor, Thales, to their end customers.

Upon completion of the sale by Thales to its end customer, the amounts recognised as contract assets are reclassified to trade receivables. The reclassification of contract assets to trade receivables usually takes three to six months.

The increase in the value of the contract asset is a result of the product mix held by the Thales based on their sales forecast.

9 Contract liability

	Consolidated	
	2019	2018
	$	$
Open balance as at 1 July	6,910,368	5,416,098
Maintenance prepayments received during the year	10,847,919	8,985,914
Maintenance revenue recognised during the year	(8,668,633)	(7,491,644)
Closing balance as at 30 June	**9,089,654**	**6,910,368**
Current contract liabilities	6,207,688	4,573,148
Non–current contract liabilities	2,881,966	2,337,220
Total	**9,089,654**	**6,910,368**

The comparative financial information for the year ended 30 June 2018 was disclosed in Note 16 – Unearned Revenue.

10 Distributions made and proposed

	2019	2018
	$	$
Cash distributions on ordinary shares declared and paid:		
Final distribution for 2019: $0.000462 per share* (2018 – $0.000462)	500,000	499,567
Special cash distributions on ordinary shares		
Special distribution for 2019: $nil per share (2018 – $0.003237)	—	3,500,209
Total	**500,000**	**3,999,776**

Distributions relating to the financial reporting period ended 30 June 2018 were approved by the Board on 30 October 2018.

The record date was 14 December 2018 and the payment date was 4 January 2019.

* Distributions for the financial reporting period ended 30 June 2019 will, subject to shareholder approval, be by way of a capital reduction of $500,000 in total an estimate of $0.000462 per share. The proposed record date for the capital reduction is 29 November 2019 and the expected payment date is 13 December 2019.

11 Investment in an associate

On 14 November 2018, the Group invested $5.7 million (USD 4 million) in convertible notes in Votiro Cybersec Global Limited (Votiro), a leading Israeli content disarm and reconstruction company. Votiro is a private entity that is not listed on any public exchange. As at 30 June 2019, the Group has 39% interest in Votiro. The Group also agreed to invest in two further tranches of convertible notes, amounting to USD 2 million for each tranche, on or before 31 August 2019 and 30 June 2020, respectively. The three tranches, when fully converted to ordinary shares, will provide Senetas with a majority ownership interest in Votiro. The convertible notes include an entitlement to interest of 8% per annum, from the subscription date to the earlier of the conversion date or 30 April 2020. Accrued interest is capitalised into the face value of the convertible notes. As at 30 June 2019, based on the assessment performed, the Group concluded that objective evidence of impairment did not exist for the investment in Votiro.

In addition, the agreement to purchase the two further tranches of convertible notes is classified as a derivative financial instrument, which is measured at fair value and any changes in fair value are recognised in profit or loss. The performance of Votiro (subsequent to Senetas's acquisition of convertible notes on 14 November 2018) has tracked according to its plans and management has concluded that the agreed purchase price for the two further tranches of convertible notes approximates the fair value of the notes to be acquired. Accordingly, the agreement to purchase the two further tranches of convertible notes has an assessed net fair value of $nil at 30 June 2019. The fair value estimates are considered level 3 fair value measurements (refer note 15).

The following summarised financial information of Votiro as at 30 June 2019 and for the period from date of investment till 30 June 2019 represents the amounts as presented in the most recent management accounts of Votiro, adjusted for translation into AUD and adjusted for any significant differences in accounting policies:

30 June 2019	$
Current assets	2,404,462
Non-current assets	303,851
Current liabilities	(3,020,478)
Non-current liabilities	(7,737,340)
Equity	**(8,049,505)**
Group's share in equity – 39%	(3,139,307)
Goodwill	8,791,763
Transaction costs	971,498
Group's share of loss for the period	(1,651,232)
Group's carrying amount of the investment at 39%	**4,972,722**
Revenue	1,400,963
Loss for the period	(4,978,762)
Other comprehensive income for the period	–
Total comprehensive loss for the period	(4,978,762)
Group's share of loss for the period at 39%	**(1,941,717)**
Interest on convertible notes	290,485
Group's share of loss for the period	**(1,651,232)**

12 Contingent consideration

Acquisition of Podzy Pty Ltd (completed on 7 December 2017 for a consideration of $1) included an earn-out provision. The earn out period continues until 30 June 2022 and is based on a percentage of revenue from future sales of SureDrop. As at 30 June 2018, the fair value of contingent consideration was assessed to be nil as there were no confirmed sales orders or quantifiable pipeline of sales.

The estimated fair value is calculated by a discounted cash flow analysis (to account for the time value of money and the risk factors) on a range of possible revenue forecasts during this period. This calculation resulted in a remeasurement of the contingent consideration liability to $106,320 at 30 June 2019. This includes an amount of $22,894 which is expected to be settled during the next 12 months from the balance sheet date. This contingent consideration liability will be reassessed at each reporting period. See Note 15 for a sensitivity analysis of the fair value measurement.

13 Investment securities

Refer note 3.2(b) for the impact of adoption of AASB 9.	Consolidated	
	2019	2018
	$	$
Unquoted investment securities at FVTPL	1,892,941	–
Avaliable-for-sale (AFS) investment	–	2,227,145
Addition to AFS investments during the year	–	1,027,328
Impairment of AFS investment	–	(1,361,532)
Revaluation losses recognised during the year	(1,892,941)	–
Closing balance	**–**	**1,892,941**

The Group has investments in the entities shown in the table below.

	Equity Interest		Value of Investment	
	%		$	
	2019	2018	2019	2018
DeepRadiology Inc	3.45%	3.45%	–	–
Smart Antenna Technologies Ltd	5.52%	5.76%	–	1,892,941
Total			**–**	**1,892,941**

In December 2016, the Group invested in Smart Antenna Technologies Ltd ("SAT"), a smart antenna technology company based in the UK. Subsequent to the half-year ended 31 December 2018, the major shareholder and primary financiers of SAT advised the Group of their intention to not proceed with additional funding (which was previously accepted by the SAT board) due to disagreements over future strategy. As a result, the Board of SAT has resolved to put the business into the hands of administrators with a view to disposing of the Company's business and intellectual property.

Due to the uncertainty as to whether the underlying value of the investment in SAT will be recoverable, the Group concluded that there is objective evidence of decline in the value of investment. Therefore, during the half year ended 31 December 2018, the Group recognised a revaluation loss of $1,892,941 for the full carrying value, and the carrying value of the investment as at 30 June 2019 is nil.

In May 2017, the Group acquired an interest in Deep Radiology Inc., a medical machine leairning and artificial intelligence company based in the USA. During the 2018 financial year, following a review of the performance of Deep Radiology, management concluded that there was objective evidence of impairment. Therefore an impairment for the full carrying value of $1,361,532 was recognised as at 30 June, 2018.

	% Equity interest	
Other unlisted investments at fair value	**2019**	**2018**
EonReality Inc. (ii)	4.7%	4.7%

The above investment has a net carrying amount of zero.

13 Investment securities (continued)

The directors point out that the Company is the owner of 185,000 series B convertible stock and 888,889 series C convertible stock in EON Reality Inc. (previously RealityBUY.com Inc.) of Irvine California USA (www.eonreality.com).

The shareholding (which is preferred stock) also carries certain dividend rights which date back to the year 2000. The shareholding represents approximately 3% of the current issued share capital in EON Reality Inc (www.eonreality.com). Should EON Reality have a liquidity event (such as an trade sale or substantial capital raising) it may be necessary to convert the preferred stock to ordinary stock. The investment was made during the year 2000 and was since written off by the board. Until such time as there has been a liquidity event such as a capital raising, merger transaction, corporate restructuring, sale of securities or other such transaction which will provide the board with an independent value of the investment, the board will continue to not ascribe a value to the investment as an asset.

14 Segment information

Basis of segment identification

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Senetas's chief operating decision maker is the Chief Executive Officer (CEO). The CEO provides strategic direction and management oversight to the day to day activities of the Group in terms of monitoring results and approving strategic planning. Operating segments have been identified based on the information provided by the CEO.

Information about Geographical Areas

The Group has only one segment – the product division. In accordance with the master distribution agreement and other direct customers, both product sales and maintenance services are inter-related and reported as one (1) reportable segment. Therefore, the Group does not prepare operating segment reports other than the geographical segments shown below.

Revenue is attributed to geographic locations based on the location of the customers. The company does not have external revenues from any external customers that are attributable to any foreign country other than as shown below.

30 June 2019	Australia & New Zealand $	United States $	Europe $	Total $
Revenue from contracts with customers				
Sale of equipment	1,028,395	5,573,521	6,030,227	12,632,143
Maintenance revenue	1,028,331	7,640,302	–	8,668,633
Provision of services	12,236	–	–	12,236
Total	**2,068,962**	**13,213,823**	**6,030,227**	**21,313,012**

30 June 2018	$
Revenue from customers	
Australia & New Zealand	2,349,156
United States	13,327,812
Europe	3,293,747
Total	**18,970,715**

Revenue from one customer – the Company's global distribution partner, Thales – amounted to $19,244,050 (2018: $16,561,160) arising from the above mentioned geographical areas.

As disclosed in note 3.2(a), the Group has adopted AASB15 from 1 July 2018. The comparative financial information for the year ended 30 June 2018 continues to be presented in accordance with AASB118.

15 Fair value of financial instruments

The Group has various financial instruments such as investment securities, cash in hand, trade debtors, trade creditors and a contingent consideration liability. Apart from investment securities and the contingent consideration liability, other financial instruments arise directly from its operations. Except for the investment securities and contingent consideration liability, due to the short term nature of other financial assets and financial liabilities, the fair value of these items approximates their carrying amount.

Investment securities consist of equity and debt investments which have no active market. Therefore, management uses a number of assumptions for the inputs into a valuation model to arrive at the fair value. The probabilities of the estimates used can be reasonably assessed and are used in management's estimation of the fair value of these unquoted equity and debt investments. The investments are carried at fair value. Refer to Note 12 for the basis of calculation of fair value of the contingent consideration liability.

AASB 13 requires disclosure of fair value measurements using a three-level fair value hierarchy.

The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the net market value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

	Quoted price in active market	Significant observable inputs	Significant unobservable inputs
30 June 2019			
Financial assets			
Investment securities (Note 13)	–	–	–
Financial liabilities			
Contingent consideration liability (Note 12)	–	–	106,320
30 June 2018			
Financial assets			
Investment securities	–	–	1,892,941

Valuations are the responsibility of the Board of Directors of the Group and management may use the services of independent valuers to determine appropriateness of valuation of unlisted investments. The Board review the valuation policies of the Group on an annual basis, to ensure adherence to industry best practices. There were no other changes in valuation techniques during the year.

There have been no transfers between Level 1, 2 or 3 of the fair value hierarchy during the year.

Other than the revaluation loss on investment securities of $1,892,911 and the measurement of contingent consideration liability of $106,320, there has been no other movement in Level 3 items.

15 Fair value of financial instruments (continued)

Description of significant unobservable inputs to valuation.

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 30 June 2019 are shown below.

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Contingent consideration liability	DCF method	Projected sales of SureDrop	2019: 1,500,000 – $2,100.000 2018: $nil	10% increase (decrease) in the projected sales would result in an increase (decrease) in fair value of $5,700.
		Discount factor based on WACC	2019 – 8.6% – 9.7% 2018: N/A	0.6% increase (decrease) in the discount rate would result in an increase (decrease) in fair value of the contingent liability by $1,100.

The movement in the contingent consideration liablility is a result of a management assessment of the potential sales of the SureDrop. See Note 12 for further information.

16 Plant and equipment

	Consolidated		
	Leasehold improvements	Plant and equipment	Total
Year ended 30 June 2019	**$**	**$**	**$**
At 1 July 2018, net of accumulated depreciation	146,928	1,585,510	1,732,438
Additions (net of disposals)	167,318	87,754	255,072
Transfers to plant and equipment from inventory	–	237,341	237,341
Writeoff	–	(1,817)	(1,817)
Depreciation charge for the year	(104,057)	(525,379)	(629,436)
At 30 June 2018, net of accumulated depreciation	**210,189**	**1,383,409**	**1,593,598**
At 1 July 2018			
Cost	386,544	2,922,783	3,309,327
Accumulated depreciation and impairment	(239,616)	(1,337,273)	(1,576,889)
Net carrying amount	**146,928**	**1,585,510**	**1,732,438**
At 30 June 2019, net of accumulated depreciation			
Cost	553,871	3,007,805	3,561,676
Accumulated depreciation	(343,682)	(1,624,396)	(1,968,079)
Net carrying amount	**210,189**	**1,383,409**	**1,593,598**

	Consolidated		
	Leasehold improvements	Plant and equipment	Total
Year ended 30 June 2018	**$**	**$**	**$**
At 1 July 2017, net of accumulated depreciation	188,972	1,131,783	1,320,755
Additions (net of disposals)	29,679	688,729	718,408
Transfer to plant and equipment from inventory	–	186,439	186,439
Writeoff	–	(464)	(464)
Depreciation charge for the year	(71,723)	(420,977)	(492,700)
At 30 June 2018 net of accumulated depreciation	**146,928**	**1,585,510**	**1,732,438**
At 1 July 2017			
Cost	356,872	2,274,579	2,631,451
Accumulated depreciation	(167,900)	(1,142,796)	(1,310,696)
Net carrying amount	**188,972**	**1,131,783**	**1,320,755**
At 30 June 2018			
Cost	386,544	2,922,783	3,309,327
Accumulated depreciation	(239,616)	(1,337,273)	(1,576,889)
Net carrying amount	**146,928**	**1,585,510**	**1,732,438**

Plant and equipment are not subject to or pledged as collateral for any liabilities or contingent liabilities.

17 Intangible assets

	Software $
Year ended 30 June 2019	
At 1 July 2018 net of accumulated amortisation and impairment	210,698
Additions	91,593
Amortisation	(106,774)
At 30 June 2019 net of accumulated amortisation and impairment	**195,517**
At 30 June 2019 net of accumulated amortisation and impairment	
Cost (gross carrying amount)	565,027
Accumulated amortisation and impairment	(369,510)
Net carrying amount	**195,517**
Year ended 30 June 2018	
At 1 July 2017 net of accumulated amortisation and impairment	135,139
Additions	160,720
Amortisation	(85,161)
At 30 June 2018 net of accumulated amortisation and impairment	**210,698**
At 30 June 2018 net of accumulated amortisation and impairment	
Cost (gross carrying amount)	473,434
Accumulated amortisation and impairment	(262,736)
Net carrying amount	**210,698**

Software

Purchased software is carried at cost less accumulated amortisation and impairment losses. These intangible assets have been assessed as having a finite life. Intangible assets are amortised using the straight line method over a period of 3 to 5 years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

18 Contributed equity and reserves

Terms, conditions and movements of contributed equity

Ordinary shares are classified as equity. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Issued and paid up capital is classified as contributed equity and recognised at the fair value of the consideration received by the entity. Incremental costs directly attributable to the issue of new shares or options are shown in contributed equity as a deduction, net of tax, from the proceeds.

	No. of shares	$
Contributed equity		
Ordinary shares – issued and fully paid	**1,081,329,448**	**104,728,595**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	No. of shares	$
Movement in ordinary shares on issue		
At 30 June 2018	1,081,311,948	104,726,285
Employee performance rights converted to shares	17,500	2,310
At 30 June 2019	**1,081,329,448**	**104,728,595**

	2019	2018
Foreign currency translation reserve	**$**	**$**
The foreign currency translation reserve is used to record the exchange differences arising from the translation of the financial statements of foreign subsidiaries.	(36,974)	18,425
	(36,974)	**18,425**

Employee benefits reserve

This reserve records the fair value of equity benefits provided to employees and directors as part of their remuneration.

19 Employee benefit reserve

This reserve records the fair value of equity benefits provided to employees and directors as part of their remuneration.

Employee Share Option Plan

Long Term Incentive (LTI) are provided to employees in the form of performance rights and options. A Performance Right is a grant of actual shares of stock, the payment of which is contingent on performance as measured against predetermined objectives over a period of time. An Option is the right, but not the obligation, to buy a share at a discount or at a stated fixed price, within a certain period of time.

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. The following table illustrates the number (No.) of share options and performance rights outstanding as at 30 June 2019:

	2019	2019	2018	2018
	No.	Weighted average fair value	No.	Weighted average fair value
Outstanding at the beginning of the year	6,279,731	$0.057	800,000	$0.1451
Granted during the year (iii)	2,000,000	$0.0177	5,847,231	$0.0495
Exercised during the year	(17,500)	$0.0670	(355,000)	$0.1320
Forfeited during the year (ii)	(17,500)	–	(12,500)	–
Outstanding at the end of the year (i)	**8,244,731**	**$0.04764**	**6,279,731**	**$0.0571**

(i) The outstanding balance as at 30 June 2019 is represented by:

(a) 4,000,000 options for the CEO.

(b) 1,000,000 executive options.

(c) 1,500,000 staff options.

(d) 1,347,231 performance rights for staff.

(e) 397,500 performance rights for staff and executives vested but not yet exercised. These are the remainder of the performance rights from the grant in the 2015 year for which the final tenure condition was met in September 2017.

The weighted average exercise price for the 6,500,000 share options included above is $0.11. The weighted average exercise price of the performance rights granted and outstanding is nil.

(ii) The performance rights were forfeited during the year as the condition was not met. The requirement was tenure for 24 months. The expense for these rights was not recognised in the financial year. There was no performance hurdle for these rights.

(iii) The CEO, Mr Wilson, was granted 2,000,000 options at the AGM in November 2018. The Options will vest subject to a service condition of 24 months continuous service and the exercise price upon vesting is $0.12. Each option granted entitles Mr Wilson to one fully paid ordinary share in the company, subject to satisfaction of the vesting condition and payment of the exercise price.

Accounting treatment for performance rights granted to CEO during the 2019 year

The fair value of each option was reached using a binomial option pricing methodology. The inputs to this calculation were:

	Tenure
(a) Stock price at grant date 28 November 2018	$0.0980
(b) Exercise price	$0.1200
(c) Risk free rate	2.09%
(d) Term – Vesting (Years)	2.00
(e) Assumed Option Life (Years)	3.00
(f) Volatility	35.00%
Option valuation	**$0.0177**

20 Financial risk management objectives and policies

The Group's principal financial instruments comprise of cash and short–term deposits and investment securities. The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Group does not enter into derivative transactions at this point in time. Trading in derivatives has previously been undertaken, specifically in forward currency contracts. These derivatives provided economic hedges, did not qualify for hedge accounting and were based on limits set by the board. The Group has no borrowings. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The board reviews and agrees policies for managing risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

The Group does not have significant overseas operations with a functional $US currency and therefore did not seek to hedge its exposure as it did not believe that the statement of financial position would be affected significantly by movements in the $US/$A exchange rates. As the Group has invested in an associate (Votiro), the functional currency of which is $US, the Group may consider hedging it's exposure.

The investment in Senetas Europe has exposed the Group to an overseas operation with a functional currency of GBP. This investment and exposure is not considered significant and the Group considers that the statement of financial position will not be affected significantly by changes in the $A/£GBP exchange rates.

However, the Group may have significant transactional currency exposures. Such exposure arises from sales or purchases in currencies other than the unit's functional currency, particularly in $US. These transactional currency exposures are managed through improved liquidity management. Management monitors timing of cash flows from sales to reduce the exposure.

As at 30 June 2019, the Group had the following exposure to $US foreign currency.

	Consolidated	
	2019	2018
	$	$
Financial Assets		
Cash & cash equivalents	3,580,864	3,162,730
Trade & other receivables	3,345,699	4,046,507
	6,926,563	**7,209,237**
Financial Liabilities		
Trade & other payables	447,928	116,463
Net exposure	**6,478,635**	**7,092,774**

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the reporting date.

As at 30 June 2019, had the $A moved, as illustrated in the table below, with all other variables held constant, pre–tax profit/loss would have been affected as per below. There would be no effect on equity.

	Increase/ decrease in $US rate	Effect on profit / loss before tax $
2019		
Consolidated	+10%	(824,591)
	–10%	431,863
2018		
Consolidated	+10%	(645,284)
	–10%	787,491

20 Financial risk management objectives and policies (continued)

As at 30 June 2019, the Group had the following exposure to £GBP foreign currency.

	Consolidated	
	2019	2018
	$	$
Financial Assets		
Cash & cash equivalents	284,874	41,248
Trade and other receivables	67,669	132,377
Available–for–sale investments	–	1,892,941
	352,543	**2,066,566**
Financial Liabilities		
Trade & other payables	138,897	32,904
Net exposure	**213,646**	**2,033,662**

As at 30 June 2019, had the $A moved, as illustrated in the table below, with all other variables held constant, pre–tax profit/loss would have been affected as per below. There would be no effect on equity.

	Increase/ decrease in £GB rate	Effect on profit / loss before tax $
2019		
Consolidated	+10%	73,353
	–10%	137,131
2018		
Consolidated	+10%	(184,878)
	–10%	225,962

Management believe the reporting date risk exposures are representative of the risk exposure inherent in the financial instruments.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and foreign exchange transactions.

Trade receivables and contract assets

The Group trades only with recognised, creditworthy third parties and as such, collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The Group has one global distributor, Thales. Thales has exclusivity in all areas except Australia and New Zealand. Thales is a French multinational company listed on the Euronext Paris. It reported revenues of 15.86 billion EUR for 2018. As such, the Group considers any economic or credit risk arising from its relationship with Thales to be negligible.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Chief Accountant.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, trade receivables and other receivables, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Concentration of risk is attributable to the counter party with whom the Group deals: a public listed company on the Euronext. The counter party's financial status is assessed to be strong and all payments due were received on time. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due. The calculation reflects the probability–weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group's evaluation of this requirement has resulted in an allowance for expected credit losses of nil.

The Group does not hold any credit derivatives to offset its credit exposure.

Financial instruments and cash deposits.

All cash assets are held in Australian banks except for GBP £157,532 in the HSBC in the UK. The company has a $US account with an Australian bank which held US$2,514,956 at 30 June 2019.

Significant amounts of cash are held in Australian banks whose credit is highly rated.

The Group's credit risk exposure with respect to its investment in unlisted entities has a maximum exposure equal to the carrying amount.

20 Financial risk management objectives and policies (continued)

Liquidity risk

The Group's policy is to minimise the use of any interest–bearing borrowings, with the objective of maintaining continuity of funding and flexibility primarily through the use of cash and short–term deposits.

As such, the Group's exposure to liquidity risk is minimal.

The Group monitors its capital using a ratio of liquid assets over total liabilities. The Group's policy is to maintain the ratio greater than 1:1. A calculation of the liquid asset ratio is set out on the following tables for the financial years ended 30 June 2019 and 30 June 2018.

	2019	2018
	$	$
Liquid assets		
Cash & cash equivalents	17,860,132	23,258,056
Trade and other receivables	5,055,592	6,529,034
Total liquid assets	**22,915,724**	**29,787,090**
Liabilities		
Current liabilities	10,280,430	9,930,682
Non–current liabilities	3,344,967	2,486,027
Total liabilities	**13,625,397**	**12,416,709**
Excess of liquid assets over total liabilities	**9,290,327**	**17,370,381**
Ratio of liquid assets to total liabilities	1.68:1	2.4:1

Maturity analysis of financial assets and liabilities

The table below reflects all contractually fixed pay–offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2019. The undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2019. The Group has no derivative financial instruments at 30 June 2019.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as plant and equipment and investments in working capital – e.g. inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established risk reporting that reflects expectations of management of expected settlement of financial assets and liabilities.

Management aims to maintain sufficient net liquid assets; assets in the form of cash and cash equivalents, trade and other receivables due in less than six months, to ensure that the value of these assets exceeds financial liabilities on demand. The table below demonstrates that this objective has been achieved.

30 June 2019	On Demand	< 6 months	6 to 12 months	1 to 5 years	No fixed term	Total
Consolidated						
Financial assets						
Cash & cash equivalents	9,605,148	8,254,984	–	–	97,670	17,957,802
Trade & other receivables	–	5,055,592	–	–	–	5,055,592
	9,605,148	13,310,576	–	–	97,670	23,013,394
Financial liabilities						
Trade & other payables	2,509,324	–	–	–	–	2,509,324
Contingent consideration	–	–	22,894	83,426	–	106,320
Net maturity	7,095,824	13,310,576	(22,894)	(83,426)	97,670	20,397,750

20 Financial risk management objectives and policies (continued)

30 June 2018	On Demand	< 6 months	6 to 12 months	1 to 5 years	No fixed term	Total
Consolidated						
Financial assets						
Cash & cash equivalents	6,349,453	16,908,603	–	–	91,667	23,349,723
Trade & other receivables	–	6,529,034	–	–	–	6,529,034
Available–for–sale investments	–	–			1,892,941	1,892,941
	6,349,453	23,437,637	–	–	1,984,608	31,771,698
Financial liabilities						
Trade & other payables	1,931,895	–	–	–	–	1,931,895
Net maturity	4,417,558	23,437,637	–	–	1,984,608	29,839,803

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios to support its business and maximise shareholder value. Capital includes issued capital and equity reserves attributable to the equity holders of the parent.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the distribution payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ending 30 June 2019 and 30 June 2018.

Management currently has no plans to issue new shares or to buy back shares.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates to the Group's cash and cash equivalents.

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

	<1year	Total
Year ended 30 June 2019	$	$
Cash	**17,957,802**	**17,957,802**

	<1year	Total
Year ended 30 June 2018	$	$
Cash	**23,349,723**	**23,349,723**

Interest rate risk table

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June 2019, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre–tax profit would have been affected as follows. There is no impact on equity.

	Pre-tax profit higher / (lower)	
	2019	2018
	$	$
Consolidated		
+1% (100 basis points)	(127,421)	201,457
–0.5% (50 basis points)	(63,710)	(100,729)

Equity price risk

The Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about the future of the investment securities. The Group manages the equity price risk by placing limits on individual and total equity instruments. The Groups' senior management and board regularly review the equity portfolio. The Group's board of directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to investment securities at fair value was nil (2018: $1,892,941). Details of these investments including fair value and impairment analysis have been provided in Note 13.

21 Inventories

	Consolidated	
	2019	2018
	$	$
Inventories (at lower of cost or net realisable value)	**2,424,535**	**1,308,182**

During 2019, $1,863 (2018: $19,540) was recognised as an expense for inventories carried at the lower of cost and net realisable value. This is recognised in Note 4(f) – other expenses.

22 Other assets

	Consolidated	
	2019	2018
	$	$
Interest receivable	32,375	60,753
Security deposit	13,020	6,000
Total	**45,395**	**66,753**

23 Trade and other payables

	Consolidated	
	2019	2018
	$	$
Trade payables (i)	1,784,181	933,959
Other payables (ii)	725,143	997,936
Total	**2,509,324**	**1,931,895**

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

(ii) Other payables are non-interest bearing and have an average term of six months and relate to general and employee related accruals.

The fair value of trade and other payables is deemed to approximate their carrying value.

For further information on risk disclosures refer Note 20.

24 Provisions

	Consolidated	
	2019	2018
	$	$
Current		
Annual leave	330,053	320,808
Long service leave	738,839	685,368
Total	**1,068,891**	**1,006,176**
Non-current		
Long service leave	53,493	31,715
Total	**1,122,384**	**1,037,891**

25 Investments in controlled entities

Set out below is an overview of financial assets, other than cash and short–term deposits, held by the Group as at 30 June 2019.

		Consolidated		Senetas Corporation Ltd	
		2019	2018	2019	2018
	Note	$	$	$	$
Investments in controlled entities	13	–	–	10,867,471	10,867,471

26 Related party disclosure

Senetas Corporation Limited is the ultimate parent of the Group and has the following related parties:

		% Equity interest	
		2019	2018
Senetas Security Pty Ltd		100%	100%
Senetas Europe Ltd		100%	100%
(i) Podzy Pty Ltd		100%	100%
(ii) CTAM Inc.	Non–operating	100%	100%
(iii) Technal Pty Ltd	Liquidated	0%	60%
Associate			
(iv) Votiro Cybersec Global Limited		39%	0%

(i) Podzy Pty Ltd was acquired in December 2017. Podzy Pty Ltd ("Podzy") is the developer of SureDrop, a secured file sharing platform. The acquisition of Podzy was completed in December 2017. Senetas has acquired Podzy for a cash consideration of $1 with a contingent consideration in the form of an earn–out arrangement. At the acquisition date, management has assessed the fair value of the net assets acquired of Podzy as nil, due to the following factors:

- SureDrop required considerable development work before it would be available for sale.
- There was no quantifiable pipeline of sales.

The earn–out arrangement requires a fixed percentage of the revenue generated from sales of SureDrop to be shared with the previous shareholders of Podzy. The earn–out period starts from the date of acquisition till 30 June 2022. As at 30 June 2019, no earn–out payments are due under the earn–out arrangement, as the required conditions for the payment have not been met. A contingent consideration has been raised in the expectation of the required conditions being met within the next reporting period.

Fair value of the contingent consideration:	2019	2018
	(106,320)	–

Podzy Pty Ltd is dormant.

26 Related party disclosure (continued)

(ii) Investment held by Senetas Security Pty Ltd and the entity is dormant.

(iii) The entity has been liquidated and there is no NCI share of results during the year (2018: Nil)

(iv) The parent did not have any transactions or balances with any of these related parties during the year (2018: $Nill) except as disclosed below. Nor were there any transactions or balances between subsidiaries. (2018: $Nill). The audit fee for Votiro of $85,430 was borne by the parent company.

Transactions with related parties

There were no transactions entered into with related parties except for intercompany loans which are non–interest bearing. Intercompany loans are eliminated in full on consolidation. Any intercompany sales are eliminated in full on consolidation. Intercompany expenses which are directly borne by the Parent Company are not eliminated upon consolidation.

Director fees

Mr Galbally's director fees are paid to Southbank Capital Pty Ltd.

Mr Gillespie's director fees are paid to SectorWest Pty Ltd.

Mr Given's director fees are paid to LPG Group LLC

Mr Hansen's director fees are paid to Carikster Advisors LLC

Mr Schofield's director fees are paid to Cadigal Advisors Pty Ltd

Other than the payment of directors fees, there have been no other transactions entered between the Group and the above entities (2018: Nil). There are no outstanding balances at 30 June 2019 (2018: Nil).

Key management personnel

Details of directors & executives	Position
Directors	
F. Galbally	Director / Chairman (Non–Executive)
L. Given	Director (Non–Executive)
K. Gillespie	Director (Non–Executive)
L. Hansen	Director (Non–Executive)
P. Schofield	Director (Non–Executive)
Executive Director	
A. Wilson	Chief Executive Officer
Executives	
J. Weston	Chief Architect
J. Fay	Chief Technology Officer

Remuneration by category: executives & directors

	Consolidated	
	2019	2018
	$	$
Short–term employee benefits	1,672,807	1,714,967
Post employment employee benefits	61,593	60,072
Other long–term employee benefits	23,429	15,004
Non–monetary benefits	23,568	44,499
Share–based payment	67,679	25,126
Total	**1,849,076**	**1,859,668**

Other transactions and balances with executives and directors

There were no other transactions with executives and directors during the year (2018: Nil).

27 Commitments and contingencies

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on office premises where it is not in the best interest of the Group to purchase these assets.

These leases have an average life of between 1 and 5 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2019 are as follows:

	Consolidated	
	2018	2018
	$	$
Within one year	302,378	289,652
After one year but not more than five years	1,393,977	73,116
More than five years	–	–
	1,696,355	**362,768**

Since the last annual reporting date, there has been no material change in any commitments or other contingencies.

28 Events after the reporting date

The second tranche of the investment in Votiro (see Note 11) was due to take place on or before 30 June 2019. This payment was delayed due to a modification in the agreement and the second tranche payment of US$2,000,000 was split. US$1,000,000 (AU$1,478,675) was paid on 7 August 2019 and the remaining US$1,000,000 will be paid on 1 November 2019.

29 Auditor's remuneration

	Consolidated	
	2019	2018
	$	$
Amounts received or due and receivable by Ernst & Young Australia for:		
• an audit or review of the financial report of the entity and any other entity in the consolidated entity	206,250	128,750
• an audit or review of the financial report of an associate	85,430	
• tax compliance	42,400	31,850
Total	**334,080**	**160,600**

30 Parent entity information

Information relating to Senetas Corporation Limited for the year ended 30 June 2019

	2019 $	2018 $
Current assets	17,473,922	23,661,010
Total assets	33,964,325	35,134,855
Current liabilities	(1,752,093)	(3,310,949)
Total liabilities	(38,956,830)	(29,258,259)
Issued capital	104,728,595	104,726,285
Retained earnings	(108,643,412)	(99,546,784)
Employee benefits reserve	866,233	697,095
Total shareholders' equity	(3,048,583)	(5,876,596)
Loss of the parent entity after tax	(5,096,852)	(4,158,120)
Total comprehensive income of the parent entity	**(5,096,852)**	**(4,158,120)**

The parent entity has not entered into any guarantees in relation to the debts of its subsidiaries.

The parent entity has no contingent liabilities.

The parent entity has no contractual commitments for the acquisition of plant or equipment.

Directors' Declaration

In accordance with a resolution of the directors of Senetas Corporation Limited, I state that:

(1) In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2;

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2019.

On behalf of the Board

Francis W. Galbally
Chairman
Melbourne
Date: Wednesday 11 September 2019

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Independent Auditor's Report to the Members of Senetas Corporation Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Senetas Corporation Limited (the 'Company') and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001* , including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Building a better
working world

1. Revenue recognition

Why significant	How our audit addressed the key audit matter

Revenues derived by the Group are primarily dependent on a single customer, Thales, which comprises a combination of sales of products and maintenance services amounting to a total of $19.1 million for the year ended 30 June 2019.
 	
Revenue from the sale of products is recognised when the control of the products is transferred to Thales at an amount that reflects the consideration the Group expects to be entitled to in exchange for those products, which includes an estimate of variable consideration.
 	
The distribution agreement with Thales entitles the Group to variable consideration when the products are sold to Thales's end users. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal will not occur. The determination of the amount of variable consideration involves estimation and a consideration of historical experience, business forecasts and the current economic conditions.
 	
Revenue for maintenance services is recognised on a straight-line over the maintenance period whilst the underlying billing is generally raised in advance.
 	
Revenue recognition for product sales and maintenance services is considered a Key Audit Matter, due to the judgements in respect of the timing and amount of revenue recognised.
 	
Further disclosures relating to revenue recognition can be found in notes 2(a), 3.2(a), 3.3, 4(a), 8 and 9 of the financial report.
	Our audit procedures included the following:
	
	• We evaluated, by testing a sample, the design and operating effectiveness of key controls over the processing of revenue transactions.
	
	• We inspected the terms of the sales contract with Thales and a sample of other customers to determine whether revenue was recognised appropriately.
	
	• For a sample of product sales where revenue was recognised during the year:
	
	    • We inspected documentation to assess whether revenue was recognised at the agreed price and when the delivery of goods to the customers had occurred.
	
	    • For the Thales distribution agreement, we tested, on a sample basis, the integrity of data utilised by management to form key estimates and judgements, in the determination of the amount of variable consideration which has been recognised by the Group.
	
	• We selected a sample of revenue transactions close to the year-end and after year end, including credit notes issued after year-end, to establish whether the transactions were recorded in the correct period.
	
	• For a sample of maintenance services revenue, we assessed whether the revenue was recognised over the relevant service period by reference to the underlying maintenance contracts.
	
	• We also assessed the appropriateness of the disclosures in the Notes to the consolidated financial statements.

Building a better working world

2. Audit procedures for Investment in an Associate

Why significant	How our audit addressed the key audit matter
At 30 June 2019, the Group held a 39% ownership interest in Votiro Cybersec Global Limited ('Votiro'). An equity accounted investment of $5.0 million was recorded on the Group's consolidated statement of financial position and an equity accounted loss of $1.7 million contributed to the overall result of the Group. As explained in Note 11 to the financial report, this investment was equity accounted for under AASB 128 *Investments in Associates and joint ventures*. In addition to the amount of $5.7 million (US$4 million) which was invested during the current year, the Group has also agreed to invest in two further tranches of convertible notes, amounting to US$2 million for each tranche. The agreement to purchase the two further tranches of convertible notes is classified as a derivative financial instrument, which is measured at fair value. The Group has concluded that no objective evidence of impairment currently exists for the investment in Votiro. Accounting for equity accounted investment was a Key Audit Matter due to the significant contribution of the associate investment to the consolidated results of the Group and the impact this has on the Group's results. Further disclosures relating to the investment in an associate can be found in notes 2(b) and 11 of the financial report.	Our audit procedures included the following: • We assessed management's determination of significant influence over Votiro based on the key terms of the investment which we agreed to the underlying agreement. • We agreed the consideration paid for the investment in Votiro to bank statements. • We recalculated the Group's share of the equity-accounted result for the period from date of acquisition to 30 June 2019. • We issued audit instructions to the component auditor of Votiro. We assessed the competence, knowledge and experience of the component auditors and performed a review of significant audit areas to assess the adequacy of the procedures performed by the component audit team. • We evaluated the Group's assessment of the objective evidence of impairment. • With the involvement of our valuation specialists, checked the Group's assessment of the methodology and the appropriateness of the inputs used to determine the fair value of the derivative financial instrument. • We also assessed the appropriateness of the disclosures in the Notes to the consolidated financial statements.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

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Information Other than the Financial Report and Auditor's Report Thereon (continued)

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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Auditor's Responsibilities for the Audit of the Financial Report (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Senetas Corporation Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

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Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001* . Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst + Young

Ernst & Young

Alison Parker

Alison Parker
Partner

Melbourne
11 September 2019

ASX Additional Information

Share Register Statistics as at 31 July 2019

Substantial shareholders as at the above date:

Name of substantial shareholder	Number of shares held
HSBC Custody Nominees (Australia) Limited – A/C 2 – shares held on behalf of Madison Park LLC	211,963,200
Mr Francis Galbally	140,000,000
JP Morgan Nominees Australia Limited	36,039,306

Twenty largest shareholders as at the above date are as follows:

Rank	Name	Number of ordinary shares held	% of issued capital
1	HSBC Custody Nominees (Australia) Limited – A/C 2	212,533,160	19.65
2	Mr Francis William Galbally	140,000,000	12.95
3	HSBC Custody Nominees (Australia) Limited	42,517,763	3.93
4	Speliza Investments Pty Ltd <Greysmed P/L Super Fund A/C>	40,415,078	3.74
5	J P Morgan Nominees Australia Pty Ltd	25,196,419	2.33
6	Ms Donna Young + Mr Peter Fleming <DYPF S/F A/C>	13,504,000	1.25
7	Success Breakthrough Pty Ltd <Jacks Super Fund A/C>	12,150,000	1.12
8	Eucalip Biochemical Group Pty Ltd	11,415,140	1.06
9	Mr Chung Percy Lee	7,028,123	0.65
10	Challenger II Pty Ltd	7,000,000	0.65
11	Drill Investments Pty Ltd	7,000,000	0.65
12	Tresdam Pty Ltd	6,651,864	0.62
13	Permax Pty Ltd	6,200,000	0.57
14	Neweconomy com au Nominees Pty Limited <900 Account>	4,779,539	0.44
15	Addo Super Pty Ltd <Addos Superannuation Fund AC>	4,627,636	0.43
16	Mrs Maria Grazia Tascone	4,344,355	0.40
17	Munn Superco Pty Ltd <The Munn Super Fund A/C>	4,274,000	0.40
18	Samyo Enterprises Pty Ltd <Yao's Family A/C>	4,218,961	0.39
19	Success Breakthrough Pty Ltd <Jack Super Fund A/C>	4,128,684	0.38
20	EMBL Pty Ltd <EJM Superannuation Fund A/C>	4,000,000	0.37
Total top holders balance		**561,984,722**	**51.97**

Share Register Statistics as at 31 July 2019 (continued)

Distribution of equity securities	Fully paid ordinary shares shareholders
Total holders	5,974
Aggregate holding of the top 20	51.97%
Holders of less than a marketable parcel	1,318

Range of holdings

Range of fully paid ordinary shares	Shareholders	%
1 – 1,000	351	0.01
1,001 – 5,000	875	0.28
5,001 – 10,000	1,079	0.83
10,001 – 100,000	2,755	9.71
100,001 – and over	914	89.17
Total holders	**5,974**	**100**

Required statements

(a) There is no current on-market buy-back of the Company's securities.

(b) The Company securities are not quoted on any exchange other than the ASX.

(c) The name of the Company Secretary is Brendan Case.

(d) The address and telephone number of our principal registered office in Australia is:
312 Kings Way, South Melbourne, Victoria, 3205
Telephone: +61 3 9868 4555

(e) The address and telephone number of the Company's share registry is:
Computershare Australia
Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067
Telephone: +61 3 9415 4000

Registered Office

Senetas Corporation Limited

312 Kings Way,
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Telephone +61 3 9868 4555
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ABN 33 006 067 607

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