

## Appendix 4D

### Senetas Corporation Limited

### Results for announcement to the market

### ACN 006 067 607

#### 1 Details of the reporting period and the previous corresponding period

	Reporting Period		Previous Corresponding Period	
	Half-year ended 31 December 2022		Half-year ended 31 December 2021	
2 Results for announcement to the market	31-Dec-22	31-Dec-21	Change	
	\$	\$	\$	%
2.1 Revenues from ordinary activities	14,908,295	12,836,917	2,071,378	16.14%
2.2 Net (loss)/profit before tax attributable to members	(2,854,873)	(2,742,377)	(112,496)	4.10%
2.3 Net (loss)/profit after tax attributable to members	(3,093,044)	(2,753,358)	(339,686)	12.34%
2.4 Other comprehensive income for the year attributable to members (foreign currency translation reserve)	179,217	292,926	(113,709)	38.82%
2.5 <b>Net comprehensive loss after tax attributable to members</b>	<b>(2,913,827)</b>	<b>(2,460,432)</b>	<b>(453,395)</b>	<b>18.43%</b>

#### Brief Explanation of Figures 2.1 to 2.5

Commentary on the results for the period and additional ASX Appendix 4D (Listing Rule 4.2A.3) disclosures can be found in the Consolidated Interim Financial Report of Senetas Corporation Limited for the period ended 31 December 2022 attached. This document should be read in conjunction with the Annual Report of Senetas Corporation Limited for the year ended 30 June 2022 and any public announcements made in the period by Senetas Corporation Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

**3 Movement in retained earnings** Please refer to attached Interim Financial Report

#### 4 Dividends and distribution payments

Interim dividend No interim dividend is proposed

Record date for determining entitlements to the final dividend N/A

#### 5 Net tangible asset Backing

	31-Dec-22 (Cents Per Share)	31-Dec-21 (Cents Per Share)
Net tangible asset backing per ordinary security	(0.56)	(0.17)

## Appendix 4D (continued)

6 Details of Entities Over Which Control Has Been Gained or Lost During The Period	None
7 Details of Associates / Joint Venture Holdings	None
8 Other Information on Financial Statements	Please refer to attached Interim Financial Report
9 Foreign Entities – accounting standards used to prepare report	Senetas Europe Ltd - IFRS
10 Other Information	None
11 Independent Review Report	This report is based on accounts which have been reviewed. An unqualified review conclusion has been issued.



Francis W. Galbally  
Chairman  
Date 28 February 2023



# Consolidated Interim Financial Report for the half-year ended 31 December 2022

# CONTENTS

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Corporate Information .....	1
Directors' Report.....	2
Auditor's Independence Declaration.....	8
Interim Consolidated Statement of Comprehensive Income .....	9
Interim Consolidated Statement of Financial Position.....	10
Interim Consolidated Statement of Cash Flows.....	11
Interim Consolidated Statement of Changes in Equity.....	12
Notes to the Interim Consolidated Financial Statements .....	13
Directors' Declaration .....	28
Independent Review Report.....	29

# CORPORATE INFORMATION

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## **Non-Executive Directors**

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

## **Registered Office**

**Senetas Corporation Limited**

312 Kings Way

South Melbourne VIC 3205

Phone: +61 3 9868 4555

Web: [www.senetas.com](http://www.senetas.com)

Email: [corporate@senetas.com](mailto:corporate@senetas.com)

## **Share Register**

**Computershare Registry Services Pty Ltd**

Yarra Falls, 452 Johnston Street,

Abbotsford VIC 3061

Phone: + 61 3 9415 5000

Toll Free 1300 13 83 25

## **Investor Relations**

For all investor enquiries

Phone: 1300 787 795

Email: [investor@senetas.com](mailto:investor@senetas.com)

## **Auditors**

**Grant Thornton Audit Pty Ltd**

Collins Square, Tower 5

727 Collins Street

Melbourne VIC 3008

# DIRECTORS' REPORT

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## Senetas Corporation Limited

Senetas Corporation Limited (ASX: SEN) (Senetas / the Company) is 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 half-year ended 31 December 2022 (HY23).

## Names of Directors

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)

## DISTRIBUTIONS PAID AND PROPOSED

	Cents	\$
Distributions paid during the year:	Nil	Nil

## CORPORATE INFORMATION

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

## 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.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no significant changes in the state of affairs.

## OPERATING & FINANCIAL REVIEW

### HY2023 Financial Highlights:

- Group operating revenue of \$14.9 million – up 16%
  - Senetas segment revenue up 9% to \$11.0 million
  - Votiro revenue up 43% to \$3.9 million
- Votiro's sales bookings for the calendar year to 31 December 2022 were US\$9.4 million, up 125% over the prior calendar year
- Votiro annual recurring revenue at December 2022 was US\$4.8 million – up 30% from December 2021
- Votiro sales pipeline in excess of US\$30 million in February 2023, up from US\$13 million in July 2022
- Senetas segment profit before tax was up 145% to \$2.3 million (HY2022: \$1.0 million)
- Group net loss before tax was \$6.1 million (includes the Votiro net loss before tax of \$8.4 million)
- Group net loss after tax attributable to members was \$3.1 million (net cash loss after adjusting for non-cash items was \$1.5 million)
- Balance sheet remains strong with \$8.9 million of cash at 31 December 2022 (\$14.8 million at 28 February 2023) and no debt

# DIRECTORS' REPORT

## HY2023 Group Financials

Six months ended 31 December 2022 (\$000's)	HY2023	HY2022
Revenue from ordinary activities	14,908	12,837
Gross profit	12,122	10,350
Other income	269	3
Profit (loss) before tax	(6,110)	(4,861)
Tax expense	(136)	75
Net profit (loss) after tax	(6,247)	(4,786)
Net profit (loss) after tax attributable to members	(3,093)	(2,753)

- Group operating revenue of \$14.9 million was up 16% over the prior period (HY2022: \$12.8 million)
- Higher group revenue was driven by contributions from both the Senetas and Votiro business segments, with Senetas revenue up 9% and Votiro revenue up 43%.
- Gross margin for the Group was 81% - in line with the prior period
- The operating profit before tax for the Senetas operating segment in HY2023 was \$2.3 million (HY2022: \$1.0 million)
- The Group net loss after tax of \$6.2 million for HY2023 includes a \$8.2 million operating loss after tax for Votiro
  - \$3.2 million of the Votiro loss is attributable to minority interests
  - Votiro loss before tax includes large non-cash items such as share based payments expense and amortisation totalling \$1.8 million
- The Group net loss after tax attributable to members was \$3.1 million
- The Group net loss attributable to members after adjusting for non-cash items was \$1.5 million
- The Senetas group retains a strong balance sheet with no debt and \$8.9 million of cash on hand at 31 December 2022, and \$14.8 million of cash on hand at the end of February 2023
- Votiro capital raise in February 2023 has to date raised US\$5.0 million of new capital from existing shareholders and new investors

Commenting on the six months to 31 December 2022, Senetas CEO, Andrew Wilson, said: "Whilst both of our businesses have seen some challenges in HY2023, both have seen good growth in revenue and their sales pipelines. This is particularly the case for Votiro which has seen its total sales pipeline more than double since July 2022.

"The Senetas business continues to be impacted by the global shortage of electrical components which is delaying the completion of many customer orders, however, despite this headwind, the Senetas segment saw 9% revenue growth off the back of inventory shipments to our global distribution partner Thales, and some early signs of increased sales to end user customers.

"The higher portion of revenue coming from inventory transfers to Thales continues to see Senetas's gross margins slightly below historic levels, however, we expect that over the next 12-18 months, as the global component shortages abate, that gross margins will grow.

"Both Senetas and Thales continue to maintain inventory levels significantly higher than normal in order to manage the long lead times that exist for electrical components. Again, we expect that inventory levels will revert to historic levels in the medium term.

"Increased sales in Europe and the Middle East represented the major driver of sales growth for Senetas in HY2023.

# DIRECTORS' REPORT

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"Votiro's outlook remains very positive with the major highlight for the business in HY2023 being the strong growth in its total sales pipeline which was in excess of US\$26 million by December 2022 and has grown to over US\$30 million today, with a number of potential transactions at an advanced stage of negotiation.

"The growth in Votiro's total sales pipeline reflects all the extensive work from CEO, Ravi Srinivasan, and his team in developing Votiro's best in class zero trust CDR technology, and the increasing awareness of those products via their marketing initiatives and industry awards.

"Whilst Votiro's pipeline growth has been outstanding, annual recurring revenue (ARR) at the end of December 2022 was below internal expectations as a result of delays in closing transactions with new clients.

"Although the delays in finalising some contracts have been a little frustrating, this is not an unusual occurrence in the industry and all of the transactions that were expected to contribute to ARR growth in the second half of the 2022 calendar year remain in the pipeline and we expect them to close in the first half of calendar 2023.

"Votiro's recent capital raise was undertaken with the objective of allowing it to add the additional sales and engineering resources that are required to maximise the capture and conversion of the very exciting pipeline growth into sales."

## Group overview

Group revenue was 16% higher in HY2023 with good growth in the Senetas and Votiro business segments. Senetas revenue grew 9% to \$11.0 million, and Votiro revenue grew 43% to \$3.9 million.

Both Senetas and Votiro gross margins were in line with the prior period at 77% and 93% respectively.

The consolidated group net loss before tax was \$6.1 million which included the Votiro net loss before tax of \$8.4 million. Votiro's net loss before tax included non-cash items of \$1.8 million relating to amortisation and share based payments.

The consolidated group net loss after tax attributable to members was \$3.1 million, and the net cash loss after tax after adjusting for non-cash items was \$1.5 million.

Balance sheet remained strong with \$8.9 million of cash at 31 December 2022 and no debt. Consolidated group cash on hand at the end of February 2023 was \$14.8 million.

## Senetas operational review

The component shortages across the industry globally continue to have an impact on the timing of Senetas product shipments, however, HY2023 represented a return to revenue growth for the Senetas business segment with HY2023 revenue up 9% to \$11.0 million.

Revenue growth was driven by increased inventory shipments to Senetas's global distribution partner, Thales, and some early signs of modest growth in end user shipments during the period as the global component shortages begin to abate.

With a higher proportion of revenue derived from inventory shipments Senetas gross margins remain a little below historic levels at 77%, however, Senetas continues to expect that gross margins will revert to historic levels in the medium term as the electronic component shortages are alleviated over the next 12-18 months.

Senetas segment profit before tax was up 145% to \$2.3 million, with the strong rebound from HY2022 profit before tax driven primarily by the increased sales revenue and tight overhead control.

The higher portion of revenue being derived from inventory transfers has also had the effect of temporarily reducing maintenance revenue to less than 40% of total Senetas segment revenue. In the medium term maintenance revenue is expected to return to historic levels of 40-50% of total Senetas segment revenue.

Net profit after tax for the Senetas segment of \$1.9 million, up from \$0.8 million in HY2022.



# DIRECTORS' REPORT

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We continue to expect that industry component and other network equipment shortages will impact end user shipments for the next 12-18 months whilst the shortages persist, however, Senetas's sales pipeline remains strong and the very early signs that end user sales are beginning grow again is very encouraging.

The number of hardware units shipped by Senetas in HY2023 was up 40% over the prior period, however, there was a significant shift towards smaller capacity encryptors therefore modifying the overall impact on sales revenue.

The major R&D focus during the period has been on an upgraded version of Senetas's 10Gbps hardware encryptor, and software updates.

## **Votiro operational review**

Votiro's revenue growth of 43% was driven by new client wins and the full period impact of clients won part way through the prior period. The Asia Pacific region is the largest revenue contributor and was the key driver of HY2023 revenue growth. Votiro's subscription (SaaS) product is responsible for the vast majority of recent revenue growth. The customer renewal rate for the 2022 calendar year remains in excess of 95%.

Votiro's HY2023 loss before tax was \$8.4 million which included \$1.8 million of non-cash items relating to depreciation and amortisation, and share based payments. Of Votiro's after tax loss of \$8.2 million, \$3.2 million is attributable to minority interests.

Votiro's sales bookings for the calendar year to 31 December 2022 were US\$9.4 million, up 125% over the prior calendar year, and the total sales pipeline more than doubled in HY2023 and currently sits at over US\$30 million.

Votiro's ARR was US\$4.8 million at 31 December 2022, up 30% compared to ARR at 31 December 2021. Longer than expected lead times on Votiro's larger sales opportunities have caused delays in finalising some contracts with new customers, although all of the transactions that were expected to contribute to ARR growth in the second half of the 2022 calendar year remain in the pipeline and are expected to close in the first half of calendar 2023. The longer leads times are generally the result of extended proof of concept trials and new features and/or customisations required by customers.

A number of new channel and technology partnerships were established during the period including an integration with Box Content Cloud and a partnership with Owl Cyber Defense that will broaden the use cases for Votiro's CDR technology and expand its distribution footprint.

POC conversion rate remains strong at over 90% in the US and over 75% globally, consistently winning in head-to-head technology trials against competitors

## **Votiro capital raise and loan conversion**

In December 2022, Senetas announced that it was reviewing the capital raising needs of and investment opportunities for Votiro, and that it had been involved in discussions with other Votiro shareholders and investors regarding a capital raising.

As part of the capital raising Senetas announced on 23 January 2023 that agreement had been reached with Harvest Lane Asset Management Pty Ltd to participate in the Votiro capital raising as a cornerstone investor. Additional subscriptions were also received from other existing and new investors and the total of the funds received by Votiro by the end of February 2023 was US\$5.0 million. The capital raising process remains open at this stage as Senetas and Votiro continue discussions with additional investors about further capital contributions. The capital raising is anticipated to be finalised before the end of March and Senetas will keep the market informed on the progress of further developments as and when required in accordance with Listing Rule 3.1.

In addition to the Votiro capital raising, Senetas's loan to Votiro of US\$6.4 million was also converted into equity in February 2023 on the same terms and conditions as the capital raising. After adjusting for the new shares issued to date by Votiro under the capital raising and the conversion of Senetas's loan to Votiro into equity, Senetas's shareholding in Votiro stands at approximately 59% at the end of February 2023.

# DIRECTORS' REPORT

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## Balance sheet and cash flow

Consolidated net assets at 31 December 2022 were \$6.4 million with no debt and cash on hand of \$8.9 million. The lower net assets at 31 December 2022 reflect the consolidation of the current period loss from Votiro.

Lower cash on hand at 31 December 2022 reflects the impact of the Votiro losses partly offset by some new multi-year Votiro contracts that were paid in full upfront.

Both receipts from customers and payments to suppliers were ahead of the prior period reflecting the inventory build-up and increased inventory transfers to Thales during the period. Group net cash outflows from operating activities was \$1.5 million, comprising \$1.9 million of operating cash outflows for the Senetas business segment and \$0.4 million of operating cash inflows for the Votiro business segment.

Following strong cash receipts from Senetas customers during the January-February 2023 period, and US\$5.0 million of capital raised by Votiro prior to the end of February 2023, consolidated group cash on hand at 28 February 2023 was \$14.8 million.

## Outlook

Commenting on the Company's outlook, Mr Wilson said: "Votiro's outlook remains very exciting with a strong sales pipeline that has more than doubled through HY2023 and has continued to grow in early calendar 2023, with the total pipeline currently standing at over US\$30 million.

"Proceeds from the recent capital injection into Votiro are being deployed to further build sales and marketing resources in order to maximise capture of the fast growing sales pipeline.

"A key focus for the remainder of FY2023 is to build Votiro's 'run rate' business – adding smaller regular client wins that have future opportunities to be upscaled, in addition to the larger scale customer opportunities that remain.

"Whilst Votiro's ARR at 31 December 2022 was below the expectations that we had earlier in calendar 2022, the fact that the transactions that were expected to contribute to ARR growth in HY2023 remain in the sales pipeline, and are expected to close in FY2023, gives us confidence in the outlook for the 2023 calendar year.

"The global supply chain issues that have existed over the last 18-24 months continue to have an impact on Senetas's business early in calendar 2023. Senetas's sales pipeline remains as strong as we have seen it many years, but the global supply chain issues are expected to continue impacting the timing of sales completion for a while to come. The shortages are expected to ease over the next 12-18 months as additional supply comes on line, and we are already seeing some significant reductions in lead times for component orders. Senetas has continued to build inventory levels to manage demand as sales completion returns towards historic rates.

"We saw some modest but nonetheless very encouraging early signs of growth in Thales's end user sales completions during HY2023, but at this stage third party sales still remain below the levels pre the global supply chain issues emerging.

"As the global supply shortages begin to unwind over the next 12-18 months we expect end user sales will grow, Inventory transfers to Thales will reduce, and gross margins will increase as Thales inventory is reduced throughout that period."

# DIRECTORS' REPORT

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## SIGNIFICANT EVENTS AFTER THE REPORTING DATE

In February 2023, Votiro Cybersec Global Pty Ltd raised US\$4.9 million (A\$7.2 million) by way of a rights issue and Senetas Corporation Limited converted their loan (principal plus interest) with Votiro Cybersec Global Pty Ltd of US\$6.4 million (A\$9.1 million) to equity. The net impact of these transactions resulted in Senetas' interest in Votiro Cybersec Global Pty Ltd on a fully diluted basis to reduce by 2.1% to 59.3%.

## 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).

## ENVIRONMENTAL REGULATION AND PERFORMANCE

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

Signed in accordance with a resolution of the directors.



Francis W. Galbally  
Chairman  
Date 28 February 2023

## Auditor's Independence Declaration

### To the Directors of Senetas Corporation Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Senetas Corporation Limited for the half-year ended 31 December 2022, I declare that, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



B A Mackenzie  
Partner – Audit & Assurance

Melbourne, 28 February 2023

# Interim Consolidated Statement of Comprehensive Income

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

		CONSOLIDATED	
	Notes	December 2022 \$	December 2021 \$
Revenue from contracts with customers	1	14,908,295	12,836,917
<b>Revenue</b>		<b>14,908,295</b>	<b>12,836,917</b>
Materials and support services expense		(2,786,268)	(2,486,491)
Other income	2	268,780	2,655
Employee benefits expense	3(a)	(10,860,690)	(8,591,486)
Depreciation and amortisation expense	3(b)	(1,619,920)	(1,561,669)
Administration expenses	3(c)	(4,150,582)	(3,479,708)
Professional fees	3(d)	(804,530)	(730,106)
Other expenses	3(e)	(917,688)	(819,193)
Finance costs	3(f)	(147,639)	(32,137)
<b>Loss before income tax</b>		<b>(6,110,242)</b>	<b>(4,861,218)</b>
Income tax (expense) / benefit	4	(136,397)	74,957
<b>Loss after income tax</b>		<b>(6,246,639)</b>	<b>(4,786,261)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be subsequently classified to profit or loss:</i>			
Exchange differences on translating foreign operations		292,803	363,403
<b>Other comprehensive income/(loss) for the period</b>		<b>292,803</b>	<b>363,403</b>
<b>Total comprehensive (loss)/ income for the period, net of tax</b>		<b>(5,953,836)</b>	<b>(4,422,858)</b>
<b>Loss for the period is attributable to:</b>			
Owners of the parent		(3,093,044)	(2,753,358)
Non-controlling interest		(3,153,595)	(2,032,903)
		<b>(6,246,639)</b>	<b>(4,786,261)</b>
<b>Total comprehensive loss for the period is attributable to:</b>			
Owners of the parent		(2,913,827)	(2,460,432)
Non-controlling interest		(3,040,009)	(1,962,426)
		<b>(5,953,836)</b>	<b>(4,422,858)</b>
<b>Earnings per share</b>			
Basic, profit for the period attributable to ordinary equity holders of the Parent.		(0.25)	(0.25)
Diluted, profit for the period attributable to ordinary equity holders of the Parent.		(0.25)	(0.25)

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

# Interim Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2022

		CONSOLIDATED	
		December 2022	June 2022
	Notes	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		8,929,882	10,691,806
Trade receivables and contract assets	6	6,940,883	9,056,676
Inventories		5,117,292	5,347,347
Other assets		1,129,568	1,249,199
Current income tax receivable		496,335	631,186
<b>Total current assets</b>		<b>22,613,961</b>	<b>26,976,213</b>
<b>Non-current assets</b>			
Long-term cash deposit		91,667	91,667
Non-current prepayments		29,828	33,092
Deferred tax asset		138,542	20,254
Plant and equipment		646,999	773,515
Goodwill and intangible assets	8	8,649,425	9,659,583
Right-of-use asset		468,248	608,723
<b>Total non-current assets</b>		<b>10,024,709</b>	<b>11,186,835</b>
<b>TOTAL ASSETS</b>		<b>32,638,670</b>	<b>38,163,048</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		4,982,830	5,258,449
Contingent consideration liability		-	6,687
Contract liabilities	7	9,343,189	9,699,575
Lease liabilities		318,944	304,397
Provisions		1,621,724	1,681,304
<b>Total current liabilities</b>		<b>16,266,687</b>	<b>16,950,412</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,025,415	1,299,555
Provisions		75,083	70,844
Contract liabilities	7	8,640,733	7,855,410
Lease liabilities		224,346	389,996
<b>Total non-current liabilities</b>		<b>9,965,577</b>	<b>9,615,805</b>
<b>TOTAL LIABILITIES</b>		<b>26,232,264</b>	<b>26,566,216</b>
<b>NET ASSETS</b>		<b>6,406,406</b>	<b>11,596,832</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	9	109,078,095	108,996,265
Accumulated losses		(99,445,652)	(96,352,608)
Reserves		4,776,477	4,198,495
<b>Equity attributable to owners of the parent</b>		<b>14,408,919</b>	<b>16,842,152</b>
Non-controlling interests		(8,002,513)	(5,245,320)
<b>TOTAL EQUITY</b>		<b>6,406,406</b>	<b>11,596,832</b>

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

# Interim Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Notes	CONSOLIDATED	
		December 2022	December 2021
		\$	\$
<b>Cash flows used in operating activities</b>			
Receipts from customers		17,689,047	13,066,633
Payments to suppliers and employees		(18,923,727)	(15,045,720)
Income tax paid		(312,143)	(406,002)
Interest received		36,967	10,811
<b>Net cash flows used in operating activities</b>		<b>(1,509,856)</b>	<b>(2,374,278)</b>
<b>Cash flows used in investing activities</b>			
Proceeds from disposal of plant and equipment		1,972	-
Purchase of plant and equipment		(105,952)	(169,886)
Purchase of other intangibles	8	(23,885)	(26,466)
<b>Net cash flows used in investing activities</b>		<b>(127,865)</b>	<b>(196,351)</b>
<b>Cash flows from/(used in) financing activities</b>			
Proceeds from issued capital		15,176	518,050
Payment of interest on lease liability		(17,776)	(24,871)
Payment of principal portion of lease liability		(151,102)	(137,512)
<b>Net cash flows from/(used in) financing activities</b>		<b>(153,702)</b>	<b>355,667</b>
Net decrease in cash and cash equivalents		(1,791,423)	(2,214,962)
Net foreign exchange differences		29,499	65,405
Cash and cash equivalents at beginning of the period		10,691,806	11,846,643
<b>Cash and cash equivalents at end of period</b>		<b>8,929,882</b>	<b>9,697,086</b>

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

## Interim Consolidated Statement of Changes in Equity

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Attributable to equity holders of Senetas Corporation Ltd					Owners of the parent	Non-controlling interest	Total equity
	Contributed equity	Accumulated losses	Foreign currency translation reserve	Employee benefits reserve	Other reserves	Total		
	\$	\$	\$	\$	\$	\$	\$	\$
<b>CONSOLIDATED</b>								
<b>At 1 July 2021</b>	<b>104,316,022</b>	<b>(90,460,208)</b>	<b>(664,565)</b>	<b>3,020,590</b>	<b>133,301</b>	<b>16,345,141</b>	<b>(1,876,846)</b>	<b>14,468,295</b>
Loss for the period	-	(2,753,358)	-	-	-	(2,753,358)	(2,032,903)	(4,786,261)
Other comprehensive income	-	-	292,926	-	-	292,926	70,477	363,403
<b>Total comprehensive income</b>	<b>-</b>	<b>(2,753,358)</b>	<b>292,926</b>	<b>-</b>	<b>-</b>	<b>(2,460,432)</b>	<b>(1,962,426)</b>	<b>(4,422,858)</b>
<b>Transactions with owners in their capacity as owners</b>								
Proceeds from issued capital	-	-	-	-	-	-	518,050	518,050
Acquisition of non-controlling interests	-	-	-	-	112,696	112,696	(112,696)	-
Options converted to shares	7,559	-	-	(7,559)	-	-	-	-
Share based payments expense	-	-	-	450,942	-	450,942	239,055	689,997
<b>At 31 December 2021</b>	<b>104,323,581</b>	<b>(93,213,566)</b>	<b>(371,639)</b>	<b>3,463,973</b>	<b>245,997</b>	<b>14,448,347</b>	<b>(3,194,863)</b>	<b>11,253,484</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>At 1 July 2022</b>	<b>108,996,265</b>	<b>(96,352,608)</b>	<b>(11,663)</b>	<b>3,963,896</b>	<b>246,262</b>	<b>16,842,151</b>	<b>(5,245,320)</b>	<b>11,596,832</b>
Loss for the period	-	(3,093,044)	-	-	-	(3,093,044)	(3,153,595)	(6,246,639)
Other comprehensive income	-	-	179,217	-	-	179,217	113,587	292,804
<b>Total Comprehensive Income</b>	<b>-</b>	<b>(3,093,044)</b>	<b>179,217</b>	<b>-</b>	<b>-</b>	<b>(2,913,827)</b>	<b>(3,040,009)</b>	<b>(5,953,836)</b>
<b>Transactions with owners in their capacity as owners</b>								
Transaction costs net of tax	81,830	-	-	-	-	81,830	-	81,830
Acquisition of non-controlling interests	-	-	-	-	(48,833)	(48,833)	48,833	-
Options converted to shares	-	-	-	-	-	-	15,176	15,176
Share based payments expense	-	-	-	447,598	-	447,598	218,807	666,405
<b>At 31 December 2022</b>	<b>109,078,095</b>	<b>(99,445,652)</b>	<b>167,554</b>	<b>4,411,494</b>	<b>197,429</b>	<b>14,408,919</b>	<b>(8,002,513)</b>	<b>6,406,406</b>

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



# Notes to the Interim Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

## FINANCIAL PERFORMANCE

- 1 REVENUE FROM CONTRACTS WITH CUSTOMERS
- 2 OTHER INCOME
- 3 EXPENSES
- 4 INCOME TAX
- 5 SEGMENT INFORMATION

## WORKING CAPITAL

- 6 TRADE RECEIVABLES AND CONTRACT ASSETS
- 7 CONTRACT LIABILITY

## OPERATING ASSETS AND LIABILITIES

- 8 GOODWILL AND INTANGIBLE ASSETS

## CAPITAL AND FINANCIAL RISK MANAGEMENT

- 9 CONTRIBUTED EQUITY
- 10 FAIR VALUE OF FINANCIAL INSTRUMENTS

## GROUP STRUCTURE

- 11 CONTINGENT CONSIDERATION
- 12 MATERIAL PARTLY-OWNED SUBSIDIARIES

## OTHER INFORMATION

- 13 CONTINGENT ASSETS AND LIABILITIES
- 14 EVENTS SUBSEQUENT TO REPORTING DATE

# Notes to the interim Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

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## ABOUT THIS REPORT

The interim condensed consolidated financial report of Senetas Corporation Limited and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2022 were authorised for issue in accordance with a resolution of directors on 28 February 2023.

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

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.

## BASIS OF PREPARATION

The interim condensed consolidated financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* issued by the Australian Accounting Standards Board (AASB). The interim condensed consolidated financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial report as at 30 June 2022.

The interim condensed consolidated financial report has been prepared on an historical cost basis except for contingent consideration and investment securities that have been measured at fair value.

The interim condensed consolidated financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

The accounting policies adopted in the preparation of the interim condensed consolidated financial report are consistent with those followed in the preparation of the Group's annual report for the year ended 30 June 2022.

The financial report has been prepared on a going concern basis. At 31 December 2022, the Group had cash and cash equivalents of \$8.9m.

## SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim condensed consolidated financial report requires management to make judgements, estimates and assumptions that affect reported amounts in the interim financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which forms the basis of the carrying values of these assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

In preparing the interim condensed consolidated financial report, the significant estimates, judgements and assumptions made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the most recent annual report as at 30 June 2022.

# Notes to the Interim Financial Statements (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

### FINANCIAL PERFORMANCE SECTION

#### 1 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	
	December 2022	December 2021
	\$	\$
Sale of goods	6,817,646	5,416,130
Product maintenance and subscription revenue	8,060,595	7,382,179
Provision of services	30,054	38,608
<b>Total revenue from contracts with customers</b>	<b>14,908,295</b>	<b>12,836,917</b>

##### Geographical markets

Africa	37,241	-
Asia Pacific	4,557,185	3,600,578
United States	5,368,346	5,270,553
Europe	4,945,523	3,965,786
<b>Total revenue from contracts with customers</b>	<b>14,908,295</b>	<b>12,836,917</b>

##### Timing of revenue recognition

Goods transferred at a point in time	6,847,700	5,454,738
Services transferred over time	8,060,595	7,382,179
<b>Total revenue from contracts with customers</b>	<b>14,908,295</b>	<b>12,836,917</b>

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

Sale of goods	-	-
Product maintenance and subscription revenue	17,983,922	12,234,986
Provision of services	-	-
<b>Total</b>	<b>17,983,922</b>	<b>12,234,986</b>

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

Product maintenance and subscription revenue expected to be recognised within:

	\$	\$
One (1) year of the reporting date	9,343,189	8,097,397
Two (2) years from the reporting date	4,234,365	2,509,276
Three (3) years from the reporting date	2,704,596	1,116,408
Between four (4) and five (5) years	1,701,772	511,905
<b>Total</b>	<b>17,983,922</b>	<b>12,234,986</b>

#### 2 OTHER INCOME

Interest income	37,725	2,655
Other income	231,055	-
<b>Total</b>	<b>268,780</b>	<b>2,655</b>

# Notes to the Interim Financial Statements (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

### 3 EXPENSES

	Notes	CONSOLIDATED	
		December 2022	December 2021
		\$	\$
<b>(a) Employee benefits expense</b>			
Salaries & wages		9,932,035	7,653,035
Superannuation		262,250	248,454
Share based payment expense		666,405	689,997
<b>Total</b>		<b>10,860,690</b>	<b>8,591,486</b>
<b>(b) Depreciation and amortisation expense</b>			
Depreciation:			
Plant and equipment		221,458	256,847
Leasehold improvements		23,114	23,843
Right-of-use asset		140,474	140,474
Amortisation:			
Customer relationships	8	132,766	123,025
Software	8	1,102,108	1,017,480
<b>Total</b>		<b>1,619,920</b>	<b>1,561,669</b>
<b>(c) Administration expenses</b>			
Premises costs		394,100	284,764
Travel expenditure		424,989	149,256
Telephone and internet expenditure		97,789	86,319
Insurance expenditure		341,326	281,683
Marketing expenditure		1,423,130	1,020,304
External contractors -sales and corporate		1,469,248	1,657,382
<b>Total</b>		<b>4,150,582</b>	<b>3,479,708</b>
<b>(d) Professional fees</b>			
Certification, testing and direct R&D expenditure		393,284	278,975
Legal fees		197,783	200,690
Professional services		213,463	250,441
<b>Total</b>		<b>804,530</b>	<b>730,106</b>
<b>(e) Other expenses</b>			
Subscriptions and membership fees		395,462	343,341
Re-measurement of contingent consideration liability		-	(21,227)
Net loss on foreign exchange		46,355	10,432
Other expenses		475,871	486,647
<b>Total</b>		<b>917,688</b>	<b>819,193</b>
<b>(f) Finance costs</b>			
Bank fees and service charges		129,863	7,266
Interest expense on lease liabilities		17,776	24,871
<b>Total</b>		<b>147,639</b>	<b>32,137</b>

# Notes to the Interim Financial Statements (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

### 4 INCOME TAX

		CONSOLIDATED	
		December 2022	December 2021
	Notes	\$	\$
(a)	<i>Major components of income tax expense in the Interim Consolidated Statement of Comprehensive Income are:</i>		
	<i>Current income tax</i>		
	Current income tax charge	(436,682)	(108,915)
	Adjustments in respect of current income tax of previous periods	213,479	104,178
	<i>Deferred income tax</i>		
	Relating to origination and reversal of temporary differences	86,806	79,694
	<b>Income tax (expense)/benefit reported in the Interim Consolidated Statement of Comprehensive Income</b>	<b>(136,397)</b>	<b>74,957</b>

# Notes to the Interim Financial Statements (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

### 5 SEGMENT INFORMATION

#### Basis of segment identification

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Senetas's chief operating decision maker is the Chief Executive Officer (CEO). The CEO provides strategic direction and management oversight of 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 to the CEO.

The Group has two reportable segments - the product division (Senetas) and solutions technology division (Votiro). 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) product division reportable segment.

The following tables present the revenue and profit information regarding reportable segments for the half-years ended 31 December:

Half-year ended 31 December 2022	Senetas	Votiro	Total
	\$	\$	\$
<i>Segment revenue - Revenue from contracts with customers</i>			
Sale of goods	6,817,646	-	6,817,646
Product maintenance and subscription revenue	4,115,942	3,944,653	8,060,594
Provision of services	30,054	-	30,054
<b>Total Segment Revenue</b>	<b>10,963,642</b>	<b>3,944,653</b>	<b>14,908,295</b>
	<b>Senetas</b>	<b>Votiro</b>	<b>Eliminations<sup>(1)</sup></b>
	\$	\$	\$
<i>Result</i>			
Segment profit/(loss) before tax	2,331,082	(8,441,324)	-
Income tax (expense) /benefit	(400,225)	263,828	-
<b>Segment profit/(loss) after tax</b>	<b>1,930,857</b>	<b>(8,177,496)</b>	<b>-</b>
<i>Income / (expenses)</i>			
Depreciation and amortisation	(386,684)	(1,233,236)	-
Share based payments expense	(99,195)	(567,210)	-

(i) The eliminations include the investment in subsidiary and loans with subsidiary

# Notes to the Interim Financial Statements (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

### 5 SEGMENT INFORMATION (CONTINUED)

Half-year ended 31 December 2022	Senetas	Votiro	Eliminations <sup>(1)</sup>	Total
	\$	\$	\$	\$
Non-current assets	19,166,742	8,683,718	(16,665,294)	11,185,165
Total assets	44,933,383	14,680,937	(25,815,194)	33,799,127
Total liabilities	(12,480,460)	(24,062,160)	9,149,900	(27,392,721)
Net assets	32,452,922	(9,381,223)	(16,665,294)	6,406,406

#### Cashflows

Operating activities	(1,908,695)	398,839	-	(1,509,856)
Investing activities	(78,416)	(49,449)	-	(127,865)
Financing activities	(2,338,650)	2,184,948	-	(153,702)

Half-year ended 31 December 2021	Senetas	Votiro	Total
	\$	\$	\$
<b>Segment revenue - Revenue from contracts with customers</b>			
Sale of goods	5,416,130	-	5,416,130
Product maintenance and subscription revenue	4,629,600	2,752,579	7,382,179
Provision of services	38,608	-	38,608
<b>Total Segment Revenue</b>	<b>10,084,338</b>	<b>2,752,579</b>	<b>12,836,917</b>

	Senetas	Votiro	Eliminations <sup>(1)</sup>	Total
	\$	\$	\$	\$
<b>Result</b>				
Segment profit/(loss) before tax	950,567	(5,811,785)	-	(4,861,218)
Income tax expense / (benefit)	(164,144)	239,103	-	74,957
<b>Segment profit/(loss) after tax</b>	<b>786,421</b>	<b>(5,572,682)</b>	<b>-</b>	<b>(4,786,261)</b>
<b>Income / (expenses)</b>				
Depreciation and amortisation	(449,398)	(1,112,271)	-	(1,561,669)
Share based payments expense	(23,884)	(666,113)	-	(689,997)
Non-current assets	19,500,287	9,965,522	(16,665,294)	12,800,514
Total assets	37,553,435	14,163,833	(19,353,911)	32,363,357
Total liabilities	(12,873,523)	(10,924,967)	2,688,617	(21,109,873)
Net assets	24,679,912	3,238,866	(16,665,294)	11,253,484

#### Cashflows

Operating activities	(394,402)	(1,979,876)	-	(2,374,278)
Investing activities	(836,013)	(49,449)	689,111	(196,351)
Financing activities	(2,818,733)	3,863,511	(689,111)	355,667

(i) The eliminations include the investment in subsidiary and loans with subsidiary

# Notes to the Interim Financial Statements (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

### 5 SEGMENT INFORMATION (CONTINUED)

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 region other than as shown below.

Half-year ended 31 December 2022	Senetas	Votiro	Total
	\$	\$	\$
Africa	-	37,241	37,241
Asia Pacific	1,508,713	3,048,472	4,557,185
United States	4,800,322	568,024	5,368,346
Europe	4,654,607	290,916	4,945,523
<b>Total</b>	<b>10,963,642</b>	<b>3,944,653</b>	<b>14,908,295</b>

Half-year ended 31 December 2021	Senetas	Votiro	Total
	\$	\$	\$
Asia Pacific	1,648,178	1,952,400	3,600,578
United States	4,670,781	599,772	5,270,553
Europe	3,765,379	200,407	3,965,786
<b>Total</b>	<b>10,084,338</b>	<b>2,752,579</b>	<b>12,836,917</b>

Revenue from one customer - the Company's global distribution partner, Thales - amounted to \$8,773,078 (2021: \$8,369,695) arising from the above mentioned geographical areas.



# Notes to the Interim Financial Statements (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

### WORKING CAPITAL SECTION

#### 6 TRADE RECEIVABLES AND CONTRACT ASSETS

	Notes	CONSOLIDATED	
		December 2022	June 2022
		\$	\$
Trade receivables (i)		4,018,889	6,840,651
Contract asset		2,740,657	1,886,631
Net GST receivable		181,337	329,394
<b>Total</b>		<b>6,940,883</b>	<b>9,056,676</b>

- (i) The fair value of trade receivables is equivalent to its carrying amounts. It is expected that the full contractual amounts can be collected. AASB 9 requires a calculation of the expected credit losses (ECL's). The Group's evaluation of this requirement has determined that an allowance for credit losses is negligible.  
The Group holds no collateral against possible default by a customer. There were no receivables written off during the year.

#### 7 CONTRACT LIABILITY

	Notes	CONSOLIDATED	
		December 2022	June 2022
		\$	\$
<b>(a) Contract liability Reconciliation</b>			
Opening balance as at 1 July		17,554,985	11,240,935
Maintenance prepayments received during the period		8,489,533	21,416,851
Maintenance revenue recognised during the period		(8,060,595)	(15,102,801)
<b>Closing balance</b>		<b>17,983,923</b>	<b>17,554,985</b>
Current contract liabilities		9,343,189	9,699,575
Non-current contract liabilities		8,640,733	7,855,410
<b>Total</b>		<b>17,983,922</b>	<b>17,554,985</b>

# Notes to the Interim Financial Statements (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

### OPERATING ASSETS AND LIABILITIES

#### 8 GOODWILL AND INTANGIBLE ASSETS

	Notes	Goodwill \$	Customer relationships \$	Software \$	Total \$
<b>Half-year ended 31 December 2022</b>					
At 1 July 2022, net of accumulated amortisation and impairment		3,883,669	627,953	5,147,961	9,659,583
Additions		-	-	23,885	23,885
Amortisation		-	(132,766)	(1,102,108)	(1,234,874)
Exchange differences		50,448	16,752	133,631	200,832
<b>At 31 December 2022 net of accumulated amortisation and impairment</b>		<b>3,934,117</b>	<b>511,939</b>	<b>4,203,369</b>	<b>8,649,425</b>
<b>At 31 December 2022 net of accumulated amortisation and impairment</b>					
Cost (gross carrying amount)		3,934,117	1,306,308	10,785,617	16,026,042
Accumulated amortisation and impairment		-	(794,369)	(6,582,248)	(7,376,617)
<b>Net carrying amount at 31 December 2022</b>		<b>3,934,117</b>	<b>511,939</b>	<b>4,203,369</b>	<b>8,649,425</b>
<b>Year ended 30 June 2022</b>					
At 1 July 2021, net of accumulated amortisation and impairment		3,576,116	771,205	6,357,507	10,704,829
Additions		-	-	27,261	27,261
Amortisation		-	(245,373)	(2,051,485)	(2,296,857)
Exchange differences		307,552	102,122	814,677	1,224,351
<b>At 30 June 2022 net of accumulated amortisation and impairment</b>		<b>3,883,669</b>	<b>627,954</b>	<b>5,147,961</b>	<b>9,659,583</b>
<b>At 30 June 2022 net of accumulated amortisation and impairment</b>					
Cost (gross carrying amount)		3,883,669	1,289,556	10,800,137	15,973,363
Accumulated amortisation and impairment		-	(661,603)	(5,652,177)	(6,313,780)
<b>Net carrying amount at 30 June 2022</b>		<b>3,883,669</b>	<b>627,953</b>	<b>5,147,961</b>	<b>9,659,583</b>

An assessment was made by management to determine whether any indicators of impairment exist. Indicators assessed included but were not limited to; the CGU's operating result, technology obsolescence, changes in laws and regulations. Impairment testing was performed and no impairment was noted.

# Notes to the Financial Statements (continued)

## FOR THE HALF YEAR ENDED 31 DECEMBER 2022

### CAPITAL AND FINANCIAL RISK MANAGEMENT

#### 9 CONTRIBUTED EQUITY

Ordinary shares	CONSOLIDATED	
	December 2022	June 2022
	\$	\$
<i>Issued and paid-up capital</i>		
Ordinary shares each fully paid	109,078,095	108,996,265

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

#### Movements in ordinary shares on issue

	December 2022		June 2022	
	Number of shares	\$	Number of shares	\$
Beginning of the financial period	1,213,795,627	108,996,265	1,082,149,179	104,316,022
Capital Raise, net of transaction costs <sup>1</sup>	-	81,830	131,578,948	4,672,684
Performance rights converted to shares	-	-	67,500	7,559
<b>End of the financial period</b>	<b>1,213,795,627</b>	<b>109,078,095</b>	<b>1,213,795,627</b>	<b>108,996,265</b>

<sup>1</sup> On 12 May 2022, Senetas Corporation Limited completed a share placement at \$5 million of which transaction costs of \$327,316 were incurred. Upon finalisation of the FY22 tax return, further tax effect adjustments were recognised against the net capital raise transaction costs.

#### 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.

# Notes to the Financial Statements (continued)

## FOR THE HALF YEAR ENDED 31 DECEMBER 2022

### 10 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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
<b>31 December 2022</b>			
<i>Financial assets</i>			
Investments in securities	-	-	-
<i>Financial liabilities</i>			
Contingent consideration liability (Note 11)	-	-	-
<b>30 June 2022</b>			
<i>Financial assets</i>			
Investments in securities	-	-	-
<i>Financial liabilities</i>			
Contingent consideration liability (Note 11)	-	6,687	-

The investments in unquoted securities is categorised within level 3 of the fair value hierarchy and has a nil fair value.

At 30 June 2022 the fair value of the contingent consideration liability was determined based on significant observable inputs and therefore categorised within level 2 of the fair value hierarchy.

The fair value of the contingent consideration liability at 30 June 2022 approximated the carrying value as it was the final earn out payment which was settled within 6 months of the balance sheet date.

# Notes to the Financial Statements (continued)

## FOR THE HALF YEAR ENDED 31 DECEMBER 2022

### GROUP STRUCTURE

#### 11 CONTINGENT CONSIDERATION

Acquisition of Podzy Pty Ltd (completed on 7 December 2017 for a consideration of \$1) included an earn-out provision which concluded on 30 June 2022. The earn-out was payable for the period from acquisition to 30 June 2022 based on a percentage of revenue derived from sales of SureDrop each 6 months to 31 December and 30 June. As at the acquisition date, the fair value of the contingent consideration was estimated to be \$nil.

At 30 June 2022 the fair value of the contingent consideration was determined based on a percentage of the actual SureDrop revenue derived between 1 January 2022 and 30 June 2022. This resulted in the remeasurement of the liability to \$6,687. All of the contingent consideration was settled during the period to 31 December 2022.

#### 12 MATERIAL PARTLY-OWNED SUBSIDIARIES

##### (a) Material subsidiaries

Financial information of a subsidiary that has material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:	December 2022	June 2022
Name	\$	\$
Votiro Cybersec Global Limited	38.5%	38.8%
Accumulated balances of material non-controlling interest	(8,002,513)	(5,245,320)
Loss allocation to material non-controlling interest	(3,153,595)	(4,592,095)

Refer to note 12(c) for a summary of the transactions with non-controlling interest.

##### (b) Non-controlling interests (NCI)

Summarised statement of profit or loss for the half- year ended 31 December:

	December 2022	December 2021
	\$	\$
Revenue from contracts with customers	3,944,653	2,752,579
Cost of sales	(287,509)	(185,408)
Administrative expenses	(11,604,829)	(8,346,368)
Finance costs	(493,639)	(32,588)
<b>Loss before tax</b>	<b>(8,441,324)</b>	<b>(5,811,785)</b>
Income tax	263,828	239,103
<b>Loss for the period</b>	<b>(8,177,495)</b>	<b>(5,572,682)</b>
Attributable to non-controlling interest	(3,153,595)	2,032,903

# Notes to the Financial Statements (continued)

## FOR THE HALF YEAR ENDED 31 DECEMBER 2022

### 12 MATERIAL PARTLY-OWNED SUBSIDIARIES (CONTINUED)

	December 2022	June 2022
	\$	\$
<b>Summarised statement of financial position before elimination entries:</b>		
Cash and cash equivalents	4,361,265	1,795,216
Trade receivables and other current assets	1,635,956	5,721,287
Plant and equipment and other non-current asset	153,656	128,468
Goodwill and other intangibles	8,530,061	9,521,144
Trade and other current liabilities	(11,416,215)	(8,062,183)
Contract liabilities - current	(5,319,923)	(4,415,582)
Contract liabilities - non-current	(6,267,835)	(5,445,334)
Other non-current liabilities	(1,058,186)	(1,324,142)
<b>Total equity</b>	<b>(9,381,221)</b>	<b>(2,081,126)</b>
Attributable to:		
Equity holders of parent	(1,378,708)	3,164,194
Non-controlling interest	(8,002,513)	(5,245,320)
	December 2022	December 2021
	\$	\$
<b>Summarised cash flow information for the half-year ended 31 December:</b>		
Operating	398,839	(1,979,876)
Investing	(49,449)	(49,449)
Financing	2,184,948	3,863,511
<b>Net decrease in cash and cash equivalents</b>	<b>2,534,338</b>	<b>1,834,186</b>

#### (c) Transactions with non-controlling interests

Throughout the half-year options were forfeited, exercised or expired. The net impact of these option transactions resulted in a reduction of non-controlling interest by 0.3% on a fully diluted basis resulting in non-controlling interest at 31 December 2022 of 38.5%.

Immediately prior to these transactions, the carrying amount of the existing non-controlling interest in Votiro was determined in order to calculate the proportion of change to the non-controlling interest. The combined impact of these transactions resulted in the Group recognising an increase in the equity attributable to owners of the parent of \$48,833 and an decrease in non-controlling interests of \$48,833.

# Notes to the Financial Statements (continued)

## FOR THE HALF YEAR ENDED 31 DECEMBER 2022

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### OTHER INFORMATION

#### 13 CONTINGENT ASSETS AND LIABILITIES

The Group is not aware of the existence of any contingent assets or liabilities at balance date.

#### 14 EVENTS SUBSEQUENT TO REPORTING DATE

In February 2023, Votiro Cybersec Global Pty Ltd raised US\$4.9 million (A\$7.2 million) by way of a rights issue and Senetas Corporation Limited converted their loan (principal plus interest) with Votiro Cybersec Global Pty Ltd of US\$6.4 million (A\$9.1 million) to equity. The net impact of these transactions resulted in Senetas' interest in Votiro Cybersec Global Pty Ltd on a fully diluted basis to reduce by 2.1% to 59.3%.

# Directors' Declaration

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

(1) In the opinion of the directors:

- (a) the consolidated financial statements and notes of Senetas Corporation Limited for the half-year ended 31 December 2022 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 31 December 2022 and of its performance for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Francis W. Galbally  
Chairman  
Melbourne  
Date: 28 February 2023



## Independent Auditor's Review Report

### To the Members of Senetas Corporation Limited

#### Report on the half year financial report

##### Conclusion

We have reviewed the accompanying half year financial report of Senetas Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Senetas Corporation Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the Senetas Corporation Limited financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

##### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### **Directors' responsibility for the half-year financial report**

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

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



B A Mackenzie  
Partner – Audit & Assurance

Melbourne, 28 February 2023