

Appendix 4E

Preliminary Final Report

For announcement to the market

Senetas Corporation Limited

ACN	Final (<i>tick</i>)	Financial Year ended ('current period')
006 067 607	Preliminary Final	30-Jun-14

	30-Jun-14 \$	30-Jun-13 \$	Increase / (Decrease) \$	%
1. Revenues from ordinary activities	11,037,613	7,684,559	3,353,054	43.63%
2. Net profit/(loss) from ordinary activities after tax	2,957,080	(876,107)	3,833,187	437.52%
3. Net profit/(loss) after tax	2,957,080	(714,439)	3,671,519	513.90%
4. Other comprehensive income for the period (foreign currency translation)	(46,574)	19,764	(66,338)	335.65%
5. Net comprehensive income after tax attributable to members	2,910,506	(694,675)	3,605,181	518.97%

6. Record date for determining entitlements to the final dividend	Final dividend: not proposed
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Appendix 4E (continued)

7. Brief Explanation of figures 1 to 3

Highlights

- Net profit before tax of \$2,457,588 for the twelve months to 30 June 2014 ('FY2014')
 - In line with guidance provided on 17 July 2014, and
 - Significantly higher than the loss before tax of \$893,308 for the 12 months to 30 June 2013 ('FY2013').
- Operating revenue of \$11,037,613, a 44% increase from FY2013 driven by:
 - 73% increase in international sales from our master distributor, SafeNet Inc. ('SafeNet'), and
 - 140% increase in maintenance income.
- Gross margin of 84% (FY2013: 83%) and pre-tax profit margin of 20% (FY2013: n/a).
- Non-operating income of \$1,440,225 associated with a tax refund of eligible research and development expenditure.
- Net assets of \$9,026,184, a 40% increase from FY2013; and
- The company continues to be debt free and has cash on hand at year-end of \$6,805,362, a 66% increase from FY2013 reflecting a strong improvement in operating cash flows.

The profit before tax represents a \$3,350,896 increase from the loss before tax of \$893,308 in FY2013. This result is the company's first full year profit in four years and its highest annual profit in eight years.

Total operating revenue increased by 44% to \$11,037,613 compared to \$7,684,559 in FY2013. The revenue growth was driven by a 61% increase in sales in the United States and a 71% increase in sales in Europe.

The company's cash position increased by 66% to \$6,805,362 reflecting strong operating cash flows, primarily driven by higher sales and strong cost management during the year.

Strong operating cash flows, strong working capital management and higher cash balances resulted in a year end net asset position of \$9,026,184, a 40% increase from FY2013.

The operating turnaround, strategic repositioning and substantially improved financial position achieved in FY2014 reflects the benefits of the company's recapitalisation and strategic review implemented in 2012. The key strategic initiatives contributing to the performance improvement include:

- New international master distributor agreement and a strong relationship with SafeNet, including a disciplined focus on sales and marketing collaboration as well as close technical cooperation and product development support; and
- Strong commitment to and investment in continuing product research and development, including the introduction of encryptor models targeting new market opportunities.

The company is expected to continue to deliver strong financial results in 2015.

SafeNet Inc. Distribution Relationship

SafeNet's reach extends across approximately 100 countries, 25,000 customers and includes some of the world's best known blue-chip customers. Senetas's range of certified encryptors is well positioned in SafeNet's overall customer value proposition and strong international market positioning.

Appendix 4E (continued)

In January 2014, SafeNet launched the complete range of Senetas's encryptors internationally. The products were presented to SafeNet's international sales force and channel partner network. Following enthusiastic feedback the new products were rapidly integrated into SafeNet's portfolio.

SafeNet has assigned dedicated sales and technical employees to the product development, management and marketing of Senetas's high-speed encryption products. Both companies work closely to identify sales opportunities with the pipeline of potential sales almost doubling over the past two years. The companies' collaboration is extremely broad, including:

- Extensive technical and sales training of SafeNet's 200 plus strong international sales force;
- Development of thought leadership collateral utilised in publications, communications and events; and
- Direct support by Senetas of SafeNet sales efforts for the largest and most complex customer opportunities.

Recent Developments

On 8 August 2014, Gemalto NV ('Gemalto') – a digital security company listed on the Euronext stock exchange – announced that it had entered into an agreement to acquire SafeNet. The transaction is expected to complete in or around November 2014.

- Gemalto is a substantial global organisation, with annual sales in 2013 of approximately US\$3 billion and assets of over US\$4 billion
- Early indications suggest that SafeNet will operate as a wholly owned subsidiary of Gemalto. Senetas should benefit from Gemalto's presence in 45 countries and commercial enterprise sector focus.
- SafeNet's product portfolio (including high-speed encryption supplied by Senetas) is complimentary to Gemalto's portfolio and market positioning. Gemalto has indicated the importance of its focus on encryption of both stored data and network transmitted data.

- In its public announcement, Gemalto stated:

"The opportunity to acquire SafeNet has come at exactly the right time," Gemalto Chief Executive Olivier Piou said. "This will enable us to further accelerate the deployment of strong security solutions in the enterprise sector and expand our technologies and growth opportunities in protecting online access."

This is a particularly exciting combination of two successful large international companies in the digital security space and should significantly expand Senetas' access to and development of security segment opportunities. Security is at the heart of a new unfolding technology-enhanced world and Senetas is in many ways uniquely positioned with its partners to play an increasingly important role in this development.

Outlook – FY2015

Senetas is aggressively targeting further profitable growth opportunities in FY2015 as the company focuses on the following key strategic objectives.

- Growth in SafeNet's international markets' performance;
- Extended collaboration with SafeNet in marketing and sales planning in all markets;
- Targeting the Asian market as a priority opportunity for sales growth;
- Introduce new and innovative marketing plan initiatives to address international and domestic markets – targeting organisations, decision makers, service providers and influencers;
- Maintain a strong commitment to research and development and the introduction of new products and features; and
- Maintain and enhance our international security certifications.

Appendix 4E (continued)

8. Details of dividend / distribution payments	None	
Interim Dividend:	None	
Final Dividend: Not Proposed	Not Proposed	
9. Details of Divided Reinvestment Plan	N/A	
10. Movements in Retained Earnings	Please refer to Statement of Changes in Equity	
11. NTA backing	30-Jun-14 (Cents Per Share)	30-Jun-13 (Cents Per Share)
Net tangible asset backing per ordinary security	0.83	0.56

12. Details of entities over which control has been gained or lost during the period	N/A
13. Details of Associates / Joint Venture Holdings	N/A
14. Other information on financial statements	N/A
15. Foreign Entities – accounting standards used to prepare report	Senetas Europe Ltd - IFRS
16. Other Information	None

Compliance statement

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and other standards acceptable to the ASX.
2. This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on accounts which are in the process of being audited.
5. The entity has a formally constituted audit committee.



Francis W. Galbally
Chairman

Appendix 4E FOR THE YEAR ENDED 30 JUNE 2014

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Corporate Information

Non-Executive Directors

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Lachlan P. Given

Kenneth J. Gillespie

Executive Director

Andrew R. Wilson

Company Secretary

Brendan Case

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Auditors

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Annual General Meeting Date & Place

Annual General Meeting of shareholders of Senetas Corporation Limited (Company) will be held at Bayview On The Park, 52 Queens Road, Melbourne, VIC, 3004, on Thursday, 20 November, 2014 at 10:30 am.

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	CONSOLIDATED	
		2014 \$	2013 \$
Revenue from operating activities	1	11,037,613	7,684,559
Cost of sales		(1,716,863)	(1,276,531)
Gross profit		9,320,750	6,408,028
Other income	1	1,440,225	1,359,104
Employee benefits expense	1	(4,725,201)	(5,565,275)
Depreciation and amortisation expense	1	(276,419)	(326,996)
Other expenses	1	(3,301,766)	(2,768,168)
Profit / (loss) before income tax		2,457,588	(893,308)
Income tax benefit/(expense)		499,492	17,201
Net profit/(loss) for the period from continuing operations		2,957,080	(876,107)
Discontinued operations			
Profit /(loss) for the period from discontinued operation	4	-	161,668
Net profit after income tax for the period		2,957,080	(714,439)
Items that may be classified subsequently to profit or loss			
Foreign currency translation		(46,574)	19,764
Other comprehensive income for the period		(46,574)	19,764
Total comprehensive income for the period		2,910,506	(694,675)
(Loss)/profit for the period is attributable to:			
Owners of the parent		2,910,506	(694,675)
Total comprehensive income for the period is attributable to:			
Owners of the parent		2,910,506	(694,675)
Earnings / (loss) per share			
Basic, profit / (loss) for the year attributable to ordinary equity holders of the parent.		0.0028	(0.0007)
Diluted, profit / (loss) for the year attributable to ordinary equity holders of the parent.		0.0028	(0.0007)
Earnings /(loss) per share from continuing operations.			
Basic, profit / (loss) from continuing operations attributable to ordinary equity holders of the parent.		0.0028	(0.0007)
Diluted, profit / (loss) from continuing operations attributable to ordinary equity holders of the parent.		0.0028	(0.0007)

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

Statement of Financial Position

AS AT 30 JUNE 2014

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>2014</i>	<i>2013</i>
		<i>\$</i>	<i>\$</i>
ASSETS			
Current Assets			
Cash and cash equivalents	3	6,805,359	4,091,013
Trade and other receivables		5,482,948	3,344,841
Inventories		682,513	1,136,202
Prepayments		109,628	117,517
Other assets		10,450	6,259
Total Current Assets		13,090,898	8,695,832
Non-current Assets			
Deferred income tax asset		1,447,075	736,312
Property, plant and equipment		454,151	522,895
Intangible assets and goodwill		118,131	145,491
Total Non-current Assets		2,079,309	1,404,698
TOTAL ASSETS		15,170,207	10,100,530
LIABILITIES			
Current Liabilities			
Trade and other payables		1,583,726	1,427,381
Income /Company tax Payable		226,010	-
Unearned income		3,200,227	1,368,502
Provisions		803,750	971,966
Total Current Liabilities		5,813,713	3,767,849
Non-current Liabilities			
Deferred income tax liabilities		3,104	17,843
Provisions		14,499	58,819
Unearned income - non-current		312,707	185,169
Total Non-current Liabilities		330,310	261,831
TOTAL LIABILITIES		6,144,023	4,029,680
NET ASSETS		9,026,184	6,070,850
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	2	104,332,258	104,218,699
Retained earnings		(95,972,118)	(98,929,200)
Reserves		667,213	735,946
Foreign currency translation reserve		(14,029)	32,545
Parent interests		9,013,324	6,057,990
Non-controlling interests		12,860	12,860
TOTAL EQUITY		9,026,184	6,070,850

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

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2014

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>2014</i>	<i>2013</i>
		\$	\$
Cash flows from operating activities			
Receipts from customers		10,694,140	8,576,844
Receipts of R&D tax refund		1,359,104	1,222,412
Payments to suppliers and employees		(9,257,309)	(10,469,742)
Interest received		83,433	91,864
Net cash flows from/(used in) operating activities	3	2,879,368	(578,622)
Cash flows from investing activities			
Purchase of plant and equipment		(74,101)	(54,440)
Purchase of intangible assets		(35,406)	(72,945)
Sale of consulting division		-	264,000
Net cash flows from/(used in) investing activities		(109,507)	136,615
Cash flows from financing activities			
Proceeds from issues of shares		-	-
Loan fees & interest		-	-
Placement costs		(8,939)	(214)
Net cash flows from/(used in) financing activities		(8,939)	(214)
Net increase/(decrease) in cash and cash equivalents		2,760,922	(442,221)
Net effect of foreign currency translation		(46,574)	19,764
Cash and cash equivalents at beginning of period		4,091,013	4,513,469
Cash and cash equivalents at end of period	3	6,805,362	4,091,013

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 2014

CONSOLIDATED

	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	Total		
	\$	\$	\$	\$	\$	\$	\$
At 30 June 2012	104,218,913	(98,214,762)	12,781	640,380	6,657,310	12,860	6,670,172
Loss for the year	-	(714,439)	-	-	(714,439)	-	(714,439)
Other comprehensive income	-	-	19,764	-	19,764	-	19,764
Total comprehensive income	-	(714,439)	19,764	-	(694,675)	-	(694,675)
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-
Shares issued	-	-	-	-	-	-	-
Share placement costs	(214)	-	-	-	(214)	-	(214)
Options Issued	-	-	-	95,566	95,566	-	95,566
At 30 June 2013	104,218,699	(98,929,200)	32,545	735,946	6,057,990	12,860	6,070,849
Profit for the year	-	2,957,080	-	-	2,957,080	-	2,957,080
Other comprehensive income	-	-	(46,574)	-	(46,574)	-	(46,574)
Total comprehensive income	-	2,957,080	(46,574)	-	2,910,506	-	2,910,506
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-
Shares issued	-	-	-	-	-	-	-
Share placement costs	(8,939)	-	-	-	(8,939)	-	(8,939)
Options Issued	122,498	-	-	(68,733)	53,765	-	53,765
At 30 June 2014	104,332,258	(95,972,118)	(14,029)	667,213	9,013,324	12,860	9,026,184

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

Notes to the Appendix 4E

FOR THE YEAR ENDED 30 JUNE 2014

1 REVENUES AND EXPENSES	CONSOLIDATED	
	2014	2013
	\$	\$
(a) Revenue		
Sale of goods	7,045,835	4,574,315
Sale of software	104,793	-
Product maintenance revenue	3,799,157	1,583,380
Royalties	-	1,287,803
Interest revenue:		
Non-related parties	87,828	91,852
	11,037,613	7,537,350
(b) Other income		
R & D tax incentive	1,440,225	1,359,104
	1,440,225	1,359,104
(c) Depreciation and amortisation expense		
Depreciation:		
Plant and equipment	208,780	274,680
Leasehold improvements	4,873	5,399
Amortisation:		
Software	62,766	46,917
	276,419	326,996
(d) Other expenses		
Operating lease	527,110	475,053
Foreign exchange (gain) or loss	258,474	(73,892)
Inventory written off / provision	144,467	75,283
Travel expenditure	368,097	268,080
R & D expenditure (excluding salaries)	280,162	241,170
Marketing expenditure	269,948	368,423
Insurance expenditure	104,790	120,467
Write off of plant & equipment	-	59,143
Telephone & internet expenditure	93,691	112,017
Impairment of receivables	-	33,116
External contractors	702,587	364,931
Other overhead expenses	552,440	724,377
	3,301,766	2,768,168

Notes to the Appendix 4E

FOR THE YEAR ENDED 30 JUNE 2014

1 REVENUES AND EXPENSES (continued)	CONSOLIDATED	
	2014	2013
	\$	\$
(e) Employee benefits expenses		
Salaries & Wages	4,319,396	4,473,353
Superannuation	269,672	336,896
Termination Payouts	82,367	659,460
Share Based Payment Expense	53,766	95,566
	4,725,201	5,565,275

2 CONTRIBUTED EQUITY

Ordinary shares - issued and fully paid	1,073,891,948	104,332,258
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Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	No. of shares	\$
<i>Movement in ordinary shares on issue</i>		
<i>At 30 June 2013</i>	1,065,141,948	104,218,699
<i>Adjustment to placement costs</i>	-	(8,939)
<i>Employee performance rights converted to shares</i>	8,750,000	122,498
<i>At 30 June 2014</i>	1,073,891,948	104,332,258

Notes to the Appendix 4E (continued)

FOR THE YEAR ENDED 30 JUNE 2014

3 CASH AND CASH EQUIVALENTS

	<i>CONSOLIDATED</i>	
	2014 \$	2013 \$
Cash at bank and in hand	3,305,359	4,077,878
Short-term deposits	3,500,000	13,135
	<u>6,805,359</u>	<u>4,091,013</u>

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

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

Reconciliation from the net profit/(loss) after tax to the net cash flows from operations

Net loss after tax	2,957,080	(714,439)
<i>Adjustments for:</i>		
Depreciation and amortisation	276,419	326,996
Unrealised foreign currency loss/(gain)	157,267	(58,866)
Gain from sale of consulting business	-	(264,000)
Write off of plant & equipment	-	59,143
Doubtful debt provision / written off	-	33,116
Inventory Provision / written off	144,467	75,283
Share based payment expense	53,766	95,566
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(2,294,570)	(580,330)
(Increase)/decrease in inventories	309,222	(245,008)
(Increase)/decrease in prepayments	7,883	(14,023)
(Increase)/decrease in other current assets	(4,191)	(290)
(Increase)/decrease in other financial assets	(59,953)	-
(Decrease)/increase in trade and other payables	155,543	486,037
(Decrease)/increase in deferred income tax assets	(710,763)	(25,312)
(Decrease)/increase in deferred income tax liability	(14,739)	8,110
Increase/(decrease) in income tax payable	226,010	-
Increase/(decrease) in redundancy provision	(280,843)	280,843
(Decrease)/increase in provisions	(20,968)	(284,212)
Inventory transferred to plant & equipment	(70,808)	(144,080)
(Decrease)/increase in unearned income	1,959,271	386,846
Increase/(decrease) in Provision for onerous rent	38,505	-
Increase/(decrease) in Provision make good	50,770	-
Net cash (used in) / from operating activities	<u>2,879,368</u>	<u>(578,618)</u>

Notes to the Appendix 4E (continued)

FOR THE YEAR ENDED 30 JUNE 2014

4 DISCONTINUED OPERATIONS

The group disposed of the consulting services division on 15th October 2012. The decision was made by the board of directors in order to concentrate on the main focus of the group - the product division. Management no longer reviewed the consulting division once the decision to sell was made hence this report does not include a segment note as there is now only the product division.

On 15th October 2012, the group completed the sale of the consulting division for \$367,000 less costs to sell of \$103,000 resulting in net cash proceeds of \$264,000.

The results of the consulting division are as follows:

	2014	2013
Revenue	-	753,744
Expenses	-	856,076
Loss before tax for the discontinued operation	-	(102,332)
Income tax expense	-	-
Loss after tax for the discontinued operation	-	(102,332)
Cash inflow on sale		
Cash consideration received	-	310,000
Employee provisions transferred	-	57,000
Costs to sell	-	(103,000)
Net cash inflow		264,000
Net cash inflow before tax	-	264,000
Income tax expense	-	-
Net cash inflow after tax		264,000
Profit/ (loss) from discontinued operation after tax	-	(102,332)
Net Cash flows		
Operating	-	(102,332)
Investing	-	-
Financing	-	-
Total	-	(102,332)
Basic loss per share (cents per share) for discontinued operations - rounded	(0.00)	(0.00)
Diluted loss per share (cents per share) for discontinued operations - rounded	(0.00)	(0.00)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

5 Revenue by geography

Due to the sale of the consulting services business, the Group has only one segment - the product division. Therefore, the Group no longer prepares operating segment reporting 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.

	2014	2013
Australia & New Zealand	1,873,035	2,115,558
United States	5,533,088	3,429,369
Europe	2,982,712	1,746,685
Middle East	374,547	283,020
Asia	266,854	-
Other countries	7,377	18,075
	11,037,613	7,592,707