

**Appendix 4D**  
**For announcement to the market**  
**Senetas Coporation Limited**

ACN	final ( <i>tick</i> )	Half -Year ended		Previous Corresponding Period
006 067 607	√	31 Dec 2014		31 Dec 2013
<b>Results for announcement to the market</b>				
	<b>31-Dec-14</b>	<b>31-Dec-13</b>	<b>Decrease/ Increase</b>	<b>%</b>
	\$	\$	\$	
<b>1. Revenues from ordinary activities</b>	8,119,371	4,827,664	3,291,707	68%
<b>2. Profit/(loss) from ordinary activities before tax attributable to members</b>	2,819,971	306,184	2,513,787	821%
<b>4. Net profit/(loss) after tax for the period attributable to members</b>	1,943,898	440,638	1,503,260	341%
<b>5. Amount of Interim dividend</b>	No interim dividend is proposed			
<b>6. Record date for determining entitlements to the final dividend</b>	N/A			
<b>7. Brief Explanation of figures 1 to 6</b>				
This information should be read in conjunction with the most recent annual financial report.				
<b>Review and results of operations</b>				
Senetas Corporation Limited (ASX: SEN), a leading developer and manufacturer of certified, defence-grade data encryption solutions, is pleased to announce its results for the half year ended 31 December 2014 (1H2015), delivering strong growth in revenue, profit and cash flow as the business successfully executes its growth strategy				
<ul style="list-style-type: none"> <li>• Net profit before tax up over 9 times to \$2.82 million (1H2014: \$306 thousand)</li> <li>• Operating revenue up 68% to \$8.12 million (1H2014: \$4.83 million) driven by: <ul style="list-style-type: none"> <li>- 59% growth in product sales</li> <li>- 97% increase in maintenance services revenue</li> </ul> </li> <li>• Gross margin of 82% and pre-tax profit margin of 35%</li> <li>• Continued positive cash flow, with net operating cash flow up 276% to \$3.21 million (1H2014: \$0.85 million)</li> <li>• Strong balance sheet <ul style="list-style-type: none"> <li>- No debt;</li> <li>- Cash on hand up 67% to \$10 million (FY2014: 6.8 million), with \$12 million as at 24 February 2015; and</li> <li>- Net assets up 22% to \$10.97 million (net tangible assets \$10.88 million).</li> </ul> </li> <li>• Sustained realisation of the operational and financial benefits from the business transformation and growth plan executed since 2012</li> <li>• Consolidation of the new master distribution relationship with SafeNet Inc. (now Gemalto NV since completion of its \$US870m acquisition of SafeNet Inc. in January 2015)</li> </ul>				

**Summary**

Senetas' very strong half-year performance clearly reflects the benefits of the Company's business transformation and growth strategy implemented since its comprehensive strategic restructure in 2012. The financial results over the past six months were primarily driven by the ongoing increase in sales activities in Senetas' primary markets under the international master distribution agreement with Gemalto in government and non-government sectors, supported by Senetas' technical and marketing activities.

Senetas' experienced leadership team, together with the skilled team of product development engineers and marketing and partner development activities have played key roles in supporting the Company's international master distributor and other partners. The growth over the past two years, and in particular over the past six months, would not have been possible without the dedication and commitment of the Company's talented team.

Senetas has achieved major operational and financial benefits from its business improvement and growth initiatives over the past two years. Those benefits should continue to influence the results positively in the second half of this financial year. Based upon operating performance to 31 December 2014, Senetas expects that revenue and profit growth for the full year to 30 June 2015 will significantly exceed the prior year, although the rate of growth in the second half may moderate from that achieved in the first half.

**8. Movements in Retained Earnings**

Please refer to the attached Half-Year Financial Report

<b>9. NTA backing</b>	<b>31-Dec-14</b>	<b>30-Jun-14</b>
	<b>(Cents Per Share)</b>	<b>(Cents Per Share)</b>
<b>Net tangible asset backing per ordinary security</b>	1.01	0.59
<b>10. Details of entities over which control has been gained or lost during the period:</b>	N/A	
<b>11. Details of Associates / Joint Venture Holdings</b>	N/A	
<b>12. Other information on financial statements</b>	None	
<b>13. Foreign Entities – accounting standards used to prepare report</b>	N/A	
<b>14. Other Information</b>	None	

**15. This report is based on accounts which have been reviewed. An unqualified review conclusion has been issued.**

F. W. Galbally  
Chairman  
25 February 2015



**Half-year condensed financial report  
for the half-year ended  
31 December 2014**

# SENETAS CORPORATION LIMITED

HALF-YEAR REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

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# Directors' Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

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Your directors submit their report for the half-year ended 31 December 2014.

## DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

F. Galbally (Chairman)

A. Wilson (Executive director)

L. Given (Non-executive director)

K. Gillespie (Non-executive director)

## Senetas Delivers Strong First Half Growth Across all Key Metrics

Senetas Corporation Limited (ASX: SEN), a leading developer and manufacturer of certified, defence-grade data encryption solutions, is pleased to announce its results for the half year ended 31 December 2014 (1H2015), delivering strong growth in revenue, profit and cash flow as the business successfully executes its growth strategy

### 1H15 Highlights:

- Net profit before tax up over 9 times to \$2.82 million (1H2014: \$306 thousand)
- Operating revenue up 68% to \$8.12 million (1H2014: \$4.83 million) driven by:
  - 59% growth in product sales
  - 97% increase in maintenance services revenue
- Gross margin of 82% and pre-tax profit margin of 35%
- Continued positive cash flow, with net operating cash flow up 276% to \$3.21 million (1H2014: \$0.85 million)
- Strong balance sheet
  - No debt;
  - Cash on hand up 67% to \$10 million (FY2014: 6.8 million), with \$12 million as at 24 February 2015; and
  - Net assets up 22% to \$10.97 million (net tangible assets \$10.88 million).
- Sustained realisation of the operational and financial benefits from the business transformation and growth plan executed since 2012
- Consolidation of the new master distribution relationship with SafeNet Inc. (now Gemalto NV since completion of its \$US870m acquisition of SafeNet Inc. in January 2015)
- Ongoing development of Senetas' proprietary research and development (R&D) and certified encryptor roadmap driving future growth opportunities

The Company's strong results are clear evidence of the successful implementation of the Company's plan for growth since its comprehensive restructure in 2012.

The past six months have been an exciting period for the Company, with the benefits from the transformation and growth plan implemented since 2012 clearly being delivered through growth across all key business metrics. Operating revenue was up 68% to \$8.11 million, while earnings grew even faster generating a net profit before tax of \$2.81 million.

The growth achieved over the past six months was driven by strong growth in both product sales and maintenance services revenue from the international master distribution arrangements with Gemalto and its commitment to the global High-Speed Encryption (HSE) data security market. While the result over the first half was a very strong result, we believe that there are significantly larger global opportunities for sustainable profitable growth in the second half and beyond.

Senetas completed the half in a strong financial position off the back of growing operating cash flows and strong working capital management. With no debt, and \$12 million of cash as at 24 February 2015, the Company is uniquely placed to continue its growth.

# Directors' Report (Continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

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Senetas' half-year results clearly highlight the increasing recognition of the importance HSE has in government and large commercial organisations' overall data security strategies. Continuing revelations around the world of serious data breaches and the warnings by government and non-government security experts has raised awareness of the serious risks to network transmitted data and the benefits of robust encryption. This is leading to increased adoption of hardware encryption of sensitive and valuable network transmitted data to protect against successful cyber-attacks.

Senetas' R&D and HSE product roadmap reflect both emerging market demand and future high-speed encryption customer needs to help ensure that Senetas is well positioned to capture those revenue opportunities.

## **International Distribution – SafeNet's Acquisition by Gemalto**

The acquisition of SafeNet by Gemalto was completed in January 2015. Gemalto's ownership of SafeNet provides Senetas products with increased access to global markets. Gemalto has a large global 'footprint' and a sales force located across 44 countries servicing their global customer base.

Gemalto has confirmed its commitment to the SafeNet product suite including Senetas's HSE products and ranks HSE among its most important product groups.

For Senetas' and Gemalto's day-to-day operations, little has changed with senior personnel and the business unit remaining in place.

## **Research and Development**

Senetas continues to be a global leader in the development of independently tested and certified high-speed network data encryptors which provide 'defence-grade' protection of information transmitted across Layer 2 data networks.

Accordingly, R&D remains the Company's core activity and the major driver of long-term growth prospects. Senetas invests approximately 35% of revenue annually to these activities.

In order to meet future customer requirements, Senetas has commenced development of new products including:

- 100Gbps encryptor – with customers already indicating a need for increased data throughput and the economies of scale 100Gbps will bring;
- 'High-density' encryptors – through a 'multi-port' design providing customers with their need for cost-per-port economies and other benefits; and
- A custom encryption algorithm capability following enquiries from customers in Asia, Europe and the Middle East.

The Company's commitment to maintaining independent international certifications provides its customers with the assurance that its products conform to the highest security standards. To our knowledge, Senetas remains the only company in the world who's products are FIPS, UK CAPS, Common Criteria and NATO certified. The NATO certification allows the purchase of cryptographic products by NATO civil and military bodies and was received by Senetas in October 2014.

## **High-Speed Encryption Market Drivers – Commercial Sector Opportunities**

The Company's traditional customer base has mainly been government and defence agencies. However, over the past two years Senetas has increased its focus on commercial customers and this strategy has given rise to a number of sales to large commercial enterprises. We see a significant opportunity for future sales growth in the commercial and institutional sectors driven by, among other things, the following factors:

- Increasing incidence of high profile, widely reported data security breaches in the commercial sector;
- Exponential growth in data volumes is driving greater adoption of Layer 2 networks;
- Increasing awareness of the critical need to encrypt data in motion as organisations are more aware of the value of digital information and brand protection;
- Maturing worldwide privacy regulation and legal framework which requires strong protection of sensitive data; and
- Dramatic growth in Cloud computing and data centres around the world, which expose data in motion to elevated security risks.

# Directors' Report (Continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

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Market analyst International Data Corporation (IDC), forecasts exponential growth in data volumes and valuable digital assets:

- The 'Digital universe' size is increasing by 40% per annum to 2020 – necessitating high-speed data throughput
- 'Valuable digital assets' need for protection as they grow - 40% growth in 2013, but only 20% was protected.

Whilst there are signs of a maturing regulatory environment globally, more work needs to be done to strengthen the regulatory environment. While governments may impose financial penalties for data breaches, many do not legislate for mandatory breach notification, which research shows has been the primary motivator for commercial organisations to act and encrypt their data.

## Business Strategy

Looking forward, in order to maximise Senetas' profitable revenue growth, the Company is focusing on a business strategy with five key growth drivers:

### 1. Key Senetas HSE markets:

- Accelerate (and protect) growth by working with Gemalto to increase the sales, marketing and customer footprint in traditional markets.

### 2. Low HSE penetration markets:

- Develop markets where Senetas products have low market penetration by working closely with Gemalto. These include: India, Japan, Singapore, South America, Eastern Europe, France, Germany and Italy.

### 3. New faster and 'high-density' products:

- Release new market-leading encryptors that reflect emerging customer security needs. These include faster, 100Gbps, and 'high-density' (multi-port) platform.

### 4. New custom algorithm projects:

- Leveraging Senetas's unique electronics engineering capabilities and products, Senetas expects to commence work in 2015 on a large custom algorithm project for a major European customer.
- In order to build other custom algorithm opportunities, Senetas will complete a custom software toolkit to address unique requirements for customers in Asia, Europe and the Middle East.

### 5. New technology partnerships:

- Senetas completed a technology partner agreement with major international data networks provider, Avaya, in January 2015. It will provide Senetas/Gemalto access to the rapidly growing Avaya 'Fabric Connect' network technology and its large customers around the world.
- Senetas has identified two other technology partnership opportunities with major technology companies which may extend the company's technology and market.

These five key growth drivers are expected to drive significant revenue and profit growth from FY2016.

The Company's strategic growth plan is being supported by product marketing, brand recognition and data security thought leadership focused on the commercial, government and networks service providers in targeted geographic markets.

## Well Positioned to Continue Growing

Senetas' very strong half-year performance clearly reflects the benefits of the Company's business transformation and growth strategy implemented since its comprehensive strategic restructure in 2012. The financial results over the past six months were primarily driven by the ongoing increase in sales activities in Senetas' primary markets under the international master distribution agreement with Gemalto in government and non-government sectors, supported by Senetas' technical and marketing activities.

# Directors' Report (Continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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Senetas' experienced leadership team, together with the skilled team of product development engineers and marketing and partner development activities have played key roles in supporting the Company's international master distributor and other partners. The growth over the past two years, and in particular over the past six months, would not have been possible without the dedication and commitment of the Company's talented team.

Senetas has achieved major operational and financial benefits from its business improvement and growth initiatives over the past two years. Those benefits should continue to influence the results positively in the second half of this financial year. Based upon operating performance to 31 December 2014, Senetas expects that revenue and profit growth for the full year to 30 June 2015 will significantly exceed the prior year, although the rate of growth in the second half may moderate from that achieved in the first half.

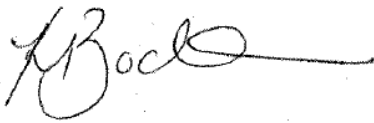


## Auditor's Independence Declaration to the Directors of Senetas Corporation Limited

In relation to our review of the financial report of Senetas Corporation Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Kylie Bodenham  
Partner  
25 February 2015

# Interim Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>31/12/2014</i>	<i>31/12/2013</i>
		\$	\$
<b>Revenues</b>	3(a)	8,119,371	4,827,664
Cost of sales		(1,421,555)	(626,596)
<b>Gross profit</b>		6,697,816	4,201,068
Other income	3(b)	127,584	38,427
Employee benefits expense	3(c)	(2,339,456)	(2,304,570)
Depreciation & amortisation expense	3(d)	(136,708)	(143,932)
Administration expenses	3(e)	(1,139,718)	(959,759)
Other expenses	3(f)	(389,547)	(525,050)
<b>Profit for the period before income tax</b>		2,819,971	306,184
Income tax benefit/(expense)		(876,073)	134,454
<b>Net profit for the period</b>		1,943,898	440,638
<b>Profit for the period</b>		1,943,898	440,638
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve		(11,783)	(67,002)
<b>Other comprehensive income for the period</b>		(11,783)	(67,002)
<b>Total comprehensive income for the period, net of tax</b>		1,932,115	373,636
Attributable to:			
Owners of the parent		1,932,115	373,636
Earnings per share (EPS): (cents per share)			
Basic, profit for the period attributable to ordinary equity holders of the Parent.		0.18	0.04
Diluted, profit for the period attributable to ordinary equity holders of the Parent.		0.18	0.04

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 2014

	Notes	CONSOLIDATED	
		As at	As at
		31/12/2014	30/06/2014
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		10,004,069	6,805,359
Trade and other receivables		4,409,435	5,482,948
Inventories		593,282	682,513
Prepayments		236,766	109,628
Other current assets		23,886	10,450
<b>Total Current Assets</b>		<b>15,267,438</b>	<b>13,090,898</b>
<b>Non-current Assets</b>			
Other financial assets		109,516	59,952
Deferred tax asset		808,385	1,447,074
Plant and equipment		735,698	454,151
Intangible assets		94,300	118,131
<b>Total Non-current Assets</b>		<b>1,747,899</b>	<b>2,079,308</b>
<b>TOTAL ASSETS</b>		<b>17,015,337</b>	<b>15,170,206</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		1,268,970	1,583,726
Income tax payable		403,313	226,010
Unearned income		3,191,233	3,200,227
Provisions		750,325	803,750
<b>Total Current Liabilities</b>		<b>5,613,841</b>	<b>5,813,713</b>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		63,184	3,105
Provisions		22,720	14,499
Other non-current liabilities		337,219	312,706
<b>Total Non-current Liabilities</b>		<b>423,123</b>	<b>330,310</b>
<b>TOTAL LIABILITIES</b>		<b>6,036,964</b>	<b>6,144,023</b>
<b>NET ASSETS</b>		<b>10,978,373</b>	<b>9,026,184</b>
<b>EQUITY</b>			
Contributed equity	5	104,388,258	104,332,258
Accumulated losses		(94,028,221)	(95,972,119)
Foreign currency translation reserve		(25,812)	(14,029)
Employee benefit reserve		631,288	667,213
<b>Equity attributable to owners of the parent</b>		<b>10,965,513</b>	<b>9,013,324</b>
<b>Non-controlling interests</b>		<b>12,860</b>	<b>12,860</b>
<b>TOTAL EQUITY</b>		<b>10,978,373</b>	<b>9,026,184</b>

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

## Interim Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	<i>Attributable to equity holders of Senetas Corporation Ltd</i>				<i>Non-controlling interest</i>	<i>Total equity</i>	
	<i>Contributed Equity</i>	<i>Accumulated Losses</i>	<i>Foreign Currency Translation Reserve</i>	<i>Employee Benefit Reserve</i>			<i>Total</i>
<b>CONSOLIDATED</b>	\$	\$	\$	\$	\$	\$	
<b>At 1 July 2013</b>	104,218,699	(98,929,200)	32,545	735,946	6,057,990	12,860	6,070,850
Profit for the period	-	440,638	-	-	440,638	-	440,638
Other comprehensive income	-	-	(67,002)	-	(67,002)	-	(67,002)
<b>Total comprehensive income for the period</b>	-	440,638	(34,457)	-	373,636	-	373,636
<b>Transactions with owners in their capacity as owners</b>							
Options converted to shares	122,500	-	-	(122,500)	-	-	-
Share Based Payments	-	-	-	49,546	49,546	-	49,546
<b>At 31 December 2013</b>	<u>104,341,199</u>	<u>(98,488,562)</u>	<u>(34,457)</u>	<u>662,992</u>	<u>6,481,172</u>	<u>12,860</u>	<u>6,494,032</u>
<b>CONSOLIDATED</b>	\$	\$	\$	\$	\$	\$	\$
<b>At 1 July 2014</b>	104,332,258	(95,972,119)	(14,029)	667,213	9,013,324	12,860	9,026,184
Profit for the period	-	1,943,898	-	-	1,943,898	-	1,943,898
Other comprehensive income	-	-	(11,783)	-	(11,783)	-	(11,783)
<b>Total comprehensive income for the period</b>	-	1,943,898	(25,812)	-	1,932,115	-	1,932,115
<b>Transactions with owners in their capacity as owners</b>							
Share Based Payments	-	-	-	20,075	20,075	-	20,075
Options converted to shares	56,000	-	-	(56,000)	-	-	-
Dividends	-	-	-	-	-	-	-
<b>At 31 December 2014</b>	<u>104,388,258</u>	<u>(94,028,221)</u>	<u>(25,812)</u>	<u>631,288</u>	<u>10,965,513</u>	<u>12,860</u>	<u>10,978,373</u>

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

# Interim Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>31/12/2014</i>	<i>31/12/2013</i>
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		7,744,031	4,745,030
Payments to suppliers and employees		(5,724,968)	(5,226,613)
R&D Tax Concession		1,446,725	1,359,104
Interest received		107,284	36,896
<b>Net cash flows from operating activities</b>		<b>3,573,072</b>	<b>914,417</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(358,033)	(40,688)
Purchase of intangibles		(4,546)	(19,626)
<b>Net cash flows used in investing activities</b>		<b>(362,579)</b>	<b>(60,314)</b>
<b>Cash flows from financing activities</b>			
Net increase/(decrease) in cash and cash equivalents		3,210,493	854,103
Net foreign exchange differences		(11,783)	(67,002)
Cash and cash equivalents at beginning of period		6,805,359	4,091,013
<b>Cash and cash equivalents at end of period</b>		<b>10,004,069</b>	<b>4,878,114</b>

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

# Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

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## 1 CORPORATE INFORMATION

The interim condensed consolidated financial statements of Senetas Corporation Limited (the Group) for the 6 months ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 25 February, 2015.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements do not include all notes of the type normally included within the annual financial statements, and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements.

It is recommended that the interim condensed consolidated financial statements be read in conjunction with the Annual Financial Report of Senetas Corporation Limited as at 30 June 2014.

It is also recommended that the interim condensed consolidated financial statements be considered together with any public announcements made by Senetas Corporation Limited and its controlled entities during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

### (a) Basis of preparation and Statement of Compliance

The interim condensed consolidated financial statements for the six months ended 31 December 2014 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim condensed consolidated financial statements have been prepared on a historical cost basis.

For the purpose of preparing the interim condensed consolidated financial statements, the half-year has been treated as a discrete reporting period.

### (b) New standards and interpretations

The new standards and interpretations effective from 1 July 2014 have not been listed here as their impact on the Group's position or performance has not changed since they were listed in the annual financial statements for the year ended 30 June, 2014.

The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

### (c) Significant accounting policies

The interim condensed consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2014.

### (d) Share based payment transactions

The company has established a share/option plan to issue and allot securities (shares and options) to directors (with shareholder approval) and 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 company granted performance rights to employees on 15 November, 2012 and to the CEO on 20 November 2014. The performance rights are unlisted and do not rank equally with the existing class of quoted securities. There are no voting rights attached and they are not entitled to any dividends. Shares issued as a consequence of the exercise of the performance rights will be fully paid, ordinary shares ranking equally with the existing class of securities.

The unlisted performance rights for the CEO were issued for a consideration of nil with the following performance conditions attached. 750,000 would vest over the next 24 months of employment and 750,000 would vest on achievement of the company budget for the 2015 year.

The expense recognised for the performance rights for the half year to 31 December 2014 was \$8,408 with the valuation based on the share price at grant date - \$0.055.

The unlisted performance rights for employees were issued for a consideration of nil with the following performance conditions attached. 50% would vest over the first 12 months if the employee remained with the company and the subsequent 50% for the second year of service. The expense recognised for these performance rights for the half year to 31 December, 2014 was \$11,666 with the valuation based on the share price at grant date of \$0.014.

## Notes to the Consolidated Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

		<i>CONSOLIDATED</i>	
	Note	31/12/2014	31/12/2013
		\$	\$
<b>3 REVENUE, INCOME AND EXPENSES</b>			
<b>(a) Revenue</b>			
Sale of goods		5,395,931	3,387,998
Product maintenance revenue		2,706,144	1,371,124
Provision of services		17,296	68,542
		8,119,371	4,827,664
<b>(b) Other income</b>			
Interest revenue:			
Non-related parties		120,720	37,167
Sundry income		6,864	1,260
		127,584	38,427
<b>(c) Employee benefits expenses</b>			
Salaries & wages		2,175,620	2,117,741
Superannuation		143,761	137,283
Share based payments expense	2(d)	20,075	49,546
		2,339,456	2,304,570
<b>(d) Depreciation and amortisation expense</b>			
Depreciation:			
Plant and equipment		95,889	110,969
Leasehold improvements		12,443	2,637
Amortisation:			
Software		28,376	30,326
		136,708	143,932
<b>(e) Administration expenses</b>			
Operating lease		164,252	222,099
Travel expenses		196,809	196,861
Telephone & internet expense		40,345	47,295
Insurance expense		64,093	52,916
Marketing expenses		166,672	187,870
External contractors		507,547	252,718
		1,139,718	959,759
<b>(f) Other expenses</b>			
Inventory write off / provision		112,745	20,160
Certification, testing and regulatory R&D expenditure		312,409	229,960
Net (gain)/ loss on foreign exchange		(335,159)	15,335
Other overhead expenses		299,552	259,595
		389,547	525,050

# Notes to the Consolidated Financial Statements (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### 4 DIVIDENDS PAID AND PROPOSED

#### Equity dividends on ordinary shares:

No interim dividend was paid or is proposed for the half year ended 31 December 2014.

### 5 CONTRIBUTED EQUITY

	CONSOLIDATED	
	No. of shares	\$
Movement in ordinary shares on issue		
At 1 July 2014	1,073,891,948	104,332,258
Employee performance rights converted to shares	4,000,000	56,000
At 31 December 2014	<u>1,077,891,948</u>	<u>104,388,258</u>

### 6 PLANT AND EQUIPMENT

During the six months ended 31 December 2014, the group moved to new leased premises in South Melbourne. The new premises required refurbishment, the cost of which amounted to \$291,995 which will be amortised over the lease term of 5 years.

The Group also purchased \$66,039 of computer and test equipment and transferred \$31,847 of equipment from inventory for product development.

### 7 INCOME TAX

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings.

The major components of income tax expense in the interim statement of profit or loss are:

	For the six months ended 31 December	
	2015	2014
<b>Income Taxes</b>		
Current income tax expense	403,313	271,907
Deferred income tax expense related to origination and reversal of deferred taxes	698,770	(137,453)
Adjustments in respect of current income tax of previous years	(226,010)	-
<b>Income tax expense recognised in the statement of profit or loss</b>	<u><b>876,073</b></u>	<u><b>134,454</b></u>

### 8 COMMITMENTS AND CONTINGENCIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

### 9 EVENTS AFTER THE BALANCE DATE

There were no significant events after balance date.



# Directors' Declaration

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

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 31 December 2014 and the performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *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



F.W. Galbally

Director

25 February 2015

To the members of Senetas Corporation Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Senetas Corporation Limited, which comprises the condensed statement of financial position as at 31 December 2014, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### 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 controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Senetas Corporation Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

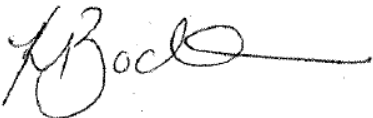
## Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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*.



Ernst & Young



Kylie Bodenham  
Partner  
Melbourne  
25 February 2015