

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

ACN	final (tick)	Half -Year ended	Previous Corresponding Period	
006 067 607	√	31 Dec 2015	31 Dec 2014	
Results for announcement to the market				
	31-Dec-15	31-Dec-14	Decrease/ Increase	%
	\$	\$	\$	
1. Revenues from ordinary activities	8,665,782	8,119,371	546,411	7%
2. Profit/(loss) from ordinary activities before tax attributable to members	1,845,377	2,819,971	(974,594)	-35%
4. Net profit/(loss) after tax for the period attributable to members	1,585,628	1,943,898	(358,270)	-18%
5. Amount of Interim dividend	No interim dividend is proposed			
6. Record date for determining entitlements to the final dividend	N/A			
7. Brief Explanation of figures 1 to 6				
This information should be read in conjunction with the most recent annual financial report.				
Review and results of operations				
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 6 months ended 31 December 2015 (HY2016), delivering profit in line with the market update announcement on 25 January 2016.				
HY2016 highlights:				
<ul style="list-style-type: none"><li>• Operating revenue up 7% to \$8.67 million (HY2015: \$8.12 million)</li><li>• Net profit before tax down 35% to \$1.85 million (HY2015: \$2.82 million)</li><li>• Net profit after tax down 18% to \$1.59 million (HY2015: \$1.94 million)</li><li>• Gross margin of 83% and pre-tax profit margin of 21%</li><li>• Cash flow remained positive, with net operating cash flow of \$0.57 million (HY2015: \$3.57 million)</li><li>• Strong balance sheet<ul style="list-style-type: none"><li>- No debt;</li><li>- Cash on hand at 31 December 2015 of \$16.34 million (FY2015: 15.90 million); and</li><li>- Net assets up 13% to \$14.75 million (net tangible assets \$14.63m).</li></ul></li><li>• Acceleration of R&amp;D roadmap progressing with all new product development on track.</li></ul>				

## Summary

The half year profit was at the high end of the guidance range provided by the Company in its market update announcement on 25 January 2016.

The profit result was impacted by three key factors:

1. Delays in contracts that were expected to be concluded prior to 31 December 2015;
2. Some temporary sales disruption resulting from the restructure of the sales force at Senetas' master distributor, Gemalto N.V.; and
3. The planned increase in research and development (R&D) expenditure that was forecast in the Company's 2015 full year profit announcement.

Despite the delays and temporary sales disruption, revenue continued to grow during the period reflecting the strength of the business and the benefits of the transformation and growth plan implemented since 2012. With the benefits of the new master distributor agreement with Gemalto now fully realised, the split of Senetas revenue has now stabilised at 60% from new product sales and 40% from maintenance services.

Whilst the profit for the period was below expectations, the Company believes the contributing factors are temporary and delayed sales should be completed by 30 June 2016. Gemalto continues to forecast good growth in sales for Senetas' products during the 2016 calendar year.

Senetas' financial position remains very strong, with net assets up 13% during the period, no debt, and cash on hand in excess of \$16 million.

Progress on the Company's growth initiatives continues as planned, including development of new products such as the 100Gbps encryptor. Government and commercial interest in these new products remains strong and the 100Gbps encryptor is currently undergoing customer testing with expectations it will be released into the market during the first half of FY2017.

## 8. Movements in Retained Earnings

Please refer to the attached Half-Year Financial Report

9. NTA backing	31-Dec-15	30-Jun-15
	(Cents Per Share)	(Cents Per Share)
Net tangible asset backing per ordinary security	1.37	1.20
10. Details of entities over which control has been gained or lost during the period:	N/A	
11. Details of Associates / Joint Venture Holdings	N/A	
12. Other information on financial statements	None	
13. Foreign Entities – accounting standards used to prepare report	N/A	
14. Other Information	None	

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



F. W. Galbally  
Chairman



**Half-year condensed financial report  
for the half-year ended  
31 December 2015**

# SENETAS CORPORATION LIMITED

## HALF-YEAR REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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# Directors' Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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Your directors submit their report for the half-year ended 31 December 2015.

## 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)  
L. Hansen (Non-executive director, appointed 28 August, 2015.)

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 2015 (1H2016).

## 1H16 Highlights:

- Operating revenue up 7% to \$8.67 million (HY2015: \$8.12 million).
- Net profit before tax down 35% to \$1.85 million (HY2015: \$2.82 million).
- Net profit after tax down 18% to \$1.59 million (HY2015: \$1.94 million).
- Gross margin of 83% and pre-tax profit margin of 21%.
- Cash flow remained positive, with net operating cash flow of \$0.57 million (HY2015: \$3.57 million).
- Strong balance sheet
  - No debt;
  - Cash on hand at 31 December 2015 of \$16.34 million (FY2015: 15.90 million); and
  - Net assets up 13% to \$14.75 million.
- Acceleration of R&D roadmap progressing with all new product development on track.

The half year profit was at the high end of the guidance range provided by the Company in its market update announcement on 25 January 2016.

The profit result was impacted by three key factors:

1. Delays in contracts that were expected to be concluded prior to 31 December 2015;
2. Some temporary sales disruption resulting from the restructure of the sales force at Senetas' master distributor, Gemalto N.V.; and
3. The planned increase in research and development (R&D) expenditure that was forecast in the Company's 2015 full year profit announcement.

Despite the delays and temporary sales disruption, revenue continued to grow during the period reflecting the strength of the business and the benefits of the transformation and growth plan implemented since 2012. With the benefits of the new master distributor agreement with Gemalto now fully realised, the split of Senetas revenue has now stabilised at 60% from new product sales and 40% from maintenance services.

Whilst the profit for the period was below expectations, the Company believes the contributing factors are temporary and delayed sales should be completed by 30 June 2016. Gemalto continues to forecast good growth in sales for Senetas' products during the 2016 calendar year.

Senetas' financial position remains very strong, with net assets up 13% during the period, no debt, and cash on hand in excess of \$16 million.

Progress on the Company's growth initiatives continues as planned, including development of new products such as the 100Gbps encryptor. Government and commercial interest in these new products remains strong and the 100Gbps encryptor is currently undergoing customer testing with expectations it will be released into the market during the first half of FY2017.

## Directors' Report (Continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### Revenue Growth

Revenue growth of 7% was driven by a 27% increase in maintenance revenue, offset by a small (3%) decline in product sales revenue. The delayed product sales include a major government customer and only partial completion of a transaction with a large commercial customer. Sales to government customers remain the largest share of the Company's sales, however, sales to commercial customers continue to grow as a percentage of total sales.

The Gemalto integration of SafeNet post its acquisition in January 2015 has seen a significant restructure of parts of the sales organisation. The restructure caused some temporary disruption during the period and has resulted in significant changes to personnel. Senetas has consequently been taking a more proactive role in business development and sales throughout the USA and Europe. However, the restructure has also resulted in a significant increase in the number of sales people in the Gemalto division responsible for the sale of Senetas products, creating further opportunities to grow the number of sales people actively selling encryptors. The integration is now largely complete and Senetas expects increased sales and marketing focus during 2016.

### Research and Development

R&D remains the Company's core activity and the major driver of long-term growth prospects. Senetas is significantly increasing its investment in R&D during FY2016 in order to fast-track initiatives that will build new capability and drive revenue growth in FY2017 and beyond.

R&D expenditure in the first half of FY2016 was 65% higher than the prior period and reflected an investment of 33% of revenue.

Development of the 100Gbps encryptor is well advanced and customer testing is expected to commence in the next few months. The certification process for the 100Gbps encryptor is due to commence mid-year. At this stage Senetas expects the 100Gbps encryptor will be released to customers and become revenue producing late in the first half of FY2017.

Progress in the development of Senetas' CN6140 multi-port encryptor is also well advanced. The multi-port encryptors have encryption capability up to 10Gbps and should become available to customers for testing in late calendar 2016 and commence producing revenue for Senetas in the second half of FY2017. Senetas' custom encryption algorithm product has been released to the market recently and is also expected to commence producing revenue for Senetas in FY2017.

Senetas is continuing to work with its customers, master distribution partner and technology partners to identify new product opportunities that will create ongoing revenue growth for Senetas in the medium and long term. At this stage Senetas expects R&D will moderate slightly in FY2017 after the significant step up in spend during FY2016.

### Balance Sheet and Cash Flow

Senetas' balance sheet remains very strong and provides significant capacity to support the necessary investments to drive both organic and inorganic future growth.

Net operating cash flow remained positive in HY2016, however, two main factors have contributed to lower cash flow compared to the prior period:

1. Senetas made tax payments of \$1.25 million during HY2016 compared to nil in the prior period; and
2. The previously announced step up in R&D expenditure.

### Outlook

The data security industry continues to grow and customer interest in Senetas' existing products and products under development remains very strong. The Company's master distributor Gemalto is forecasting good growth in sales for Senetas products in calendar 2016.

With increased stability post Gemalto's sales restructure and the completion of delayed product sales during the second half of FY2016 Senetas expects higher revenue and profit than the first half of FY2016. Current expectations are that Profit Before Tax for the second half of FY2016 will be similar to or slightly higher than the prior corresponding period which would result in a Net Profit Before Tax of approximately \$5 million for the full year to 30 June 2016.

New products to be released into the market in FY2017 are expected to drive medium term growth and Senetas will be in a position to provide more specific guidance in relation to the precise timing of these opportunities at the release of the Company's full year results in August 2016.

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

As lead auditor for the review of Senetas Corporation Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Kylie Bodenham  
Partner  
26 February 2016

# Interim Consolidated Statement of Comprehensive Income

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Notes	CONSOLIDATED	
		31/12/2015	31/12/2014
		\$	\$
<b>Revenues</b>	3(a)	8,665,782	8,119,371
Cost of sales		(1,475,144)	(1,421,555)
<b>Gross profit</b>		<u>7,190,638</u>	<u>6,697,816</u>
Other income	3(b)	211,341	127,584
Employee benefit expenses	3(c)	(2,986,574)	(2,339,456)
Depreciation & amortisation expenses	3(d)	(171,598)	(136,708)
Administration expenses	3(e)	(1,432,127)	(1,139,718)
Other expenses	3(f)	(966,303)	(389,547)
<b>Profit for the period before income tax</b>		<u>1,845,377</u>	<u>2,819,971</u>
Income tax expense		(259,749)	(876,073)
<b>Net profit for the period</b>		<u>1,585,628</u>	<u>1,943,898</u>
<b>Profit for the period</b>		<u>1,585,628</u>	<u>1,943,898</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve		(439)	(11,783)
<b>Other comprehensive income for the period</b>		<u>(439)</u>	<u>(11,783)</u>
<b>Total comprehensive income for the period, net of tax</b>		<u>1,585,189</u>	<u>1,932,115</u>
Attributable to:			
Owners of the parent		<u>1,585,189</u>	<u>1,932,115</u>
Earnings per share (EPS): (cents per share)			
Basic, profit for the period attributable to ordinary equity holders of the Parent.		0.15	0.18
Diluted, profit for the period attributable to ordinary equity holders of the Parent.		0.15	0.18

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 2015

	Notes	CONSOLIDATED	
		As at 31/12/2015	As at 30/6/2015
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		16,339,339	15,901,898
Trade and other receivables		2,909,889	4,042,547
Inventories		835,353	720,712
Prepayments		196,450	212,843
Other current assets		107,740	31,549
<b>Total current assets</b>		<b>20,388,771</b>	<b>20,909,549</b>
<b>Non-current assets</b>			
Other financial assets		95,446	92,501
Deferred tax asset		513,960	513,752
Plant and equipment		730,931	751,519
Intangible assets		124,156	124,405
<b>Total non-current assets</b>		<b>1,464,493</b>	<b>1,482,177</b>
<b>TOTAL ASSETS</b>		<b>21,853,264</b>	<b>22,391,726</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,781,891	2,067,878
Income tax payable		299,357	1,251,989
Unearned income		1,833,675	3,718,749
Provisions		845,446	785,843
<b>Total current liabilities</b>		<b>4,760,369</b>	<b>7,824,459</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		9,766	48,545
Provisions		23,401	28,502
Unearned income - non-current		2,309,688	1,396,822
<b>Total non-current liabilities</b>		<b>2,342,855</b>	<b>1,473,869</b>
<b>TOTAL LIABILITIES</b>		<b>7,103,224</b>	<b>9,298,328</b>
<b>NET ASSETS</b>		<b>14,750,040</b>	<b>13,093,398</b>
<b>EQUITY</b>			
Contributed equity	5	104,426,711	104,388,258
Accumulated losses		(90,370,235)	(91,955,863)
Foreign currency translation reserve		(25,313)	(24,874)
Employee benefit reserve		706,017	673,017
<b>Equity attributable to owners of the parent</b>		<b>14,737,180</b>	<b>13,080,538</b>
<b>Non-controlling interests</b>		<b>12,860</b>	<b>12,860</b>
<b>TOTAL EQUITY</b>		<b>14,750,040</b>	<b>13,093,398</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 2015

	<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 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	(11,783)	-	1,932,115	-	1,932,115
<b>Transactions with owners in their capacity as owners</b>							
Share based payment expenses	-	-	-	20,075	20,075	-	20,075
Options converted to shares	56,000	-	-	(56,000)	-	-	-
<b>At 31 December 2014</b>	104,388,258	(94,028,221)	(25,812)	631,288	10,965,513	12,860	10,978,373
<b>CONSOLIDATED</b>	\$	\$	\$	\$	\$	\$	\$
<b>At 1 July 2015</b>	104,388,258	(91,955,863)	(24,874)	673,017	13,080,538	12,860	13,093,398
Profit for the period	-	1,585,628	-	-	1,585,628	-	1,585,628
Other comprehensive income	-	-	(439)	-	(439)	-	(439)
<b>Total comprehensive income for the period</b>	-	1,585,628	(439)	-	1,585,189	-	1,585,189
<b>Transactions with owners in their capacity as owners</b>							
Share based payment expenses	-	-	-	71,453	71,453	-	71,453
Options converted to shares	38,453	-	-	(38,453)	-	-	-
<b>At 31 December 2015</b>	104,426,711	(90,370,235)	(25,313)	706,017	14,737,180	12,860	14,750,040

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 2015

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>31/12/2015</i>	<i>31/12/2014</i>
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		7,173,531	7,744,031
Payments to suppliers and employees		(7,140,439)	(5,724,968)
R&D tax concession net of tax paid		401,330	1,446,725
Interest received		135,150	107,284
<b>Net cash flows from operating activities</b>		<b>569,572</b>	<b>3,573,072</b>
<b>Cash flows used in investing activities</b>			
Purchase of plant and equipment		(98,638)	(358,033)
Purchase of intangibles		(33,054)	(4,546)
<b>Net cash flows used in investing activities</b>		<b>(131,692)</b>	<b>(362,579)</b>
Net increase in cash and cash equivalents		437,880	3,210,493
Net foreign exchange differences		(439)	(11,783)
Cash and cash equivalents at beginning of period		15,901,898	6,805,359
<b>Cash and cash equivalents at end of period</b>		<b>16,339,339</b>	<b>10,004,069</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 2015

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### 1 CORPORATE INFORMATION

The interim condensed consolidated financial statements of Senetas Corporation Limited (the Group) for the half-year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 29 February 2016.

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

### 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 2015.

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 2015 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 half-year ended 31 December 2015 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 and revised standards and interpretations

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period. New and revised Standards, amendments thereof and Interpretations effective for the current half-year and relevant to the Group are limited to AASB 2015-3 '*Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*'. The adoption of new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior half-year.

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 2015.

## Notes to the Consolidated Financial Statements (continued)

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	<i>CONSOLIDATED</i>	
		<i>31/12/2015</i>	<i>31/12/2014</i>
		\$	\$
<b>3 REVENUE, INCOME AND EXPENSES</b>			
<b>(a) Revenue</b>			
Sale of goods		5,213,401	5,395,931
Product maintenance revenue		3,432,953	2,706,144
Provision of services		19,428	17,296
		<u>8,665,782</u>	<u>8,119,371</u>
<b>(b) Other income</b>			
Interest revenue:			
Non-related parties		211,341	120,720
Sundry income		-	6,864
		<u>211,341</u>	<u>127,584</u>
<b>(c) Employee benefits expenses</b>			
Salaries & wages		2,734,808	2,175,620
Superannuation		162,399	143,761
Termination payments		17,914	-
Share based payments expense	6	71,453	20,075
		<u>2,986,574</u>	<u>2,339,456</u>
<b>(d) Depreciation and amortisation expense</b>			
Depreciation:			
Plant and equipment		107,405	95,889
Leasehold improvements		30,890	12,443
Amortisation:			
Software		33,303	28,376
		<u>171,598</u>	<u>136,708</u>
<b>(e) Administration expenses</b>			
Operating lease		196,918	164,252
Travel expenses		275,489	196,809
Telephone & internet expenses		32,811	40,345
Insurance expenses		56,558	64,093
Marketing expenses		164,723	166,672
External contractors - sales & corporate		705,628	507,547
		<u>1,432,127</u>	<u>1,139,718</u>
<b>(f) Other expenses</b>			
Inventory write off / provision		49,856	112,745
Certification, testing and direct R&D expenditure		695,020	312,409
Net gain on foreign exchange		(89,840)	(335,159)
Other overhead expenses		311,267	299,552
		<u>966,303</u>	<u>389,547</u>

# Notes to the Consolidated Financial Statements (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### 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 2015.

### 5 CONTRIBUTED EQUITY

	CONSOLIDATED	
	No. of shares	\$
Movement in ordinary shares on issue		
At 1 July 2015	1,077,891,948	104,388,258
Employee performance rights converted to shares	750,000	38,453
At 31 December 2015	1,078,641,948	104,426,711

### 6 SHARE BASED PAYMENTS (for Executives and Employees)

During the period, the Group issued performance rights attached to the Group's Long Term Incentive Plan (LTI) to all employees. The performance rights will vest in four equal tranches if the following performance hurdles, tested independently, are met:

- Tranche 1 – 25% of the performance rights will vest if FY2016 budget is achieved.
- Tranche 2 – 25% of the performance rights vest if employment tenure extends for 12 months past grant
- Tranche 3 – 25% of the performance rights will vest if FY2017 budget is achieved.
- Tranche 4 – 25% of the performance rights vest if employment tenure extends for 24 months past grant

Performance rights granted during the year were fair valued by an external party using a binomial option pricing methodology.

The following table sets out the assumptions made in determining the fair value of these performance rights.

Scheme	2016
Number of rights granted	2,450,000
Grant date	21-Sep-15
Performance period	As above: up to 24 months from grant date
Risk free interest rate	1.90%
Volatility (%)	36.20%
Discounted stock price	\$0.1330
Binomial option valuation	\$0.1320

The expense associated with these share based payments has been recognised in the employee expenses category in the Consolidated Income Statement.

## Notes to the Consolidated Financial Statements (continued)

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

#### 7 PLANT AND EQUIPMENT

During the six months ended 31 December 2015, the group purchased \$98,638 of computer and test equipment and transferred \$19,070 from inventory for product development.

#### 8 INCOME TAX

The Group calculates the income tax expense for the reporting period 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 comprehensive income are:

	For the half-year ended 31 December	
	2015	2014
<b>Income taxes</b>		
Current income tax expense	616,476	403,313
Deferred income tax expense related to origination and reversal of temporary differences	(38,987)	698,770
Adjustments in respect of current income tax of previous years	(19,366)	(226,010)
Utilisation of unrecognised tax losses	(298,375)	-
<b>Income tax expense recognised in the statement of comprehensive income</b>	<b>259,749</b>	<b>876,073</b>

#### 9 REVENUE BY GEOGRAPHY

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.

	For the half-year ended 31 December	
	2015	2014
Australia & New Zealand	883,025	337,908
United States	5,753,186	6,011,073
Europe	2,029,571	1,770,390
	<b>8,665,782</b>	<b>8,119,371</b>

#### 10 COMMITMENTS AND CONTINGENCIES

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

#### 11 EVENTS AFTER THE REPORTING DATE

There were no significant events after the reporting 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*,
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and the performance for the half-year ended on that date; and
  - (ii) complying with the 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

26 February 2016



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 2015, 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 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 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.

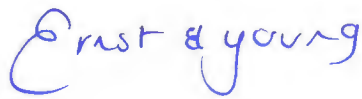
## Independence

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 2015 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*.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that appears to read 'K. Bodenham'.

Kylie Bodenham  
Partner  
Melbourne  
26 February 2016