

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 2013		31 Dec 2012
Results for announcement to the market				
		31-Dec-13	31-Dec-12	Decrease/ Increase
		\$	\$	\$
1. Revenues from ordinary activities		4,827,664	3,223,333	1,604,331
2. Profit/(loss) from ordinary activities before tax attributable to members		306,184	(1,519,375)	1,825,559
4. Net profit/(loss) after tax for the period attributable to members		440,638	(1,431,368)	1,872,006
5. Amount of Interim dividend		No interim dividend is proposed		
6. Record date for determining entitlements to the final dividend		N/A		

6. Brief Explanation of figures 1 to 6

This information should be read in conjunction with the most recent annual financial report.

Financial

- Net profit before tax of \$306,184 in line with guidance provided on 4th February, 2014.
- Positive cash flow, with a debt-free balance sheet and cash on hand of \$4.9m - an increase of 19% from 1 July, 2013.
- Revenue of \$4.8 million, a 50% increase over the comparable period last year driven by benefits from the new international master distribution agreement with SafeNet Inc. (SafeNet), also providing a strong profit contribution.
- Revenue benefits being realised from:
 - SafeNet's global commitment to Senetas products and the high-speed encryption (HSE) market, which complements SafeNet's strong international market position as "The Data Protection Company"; and
 - Comprehensive business restructure and clear focus on Senetas's core business and intellectual property in certified encryption of high-speed network data.
- Investment in marketing and business development: The company has reinvested some of the cost savings made in 2013 into its marketing and business development strategy, the benefits of which are being realised through:
 - Enhanced branding; market awareness and positioning of Senetas products;
 - Focus on the key drivers of growing global demand for high-speed data networks and the resulting risks to that data in motion – e.g. Cloud computing, data centres, Big Data and CCTV;
 - Supporting SafeNet's marketing needs to assist it to maximise its global sales and marketing activities;

Summary

A mix of: substantially increased sales under the new master distribution agreement and close technical, sales and marketing collaboration with SafeNet; the outcomes of the comprehensive restructure and business strategy implemented in 2012; the new marketing, business development and partner support activities; our experienced leadership team's activities; the long-term continuity of skilled product development engineers; and close market collaboration with SafeNet are now being reflected in Senetas's financial results.

The strength of the business relationships under the new master distribution agreement with SafeNet and close collaboration at technical, sales and marketing levels among the companies' senior management teams are proving successful. Both organisations are benefiting.

Senetas benefits from SafeNet's long established customer base, market position, relationships in key industry sectors and global footprint.

SafeNet has benefited from the addition of Senetas's market leading, certified and defence-grade range of high-speed encryptors to its comprehensive range of data protection products and services. Senetas encryptors complete SafeNet's market offer to its key target market segments.

Senetas expects to be profitable for the full year ending 30 June 2014.

Further information about Senetas Corporation Limited at: www.senetas.com

9. Movements in Retained Earnings	Please refer to the attached Half-Year Financial Report	
10. NTA backing	31-Dec-13 (Cents Per Share)	30-Jun-13 (Cents Per Share)
Net tangible asset backing per ordinary security	0.59	0.56
11. Details of entities over which control has been gained or lost during the period:	N/A	
12. Details of Associates / Joint Venture Holdings	N/A	
13. Other information on financial statements	None	
14. Foreign Entities – accounting standards used to	N/A	
15. Other Information	None	
16. 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 period ended
31 December 2013**

SENETAS CORPORATION LIMITED

HALF-YEAR REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Contents

Directors' Report	1
Auditors Independence Declaration.....	4
Statement of Comprehensive Income.....	5
Statement of Financial Position.....	6
Statement of Changes in Equity	7
Statement of Cash Flows.....	8
Notes to the Half-Year Financial Statements	
1. Corporate information.....	9
2. Summary of significant accounting policies.....	9
3. Revenues, income and expenses	11
4. Dividends paid & proposed.....	12
5. Contributed Equity.....	12
6. Discontinued Operation	13
7. Contingent assets and liabilities.....	14
8. Events after the balance date.....	14
Directors' Declaration	15
Independent Review Report.....	16

Directors' Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Your directors submit their report for the half-year ended 31 December 2013.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as 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)

Financial

- Net profit before tax of \$306,184.
- Positive cash flow, with a debt-free balance sheet and cash on hand of \$4.9m - an increase of 19% from 1 July, 2013.
- Revenue of \$4.8 million, a 50% increase over the comparable period last year driven by benefits from the new international master distribution agreement with SafeNet Inc. (SafeNet), also providing a strong profit contribution.
- Revenue benefits being realised from:
 - SafeNet's global commitment to Senetas products and the high-speed encryption (HSE) market, which complements SafeNet's strong international market position as "The Data Protection Company";
 - Comprehensive business restructure and clear focus on Senetas's core business and intellectual property in certified encryption of high-speed network data.
- Investment in marketing and business development: The company has reinvested some of the cost savings made in 2013 into its marketing and business development strategy, the benefits of which are being realised through:
 - Enhanced branding; market awareness and positioning of Senetas products;
 - Focus on the key drivers of growing global demand for high-speed data networks and the resulting risks to that data in motion – e.g. Cloud computing, data centres, Big Data and CCTV;
 - Supporting SafeNet's marketing needs to assist it to maximise its global sales and marketing activities.

Operational

Senetas Corporation Limited (ASX: SEN), the world's leading developer and manufacturer of certified, defence-grade encryption solutions announced a profit before tax of \$306,184 for the half year to December 31 2013.

Senetas's profit for the half year represents a significant improvement in business performance following our restructure in 2012, resulting in the company's first half year profit in a number of years. The profit reflects a \$1,825,559 turnaround from the loss of \$1,519,375 during the same period in 2012. This turnaround highlights the combined impact of:

- the business restructure and cost reductions;
- the new international master distribution relationship agreement with SafeNet;
- Senetas's new marketing and business development strategy; and
- close technical, marketing and sales support and collaboration with SafeNet.

Directors' Report (Continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

SafeNet Relationship

Following the implementation of the master distribution agreement, Senetas and SafeNet continue to work very closely to achieve sales and profit growth through increased target market coverage and penetration within specific geographic and vertical market segments.

Senetas's technical, marketing and pre-sales support collaboration with SafeNet are important to overall revenue growth as SafeNet expands its high-speed encryption sales geographic coverage and activities in key market segments under the new international master distribution agreement.

Similarly, SafeNet's commitment to Senetas high-speed encryption (HSE) products has been highlighted by its increased sales force; the implementation of an on-going and comprehensive sales and technical training program; and its investment in a broad range of marketing assets and activities.

Importantly, Senetas performs a key role jointly with SafeNet in its sales planning, marketing and promotion activities as well as sales force training and pre-sales support.

Revenue focus

Senetas continues to pursue a range of revenue growth plans in collaboration with SafeNet in its key geographic and industry sector markets.

In the US, SafeNet is expanding its direct sales force and indirect partner activities into targeted non-government sectors, focusing on those most exposed to data protection risks. We expect that SafeNet's penetration of the US non-government high speed encryption market will contribute positive sales growth, especially as the commercial sector slowly recovers from the US debt crisis.

Furthermore, Senetas's revenue focus continues on the priority encryption and data protection markets of Europe, where SafeNet's presence is strong. New market opportunities are being progressed in a number of European countries where Senetas is supporting SafeNet's sales, marketing and brand awareness in these priority government and non-government industry segments.

The Company's sales growth plans include leveraging UK government and defence sector opportunities through Senetas's CAPS product certifications by the UK independent government testing authority.

Other revenue growth plans include new business development opportunities in non-government sectors throughout the Middle East and Asia. SafeNet's presence in both geographies is already beginning to open new opportunities.

Marketing Strategy Australia

Under the new marketing and business development strategy, Senetas has moved to a market focused approach to the targeted selection of channel partners where our business plans are closely aligned.

The new marketing strategy has included comprehensive re-branding; clearer and competitive advantage focused market positioning; a new customer-focused Internet site; improved business/technical benefits focused messaging, communications and collateral; partner sales aids and marketing needs support; enhanced product collateral tailored to specific business and technical audiences; digital leads generation campaigns; targeted business development program; public and media relations program; partner co-marketing and sales training initiatives; Senetas events and participation in selected data security events.

Senetas technical personnel closely collaborate with and support SafeNet and ANZ partners and customers in pre-sales activities and prove valuable in successful sales outcomes. In their post-sales activities, Senetas technical personnel are also valuable in additional sales as customers expand the network links they encrypt.

Directors' Report (Continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

New product opportunities

Senetas's new product releases in 2014 should perform an important role in on-going sales growth. The release of the new CN4010 "entry level" encryptor will fill an important gap in the 1Gbps and lower band width market segments by meeting the needs of small-to-medium-enterprises (SMEs).

In addition to the CN4010 enabling high-speed encryption of more modest data links; it will enable a wider implementation of high-speed encryption to a higher percentage of large enterprise customers' data links, which may otherwise not be protected. This may enable Senetas to increase its total sales value to existing and new large enterprise customers.

Furthermore, the addition of the CN6010 will also provide existing and future customers with improved economies to enable fully featured Senetas high-speed encryption. It will also fill product gaps previously not met by the Senetas range of encryptors.

Similarly, Senetas will soon launch the co-developed (with Senetas's long-standing quantum specialist technology partner, ID Quantique) CN8000 "multi-10Gbps" quantum encryptor. Although a much specialised product with its greatest appeal to operators of very large and high capacity networks, the CN8000 offers a number of important and unique benefits, including quantum key distribution (QKD) that has attracted early interest and its first sales.

Senetas product certifications continue to be a key element of Senetas sales growth and product development. As the Senetas CN6000 series continues to grow, FIPS certifications of the CN6000 series have been achieved. This US testing authority certification is essential to sales of the CN6000 product range to the US Government and Defence sectors.

Additionally, Senetas encryptors enable the use of "custom" encryption algorithms in addition to the AES-256 standard typically deployed. This important capability may also influence future product development and target marketing due to some responses to the Snowden revelations and enquiries received.

Therefore Senetas continues to investigate the demand for such custom algorithms, which are necessary for acceptance and sale of encryptors to the government sectors in geographies such as Eastern Europe and Asia.

Summary

A mix of: substantially increased sales under the new master distribution agreement and close technical, sales and marketing collaboration with SafeNet; the outcomes of the comprehensive restructure and business strategy implemented in 2012; the new marketing, business development and partner support activities; our experienced leadership team's activities; the long-term continuity of skilled product development engineers; and close market collaboration with SafeNet are now being reflected in Senetas's financial results.

The strength of the business relationships under the new master distribution agreement with SafeNet and close collaboration at technical, sales and marketing levels among the companies' senior management teams are proving successful. Both organisations are benefiting.

Senetas benefits from SafeNet's long established customer base, market position, relationships in key industry sectors and global footprint.

SafeNet has benefited from the addition of Senetas's market leading, certified and defence-grade range of high-speed encryptors to its comprehensive range of data protection products and services. Senetas encryptors complete SafeNet's market offer to its key target market segments.

Senetas expects to be profitable for the full year ending 30 June 2014.

Further information about Senetas Corporation Limited at: www.senetas.com

Directors' Report (Continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013



Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com

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 2013, 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

Ernst & Young

Fiona Campbell
Partner
26 February 2014

Liability limited by a scheme approved under
Professional Standards Legislation

Signed in accordance with a resolution of the directors

F. Galbally
Chairman
Melbourne
26 February 2014

Interim Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>31/12/2013</i>	<i>31/12/2012</i>
		\$	\$
Revenues from continuing operations	3(a)	4,827,664	3,223,333
Cost of sales		(626,596)	(302,517)
Gross profit		4,201,068	2,920,816
Other income	3(b)	38,427	51,373
Employee benefits expense	3(e)	(2,304,570)	(2,863,500)
Depreciation & amortisation expense	3(c)	(143,932)	(158,810)
Other expenses	3(d)	(1,484,809)	(1,469,254)
Profit (Loss) for the period from continuing operations before income tax		306,184	(1,519,375)
Income tax benefit/(expense)		134,454	(73,661)
Net profit (loss) for the period from continuing operations		440,638	(1,593,036)
Discontinued operations			
Profit /(loss) for the period from discontinued operations	6	-	161,668
Profit/(loss) for the period		440,638	(1,431,368)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation reserve		(67,002)	3,131
Other comprehensive income for the period		(67,002)	3,131
Total comprehensive income for the period, net of tax		373,636	(1,428,237)
Attributable to:			
Owners of the parent		373,636	(1,428,237)
Profit/(loss) per share for profit attributable to the ordinary equity holders of the parent			
Basic earnings per share (cents per share) for continuing operations - rounded		0.04	(0.15)
Diluted earnings per share (cents per share) for continuing operations - rounded		0.04	(0.15)
Basic profit/(loss) per share (cents per share) for discontinued operations - rounded		0.00	0.02
Diluted profit/(loss) per share (cents per share) for discontinued operations - rounded		0.00	0.02

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 2013

	Notes	CONSOLIDATED	
		As at	As at
		31/12/2013	30/06/2013
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		4,878,114	4,091,013
Trade and other receivables		2,095,174	3,344,841
Inventories		1,276,818	1,136,202
Prepayments		125,050	117,517
Other current assets		10,641	6,259
Total Current Assets		8,385,797	8,695,832
Non-current Assets			
Other financial assets		7,097	-
Deferred income tax asset		856,801	736,312
Property, plant and equipment		473,408	522,895
Intangible assets		134,790	145,491
Total Non-current Assets		1,472,096	1,404,698
TOTAL ASSETS		9,857,893	10,100,530
LIABILITIES			
Current Liabilities			
Trade and other payables		923,563	1,427,381
Unearned income		1,395,306	1,368,502
Provisions		696,207	971,966
Total Current Liabilities		3,015,076	3,767,849
Non-current Liabilities			
Deferred income tax liabilities		3,878	17,843
Provisions		41,536	58,819
Other non-current liabilities / Unearned income		303,371	185,169
Total Non-current Liabilities		348,785	261,831
TOTAL LIABILITIES		3,363,861	4,029,680
NET ASSETS		6,494,032	6,070,851
EQUITY			
Contributed equity	5	104,341,199	104,218,699
Accumulated losses		(98,488,562)	(98,929,200)
Foreign currency translation Reserve		(34,457)	32,545
Employee benefit reserve		662,992	735,946
Owners of the parent		6,481,172	6,057,990
Non-controlling interests		12,860	12,860
TOTAL EQUITY		6,494,032	6,070,850

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 2013

	<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>		
	\$	\$	\$	\$	\$	\$	\$
CONSOLIDATED							
At 1 July 2012	104,218,913	(98,214,762)	12,781	640,380	6,657,312	12,860	6,670,172
Loss for the period	-	(1,431,368)	-	-	(1,431,368)	-	(1,431,368)
Other comprehensive income	-	-	3,131	-	3,131	-	3,131
Total comprehensive income for the period	-	(1,431,368)	3,131	-	(1,428,237)	-	(1,428,237)
Transactions with owners in their capacity as owners							
Share Placement Costs	(214)	-	-	-	(214)	-	(214)
Share Based Payments	-	-	-	17,575	17,575	-	17,575
Dividends	-	-	-	-	-	-	-
At 31 December 2012	104,218,699	(99,646,130)	15,912	657,955	5,246,436	12,860	5,259,296
CONSOLIDATED							
At 1 July 2013	104,218,699	(98,929,200)	32,545	735,946	6,057,990	12,860	6,070,850
Gain for the period	-	440,638	-	-	440,638	-	440,638
Other comprehensive income	-	-	(67,002)	-	(67,002)	-	(67,002)
Total comprehensive income for the period	-	440,638	(34,457)	-	373,636	-	373,636
Transactions with owners in their capacity as owners							
Share Based Payments	-	-	-	49,546	49,546	-	49,546
Options converted to shares	122,500	-	-	(122,500)	-	-	-
Dividends	-	-	-	-	-	-	-
At 31 December 2013	104,341,199	(98,488,562)	(34,457)	662,992	6,481,172	12,860	6,494,032

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 2013

	Notes	CONSOLIDATED	
		31/12/2013	31/12/2012
		\$	\$
Cash flows from operating activities			
Receipts from customers		4,745,030	4,576,821
Payments to suppliers and employees		(5,226,613)	(6,122,521)
R&D Tax Concession		1,359,104	1,226,523
Interest received		36,896	48,642
Net cash flows from (used in) operating activities		914,417	(270,535)
Cash flows from investing activities			
Purchase of property, plant and equipment		(40,688)	(13,669)
Purchase of intangibles		(19,626)	(3,711)
Net cash proceeds from sale of business	6	-	264,000
Net cash flows from investing activities		(60,314)	246,620
Cash flows from financing activities			
Placement costs	5	-	(214)
Net cash flows used in financing activities		-	(214)
Net increase/(decrease) in cash and cash equivalents		854,103	(24,129)
Net foreign exchange differences		(67,002)	3,131
Cash and cash equivalents at beginning of period		4,091,013	4,513,470
Cash and cash equivalents at end of period		4,878,114	4,492,472

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 2013

1 CORPORATE INFORMATION

The interim condensed consolidated financial statements of Senetas Corporation Limited (the Group) for the 6 months ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 26 February 2014.

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 2013.

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 2013 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 2013 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 2013 have not been listed here as they have no significant impact on the Group's position or performance.

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 2013.

Notes to the Consolidated Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

(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 staff and management on 15th November 2012. 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 were issued for a consideration of nil with the following performance conditions attached. 9,250,000 would vest after one year of service, 5,500,000 would vest after a second year of service and 3,750,000 would vest on achievement of the company budget for the 2013 year.

The 3,750,000 options with the condition of achieving the company budget for the 2013 year were forfeit on 30 June, 2013 as this condition was not met. 8,750,000 options vested on 15th November 2013 for employees who met the condition of one full year of service.

The expense recognised for the performance rights for the half year to 31 December 2013 was \$49,546 with the valuation based on the share price at grant date - \$0.014.

Notes to the Consolidated Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	CONSOLIDATED	
		31/12/2013	31/12/2012
		\$	\$
3 REVENUE, INCOME AND EXPENSES			
(a) Revenue from continuing operations			
Sale of goods		3,387,998	1,290,867
Product maintenance revenue		1,371,124	714,227
Provision of services		68,542	3,096
Royalties/Commissions		-	1,215,143
		<u>4,827,664</u>	<u>3,223,333</u>
(b) Other income			
Interest revenue:			
Non-related parties		37,167	48,973
Sundry income		1,260	2,400
		<u>38,427</u>	<u>51,373</u>
(c) Depreciation and amortisation expense			
Depreciation:			
Plant and equipment		110,969	132,521
Leasehold improvements		2,637	2,699
Amortisation:			
Software		30,326	23,590
		<u>143,932</u>	<u>158,810</u>
(d) Other expenses from continuing operations			
Operating lease		222,099	235,111
Inventory write off / provision		20,160	2,443
Assets written off - damaged		-	5,941
Provision for impairment of receivables		-	1,725
Travel expenses		196,861	147,938
Telephone & internet expense		47,295	55,628
Insurance expense		52,916	57,172
Certification, testing and regulatory R&D expenditure		229,960	221,309
Marketing expenses		187,870	182,752
External contractors		252,718	187,489
Net (gain)/ loss on foreign exchange		15,335	(923)
Other overhead expenses		259,595	372,669
		<u>1,484,809</u>	<u>1,469,254</u>
(e) Employee benefits expenses from continuing operations			
Salaries & wages		2,117,741	2,638,449
Superannuation		137,283	171,289
Termination payouts		-	36,187
Share based payments expense	2(d)	49,546	17,575
		<u>2,304,570</u>	<u>2,863,500</u>

Notes to the Consolidated Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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 2013.

5 CONTRIBUTED EQUITY

Movement in ordinary shares on issue	CONSOLIDATED	
	No. of shares	\$
At 1 July 2013	1,065,141,948	104,218,699
Employee share options vested	8,750,000	122,500
At 31 December 2013	1,073,891,948	104,341,199

Notes to the Consolidated Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

6 DISCONTINUED OPERATION

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 were as follows:

	2013	2012
Revenue	-	753,744
Expenses	-	856,076
Loss before tax for the discontinued operation	-	(102,332)
Tax	-	-
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
Tax	-	-
Net cash inflow after tax	-	264,000
Profit from discontinued operation before tax	-	161,668
Net Cash flows	2013	2012
Operating	-	(51,968)
Investing	-	-
Financing	-	-
Total	-	(51,968)
Basic loss per share (cents per share) for discontinued operations - rounded	-	0.02
Diluted loss per share (cents per share) for discontinued operations - rounded	-	0.02

Notes to the Consolidated Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

7 COMMITMENTS AND CONTINGENCIES

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

8 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 2013 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

26 February 2014

Melbourne.

Independent review report 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 2013, 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 2013 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, a copy of which is included in the Directors' Report.

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 2013 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



Fiona Campbell
Partner
Melbourne
26 February 2014