

## Appendix 4E Senetas Corporation Limited Results for announcement to the market ACN 006 067 607

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

	Reporting Period Financial Year ended 30 June 2022		Previous Corresponding Period Financial Year ended 30 June 2021	
2 Results for announcement to the market	30-Jun-22	30-Jun-21	Change	
	\$	\$	\$	%
2.1 Revenues from ordinary activities	25,108,515	23,006,060	2,102,455	9.14%
2.2 Net loss before tax attributable to members	(5,982,234)	(3,262,446)	(2,719,788)	83.37%
2.3 Net loss after tax attributable to members	(5,892,400)	(3,708,516)	(2,183,884)	58.89%
2.4 Other comprehensive income for the year attributable to members (foreign currency translation reserve)	652,903	(679,405)	1,332,308	196.10%
<b>3 Net comprehensive loss after tax attributable to members</b>	<b>(5,239,497)</b>	<b>(4,387,921)</b>	<b>(851,576)</b>	<b>19.41%</b>

### Brief Explanation of Figures 2.1 to 2.4

Commentary on the results for the period can be found in the attached 30 June 2022 full year Directors' Report. The ASX Appendix 4E (Listing Rule 4.3A) should be read in conjunction with the 30 June 2022 Financial Report which has been audited by Grant Thornton Audit Pty Ltd, with an unmodified audit opinion and any public announcements made in the period by Senetas Corporation Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

<b>4 Statement of Comprehensive Income</b>	Please refer to attached 30 June 2022 Financial Report
<b>5 Statement of Financial Position</b>	Please refer to attached 30 June 2022 Financial Report
<b>6 Statement of Cash Flows</b>	Please refer to attached 30 June 2022 Financial Report
<b>7 Statement of Changes in Equity</b>	Please refer to attached 30 June 2022 Financial Report

<b>8 Dividends and distribution payments</b>		
Interim dividend	None	
Final dividend	No final dividend proposed	
<b>9 Details of Dividend Reinvestment Plan</b>	N/A	
<b>10 Net tangible asset Backing</b>	<b>30-Jun-22</b>	<b>30-Jun-21</b>
	<b>(Cents Per Share)</b>	<b>(Cents Per Share)</b>
Net tangible asset backing per ordinary security	(0.13)	0.10
<b>11 Details of Entities Over Which Control Has Been Gained or Lost During The Period</b>	None	
<b>12 Details of Associates / Joint Venture Holdings</b>	None	
<b>13 Other Information on Financial Statements</b>	None	
<b>14 Foreign Entities – accounting standards used to prepare report</b>	Senetas Europe Ltd - IFRS	
<b>15 Other Information</b>	None	

## Appendix 4E (continued)

### Compliance Statement

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



Francis W. Galbally  
Chairman  
Date 31 August 2022



Consolidated Financial Report  
for the year ended 30 June 2022

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# CORPORATE INFORMATION

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## Non-Executive Directors

Francis W. Galbally - Chairman  
Lachlan P. Given  
Kenneth J. Gillespie  
Lawrence D. Hansen  
Philip Schofield

## Executive Director and Chief Executive Officer

Andrew R. Wilson

## Company Secretary

Brendan Case

## Registered Office

**Senetas Corporation Limited**

312 Kings Way  
South Melbourne VIC 3205  
Phone: +61 3 9868 4555  
Web: [www.senetas.com](http://www.senetas.com)  
Email: [corporate@senetas.com](mailto:corporate@senetas.com)

## Share Register

**Computershare Registry Services Pty Ltd**

Yarra Falls, 452 Johnston Street,  
Abbotsford VIC 3061  
Phone: + 61 3 9415 5000  
Toll Free 1300 13 83 25

## Investor Relations

For all investor enquiries  
Phone: 1300 787 795  
Email: [investor@senetas.com](mailto:investor@senetas.com)

## Auditors

**Grant Thornton Audit Pty Ltd**

Collins Square, Tower 5  
727 Collins Street  
Melbourne VIC 3008

## Annual General Meeting Date and Place

Annual General Meeting (AGM) of shareholders of Senetas Corporation Limited (Company) will be held on Friday 18 November 2022. Further details as to how this meeting will be conducted will be provided in the AGM Notice of Meeting.

# DIRECTORS' REPORT

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## Senetas Corporation Ltd

Senetas Corporation Ltd (ASX: SEN) (Senetas / the Company) is a leading developer and manufacturer of certified, high-assurance encryption hardware; virtualised (software based) network encryption; and advanced encrypted file sharing application.

Your directors are pleased to submit their report for the year ended 30 June 2022 (FY22).

## Names, Qualifications, Experience and Special Responsibilities

The following directors were in office for the entire financial year and until the date of this report unless otherwise noted:

Francis W. Galbally	Director (Non-Executive Chairman)
Andrew R. Wilson	Director (Executive)
Lachlan P. Given	Director (Non-Executive)
Kenneth J. Gillespie	Director (Non-Executive)
Lawrence D. Hansen	Director (Non-Executive)
Philip Schofield	Director (Non-Executive)

### Francis W. Galbally LLB (Hons) - Non-Executive Chairman

Mr Francis Galbally is the founder and non-executive Chairman of Senetas.

He held the positions of CEO and Chairman of the company from its commencement in 1999 until, for family reasons, Mr Galbally retired as an executive in February 2006 and as a director in May 2007.

In 2012 Mr Galbally led Senetas's significant capital and business restructure and re-joined the company as a significant shareholder and board member. He was re-appointed chairman on 30 April 2013.

Mr Galbally has over 35 years' experience in international business and commercial law. He is a graduate (first class honours) in Law at Melbourne University and worked in a professional legal practice for 15 years, specialising in business law. He was a partner in the leading law firm Galbally & O'Bryan during which time he successfully led a number of landmark commercial litigation cases.

An investor and corporate advisor, Mr Galbally is the major shareholder in Southbank Capital Pty Ltd. (AFSL 343678). He specialises in technology, environment, food, mining and energy sectors.

Mr Galbally has been a director, chairman and significant investor in a number of Australian Stock Exchange (ASX) listed companies over the past 25 years. As a result, Mr Galbally has developed an extensive network of international business partners.

During his successful legal career, Mr Galbally was responsible for recovering more than \$1 billion in investor funds (\$1 for \$1) lost as a result of the major corporate failures (Pyramid Building Societies and Estate Mortgage Trusts) during the 1990's.

Francis Galbally is Director of the Cabrini Foundation. The Cabrini Foundation oversees and guides all fundraising activities on behalf of Cabrini, a not-for-profit, private, Catholic healthcare provider. Francis is also the Victorian convenor of the Constitution Education Fund of Australia – a non-political charity dedicated to advancing knowledge of the Australian constitution within the community. He is also a member of the Australian Institute of Company Directors.

# DIRECTORS' REPORT

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## **Andrew R. Wilson** BEcon, CA, ACIS - Chief Executive Officer

Mr Andrew Wilson was appointed CEO on 15 August 2012. Previously he was Senetas's Chief Financial Officer (CFO) and Company Secretary. Throughout his career with Senetas, Mr Wilson has had a significant role in the important stages of the company's development since it was first listed on the ASX in 1999.

Mr Wilson has developed a strong understanding of Senetas's technologies and product applications, including customers' requirements and their distribution channels. His focus included product development, manufacturing and the business's financial drivers. Mr Wilson has significant expertise in the global cyber-security market and the data networking and encryption segments in particular.

Through his extensive engagement with cyber-security communities – government, commercial and regulatory – Mr Wilson has been closely involved in the management of the company's R&D and customers' security solution needs and expectations.

Mr Wilson's strong relationships in the international cyber-security sector, including solutions vendors and service providers, has contributed to his strong understanding of the markets and demand drivers for Senetas security products.

Commencing his career with KPMG working with the banking and broking financial sectors, Mr Wilson has also worked in the United Kingdom with Deutsche Bank and NatWest Bank Plc. His experience in corporate restructure has added to Mr Wilson's considerable financial and administrative skills.

Importantly, Mr Wilson brings to his CEO role strategic planning skills, a customer-centric focus and an understanding of the cyber-security markets' dynamics.

Mr Wilson is a member of the Institute of Chartered Accountants Australia and the Institute of Chartered Secretaries Australia.

## **Lachlan P. Given** BBus - Non-Executive Director

Mr Lachlan Given is currently Interim Co-CEO at EXCORP, a Nasdaq listed specialty financial services firm with over 1,150 stores across the United States and Latin America. Prior to this role, Mr Given was a consultant to Madison Park LLC, a global strategic and financial advisory business. Madison Park is Senetas's largest single shareholder, after participating in a comprehensive capital restructure in June 2012.

Prior to joining Madison Park in 2004, Mr Given spent five years working in the investment banking and equity capital markets divisions of Merrill Lynch in Hong Kong and Sydney, Australia. He specialised in the origination and execution of a variety of M&A, equity, equity-linked and fixed income transactions.

Mr Given is a board member of The Farm Journal Corporation, a 134 year old pre-eminent US agricultural media company. He is also on the board of CANSTAR Pty Ltd, the leading Australian financial services ratings and research firm; and RateCity.com Pty Ltd, one of Australia's largest internet-based financial services comparison organisations.

Mr Given graduated from the Queensland University of Technology with a Bachelor of Business majoring in banking and finance with distinction.

## **Kenneth J. Gillespie** AC DSC CSM - Non-Executive Director

Mr Ken Gillespie is a retired senior military officer who has conducted a successful commercial career in the decade since his retirement from the Army. His Army career saw him rise to the rank of Lieutenant General and command of the Australian Army. He has a track record of success in high-order strategic planning, strategic engagement and strategy implementation. He is a Companion in the Military Division of the Order of Australia and carries prestigious awards from the United States of America and the Republic of Singapore.

# DIRECTORS' REPORT

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Mr Gillespie currently serves on government, public company and not-for-profit sector organisations' boards. He is the Chair of the Australian Strategic Policy Institute Council and a board member of Naval Group Australia, VeryNext Pty Ltd and the Three Stables Pty Ltd. He is also a board member of Aerospace Maritime and Defence Australia where he is the convenor of the very large Land Forces series of expositions across Australia.

Mr Gillespie is a successful corporate speaker and a strong supporter of ex-service organisations, particularly Sydney Legacy. He is an ambassador for national bowel and prostate cancer organisations.

## **Lawrence D. Hansen** - Non-Executive Director

Mr Lawrence Hansen has had a successful career in leading international IT and data security organisations. He has a strong international M&A and business integration background, having directed world-wide teams since 2005.

Mr Hansen currently sits on the board of Acre, a global leader in Access Control systems. He also chairs their Technology Committee.

Mr Hansen is also Chair of TextHelp, a leader in assisted tools to support diversity and inclusion.

Mr Hansen spent over 6 years as an Operating Executive for Marlin Operations Group, Inc. Mr Hansen joined Marlin in September 2015 and retired on 31 December 2021. Prior to joining Marlin, Mr Hansen was VP and general manager of Dell Software Group employing 3,000 staff in sales, marketing, channels and services, and oversaw its go to market strategy. Previously, Mr Hansen was President and CEO of SafeNet Inc. At SafeNet, he led a significant recapitalisation of the company that saw strong growth in revenues and profits before its successful sale to Gemalto NV. Gemalto NV has since been acquired by Thales and is Senetas' global distribution partner.

Mr Hansen's deep knowledge of Senetas' existing and potential global customer base, sales function, product development and innovation program makes him an extremely valuable addition to the Senetas board. Mr Hansen also brings his wealth of global experience in services, products, marketing and business planning.

Mr Hansen also held the role of president and CEO of Numara Software, a \$100 million business, where he oversaw the company's successful sale and integration into BMC Software.

From 2002 to 2011, Mr Hansen held several executive positions with CA Technologies including CIO, GM, Security and GM, Enterprise Products and Solutions.

Mr Hansen, a Canadian born US citizen, resides in Naples, Florida.

## **Philip Schofield** BEc - Non-Executive Director

Appointed to the Senetas board in December 2017, Mr Philip Schofield is an Executive Director at Canaccord Genuity Australia. Canaccord is a leading global financial services firm, operating in wealth management and capital markets.

Mr Schofield has over 30 years of international experience in the banking and finance sectors, including senior management and director roles. These positions include major investment banking groups Goldman Sachs and Citi Group.

Mr Schofield's experience in capital markets around the world's financial centres include his working in London, New York, Melbourne and Sydney. He obtained a Bachelor of Economics degree from Monash University, Melbourne.

As Senetas reviews and implements the Group's capital management and market facing strategies, Mr Schofield's expertise provides local and international perspectives.

# DIRECTORS' REPORT

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## Company Secretary

**Brendan Case** MCom Law, BEc, CPA

Mr Brendan Case has more than 20 years of company secretarial, corporate governance and finance experience. He is a former Associate Company Secretary of National Australia Bank Limited (NAB), former secretary of NAB's Audit and Risk Committees and has held senior management roles in risk management and regulatory affairs.

Mr Case worked for the NAB for almost 15 years and prior to joining NAB, he worked at UniSuper Limited for 8 years. He is a Chartered Secretary with a Masters of Commercial Law from the University of Melbourne and has degrees in both economics and finance.

## DISTRIBUTIONS PAID AND PROPOSED

	Cents	\$
Distributions paid during the year:	Nil	Nil

## CORPORATE INFORMATION

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

## CORPORATE STRUCTURE

Senetas has a direct controlling interest in each of the entities listed in Note 25. No other entities are included in the consolidated entity.

## NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the entities within the consolidated group during the year was the sale of IT security products which provide network data security solutions to businesses and governments around the world.

## EMPLOYEES

The consolidated group employed 74 employees as at 30 June 2022 (2021: 58 employees).

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no significant changes in the state of affairs.

# DIRECTORS' REPORT

## OPERATING & FINANCIAL REVIEW

### FY2022 Financial Highlights:

- Group<sup>1</sup> operating revenue of \$25.1 million – up 9%
- Votiro revenue up 82% to \$5.8 million
- Votiro annual recurring revenue (ARR) was US\$4.4 million – up 83% from June 2021
- Additional new contracts for Votiro worth in excess of US\$1 million per annum are expected to be finalised before the end of September 2022
- Votiro's new subscription/SaaS model live in North America, Europe, Singapore & Japan
- Key customer wins included Votiro's largest ever sale worth over US\$1 million annually
- Senetas revenue similar to the prior period despite impacts from the global shortage of electronic components
- The Senetas and Votiro sales pipelines continue to track well ahead of the prior year
- Senetas segment profit before tax was \$1.9 million
- Group net loss before tax was \$10.8 million including a net loss before tax for Votiro of \$12.7 million
- Group net loss after tax attributable to members of \$5.9 million
- Group loss attributable to members after adjusting for non-cash items was \$2.7 million
- No debt and cash on hand at 30 June 2022 of \$10.7 million

<sup>1</sup> Group results include the consolidated results for both the Senetas and Votiro business segments

Full year ended 30 June 2022 (\$000's)	FY2022	FY2021
Revenue from ordinary activities	25,109	23,006
Gross profit	20,276	19,578
Other income	208	400
Profit (loss) before tax	(10,762)	(7,528)
Tax expense	277	(285)
Net profit (loss) after tax	(10,484)	(7,813)
Net profit (loss) after tax attributable to members	(5,892)	(3,709)

- Group operating revenue of \$25.1 million was up 9% over the prior period (FY2021: \$23.0 million)
- Group revenue was 9% higher driven by strong growth in revenue for Votiro partly offset by a 2.5% decline in the Senetas segment that was related to the global shortage of electronic components that has impacted Senetas's sales to end user customers
- Group operating revenue includes \$5.8 million of revenue from Votiro for the period (FY2021: \$3.2 million)
- Gross margin for the Group of 81% - lower than the prior period due to higher inventory transfers to Senetas's global distribution partner, Thales
- The operating profit before tax for the Senetas operating segment in FY2022 was \$1.9 million
- The Group net loss before tax of \$10.8 million includes a \$12.7 million operating loss before tax for Votiro
  - \$4.6 million of the Votiro loss is attributable to minority interests
  - Votiro's loss before tax includes non-cash items such as share based payments expense and amortisation totaling \$3.6 million
- The Group net loss after tax was \$10.5 million including a \$12.2 million loss after tax from Votiro – the net loss after tax attributable to members was \$5.9 million
- The Group net loss attributable to members after adjusting for non-cash items was \$2.7 million
- Senetas retains a strong balance sheet with no debt and \$10.7 million of cash on hand at 30 June 2022

# DIRECTORS' REPORT

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Commenting on the year to 30 June 2022, Senetas CEO, Andrew Wilson, said: "FY2022 has seen some very significant progress for the Votiro business and good growth in consolidated revenue, however, the Senetas business continues to be impacted by the global shortage of electrical components which is delaying the completion of some customer orders.

"The Votiro's business has continued to build through the 2022 financial year with good new customer growth and existing customer renewal rates maintained at over 95%.

"Votiro's sales pipeline and demand for proof of concept trials (POCs) continue to grow strongly providing a positive outlook for sales growth in the second half of calendar 2022. While the key sales focus remains on the North American and Asia Pacific markets, Votiro is also beginning to see encouraging demand emerging from the Europe and the Middle East markets.

"The key sales highlight in the second half of the financial year has been the second stage in the development of Votiro's engagement with an Asian government agency that late in the 2021 calendar year resulted in a contract that was Votiro's largest ever at the time, worth over US\$1 million per annum for at least 3 years. The new contract signed in the second half of the 2022 financial year is for additional services worth at least US\$2.6 million over a period of 4 years.

"Votiro continues to have success in targeting large scale client opportunities, however, minor delays in finalising contracts has pushed some new customer deals beyond June 2022, with additional contracts worth in excess of US\$1 million per annum expected to be completed before the end of September 2022.

"Client wins in the last 12 months have included large government agencies, financial institutions and industrial companies across Asia Pacific, US and EMEA.

"Votiro continues to expect that ARR at the end of the 2022 calendar year will double compared to ARR at December 2021, and that the good sales growth forecast will drive Votiro to reach cash flow break even by June 2023.

"Senetas remains very excited about the growth outlook for Votiro and continues to provide funding to support Votiro's working capital requirements in the near term by way of a secured loan. The balance of the loan on 31 August 2022 was US\$6.2 million."

"The Senetas business continues to face some near term challenges due to the global shortage of electrical components. The component shortages have extended lead times and caused delays to customer network upgrade projects which impacts the timing of Senetas product shipments.

"Both Senetas and Thales have invested to build additional inventory in order to fulfil orders as required, but as a result, there has been a temporary impact on gross margins and cash on hand in FY2022.

"Despite these challenges, Senetas revenue has held up well during the year due to the significant increase in inventory transfers to Thales, with product sales revenue up by 2.5%, a better result than we had anticipated earlier in the year.

"The higher percentage of revenue from inventory transfers to Thales in FY2022 has led to a temporary decline in Senetas segment gross margins in the period. Senetas expects that gross margins will revert to historic levels in the medium term as the electronic component shortages are alleviated over the next 12-18 months.

"The Senetas product sales pipeline continues to track well ahead of the prior year with the most significant build up in pipeline from the Americas and EMEA regions. However, we continue to expect that shipment of these orders to end users is likely to be extended over the next 12-18 months whilst the industry component and other network equipment shortages persist."

# DIRECTORS' REPORT

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## Group overview

Group revenue was 9% higher in FY2022 with 82% growth in Votiro revenue partly offset by a 2.5% decline in Senetas segment revenue.

The higher percentage of revenue from inventory transfers in FY2022 has led to a temporary decline in consolidated group gross margins to 81% during the period. Votiro gross margins remain in excess of 90%.

Group net loss before tax was \$10.8 million which included a net loss before tax for Votiro of \$12.7 million. The Group net loss after tax attributable to members was \$5.9 million

Senetas's balance sheet remains strong with \$10.7 million of cash on hand at 30 June 2022 and no debt.

## Votiro operational review

Votiro's revenue growth of 82% was driven by strong growth in new client wins and renewals in both of its key regions. The Asia Pacific region was the strongest contributor to FY2022 growth as a result of two new agreements that between them represent in excess of US\$1.8 million per annum for at least 3 years.

Votiro's annual recurring revenue (ARR) was US\$4.4 million as at late August, up 83% compared to ARR at 30 June 2021. The key driver of ARR growth was subscription ARR including two new customers signed in the 9 months to June 2022 with annual revenue from each of greater than US\$0.5 million. One of those new contracts was for in excess of US\$1 million per annum for a minimum of three years, and those two customers together represent total contract value for Votiro of US\$5.6 million.

Some of Votiro's larger pipeline opportunities have taken longer to finalise than anticipated, resulting in some new customer deals being pushed beyond June 2022. However, Votiro expects additional contracts worth in excess of US\$1 million per annum to be completed before the end of September 2022.

Votiro continues to expect that its ARR will double through the 2022 calendar year.

Asia Pacific remains Votiro's largest market delivering US\$2.4 million of subscription ARR, and US\$3.2 million of total ARR. Total contract value for Votiro at August 2022 was US\$9.5 million.

Votiro's FY2022 loss before tax was \$12.7 million including \$3.6 million of non-cash items relating to amortisation and share based payments expenses. Votiro's after tax loss for FY2022 was \$12.2 million, of which \$4.6 million is attributable to the minority interests in Votiro.

Client wins for Votiro in the last 12 months include large government agencies, financial institutions and industrial companies across Asia Pacific, US and EMEA, and Votiro's rate of conversion of POCs into new customer wins remains strong at over 90% in the US and over 75% globally. Votiro is consistently winning in head-to-head technology trials against competitors, and its customer renewal rate sits at greater than 95%.

The Votiro Cloud (SaaS) technology is now in production and live in the North American, Singapore, Japan and European markets, and Votiro is further developing its product capabilities to meet customer requirements, simplify the user experience and broaden its use cases. Recent highlights include:

- Developing open integrations as drivers for partnerships including web isolation, native Office 365 integration, privileged identity, threat intelligence;
- The merger of Votiro's legacy and SaaS products onto a single codebase for ongoing efficiency; and
- Increased capabilities with password protected files
- Votiro is also continuing to develop its machine learning macro detection and disarming capabilities with accuracy rates now exceeding 98%

# DIRECTORS' REPORT

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Votiro continues to receive strong industry recognition for its technology. Votiro was recently named Publisher's Choice in the Content Disarm and Reconstruction category by the 2022 Cyber Defense Magazine (CDM) Global Infosec Awards. CDM, the industry's leading electronic information security magazine, announced the award at this year's RSA Conference in San Francisco in June.

Also in June, Votiro won the finals in a first of its kind podcast series called Capture the CISO. Innovative vendors had 7 minutes each to answer judges' questions and were then judged on a range of criteria including: is it innovative; does it solve a real need; and is it easy to deploy? Votiro's CTO and founder Aviv Grafi represented Votiro and won strong praise from the judges.

## Senetas Operational review

Senetas segment revenue in FY2022 was impacted by supply chain delays that have created a global shortage of electronic components which has temporarily impacted Senetas revenue growth. As a result, Senetas segment revenue was 2.5% lower in FY2022, with maintenance revenue down slightly and product sales revenue up by 2.5%. Maintenance revenue in FY2022 represented 48% of total Senetas segment revenue.

The customer pipeline remains in very good shape, but the component shortages continue to impact the lead time for orders and, in particular, have caused delays to customer's network upgrade projects, therefore impacting the timing of Senetas's product shipments.

The significant build-up of inventory by both Senetas and Thales has helped to mitigate some of the impacts of the component shortages and has allowed Senetas to meet all required shipments to end user customers. However, the additional inventory carried has caused a temporary reduction in Senetas's gross margins in FY2022 and cash on hand at 30 June 2022.

Senetas segment profit before tax was \$1.9 million (FY2021: \$3.4 million) which reflects the slightly lower revenue, and the impact of the lower gross margins in the period.

During FY2022, Senetas's 100Gbps encryptors have become the largest single revenue generating product for the company, with sales revenue doubling compared to FY2021. SureDrop sales remain very small but have also doubled in FY2022. We continue to be encouraged by the level of customer interest in SureDrop, with most sales at this stage in the Asia Pacific region, with increasing focus going forward on international opportunities via Thales.

The Senetas product sales pipeline continues to track well ahead of the prior year with the most significant build up in pipeline from the Americas and EMEA regions. However, we continue to expect that shipment of these orders to end users is likely to be extended over the next 12-18 months whilst the industry component and other network equipment shortages persist. Senetas anticipates some easing of those shortages towards the back end of the 2023 calendar year.

The major R&D focus during the period has been on product upgrades including building improved functionality and quantum readiness capabilities for Senetas's transport independent mode hardware encryptors, and building enhanced capabilities for Senetas's virtualised encryption products for operation in much wider range of cloud gateway environments.

## Balance sheet and cash flow

Consolidated net assets at 30 June 2022 were \$11.6 million with no debt and cash on hand of \$10.7 million. The lower net assets at 30 June 2022 reflects the consolidation of the current period loss from Votiro, net of the additional capital raised by Senetas during the period.

Lower cash on hand at 30 June 2022 reflects the impact of the Votiro losses and the build-up of inventory in Senetas to mitigate impacts from the global electronic component shortage and longer lead times.

Receipts from customers were slightly ahead of revenue for FY2022. Group net cash outflows from operating activities was \$5.8 million, comprising \$1.0 million of operating cash inflows for the Senetas business segment and \$6.8 million of operating cash outflows for the Votiro business segment.

# DIRECTORS' REPORT

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## Outlook

Commenting on the Company's outlook, Mr Wilson said: "The outlook for Votiro remains very positive with a strong sales pipeline building across the US and Asia Pacific regions, and emerging demand for Votiro's technology in Europe and the Middle East.

"With the strong business momentum, we continue to expect Votiro's ARR to double through the 2022 calendar year. The business is currently very well positioned for a number of large scale sales opportunities in the period to December 2022, with in excess of US\$1 million in new deals expected to complete before the end of September 2022.

"Votiro continues to beat its competitors in head to head technology trials and its conversion rates from proof of concept trials to contract wins remain over 75% globally.

"Having invested significantly to build business capability over the past two years we expect that the good sales growth that is forecast will drive Votiro to reach cash flow break even by June 2023.

"We expect that the Senetas business will continue to be indirectly impacted by global component shortages until late in calendar 2023, which is a little longer than we had anticipated earlier in the year. Whilst the shipment of Senetas products to end users has been impacted, we are very encouraged that the Senetas sales pipeline continues to track well ahead of last year and at this early stage we expect product sales in FY2023 to be ahead of FY2022.

"Inventory levels held by both Senetas and Thales are expected to reduce towards historic levels as pipeline sales are completed over the next 18-24 months and gross margins will increase as Thales inventory is reduced."

## SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There are no significant events after reporting date.

## SHARE OPTIONS

### Unissued Shares

As at the date of this report there were 32,707,500 unissued ordinary shares under performance rights and options. Refer to the remuneration report for executive performance rights and options and Note 27 for full details of the performance rights and options outstanding at the balance sheet date.

Performance rights and option holders do not have any right, by virtue of the performance right or option, to participate in any share issue of the Company or any related body corporate.

### Shares Issued as a Result of the Exercise of Performance Rights

During the year 67,500 ordinary shares were issued to employees on the exercise of performance rights. These performance rights had an exercise price of zero. Refer Note 27 to the financial statements for further details.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Senetas has Director's & Officer's Liability Insurance covering the directors and officers against liability in addition to Employment Practices Insurance. The terms of the insurance and the insurer are subject to a confidentiality clause and are therefore not disclosed.

The Group also indemnifies all directors, the chief executive officer and the company secretary for any liability incurred by the officer as officers of the Group to the full extent permitted by law. In accordance with the Group's constitution in consideration of the officer agreeing to continue to act as an officer of the Group, the Group has agreed to:

- indemnify the officer against liabilities incurred while acting as an officer of the Group;
- provide the officer with insurance cover; and

# DIRECTORS' REPORT

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- provide the officer access to Group documents which relate to the obligations of the officer contained in the Corporations Act for a period of 7 years.

The Group also has Professional Risk Insurance (including cover for cyber attack) and Public Liability Risk Insurance.

## **INDEMNIFICATION OF AUDITORS**

To the extent permitted by law, the Group has agreed to indemnify its auditors, Grant Thornton Audit Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Grant Thornton Audit Pty Ltd during or since the financial year.

## **ROUNDING**

The Company is an entity to which ASIC Class Order 2016/191 applies and, accordingly the amounts contained in the financial report have been rounded to the nearest \$1 (where rounding is applicable).

## **ENVIRONMENTAL REGULATION AND PERFORMANCE**

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

# DIRECTORS' REPORT

## MEETINGS OF DIRECTORS

The following table summarises the number of meetings of directors and their attendance.

	Number of meetings	
	Held while a director	Attended
F. Galbally (Chair)	8	8
L. Given	8	8
K. Gillespie	8	8
L. Hansen	8	8
P. Schofield	8	8
A. Wilson	8	8

A total of eight (8) Directors' meetings were held during the year ended 30 June 2022.

The Company has an Audit and Risk Committee.

Members acting on the committee of the board during the year were:

	Number of meetings	
	Held while a director	Attended
L. Given (Chair)	2	2
F. Galbally	2	2
K. Gillespie	2	2

Mr A. Wilson attended two (2) Audit and Risk Committee meetings in the capacity of CEO.

A total of two (2) Audit and Risk Committee meetings were held during the year ended 30 June 2022.

The Company has a Remuneration and Nomination Committee.

Members acting on the committee of the board during the year were:

	Number of meetings	
	Held while a director	Attended
K. Gillespie (Chair)	1	1
F. Galbally	1	1
L. Hansen	1	1

A total of one (1) Remuneration and Nomination Committee meeting was held during the year ended 30 June 2022.

More information about the board and the sub-committees are set out in the 'Corporate Governance Statement' located on our website [www.senetas.com](http://www.senetas.com).

# REMUNERATION REPORT

The information provided in the Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

## 1 KMP Information

This remuneration report for the year ended 30 June 2022 outlines the remuneration arrangements in accordance with the requirements of the *Corporations Act 2001* for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

For the purposes of this report, the term "executive" includes the Chief Executive Officer (CEO) and other senior executives of the Company and the Group.

The following directors and key management personnel were in office for the entire financial year and until the date of this report unless otherwise noted:

### Non-executive Directors (NEDs)

F. Galbally	Chairman
L. Given	Director
K. Gillespie	Director
L. Hansen	Director
P. Schofield	Director

### Executive Directors

A. Wilson	Chief Executive Officer
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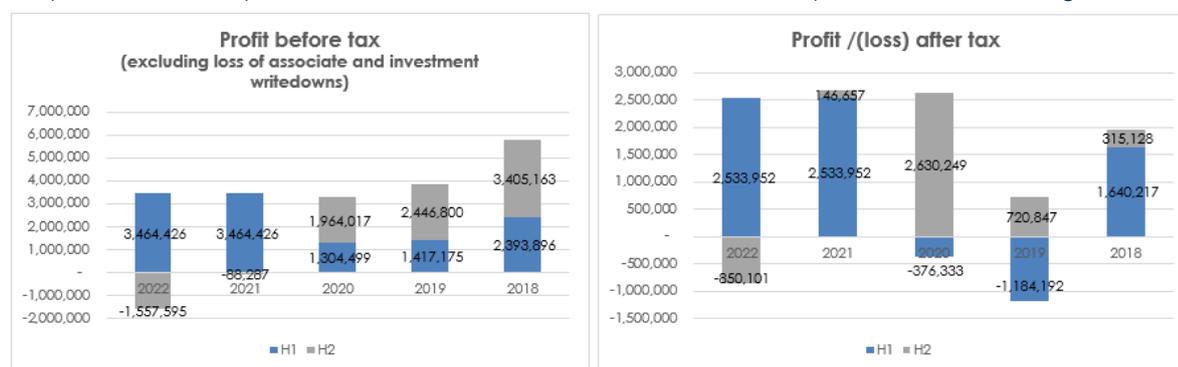
### Other Key Management Personnel

L. Barker <sup>1</sup>	Chief Financial Officer
J. Fay	Chief Technology Officer
J. Weston	Chief Architect

<sup>1</sup> KMP effective from 1 December 2021

## 2 Five-year performance summary

The charts and table below provides a summary of the key financial results for the Senetas operating segment over the past five financial years, which influence the remuneration outcomes as provided in the following sections:



Performance measure	2022	2021	2020	2019	2018
Average number of ordinary shares for basic earnings per share	1,213,795,627	1,082,149,179	1,081,752,066	1,081,317,462	1,083,231,560
Earnings per share (cents)	(0.5357)	(0.3427)	(0.0010)	0.0004	0.0018
Net tangible assets per share (cents per share)	(0.13)	0.10	0.25	1.75	2.1
Closing share price	\$0.03	\$0.05	\$0.05	\$0.06	\$0.11

Table 1: Performance metrics

# REMUNERATION REPORT

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## 3 Executive KMP Remuneration

### (a) Remuneration and incentive principles

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Group embodies the following principles in its remuneration framework:

- link executive rewards to shareholder value;
- have a significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks;
- establish appropriate and stretched performance hurdles in relation to 'at risk' executive remuneration; and
- strongly encourage directors to invest a portion of their fees to acquire shares in the Company at market price during designated trading windows.

#### Objective

The Company aims to reward executives, including the CEO, with a level and mix of remuneration commensurate with their position and responsibilities within the Company that:

- align the interests of executives and shareholders;
- links executive rewards with the strategic goals and performance of the Company; and
- ensures total remuneration for executives is competitive by market standards.

#### Structure

In determining the level and make-up of the CEO's remuneration, the Remuneration and Nomination Committee considers advice from external consultants as well as market survey information on remuneration for comparable roles. No consultants were used for the remuneration review for the 2022 financial year.

In determining the level and make-up of the remuneration for executives other than the CEO, the CEO considers advice from external consultants as well as remuneration paid to executives from comparable companies using market based surveys.

It is the policy of the Remuneration and Nomination Committee that employment contracts are entered into with all executives. These are similar to those for all employees except for the contract entered into with the CEO. Details of these contracts are provided on page 18 of this report.

Executive remuneration consists of the following key elements:

Fixed Remuneration

Variable Remuneration

- Short Term Incentives (STI); and
- Long Term Incentives (LTI).

The mix between fixed and variable remuneration is established for the executive by the Remuneration and Nomination Committee. Pages 14 to 18 of this report details the fixed and variable components of the executive remuneration.

### Fixed Remuneration

#### Objective

Fixed remuneration is set at a level which is both appropriate to the position and competitive in the market.

Fixed remuneration of the CEO is reviewed annually by the Remuneration and Nomination Committee, and by the CEO for other executives, having regard to company-wide and individual performance, relevant comparative remuneration in the market and internally, and where appropriate, external advice on policies and practices. As noted above, the Remuneration and Nomination Committee has access to external advice independent of management.

#### Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component for KMP is detailed on pages 14 to 18 of this report.

## REMUNERATION REPORT

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### (b) How performance is linked to Short Term Incentives variable reward outcomes

#### Objective

The Group operates an annual STI program that is available to executives and awards a cash bonus subject to the attainment of clearly defined Group performance measures.

Payments made are usually delivered as a cash bonus.

The aggregate of annual STI payments available for the CEO is subject to the approval of the Remuneration and Nomination Committee.

#### Structure

Actual STI payments awarded to each executive depend on the extent to which specific set operating targets during the financial year are met. The operational targets may consist of a number of financial and non-financial measures, typically including measures such as contribution to profit before tax, customer service, risk management, product management, and leadership/team contribution.

For the 2022 financial year the target was based on a combination of the contribution to profit before tax and other key drivers for the short and long term success of the business. These drivers include project completion for new products, team leadership and customer relationship management.

On an annual basis the Remuneration and Nomination Committee reviews and determines the amount of the STI paid to the CEO. The following factors are taken into account during the committee's review: overall remuneration, overall performance of the Group and the individual performance of the CEO.

For executives other than the CEO, annual STI payments are determined by consideration of the overall performance rating for the Group and the individual performance of individual executives, as approved by the CEO.

The variable remuneration component for key management personnel is detailed on page 15 to 18 of this report.

#### Current year performance and STI remuneration

As the Group did not meet the performance targets set by the Board, executives of the Group are not entitled to short term incentives for the year ended 30 June 2022.

The Remuneration and Nomination Committee (for the CEO) and the CEO (for the other executives) considered the STI payment for the 2022 year in July 2022. The maximum STI payable for the 2022 financial year to the CEO and executives was \$150,000 of which \$0 was allocated. The minimum payable to each executive including the CEO was \$0. These payments, when made, are allocated as a proportion of the total bonus funds available for all employees.

There have been no alterations to the STI bonus plans since their grant date.

### (c) How performance is linked to Long Term Incentives outcomes

#### Objective

The objective of the LTI plan is to reward executives for their contribution to shareholder wealth creation by linking rewards to improvements in the financial performance of the Company and aligning interests with shareholders.

#### Structure

LTI grants are delivered in the form of options, shares or performance rights. These securities are defined below:

- An ordinary share (share) is a share of stock giving the stockholder the right to vote on matters of corporate policy and the composition of the members of the board of directors.
- A call option (option) is a financial instrument that gives its owner the right, but not the obligation, to purchase a Share at a price set at the date of grant (the exercise price).
- A Performance Right is a grant of actual shares of stock, the receipt of which is contingent on a tenure condition.

#### Performance Hurdles and Conditions

Both options and performance rights are subject to a tenure condition and the financial performance of the Company. The tenure conditions vary between 24 to 36 months; the time period selected by the Board at the time of the grant.

The performance rights fully vest on meeting the tenure condition.

The options are subject to both a tenure hurdle and an exercise price - the exercise price exceeds the current share price thus tying rewards to improved financial performance and shareholder wealth.

Hurdles and conditions were elected by the Board and are reviewed and revised periodically.

Maximum LTI payable to each executive including the CEO is 100% of the options and performance rights outstanding at 30 June 2022. The minimum payable is nil. Refer tables 4 and 5 for details of outstanding performance rights and options.

## REMUNERATION REPORT

### (d) Executive KMP Remuneration

Details of the nature and amount of each element of the total remuneration of each member of the KMP for the years ended 30 June 2022 and 2021 are set out in the following table:

Executive		Short term benefits			Post employment	Long term benefits	Share-based payments	Total	Performance related <sup>5</sup>	
		Salary & fees	STI <sup>1</sup>	Other <sup>3</sup>	Total Short term benefits	Super contribution	Long service leave <sup>2</sup>			Amortisation expense <sup>4</sup>
A. Wilson	2022	461,432	-	-	461,432	23,568	23,034	32,120	540,154	5.95%
	2021	417,826	-	-	417,826	21,694	6,737	20,523	466,780	4.40%
L. Barker <sup>6</sup>	2022	137,919	-	-	137,919	13,748	2,299	6,404	160,370	3.99%
	2021	-	-	-	-	-	-	-	-	-
J. Fay	2022	306,432	-	-	306,432	23,568	16,882	6,404	353,286	1.81%
	2021	271,316	-	-	271,316	21,694	4,348	-	297,358	0.00%
J. Weston	2022	306,432	-	981	307,413	23,568	3,859	6,404	341,245	1.88%
	2021	271,316	-	-	271,316	21,694	4,300	-	297,310	0.00%
<b>Total 2022</b>		<b>1,212,215</b>	<b>-</b>	<b>981</b>	<b>1,213,196</b>	<b>84,452</b>	<b>46,074</b>	<b>51,331</b>	<b>1,395,053</b>	
<b>Total 2021</b>		<b>960,458</b>	<b>-</b>	<b>-</b>	<b>960,458</b>	<b>65,082</b>	<b>15,385</b>	<b>20,522</b>	<b>1,061,447</b>	

Table 2: Executive KMP statutory remuneration 2021-2022

<sup>1</sup> Cash bonus payments reward attainment of specific key performance indicators (KPI's) set for individual executives. Cash bonuses are paid in August each year for KPI's met in the financial period ending in the June of that year. The maximum payable for the CEO and executives was \$150,000. No bonuses were paid for the year ended 30 June 2022.

<sup>2</sup> Comprises Long Service Leave accrued during the year.

<sup>3</sup> Includes staff amenities, commissions and the cost to the business of any non-cash business benefits provided inclusive of fringe benefits tax (FBT). Executive's partners may travel once a year at company expense.

<sup>4</sup> Relates to the amortisation booked during the year in relation to the fair value of the long term incentive plans. The share based payments in the form of options or performance rights will only vest when tenure conditions are met.

<sup>5</sup> Calculated as STI plus amortisation of share based payments, as a proportion of total remuneration. These two elements represent the at-risk and discretionary amount payable which will vary depending on the financial performance of the Company. They are in addition to the fixed remuneration.

<sup>6</sup> Ms Barker was promoted to Chief Financial Officer effective from 1 December 2021, at which time she became a KMP. The remuneration is for the period that Ms Barker was a KMP.

#### Short term incentives

KPI targets were not achieved so no STI payments were made in 2021 and no variable reward payments were made in 2022.

#### Share-based payments awarded, vested and forfeited during the year

The options/ performance rights, issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of the Company. Each option/ performance right carries an entitlement to one fully paid ordinary share in Senetas Corporation Limited.

The following table disclosed the number of options / performance rights granted, vested, exercised or forfeited as remuneration:

Executive	Year	Number awarded	Award date	Fair value at award date \$	Exercise price \$	Vesting date	Expiry date	Total vested	Total forfeited / lapsed	Value of options granted during the year \$	Value of options exercised during the year \$
A. Wilson	2022	4,000,000	19 Nov 21	0.020	0.057	29 Nov 24	29 Nov 31	-	-	79,650	-
	2021	2,000,000	20 Nov 20	0.012	0.074	20 Nov 23	20 Nov 30	-	-	-	-
	2020	2,000,000	22 Nov 19	0.013	0.093	22 Nov 22	29 Nov 29	-	-	-	-
	2019	2,000,000	29 Nov 18	0.018	0.120	29 Nov 20	29 Nov 28	2,000,000	-	-	-
	2018	2,000,000	27 Nov 17	0.039	0.100	27 Nov 19	29 Nov 27	2,000,000	-	-	-
	2016	187,500	19 Nov 15	0.076	-	19 Nov 17	19 Nov 22	187,500	-	-	-
L. Barker	2022	2,000,000	1 Dec 21	0.017	0.057	30 Nov 24	30 Nov 29	-	-	33,107	-
J. Fay	2022	2,000,000	1 Dec 21	0.017	0.057	30 Nov 24	30 Nov 29	-	-	33,107	-
	2018	500,000	15 May 18	0.028	0.115	27 Nov 19	29 Nov 27	500,000	-	-	-
	2016	40,000	21 Sept 15	0.098	-	21 Sept 17	21 Sept 22	40,000	-	-	-
J. Weston	2022	2,000,000	1 Dec 21	0.017	0.057	30 Nov 24	30 Nov 29	-	-	33,107	-
	2018	500,000	15 May 18	0.028	0.115	27 Nov 19	29 Nov 27	500,000	-	-	-
		<b>19,227,500</b>						<b>5,227,500</b>	<b>-</b>	<b>99,320</b>	<b>-</b>

Table 3: Options / performance rights awarded, vested and lapsed during the year

## REMUNERATION REPORT

### (d) Executive KMP Remuneration (continued)

#### Performance rights holdings of key management personnel as at 30 June 2022

The following table discloses a summary of performance rights granted under the LTI plans.

Executive	Opening balance 1 July 2021	Rights granted	Rights vested and exercised	Rights lapsed	Closing balance 30 June 2022	Vested and exercisable at 30 June 2022	Vested and not exercisable at 30 June 2022
A. Wilson	187,500	-	-	-	187,500	187,500	-
L. Barker	-	-	-	-	-	-	-
J. Fay	40,000	-	-	-	40,000	40,000	-
J. Weston	-	-	-	-	-	-	-
	<b>227,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>227,500</b>	<b>227,500</b>	<b>-</b>

Table 4: Performance rights holdings at year end

The above performance rights were fully vested in November 2017. The performance condition attached to these rights was a tenure period of two years. The performance rights for the CEO, Mr Wilson, will expire in November 2022 and for the executives in September 2022.

#### Options holdings of key management personnel as at 30 June 2022

The following table discloses a summary of options granted under the LTI plans.

Executive	Opening balance 1 July 2021	Options granted	Options vested and exercised	Options lapsed	Closing balance 30 June 2022	Vested and exercisable at 30 June 2022	Vested and not exercisable at 30 June 2022
A. Wilson	8,000,000	4,000,000	-	-	12,000,000	4,000,000	-
L. Barker	-	2,000,000	-	-	2,000,000	-	-
J. Fay	500,000	2,000,000	-	-	2,500,000	500,000	-
J. Weston	500,000	2,000,000	-	-	2,500,000	500,000	-
	<b>8,500,000</b>	<b>10,000,000</b>	<b>-</b>	<b>-</b>	<b>19,000,000</b>	<b>5,000,000</b>	<b>-</b>

Table 5: Options holdings at year end

Approval for the issue of 4,000,000 options to the CEO, Mr Wilson, was obtained under listing rule 10.14 at the Annual General Meeting held on 19 November 2021. The options are subject to a service condition of 36 months continuous service and the exercise price upon vesting is \$0.057. Each option granted entitles Mr Wilson to one fully paid ordinary share in the company, subject to satisfaction of the vesting condition, and payment of the exercise price.

The Board authorised the grant of 6,000,000 options to Key Management Personnel on 1 December 2021. The Options will vest subject to a service condition of 36 months continuous service and the exercise price upon vesting is \$0.057. Each option granted entitles the option holder to one fully paid ordinary share in the company, subject to satisfaction of the vesting condition and payment of the exercise price.

#### Shareholdings of key management personnel as at 30 June 2022

The number of ordinary shares in Senetas Corporation held during the financial year by each KMP, including details of shares granted as remuneration during the current financial year and ordinary shares provided as the result of the vesting of options or rights during the current financial year, are included in the table below.

Executive	Opening balance 1 July 2021	Granted as remuneration	On vesting of rights	Shares bought / (sold)	Closing balance 30 June 2022
A. Wilson	1,125,000	-	-	-	1,125,000
L. Barker	-	-	-	-	-
J. Fay	442,725	-	-	-	442,725
J. Weston	1,985,412	-	-	-	1,985,412
	<b>3,553,137</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,553,137</b>

Table 6: Share holdings at year end

#### Loans, other transactions and balances with KMP and their related parties

For the years ended 30 June 2021 and 30 June 2022, there have been no other loans or transactions including purchases, sales or investments to KMP and their related parties.

## REMUNERATION REPORT

### (e) Executive KMPs' service arrangements

Employment agreements are entered into with all executives. These agreements are similar to the employment agreements used for all staff.

#### Chief Executive Officer - Mr A. Wilson

Under the CEO's contract:

Mr Wilson receives fixed remuneration of \$485,000 per annum including superannuation of \$23,568 and he is eligible to receive short term incentives based on a combination of the contribution to profit before tax and other key drivers for the short and long term success of the business.

Mr Wilson has a rolling contract and may resign from his position and thus terminate his contract by giving six months written notice. The Company may terminate Mr Wilson's employment agreement with six months written notice or payment in lieu of notice (based on the fixed component of Mr Wilson's remuneration). On resignation by Mr Wilson, any unvested LTI options will be forfeited within one month of the resignation date. On termination or notice by the Company, any LTI options that have vested, or will vest during the notice period will be released. LTI options that have not yet vested will be forfeited within twelve months of the termination date. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the CEO is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

#### Chief Technology Officer (CTO) - Mr J. Fay, Chief Architect (CA) - Mr J. Weston, Chief Financial Officer (CFO) - Ms L. Barker

Under the CTO, CA and CFO's contracts:

Mr Fay and Mr Weston receive fixed remuneration of \$330,000 each per annum including superannuation of \$23,568 and are eligible to receive short term incentives based on a combination of the contribution of profit before tax and other key drivers for the short and long term success of the business.

Ms Barker receives fixed remuneration of \$260,000 each per annum including superannuation of \$23,568 and is eligible to receive short term incentives based on a combination of the contribution of profit before tax and other key drivers for the short and long term success of the business.

Ms Barker, Mr Fay and Mr Weston have rolling contracts and may resign from their positions and thus terminate their contracts by giving three months written notice. The Company may terminate Ms Barker, Mr Fay and Mr Weston's employment agreement with three months written notice or payment in lieu of notice (based on the fixed component of Ms Barker, Mr Fay and Mr Weston's remuneration). On resignation by Ms Barker, Mr Fay or Mr Weston, any unvested LTI options will be forfeited within one month of the resignation date. On termination or notice by the Company, any LTI options that have vested, or will vest during the notice period will be released. LTI options that have not yet vested will be forfeited within twelve months of the termination date. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the CFO, CTO and CA are only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

### 4 Non-Executive Directors' Remuneration

#### (a) Remuneration principles

##### Objectives

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

##### Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 16 November 2017 when shareholders approved an aggregate remuneration of \$1,000,000 per year. The combined payment to all non-executive directors does not exceed this aggregate amount.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. No consultants were used for the remuneration review for the 2021 financial year.

Each director receives a fee for being a director of the Company.

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased by the director on market during designated trading windows). It is considered good governance for Directors to have an investment in the Company on whose Board he or she sits. The non-executive directors of the Company can participate in the Employee Share Incentive Plan which provides incentives where specified criteria are met.

With the exception of the Chair, there has not been an increase in director remuneration during the 2022 financial year.

## REMUNERATION REPORT

### (b) Non-Executive Directors' Remuneration

The remuneration of directors for the years ended 30 June 2022 and 30 June 2021 is outlined in the table below:

		Short term benefits		
Non-Executive Director		Salary & fees	Other <sup>1</sup>	Total
F. Galbally <sup>2</sup>	2022	348,000	2,355	350,355
	2021	312,000	38,636	350,636
L. Given <sup>3</sup>	2022	115,000	-	115,000
	2021	115,000	-	115,000
K. Gillespie <sup>4</sup>	2022	115,000	-	115,000
	2021	115,000	-	115,000
L. Hansen <sup>5</sup>	2022	115,000	-	115,000
	2021	115,000	-	115,000
P. Schofield <sup>6</sup>	2022	115,000	-	115,000
	2021	115,000	-	115,000
<b>Total 2022</b>		<b>808,000</b>	<b>2,355</b>	<b>810,355</b>
<b>Total 2021</b>		<b>772,000</b>	<b>38,636</b>	<b>810,636</b>

Table 7: Non-Executive Directors' remuneration

<sup>1</sup> Director's partners may travel once a year at Company expense.

<sup>2</sup> Mr Galbally's director fees are invoiced by and paid to Southbank Capital Pty Ltd.

<sup>3</sup> Mr Given's director fees are paid to LPG Group LLC.

<sup>4</sup> Mr Gillespie's director fees are invoiced and paid to Sector West Pty Ltd.

<sup>5</sup> Mr Hansen's director fees are paid to Carikster Advisors, LLC.

<sup>6</sup> Mr Schofield's director fees are paid to Cadigal Advisors Pty Ltd.

### (c) Shareholdings of Non-Executive Directors' as at 30 June 2022

Non-Executive Director	Opening balance 1 July 2021	Net change other <sup>1</sup>	Closing balance 30 June 2022
F. Galbally	141,005,000	-	141,005,000
L. Given	-	-	-
K. Gillespie	-	-	-
L. Hansen	-	-	-
P. Schofield	657,855	-	657,855
	<b>141,662,855</b>	<b>-</b>	<b>141,662,855</b>

Table 8: Non-Executive Directors' shareholdings

<sup>1</sup> On market transactions

## 5 Governance

### (a) Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises three non-executive directors - two independent directors and one non-independent director.

The Remuneration and Nomination Committee of the Board of directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and CEO. The Remuneration and Nomination Committee has delegated decision making authority to the CEO for some matters related to the remuneration arrangements of KMP and other staff.

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of directors and the CEO on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The Remuneration and Nomination Committee did not use the services of a remuneration consultant during the year. The Remuneration and Nomination Committee meets regularly throughout the year. The CEO attends certain Remuneration and Nomination Committee meetings by invitation, where management input is required. The CEO is not present during any discussions related to his own remuneration arrangements.

### (b) Remuneration Policy

Remuneration policies are determined by the Board which makes specific recommendations of remuneration packages and other terms of employment for executive directors and non-executive directors.

Executive remuneration and other terms of employment are reviewed annually by the CEO with regard to performance. Remuneration packages include superannuation, performance related bonuses and an entitlement to participate in the Senetas Directors and Employees Share Option Plan. The Company has a securities dealing policy for directors, senior executives and employees.

## REMUNERATION REPORT

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### (c) Securities trading policy

The Company has approved a *Policy for Dealing in Securities* aimed at ensuring that no director or employee of the Company makes use of his or her position or information acquired by being a director or employee to gain (directly or indirectly) an advantage for any person or to cause detriment to the Company.

The policy provides guidance on what share trading by directors or employees are deemed acceptable and those which are not. Such guidance includes identifying conduct that may constitute insider trading, how an employee or director can minimise the risk of insider trading, and the closed periods during which directors, officers and KMP (and parties related to them) are not permitted to trade in Senetas Corporation Limited shares.

The policy also details the steps for directors and employees to take when buying or selling shares in Senetas Corporation Limited which includes requiring any director or KMP buying or selling Senetas Corporation Limited's shares, or exercising any options, to first obtain approval from the Chair of the Board (for Directors) or from the Chief Executive Officer (for KMP and senior executives).

### NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Grant Thornton Audit Pty Ltd.

Signed in accordance with a resolution of the directors.



Francis W. Galbally  
Chair  
Date: 31 August 2022

---

**Grant Thornton Audit Pty Ltd**

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Melbourne VIC 3001  
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## Auditor's Independence Declaration

### To the Directors of Senetas Corporation Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Senetas Corporation Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



Brock A Mackenzie  
Partner – Audit & Assurance

Melbourne, 31 August 2022

**[www.grantthornton.com.au](http://www.grantthornton.com.au)**  
ACN-130 913 594

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# Statement of Comprehensive Income

		CONSOLIDATED	
		2022	2021
		\$	\$
	Notes		
Revenue from contracts with customers	1	25,108,515	23,006,060
<b>Revenue</b>		<b>25,108,515</b>	<b>23,006,060</b>
Materials and support services expense		(4,832,964)	(3,427,900)
Other income	2	208,478	400,221
Employee benefits expense	3(a)	(18,040,995)	(15,022,725)
Depreciation and amortisation expense	3(b)	(3,122,962)	(3,209,212)
Administration expenses	3(c)	(7,143,742)	(6,002,711)
Professional fees	3(d)	(1,914,160)	(1,566,363)
Other expenses	3(e)	(959,211)	(1,621,913)
Finance costs	3(f)	(64,479)	(83,524)
<b>Loss before income tax</b>		<b>(10,761,520)</b>	<b>(7,528,067)</b>
Income tax expense/(benefit)	4	277,025	(285,083)
<b>Loss after income tax</b>		<b>(10,484,495)</b>	<b>(7,813,150)</b>
<b>Other comprehensive income/(loss)</b>			
Items that may be subsequently classified to profit or loss			
Exchange differences on translating foreign operations		950,725	(863,424)
<b>Other comprehensive income/(loss) for the year</b>		<b>950,725</b>	<b>(863,424)</b>
<b>Total comprehensive (loss)/ income for the year, net of tax</b>		<b>(9,533,770)</b>	<b>(8,676,574)</b>
<b>(Loss)/profit for the period is attributable to:</b>			
Owners of the parent		(5,892,400)	(3,708,516)
Non-controlling interest		(4,592,095)	(4,104,634)
		<b>(10,484,495)</b>	<b>(7,813,150)</b>
<b>Total comprehensive (loss)/profit for the year is attributable to:</b>			
Owners of the parent		(5,239,497)	(4,387,921)
Non-controlling interest		(4,294,273)	(4,288,653)
		<b>(9,533,770)</b>	<b>(8,676,574)</b>
<b>Earnings per share</b>			
Basic loss for the year attributable to ordinary equity holders of the Parent.	5	(0.536)	(0.343)
Diluted loss for the year attributable to ordinary equity holders of the Parent.	5	(0.536)	(0.343)

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

# Statement of Financial Position

	Notes	CONSOLIDATED	
		2022 \$	2021 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	10,691,806	11,846,643
Trade receivables and contract assets	8	9,056,676	4,620,660
Inventories	11	5,347,347	2,020,676
Other assets	12	1,249,199	900,202
Current income tax receivable		631,186	75,985
<b>Total current assets</b>		<b>26,976,213</b>	<b>19,464,166</b>
<b>Non-current assets</b>			
Long-term cash deposit		91,667	91,667
Non-current prepayments		33,092	36,388
Deferred tax asset	4	20,254	315,301
Plant and equipment	14	773,515	1,020,469
Goodwill and intangible assets	15	9,659,583	10,704,829
Right-of-use asset	16	608,723	889,672
<b>Total non-current assets</b>		<b>11,186,835</b>	<b>13,058,326</b>
<b>TOTAL ASSETS</b>		<b>38,163,048</b>	<b>32,522,491</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	5,258,449	2,484,408
Contingent consideration liability	23	6,687	31,362
Contract liabilities	9	9,699,575	7,309,333
Lease liabilities	16	304,397	277,132
Provisions	17	1,681,304	1,447,858
<b>Total current liabilities</b>		<b>16,950,412</b>	<b>11,550,093</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	4	1,299,555	1,806,208
Provisions	17	70,844	49,644
Contract liabilities	9	7,855,410	3,931,602
Lease liabilities	16	389,996	694,392
Contingent consideration liability	23	-	22,258
<b>Total non-current liabilities</b>		<b>9,615,805</b>	<b>6,504,104</b>
<b>TOTAL LIABILITIES</b>		<b>26,566,216</b>	<b>18,054,197</b>
<b>NET ASSETS</b>		<b>11,596,832</b>	<b>14,468,295</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	18	108,996,265	104,316,022
Accumulated losses		(96,352,608)	(90,460,208)
Employee benefits reserve	19	3,963,896	3,020,591
Other reserves	19	246,262	133,301
Foreign currency translation reserve	19	(11,663)	(664,565)
<b>Equity attributable to owners of the parent</b>		<b>16,842,152</b>	<b>16,345,141</b>
Non-controlling interests	24	(5,245,320)	(1,876,846)
<b>TOTAL EQUITY</b>		<b>11,596,832</b>	<b>14,468,295</b>

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

# Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	CONSOLIDATED	
		2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		26,817,891	23,342,019
Payments to suppliers and employees		(32,136,810)	(24,970,963)
Income tax paid		(489,784)	(1,486,182)
Interest received		20,057	48,125
<b>Net cash flows from operating activities</b>	7	<b>(5,788,646)</b>	<b>(3,067,001)</b>
<b>Cash flows used in investing activities</b>			
Purchase of plant and equipment	14	(291,983)	(241,691)
Purchase of other intangibles	15	(27,261)	(116,537)
Payment of contingent consideration	23	(12,367)	(248)
<b>Net cash flows used in investing activities</b>		<b>(331,610)</b>	<b>(358,476)</b>
<b>Cash flows used in financing activities</b>			
Proceeds from issued capital		5,540,081	161,075
Transaction costs on issued capital		(327,316)	-
Equity transaction with non-controlling interest		-	(58,624)
Payment of interest on lease liability	16	(49,742)	(69,478)
Payment of principal portion of lease liability	16	(277,131)	(388,411)
<b>Net cash flows used in financing activities</b>		<b>4,885,893</b>	<b>(355,438)</b>
Net (decrease)/increase in cash and cash equivalents		(1,234,363)	(3,780,915)
Net foreign exchange differences		79,526	(83,815)
Cash and cash equivalents at beginning of the year		11,846,643	15,711,373
<b>Cash and cash equivalents at 30 June</b>	7	<b>10,691,806</b>	<b>11,846,643</b>

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

## Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

	Attributable to equity holders of Senetas Corporation Ltd					Owners of the parent	Non-controlling interest	Total equity
	Contributed equity	Accumulated (losses) / profits	Foreign currency translation reserve	Employee benefits reserve	Other reserves	Total		
	\$	\$	\$	\$	\$	\$	\$	\$
<b>CONSOLIDATED</b>								
<b>At 1 July 2020</b>	<b>104,316,022</b>	<b>(86,751,692)</b>	<b>14,840</b>	<b>1,245,392</b>	<b>582,186</b>	<b>19,406,748</b>	<b>909,804</b>	<b>20,316,552</b>
Loss for the year	-	(3,708,516)	-	-	-	(3,708,516)	(4,104,634)	(7,813,150)
Other comprehensive income	-	-	(679,405)	-	-	(679,405)	(184,019)	(863,424)
<b>Total comprehensive income</b>	<b>-</b>	<b>(3,708,516)</b>	<b>(679,405)</b>	<b>-</b>	<b>-</b>	<b>(4,387,921)</b>	<b>(4,288,653)</b>	<b>(8,676,574)</b>
<b>Transactions with owners in their capacity as owners</b>								
Acquisition of non-controlling interests	-	-	-	-	(448,885)	(448,885)	390,261	(58,624)
Share based payments expense	-	-	-	1,775,198	-	1,775,198	1,111,742	2,886,940
<b>At 30 June 2021</b>	<b>104,316,022</b>	<b>(90,460,208)</b>	<b>(664,565)</b>	<b>3,020,590</b>	<b>133,301</b>	<b>16,345,141</b>	<b>(1,876,846)</b>	<b>14,468,295</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>At 1 July 2021</b>	<b>104,316,022</b>	<b>(90,460,208)</b>	<b>(664,565)</b>	<b>3,020,590</b>	<b>133,301</b>	<b>16,345,141</b>	<b>(1,876,846)</b>	<b>14,468,295</b>
Loss for the year	-	(5,892,400)	-	-	-	(5,892,400)	(4,592,095)	(10,484,495)
Other comprehensive income	-	-	652,902	-	-	652,902	297,823	950,725
Total Comprehensive Income	-	(5,892,400)	652,902	-	-	(5,239,498)	(4,294,273)	(9,533,771)
<b>Transactions with owners in their capacity as owners</b>								
Proceeds from issued capital	5,000,000	-	-	-	-	5,000,000	540,081	5,540,081
Transaction costs	(327,316)	-	-	-	-	(327,316)	-	(327,316)
Acquisition of non-controlling interests	-	-	-	-	112,961	112,961	(112,961)	-
Options converted to shares	7,559	-	-	(7,559)	-	-	-	-
Share based payments expense	-	-	-	950,865	-	950,865	498,678	1,449,543
<b>At 30 June 2022</b>	<b>108,996,265</b>	<b>(96,352,608)</b>	<b>(11,663)</b>	<b>3,963,896</b>	<b>246,262</b>	<b>16,842,151</b>	<b>(5,245,320)</b>	<b>11,596,832</b>

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

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# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

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## ABOUT THIS REPORT

This is the consolidated financial report of Senetas Corporation Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2022. The financial report was authorised for issue in accordance with a resolution of Directors on 26 August 2022.

It is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

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

The nature of the operations and principal activities of the Group are described in the Directors' report. The registered office of Senetas Corporation Limited is at 312 Kings Way, South Melbourne, Victoria 3205, Australia.

## BASIS OF PREPARATION

The financial report has also been prepared on an historical cost basis except for contingent consideration that has been measured at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar (\$), unless otherwise stated, under the option available to the Company under *ASIC Corporations (Rounding in Financial / Director's Report) Instrument 2016/191* (Instrument 2016/191). The Company is an entity to which Instrument 2016/191 applies.

The financial report has been prepared on a going concern basis. At 30 June 2022, the Group had cash and cash equivalents of \$10.7m.

## SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concept of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The below describes significant accounting policies applicable to the Group's financial statements. Other specific significant accounting policies are described in respective notes to the financial statements.

### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Senetas Corporation Limited (the Company) and its subsidiaries as at 30 June each year (the Group). The Group controls a subsidiary, if and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is lost.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

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## SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

Investments in subsidiaries are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. The parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting, which involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed. The identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. The difference between the above items and the fair value of the consideration (including any fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units. Where goodwill forms part of a CGU, and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of, and the portion of the cash generating unit retained.

Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Senetas Corporation Limited has control. A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

On the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

### (b) Foreign currency translation

Both the functional and presentation currency of Senetas Corporation Limited and its Australian subsidiaries is Australian dollars (A\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

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## SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Foreign currency translation (continued)

As at the reporting date all foreign subsidiaries, with the exception of Senetas Europe and Votiro Cybersec Global Limited, are dormant. However any assets and liabilities of foreign subsidiaries are translated into the presentation currency of Senetas at the rate of exchange ruling at the reporting date and the income statements are translated at the weighted average exchange rates for the year.

Exchange differences resulting from the translation of foreign operations are recognised in equity.

On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit and loss.

### (c) Financial instruments - initial recognition and subsequent measurement

#### (i) Financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (FVTOCI), or fair value through profit and loss. This classification is made on the basis of the Group's business model for managing the financial assets and the cash flow characteristics of the financial assets.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The categories of financial assets which are most relevant to the group are:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

##### *Financial assets at amortised cost*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost primarily comprises of cash and cash equivalents, trade receivables and other receivables.

##### *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit and loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit and loss, or financial assets mandatorily required to be measured at fair value.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income.

##### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

## SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments - initial recognition and subsequent measurement (continued)

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### *Impairment of financial assets*

Detailed disclosures relating to impairment of financial assets are to be found in:

Disclosures for significant assumptions - Note 20 and trade receivables including contract assets - Note 8.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### *(ii) Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives.

All financial liabilities are recognised initially at fair value and, in the case of lease liabilities and payables, net of directly attributable transaction costs.

##### *Financial liabilities at fair value through profit and loss and at amortised cost*

The Group's financial liabilities are trade and other payables - carried at amortised cost and contingent consideration, classified as a financial liability at fair value through profit and loss. Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Contingent consideration is held at fair value through profit and loss. It is assessed at each period end using a discounted cash flow analysis.

##### *Subsequent measurement*

Financial liabilities at fair value through profit and loss include liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss. Gains or losses on liabilities held for trading are recognised through profit and loss.

After initial recognition, financial liabilities at amortised cost are subsequently measured using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

## SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments - initial recognition and subsequent measurement (continued)

#### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## CHANGES IN ACCOUNTING POLICIES

During the year, the Group has not adopted any new accounting policies.

## SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Information on significant estimates and judgements considered when applying the accounting policies can be found in the following notes:

<b>Accounting estimates and judgements</b>	<b>Notes</b>
Revenue	1
Taxation	4
Intangibles and useful lives	15
Impairment	15
Leases	16
Contingent consideration	23
Share based payment transactions	27

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## FINANCIAL PERFORMANCE SECTION

### 1 REVENUE FROM CONTRACTS WITH CUSTOMERS

#### (a) Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers

	CONSOLIDATED	
	2022	2021
	\$	\$
Sale of goods	9,976,897	9,725,858
Product maintenance and subscription revenue	15,102,801	13,122,669
Provision of services	28,817	157,533
<b>Total revenue from contracts with customers</b>	<b>25,108,515</b>	<b>23,006,060</b>
<b>Geographical markets</b>		
Asia Pacific	7,239,776	4,784,884
United States	10,097,028	10,329,581
Africa	68,981	-
Europe	7,702,730	7,891,595
<b>Total revenue from contracts with customers</b>	<b>25,108,515</b>	<b>23,006,060</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	10,005,714	9,883,391
Services transferred over time	15,102,801	13,122,669
<b>Total revenue from contracts with customers</b>	<b>25,108,515</b>	<b>23,006,060</b>

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

Sale of goods	-	-
Product maintenance and subscription revenue	17,554,985	11,240,935
Provision of services	-	-
<b>Total</b>	<b>17,554,985</b>	<b>11,240,935</b>

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

Product maintenance and subscription revenue expected to be recognised within:	\$	\$
One (1) year of the reporting date	9,699,575	7,309,333
Two (2) years from the reporting date	3,593,025	2,265,230
Three (3) years from the reporting date	2,319,099	1,225,229
Between four (4) and five (5) years	1,943,286	441,143
<b>Total</b>	<b>17,554,985</b>	<b>11,240,935</b>

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 1 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

### (b) Contract balances

Set out below is the amount of revenue from contracts with customers recognised from:

	CONSOLIDATED	
	2022	2021
	\$	\$
Amounts included in contract liabilities at the beginning of the year	7,309,333	8,351,167

### (c) Accounting policy

#### (i) Revenues from contracts with customers

Revenue from contracts with customers is recognised when the control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

The Group enters into sales transactions involving an outright sale to the customer, on a subscription basis or for the rendering of services. The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction in order to reflect the substance of the transaction.

When the Group enters into transactions involving its products and services, the total transaction price for a contract is allocated amounts the various performance obligations.

The Group may enter into a contract or multiple contracts with customers that may include multiple performance obligations. Where multiple contracts are entered into, the Group determines whether it is required to be measured with another pre-existing contract by determining whether the performance obligations promised are being sold at their stand-alone selling price. Where pricing is equal to stand-alone selling price, the contract is treated as a stand-alone contract. Where pricing is not equal to stand-alone selling price, the contract is combined with the pre-existing contract with the customer as a multiple-performance obligation arrangement. Where this is the case, each performance obligation is allocated a proportional amount of revenue based on the transaction price of the contract and the relative stand-alone selling price of each performance obligation.

#### **Sale of goods**

Revenue from the sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on dispatch of the equipment, subject to some exceptions. The normal credit term is 30 to 90 days from delivery.

The Group has considered whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. There are no such obligations at this time.

#### **Maintenance and subscription revenue**

Maintenance and subscription revenue is recorded over the period of the maintenance or subscription agreement. Cash received in advance for the maintenance or subscription agreement is originally recorded as a contract liability. This is recognised as revenue over the term of the agreement as the Group performs under the contract.

#### **Variable consideration**

The Group's distribution agreement with Thales entitles the Group to variable consideration from when the goods are sold by Thales to its end users. The details of this variable consideration and the methods used for estimation are outlined below.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 1 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

### (ii) Key judgements and estimates

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers.

*Determining method to estimate variable consideration and assessing the constraint*

The Group's distribution agreement with Thales has both fixed and variable consideration. The Group is entitled to fixed consideration at the point in time when equipment is dispatched to Thales. The Group is entitled to a variable consideration when the equipment is sold by Thales to its end users. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The method used to calculate the variable consideration has been estimated using the most likely amount which represents the single most likely amount in a range of possible consideration amounts. This is an estimate of the likelihood of sales taking place to an end user and the amount of revenue due towards the Group if this event occurs. The nature of the promise within the contract is to perform an unknown number of sales to end users throughout the contract period and the consideration received is contingent upon the quantity which is sold to end users. Therefore, the total transaction price is variable since it is based upon the occurrence or non-occurrence of events outside the Group's control and the contract has a range of possible transaction prices.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are constrained based on its historical experience, business forecast and the current economic conditions.

## 2 OTHER INCOME

### (a) Other income

	Notes	CONSOLIDATED	
		2022	2021
		\$	\$
Government grants		-	335,175
Net gain on foreign exchange		135,984	-
Interest income		10,928	45,340
Other income		61,568	19,706
<b>Total</b>		<b>208,478</b>	<b>400,221</b>

### (b) Accounting policy

#### (i) Government grants

Government grants represents the JobKeeper and cash flow boost payments received from the Federal Government in response to the ongoing novel coronavirus (COVID-19) pandemic.

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs for which it is intended to compensate are expensed.

#### (ii) Interest Income

Interest income is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocates the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 3 EXPENSES

	Notes	CONSOLIDATED	
		2022	2021
		\$	\$
<b>(a) Employee benefits expense</b>			
Salaries & wages		16,088,816	11,673,113
Superannuation		502,636	430,909
Termination payouts		-	31,763
Share based payment expense	27	1,449,543	2,886,940
<b>Total</b>		<b>18,040,995</b>	<b>15,022,725</b>
<b>(b) Depreciation and amortisation expense</b>			
Depreciation:			
Plant and equipment	14	497,970	573,195
Leasehold improvements	14	47,185	48,421
Right-of-use asset	16	280,949	331,028
Amortisation:			
Customer relationships	15	245,373	238,556
Software	15	2,051,485	2,018,012
<b>Total</b>		<b>3,122,962</b>	<b>3,209,212</b>
<b>(c) Administration expenses</b>			
Premises costs		614,240	459,198
Travel expenditure		398,237	96,477
Telephone and internet expenditure		185,241	162,876
Insurance expenditure		639,136	521,743
Marketing expenditure		2,070,448	1,774,642
External contractors -sales and corporate		3,236,440	2,987,775
<b>Total</b>		<b>7,143,742</b>	<b>6,002,711</b>
<b>(d) Professional fees</b>			
Certification, testing and direct R&D expenditure		476,859	373,697
Legal fees		427,294	657,232
Professional services		1,010,007	535,434
<b>Total</b>		<b>1,914,160</b>	<b>1,566,363</b>
<b>(e) Other expenses</b>			
Subscriptions and membership fees		752,415	423,333
Re-measurement of contingent consideration liability		(34,567)	(23,449)
Net loss on foreign exchange		-	729,551
Other expenses		241,363	492,478
<b>Total</b>		<b>959,211</b>	<b>1,621,913</b>
<b>(f) Finance costs</b>			
Bank fees and service charges		14,737	14,046
Interest expense on lease liabilities		49,742	69,478
<b>Total</b>		<b>64,479</b>	<b>83,524</b>

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 4 INCOME TAX

	Notes	CONSOLIDATED	
		2022	2021
		\$	\$
<b>(a) Major components of income tax expense for the years ended 30 June 2022 and 2021 are:</b>			
<b>Current income tax</b>			
Current income tax charge/(benefit)		(58,800)	740,801
Adjustments in respect of current income tax of previous years		(122,760)	(69,736)
<b>Deferred income tax</b>			
Relating to origination and reversal of temporary differences		(95,465)	(385,982)
<b>Income tax expense/(benefit) reported in statement of comprehensive income</b>		<b>(277,025)</b>	<b>285,083</b>
<b>(b) Reconciliation of tax expense and the accounting profit and multiplied by Australia's domestic</b>			
Accounting profit before tax		<b>(10,761,520)</b>	<b>(7,528,067)</b>
At the statutory income tax rate of 25% (2021: 26%)		(2,690,380)	(1,957,298)
Expenditure not allowable for income tax purposes		39,108	10,595
Non-deductible share of loss of Votiro and fair value adjustment		-	-
Adjustments in respect of current income tax of previous years		(90,545)	(55,264)
R&D tax incentive		(219,686)	(200,348)
Israel tax losses not recognised		2,407,068	2,015,390
Foreign losses not recognised		3,071	42,500
Effect of lower tax rate in Israel (23%) compared to Australian statutory income tax rate (25%) (2021: 26%)		253,367	327,126
DTA impact of tax rate change		12,245	18,802
Other		8,727	83,580
<b>Income tax expense reported in statement of comprehensive income</b>		<b>(277,025)</b>	<b>285,083</b>

### (c) Deferred tax assets and liabilities

CONSOLIDATED	Statement of Financial Position	
	2022	2021
	\$	\$
<b>Deferred tax assets</b>		
Accruals:		
Accrued expenses	43,296	48,115
Employee benefits:		
Annual leave	147,031	113,157
Long service leave	258,687	231,625
Other:		
Amortised business costs	19,753	26,106
Patents	3,445	4,615
FBT accrual	6,335	5,340
Unrealised foreign exchange loss	950	85,997
Unutilised losses	73,781	82,696
Lease liabilities	382,226	252,596
Other	92,471	40,119
<b>Total</b>	<b>1,027,975</b>	<b>890,366</b>

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 4 INCOME TAX (CONTINUED)

### (c) Deferred tax assets and liabilities

CONSOLIDATED	Statement of Financial Position	
	2022	2021
	\$	\$
<b>Deferred tax liabilities</b>		
Prepayments	(1,036)	(1,492)
Variable Consideration	(471,658)	(239,048)
Unrealised foreign exchange gain	(50,315)	(193)
Plant and equipment	(117,567)	(97,677)
Intangible assets	(1,299,555)	(1,806,208)
ROU asset	(360,809)	(231,315)
FBT accrual	(6,335)	(5,340)
	<b>(2,307,275)</b>	<b>(2,381,273)</b>
<b>Net deferred tax liability</b>	<b>(1,279,300)</b>	<b>(1,490,907)</b>

CONSOLIDATED	Statement of Comprehensive Income	
	2022	2021
	\$	\$
<b>Deferred tax assets</b>		
Accruals:		
Accrued expenses	2,968	17,963
Employee benefits:		
Annual leave	(38,226)	(15,917)
Long service leave	(35,971)	(6,039)
Other:		
Amortised business costs	5,349	(21,147)
Patents	993	1,033
Unrealised foreign exchange loss	81,739	(41,268)
FBT accrual	(1,199)	3,307
Unutilised tax losses	5,734	13,716
Lease liabilities	(139,345)	85,206
Other	4,905	5,805
<b>Total</b>	<b>(113,053)</b>	<b>42,659</b>
<b>Deferred tax liabilities</b>		
Prepayments	(399)	541
Variable consideration	241,804	(23,761)
Plant and equipment	23,647	67,954
Intangibles	(437,184)	(378,011)
ROU asset	138,391	(73,047)
Unrealised foreign exchange gain	50,130	(19,010)
FBT accrual	1,199	(3,307)
	<b>17,588</b>	<b>(428,641)</b>
<b>Deferred tax (benefit) /expense</b>	<b>(95,465)</b>	<b>(385,982)</b>
Deferred tax asset (non-current)	1,027,975	890,366
Deferred tax liability (non-current)	2,307,275	2,381,273

The franking account balance for 2022 is \$384,327 (2021: \$384,327).

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 4 INCOME TAX (CONTINUED)

### (d) Accounting policy

#### (i) Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

#### (ii) Deferred taxes

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates and interests in joint arrangements, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint arrangements, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 4 INCOME TAX (CONTINUED)

### (d) Accounting policy

#### (iii) Tax consolidation

Senetas Corporation Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated Group with effect 1 July 2002. Senetas Corporation Limited is the head entity of the tax consolidated Group. Members of the Group entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities.

The allocation of current taxes and deferred taxes of subsidiaries has been allocated to the subsidiaries via intercompany transactions, in accordance with company policy.

#### **Tax effect accounting by members of the tax consolidated group**

##### *Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting*

The head entity and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The Group has tax losses arising in Australia of \$295,122 (2021: \$318,060) that may be available indefinitely for offset against future income tax payable. Of the total tax losses available for offset against future income tax payable, \$73,781 has been recognised as a deferred tax asset (2021: \$82,696).

##### *Nature of the tax funding agreement*

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the Group is based on accounting profit. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 5 EARNINGS PER SHARE

(a) The following reflects the income and share data used in the basic and diluted profit per share computations:

	CONSOLIDATED	
	2022	2021
	\$	\$
Net profit attributable to equity holders of the parent	(5,892,400)	(3,708,516)
<b>Net profit attributable to ordinary shareholders for diluted earnings per share</b>	<b>(5,892,400)</b>	<b>(3,708,516)</b>
	No. of shares	No. of shares
Weighted average number of ordinary shares for basic earnings per share	1,099,851,113	1,082,149,179
<i>Effect of dilution:</i>	-	-
<b>Adjusted weighted average number of ordinary shares for diluted profit per share</b>	<b>1,099,851,113</b>	<b>1,082,149,179</b>

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the authorisation of these financial statements.

### (b) Accounting policy

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares:

- Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:
  - costs of servicing equity (other than dividends); and
  - other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2022

### 6 SEGMENT INFORMATION

#### Basis of segment identification

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

Senetas's chief operating decision maker is the Chief Executive Officer (CEO). The CEO provides strategic direction and management oversight of the day to day activities of the Group in terms of monitoring results and approving strategic planning. Operating segments have been identified based on the information provided to the CEO.

The Group has two reportable segments - the product division (Senetas) and solutions technology division (Votiro). In accordance with the master distribution agreement and other direct customers, both product sales and maintenance services are inter-related and reported as one (1) product division reportable segment.

The following tables present the revenue and profit information regarding reportable segments for the years ended 30 June 2022:

Year ended 30 June 2022	Senetas	Votiro	Total
	\$	\$	\$
<i>Segment revenue - Revenue from contracts with customers</i>			
Sale of equipment	9,976,897	-	9,976,897
Maintenance revenue	9,355,013	5,747,788	15,102,801
Provision of services	495	28,322	28,817
<b>Total Segment revenue</b>	<b>19,332,405</b>	<b>5,776,110</b>	<b>25,108,515</b>

	Senetas	Votiro	Eliminations <sup>(i)</sup>	Total
	\$	\$	\$	\$
<i>Result</i>				
Segment profit/(loss) before tax	1,906,832	(12,668,352)	-	(10,761,520)
Income tax (expense) /benefit	(222,981)	500,006	-	277,025
Segment profit/(loss) after tax	1,683,851	(12,168,346)	-	(10,484,495)
<i>Income / (expenses)</i>				
Depreciation and amortisation	(873,166)	(2,249,796)	-	(3,122,962)
Share based payments expense	(122,188)	(1,327,355)	-	(1,449,543)

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

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2022

### 6 SEGMENT INFORMATION (CONTINUED)

Year ended 30 June 2022	Senetas \$	Votiro \$	Eliminations <sup>(i)</sup> \$	Total \$
Non-current assets	19,210,236	9,649,612	(16,665,294)	12,194,553
Total assets	45,047,139	17,166,115	(23,042,485)	39,170,769
Total liabilities	(14,703,886)	(19,247,241)	6,377,191	(27,573,937)
Net assets	30,343,252	(2,081,126)	(16,665,294)	11,596,832
<i>Cashflows</i>				
Operating activities	976,263	(6,764,909)	-	(5,788,646)
Investing activities	(923,717)	(97,004)	689,111	(331,610)
Financing activities	(1,771,124)	7,346,126	(689,111)	4,885,893

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

Year ended 30 June 2021	Senetas \$	Votiro \$	Total \$
<i>Segment revenue - Revenue from contracts with customers</i>			
Sale of equipment	9,725,858	-	9,725,858
Maintenance revenue	10,076,991	3,045,678	13,122,669
Provision of services	31,414	126,119	157,533
Total Segment revenue	<b>19,834,263</b>	<b>3,171,797</b>	<b>23,006,060</b>

	Senetas \$	Votiro \$	Eliminations <sup>(i)</sup> \$	Total \$
<i>Result</i>				
Segment profit/(loss) before tax	3,376,140	(10,904,207)	-	(7,528,067)
Income tax expense / (benefit)	(695,530)	410,447	-	(285,083)
Segment profit/(loss) after tax	2,680,610	(10,493,760)	-	(7,813,150)
<i>Income / (expenses)</i>				
Depreciation and amortisation	(969,882)	(2,239,330)	-	(3,209,212)
Share based payments expense	(20,523)	(2,866,417)	-	(2,886,940)
Non-current assets	19,035,664	10,573,910	(15,976,184)	13,633,390
Total assets	36,482,878	12,590,862	(15,976,184)	33,097,557
Total liabilities	(12,611,748)	(6,017,515)	-	(18,629,263)
Net assets	23,871,130	6,573,347	(15,976,184)	14,468,293
<i>Cashflows</i>				
Operating activities	2,734,040	(5,801,041)	-	(3,067,001)
Investing activities	(5,614,389)	(49,448)	5,305,361	(358,476)
Financing activities	(448,967)	5,398,889	(5,305,361)	(355,438)

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

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2022

### 6 SEGMENT INFORMATION (CONTINUED)

Revenue is attributed to geographic regions 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 below.

30 June 2022	Senetas	Votiro	Total
	\$	\$	\$
Asia Pacific	3,186,979	4,052,797	7,239,776
United States	8,951,011	1,146,017	10,097,028
Europe	7,194,415	508,315	7,702,730
Africa	-	68,981	68,981
<b>Total</b>	<b>19,332,405</b>	<b>5,776,110</b>	<b>25,108,515</b>

30 June 2021	Senetas	Votiro	Total
	\$	\$	\$
Asia Pacific	3,033,019	1,751,865	4,784,884
United States	9,575,138	754,443	10,329,581
Europe	7,226,106	665,489	7,891,595
<b>Total</b>	<b>19,834,263</b>	<b>3,171,797</b>	<b>23,006,060</b>

Revenue from one customer - the Company's global distribution partner, Thales - amounted to \$16,008,740 (2021: \$17,205,429) arising from the above mentioned geographical areas.

	2022	2021
	\$	\$
<b>Non-current assets</b>		
Asia Pacific	19,210,236	19,035,664
Europe	9,649,612	10,573,910
	<b>28,859,848</b>	<b>29,609,574</b>

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## WORKING CAPITAL SECTION

### 7 CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2022	2021
	\$	\$
Cash at bank and on hand	10,691,806	5,404,008
Short-term deposits	-	6,442,635
<b>Total cash and cash equivalents</b>	<b>10,691,806</b>	<b>11,846,643</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

#### (a) Reconciliation from the net profit after tax to the net cash flows from operations

Profit after tax	(10,484,495)	(7,813,150)
<i>Adjustments for non-cash items:</i>		
Depreciation and amortisation	3,122,962	3,209,212
Unrealised foreign currency loss/(gain)	(197,461)	344,636
Gain on reassessment of contingent consideration	(34,567)	(23,449)
Impairment of inventories	94,867	127,842
Share based payment expense	1,449,543	2,886,940
Variable consideration	(967,217)	91,389
Other non-cash items	25,824	60,579
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables (net of foreign currency gains)	(4,283,885)	884,142
(Increase)/decrease in inventories	(1,859,461)	432,577
Increase in prepayments	(275,509)	(222,172)
Decrease in other current assets	(1,676)	(29,150)
Increase)/(decrease) in trade and other payables	2,683,938	(326,525)
Decrease in deferred income tax assets	(103,736)	(352,537)
Decrease in deferred income tax liability	(434,808)	(954,546)
Decrease in income tax payable	(555,201)	(732,987)
Increase in provisions	242,666	150,803
Increase/(decrease) in contract liabilities & other non-current liabilities	5,789,570	(800,605)
<b>Net cash from operating activities</b>	<b>(5,788,646)</b>	<b>(3,067,001)</b>

#### (b) Accounting policy

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 8 TRADE RECEIVABLES AND CONTRACT ASSETS

	Notes	CONSOLIDATED	
		2022	2021
		\$	\$
Trade receivables (i)		6,840,651	3,634,818
Contract asset (ii)		1,886,631	919,414
Net GST receivable (iii)		329,394	25,941
Government grants (iv)		-	40,487
<b>Total</b>		<b>9,056,676</b>	<b>4,620,660</b>

### (a) CONTRACT ASSETS

<b>Recognised on 1 July</b>	<b>919,414</b>	<b>1,010,803</b>
Reclassified as a receivable during the year	(860,688)	(1,010,071)
Contract asset recognised during the year	1,827,905	918,682
<b>Closing balance as at 30 June</b>	<b>1,886,631</b>	<b>919,414</b>

### (c) Accounting policy

#### (i) Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

The fair value of trade receivables is equivalent to its carrying amounts. It is expected that the full contractual amounts can be collected. AASB 9 requires a calculation of the expected credit losses (ECL's). The Group's evaluation of this requirement has determined that an allowance for credit losses is negligible.

The Group holds no collateral against possible default by a customer. There were no receivables written off during the year.

#### (ii) Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract assets are originally recognised for the revenue earned from the sale of inventory from our world-wide distributor, Thales, to their end customers. Upon completion of the sale by Thales to its end customer, the amounts recognised as contract assets are reclassified to trade receivables. The reclassification of contract assets to trade receivables usually takes three to six months.

The decrease in the value of the contract asset is a result of the product mix held by Thales based on their sales forecast.

#### (iii) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### (iv) Government grants

Refer to Note 2(b)(i) for the government grants accounting policies.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 8 TRADE RECEIVABLES AND CONTRACT ASSETS (continued)

### (c) Accounting policy (continued)

#### (v) Impairment of financial assets

Trade receivables have been classified as debt instruments held at amortised cost. Accounting for impairment losses for trade receivables and contract assets uses a forward-looking expected credit loss (ECL) approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

The Group has applied the simplified approach to trade receivables and the contract asset in AASB 9 and has calculated ECLs based on lifetime expected credit losses. A provision for ECLs is determined based on historical credit loss rates and adjusted for forward looking factors specific to the debtor and the economic environment.

For further information on risk disclosures refer to Note 20.

## 9 CONTRACT LIABILITY

	Notes	CONSOLIDATED	
		2022	2021
		\$	\$
<b>(a) Contract liability Reconciliation</b>			
Opening balance as at 1 July		11,240,935	12,291,891
Maintenance prepayments received during the year		21,416,851	12,071,713
Maintenance revenue recognised during the year		(15,102,801)	(13,122,669)
<b>Closing balance as at 30 June</b>		<b>17,554,985</b>	<b>11,240,935</b>
Current contract liabilities		9,699,575	7,309,333
Non-current contract liabilities		7,855,410	3,931,602
<b>Total</b>		<b>17,554,985</b>	<b>11,240,935</b>

### (b) Accounting policy

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received the consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Maintenance revenue is recorded over the period of the maintenance agreement. Cash received in advance for the maintenance agreement is originally recorded as a contract liability. This is recognised as revenue over the term of the agreement as the Group performs under the contract.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 10 TRADE AND OTHER PAYABLES

### Current

Trade payables	3,774,478	1,341,974
Other payables	1,483,971	1,142,434
<b>Total</b>	<b>5,258,449</b>	<b>2,484,408</b>

### (a) Accounting policy

Trade and other payables are financial liabilities carried at amortised cost. Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Other payables are non-interest bearing and have an average term of six months and relate to general and employee related accruals.

The fair value of trade and other payables is deemed to approximate their carrying value.

For further information on risk disclosures refer Note 20.

## 11 INVENTORIES

	Notes	CONSOLIDATED	
		2022	2021
		\$	\$
Finished goods		2,699,799	827,107
Raw materials		2,647,548	1,193,569
<b>Inventories</b>		<b>5,347,347</b>	<b>2,020,676</b>

### (a) Accounting policy

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials - purchase cost on a first-in, first-out basis. Included in the cost of purchase are other directly attributable costs as well as the purchase price.

Finished goods - cost of direct materials and external assembly costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

#### *Provision for slow moving items*

Inventories are reviewed annually to identify slow moving inventory. When these items are identified the remaining technological useful life is assessed, then an estimation is made of the quantum of sales expected over that remaining useful life. Where there is a shortfall of estimated sales versus the quantity of inventory on hand at the end of the period, a provision is raised.

During 2022, \$94,867 (2021: \$127,842) was recognised as an expense for inventories carried at the lower of cost and net realisable value. This is recognised in cost of sales.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## OPERATING ASSETS AND LIABILITIES

### 12 OTHER ASSETS

	CONSOLIDATED	
	2022	2021
	\$	\$
Interest receivable	193	9,323
Security deposit	76,298	22,971
Prepayments	1,172,708	867,908
<b>Total</b>	<b>1,249,199</b>	<b>900,202</b>

### 13 INVESTMENT SECURITIES

Unquoted investment securities at FVTPL	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>

The Group has investments in the entities shown in the table below

	Equity Interest	
	%	%
DeepRadiology Inc	3.45%	3.45%
Smart Antenna Technologies Ltd	5.76%	5.76%
EonReality Inc. (i)	3.11%	3.11%

The above investments have a net carrying amount of zero.

Refer to significant accounting policy (c)(i) for further details on accounting for financial assets.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 14 PLANT AND EQUIPMENT

Year ended 30 June 2022	Notes	Leasehold improvements \$	Plant and equipment \$	Total \$
At 1 July 2021, net of accumulated depreciation		114,481	905,988	1,020,469
Additions (net of disposals)		33,600	221,688	255,288
Transfers to plant and equipment from inventory		-	36,695	36,695
Written off		-	-	-
Depreciation charge for the year		(47,185)	(497,970)	(545,155)
Exchange differences		-	6,218	6,218
<b>At 30 June 2022, net of accumulated depreciation</b>		<b>100,896</b>	<b>672,619</b>	<b>773,515</b>
<b>At 1 July 2021</b>				
Cost		275,516	3,365,261	3,640,777
Accumulated depreciation and impairment		(161,035)	(2,459,273)	(2,620,308)
<b>Net carrying amount</b>		<b>114,481</b>	<b>905,988</b>	<b>1,020,469</b>
<b>At 30 June 2022, net of accumulated depreciation</b>				
Cost		294,255	3,453,946	3,748,201
Accumulated depreciation		(193,359)	(2,781,327)	(2,974,686)
<b>Net carrying amount</b>		<b>100,896</b>	<b>672,619</b>	<b>773,515</b>

Year ended 30 June 2021		Leasehold improvements \$	Plant and equipment \$	Total \$
At 1 July 2020, net of accumulated depreciation		162,902	1,276,677	1,439,579
Additions (net of disposals)		-	166,071	166,071
Transfers to plant and equipment from inventory		-	75,620	75,620
Written off		-	(31,202)	(31,202)
Depreciation charge for the year		(48,421)	(573,195)	(621,616)
Exchange differences		-	(7,983)	(7,983)
<b>At 30 June 2021, net of accumulated depreciation</b>		<b>114,481</b>	<b>905,988</b>	<b>1,020,469</b>
<b>At 1 July 2020</b>				
Cost		586,629	3,675,727	4,262,356
Accumulated depreciation and impairment		(423,727)	(2,399,050)	(2,822,777)
<b>Net carrying amount</b>		<b>162,902</b>	<b>1,276,677</b>	<b>1,439,579</b>
<b>At 30 June 2021, net of accumulated depreciation</b>				
Cost		275,516	3,365,261	3,640,777
Accumulated depreciation		(161,035)	(2,459,273)	(2,620,308)
<b>Net carrying amount</b>		<b>114,481</b>	<b>905,988</b>	<b>1,020,469</b>

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 14 PLANT AND EQUIPMENT (CONTINUED)

### (a) Accounting policy

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated by the straight line method over the estimated useful life of the asset as follows:

- Leasehold improvements - the lease term
- Plant and equipment - over 3 to 15 years

The assets' residual value, useful lives and amortisation methods are reviewed, and adjusted if applicable, at each financial year end.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the asset is disposed.

Plant and equipment are not subject to or pledged as collateral for any liabilities or contingent liabilities.

## 15 GOODWILL AND INTANGIBLE ASSETS

	Notes	Goodwill \$	Customer relationships \$	Software \$	Total \$
<b>Year ended 30 June 2022</b>					
At 1 July 2021, net of accumulated amortisation and impairment		3,576,117	771,205	6,357,507	10,704,829
Additions		-	-	27,261	27,261
Amortisation		-	(245,373)	(2,051,485)	(2,296,858)
Exchange differences		307,553	102,121	814,677	1,224,351
<b>At 30 June 2022 net of accumulated amortisation and impairment</b>		<b>3,883,670</b>	<b>627,953</b>	<b>5,147,960</b>	<b>9,659,583</b>
<b>At 30 June 2022 net of accumulated amortisation and impairment</b>					
Cost (gross carrying amount)		3,883,670	1,289,556	10,800,137	15,973,363
Accumulated amortisation and impairment		-	(661,603)	(5,652,177)	(6,313,780)
<b>Net carrying amount at 30 June 2022</b>		<b>3,883,670</b>	<b>627,953</b>	<b>5,147,960</b>	<b>9,659,583</b>
<b>Year ended 30 June 2021</b>					
At 1 July 2020, net of accumulated amortisation and impairment		3,890,360	1,114,104	9,091,383	14,095,847
Additions		-	-	116,537	116,537
Amortisation		-	(238,556)	(2,018,012)	(2,256,568)
Exchange differences		(314,243)	(104,343)	(832,402)	(1,250,989)
<b>At 30 June 2021 net of accumulated amortisation and impairment</b>		<b>3,576,116</b>	<b>771,205</b>	<b>6,357,506</b>	<b>10,704,828</b>
<b>At 30 June 2021 net of accumulated amortisation and impairment</b>					
Cost (gross carrying amount)		3,576,117	1,187,435	10,042,052	14,805,604
Accumulated amortisation and impairment		-	(416,230)	(3,684,545)	(4,100,775)
<b>Net carrying amount at 30 June 2021</b>		<b>3,576,117</b>	<b>771,205</b>	<b>6,357,507</b>	<b>10,704,829</b>

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 15 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

### (a) Accounting policy

The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

The carrying value of any intangible assets denominated in foreign currencies is revalued at the year end spot rate of each reporting period, leading to changes in the carrying value of the intangible assets in reporting currency. Any revaluation amounts are recognised directly in the foreign currency translation reserve.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

A summary of the policies applied to the Group's intangible assets is as follows:

#### (i) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash generating units (CGUs) expected to benefit from the combination's synergies. The goodwill acquired during the reporting period has been allocated to the Votiro CGU.

#### (iii) Customer relationships

The useful life of customer relationships is finite and customer contracts are amortised on a straight line basis over a period of five years based on historical attrition rates.

#### (iv) Software

The useful life of software is finite and software assets are amortised on a straight line basis over periods of three to five years. All software assets are acquired and the amortisation method is reviewed annually, at each financial year-end, for indications of impairment.

#### (v) Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use and sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### (vi) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 15 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

### (a) Accounting policy (continued)

#### (iv) Impairment of assets (continued)

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less cost to sell, and it does not generate cash inflows that are largely independent of those from other assets, or groups of assets, in which case, the recoverable amount is determined for the CGU to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### (b) Key judgements and estimates

The Group has performed its annual impairment testing over the carrying value of goodwill acquired through a business combination. As all of the goodwill was allocated to the Votiro CGU, the recoverable amount was determined based on a fair value less costs of disposal method.

#### *Key assumptions used in fair value less costs of disposal (FVLCD) calculations*

Fair values were obtained based on the share price that was paid in an arm's length rights issue transaction completed on 2 September 2021, adjusted for a control premium using current comparable company information. The control premium was determined based on the difference between the rights issue share price valuation and current comparable company transaction multiples. The cost of disposal was estimated based on anticipated advisor costs (5-8%) taking into considerations the costs incurred when the Group invested in Votiro Cybersec Global Pty Ltd. This resulted in a fair value less cost of disposal that exceeded the carrying amount and therefore did not give rise to an impairment.

Subsequent to completion of the rights issue changes to the economic conditions and the underlying performance of the Votiro CGU have been considered and further support the conclusion that there is no impairment.

As such, these fair value measurements would be categorised within the Level 2 fair value hierarchy. The Group considers that the rights issue share price adjusted for a control premium approximates fair value as it represents an agreeable price between willing market participants under current market conditions.

Sensitivity analysis was undertaken as part of the impairment assessment and none of the sensitivities performed resulted in an impairment.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 16 LEASES

	2022		2021	
	Buildings		Buildings	
	Right-of-use assets	Lease liabilities	Right-of-use assets	Lease liabilities
	\$	\$	\$	\$
<b>As at 1 July</b>	889,672	971,524	1,475,628	1,630,495
Depreciation expense	(280,949)	-	(331,028)	-
Interest expense	-	49,742	-	69,478
Write off due to termination of lease	-	-	(254,928)	(270,560)
Payments	-	(326,873)	-	(457,889)
<b>As at 30 June</b>	<b>608,723</b>	<b>694,393</b>	<b>889,672</b>	<b>971,524</b>

Set out below are the amounts recognised in profit or loss during the year:

	2022	2021
	\$	\$
Depreciation expense of right-of-use assets	280,949	331,028
Interest expense on lease liabilities	49,742	69,478
Net write off of lease due to termination of agreement	-	15,632
Short term and low value lease expense	28,348	30,669
<b>Total amount recognised in profit or loss</b>	<b>359,039</b>	<b>446,807</b>

Set out below is a maturity analysis of lease liabilities:

Maturity analysis - contractual undiscounted cash flows	Leases committed to but not yet commenced	Leases in effect during year ended	Total
	30/06/2022	30/06/2022	30/06/2022
	\$	\$	\$
Less than one year	-	339,949	339,949
One to five years	-	412,852	412,852
More than five years	-	-	-
<b>Total undiscounted lease liabilities at 30 June</b>	<b>-</b>	<b>752,801</b>	<b>752,801</b>

Maturity analysis - contractual undiscounted cash flows	30/06/2021	30/06/2021	30/06/2021
	\$	\$	\$
Less than one year	-	326,874	326,874
One to five years	-	752,801	752,801
More than five years	-	-	-
<b>Total undiscounted lease liabilities at 30 June</b>	<b>-</b>	<b>1,079,675</b>	<b>1,079,675</b>

### (a) Accounting Policy

#### (i) Right-of-use assets

The Group recognises ROU assets at the commencement of all leases except for short term and low value leases. ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes:

- the amount of lease liabilities recognised;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to annual impairment assessment.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 16 LEASES (CONTINUED)

### (a) Accounting policy (continued)

#### (ii) Lease liabilities

At the commencement date of a lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the lessee uses its incremental borrowing rate at the date of initial application if the interest rate implicit in the lease is not readily determinable. After the date of initial application, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, which is not accounted for as a separate lease, a change in the lease term, a change in the in-substance fixed lease payments, a change in future lease payments resulting from a change in an index or a rate used to determine those payments, or a change in the assessment to purchase the underlying asset.

#### (iii) Short-term leases exemptions

The Group applies the short-term leases (i.e. those leases that have a lease term at the commencement date of 12 months or less and do not contain a purchase option) and low value leases recognition exemption made by class of underlying assets to the right-of-use asset related to its short-term leases and low value leases.

### (b) Key judgements and estimates

#### (i) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as a non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. The Group assesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

#### (ii) Significant judgement in determining the incremental borrowing rate

Where the lessee cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the lessee 'would have to pay', which requires estimation when no observable rates are available. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 17 PROVISIONS

	CONSOLIDATED	
	2022	2021
	\$	\$
<b>Current</b>		
Annual leave		
Long service leave	692,813	582,406
<b>Total</b>	<u>988,491</u>	<u>865,452</u>
	<u>1,681,304</u>	<u>1,447,858</u>
<b>Non-current</b>		
Long service leave	70,844	49,644
<b>Total provisions</b>	<u>1,752,148</u>	<u>1,497,501</u>

### (a) Accounting policy

#### *Annual leave provision*

The Group recognises a liability for annual leave measured at the present value of the expected future payments to be made in respect of employees up to the reporting date.

#### *Long service leave provision*

The Group does not expect its long service leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave measured at the present value of expected future payments to be made in respect of employees up to the reporting date. Consideration is given to expected future salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## CAPITAL AND FINANCIAL RISK MANAGEMENT

### 18 CONTRIBUTED EQUITY

Ordinary shares	CONSOLIDATED	
	2022	2021
	\$	\$
<i>Issued and paid-up capital</i>		
Ordinary shares each fully paid	108,996,265	104,316,022

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

#### Movements in ordinary shares on issue

	2022		2021	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	1,082,149,179	104,316,022	1,082,149,179	104,316,022
Capital Raise, net of transaction costs <sup>1</sup>	131,578,948	4,672,684	-	-
Performance rights converted to shares	67,500	7,559	-	-
<b>End of the financial year</b>	<b>1,213,795,627</b>	<b>108,996,265</b>	<b>1,082,149,179</b>	<b>104,316,022</b>

<sup>1</sup> On 12 May 2022, Senetas Corporation Limited completed a share placement at \$5 million of which transaction costs of \$327,316 were incurred.

#### Terms, conditions and movements of contributed equity

Ordinary shares are classified as equity. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Issued and paid up capital is classified as contributed equity and recognised at the fair value of the consideration received by the entity. Incremental costs directly attributable to the issue of new shares or options are shown in contributed equity as a deduction, net of tax, from the proceeds.

### 19 RESERVES

	CONSOLIDATED	
	2022	2021
	\$	\$
Foreign currency translation reserve	(11,663)	(664,565)
Employee benefits reserve	3,963,896	3,020,591
Other reserves	246,262	133,301
	<b>4,198,495</b>	<b>2,489,327</b>

#### Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

#### Employee benefits reserve

The employee benefits reserve is used to recognise the value of equity-settled share based payment transactions provided to employees, including KMP, as part of their remuneration. Refer to Note 27 for further details of these plans.

#### Other reserves

The other reserve includes the reattribution of acquired non-controlling interest

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

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## 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of cash and short-term deposits and investment securities. The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Group does not enter into derivative transactions at this point in time. With the exception of lease liabilities, the Group has no borrowings. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The board reviews and agrees policies for managing risks and they are summarised below. Primary responsibility for the identification and control of financial risks rests with management under the supervision of the Audit and Risk Committee and under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

### Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios to support its business and maximise shareholder value. Capital includes issued capital and equity reserves attributable to the equity holders of the parent.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the distribution payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2022 or 30 June 2021.

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

As the Group has invested in a subsidiary (Votiro), the functional currency of which is \$US, the Group may consider hedging its exposure.

The investment in Senetas Europe has exposed the Group to an overseas operation with a functional currency of GBP. This investment and exposure is not considered significant and the Group considers that the statement of financial position will not be affected significantly by changes in the \$A/£GBP exchange rates.

The Group may have significant transactional currency exposures. Such exposure arises from sales or purchases in currencies other than the unit's functional currency, particularly in \$US. These transactional currency exposures are managed through improved liquidity management. Management monitors timing of cash flows from sales to reduce the exposure.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2022

### 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Foreign currency risk (continued)

As at 30 June 2022, the Group had the following exposure to \$US foreign currency

	CONSOLIDATED	
	2022	2021
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	2,990,652	1,135,082
Trade and other receivables	4,515,039	2,047,357
	<b>7,505,691</b>	<b>3,182,439</b>
<b>Financial Liabilities</b>		
Trade and other payables	(664,933)	(395,054)
<b>Net exposure</b>	<b>6,840,758</b>	<b>2,787,385</b>

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the reporting date.

As at 30 June 2022, had the \$A moved, as illustrated in the table below, with all over variables held constant, pre-tax profit/(loss) and equity would have been affected as per below.

	Net Profit / (loss)		Equity	
	Higher / (lower)		Higher / (lower)	
	2022	2021	2022	2021
	\$	\$	\$	\$
Consolidated				
AUD/USD +10% (2021: +10%)	(901,077)	(338,084)	(901,077)	(338,084)
AUD/USD -10% (2021: -10%)	1,101,316	413,213	1,101,316	413,213

As at 30 June 2022, the Group had the following exposure to £GBP foreign currency

	CONSOLIDATED	
	2022	2021
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	60,478	37,275
Trade and other receivables	1,665	3,927
	<b>62,143</b>	<b>41,202</b>
<b>Financial Liabilities</b>		
Trade and other payables	(46,562)	(26,607)
<b>Net exposure</b>	<b>15,581</b>	<b>14,595</b>

As at 30 June 2022, had the \$A moved, as illustrated in the table below, with all over variables held constant, pre-tax profit/(loss) and equity would have been affected as per below.

	Net Profit / (loss)		Equity	
	Higher / (lower)		Higher / (lower)	
	2022	2021	2022	2021
	\$	\$	\$	\$
Consolidated				
AUD/GBP +10% (2021: +10%)	(2,495)	(2,444)	(2,495)	(2,444)
AUD/GBP -10% (2021: -10%)	3,049	2,987	3,049	2,987

The assumed movement in \$A against \$US and £GBP is based on the currently observable market environment, showing a high volatility and uncertainty due to the future impacts of COVID-19.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

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## 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and foreign exchange transactions

### *Trade receivables and contract assets*

The Group trades only with recognised, creditworthy third parties and as such, collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The Group has one major global distributor, Thales. Thales has exclusivity in all areas except Australia and New Zealand. Thales is a French multinational company listed on the Euronext Paris. It reported revenues of 16.2 billion EUR for the year ended 31 December 2021 and has a credit rating of A2. As such, the Group considers any economic or credit risk arising from its relationship with Thales to be negligible.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Chief Financial Officer.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, trade receivables and other receivables, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Concentration of risk is attributable to the counter party with whom the Group deals: a public listed company on the Euronext. The counter party's financial status is assessed to be strong and all payments due were received on time. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The Group does not hold any credit derivatives to offset its credit exposure.

### *Financial instruments and cash deposits*

All cash assets in the Senetas operating segment are held in Australian banks except for GBP £60,478 in the UK. The company has a \$US account with an Australian bank which held US\$1,752,326 at 30 June 2022.

Significant amounts of cash are held in Australian banks whose credit is highly rated.

Cash assets in the Votiro operating segment are primarily held in Australian or Israeli banks and denominated in \$US.

### Liquidity risk

The Group's policy is to minimise the use of any interest-bearing borrowings, with the objective of maintaining continuity of funding and flexibility primarily through the use of cash and short-term deposits. Liquidity risk is managed via the regular review of forecasted cash inflows and outflows, with any surplus funds being placed in short term deposits to maximise interest revenue.

As such, the Group's exposure to liquidity risk is minimal.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Liquidity risk (continued)

The Group monitors its capital using a ratio of liquid assets over liquid liabilities. The Group's policy is to maintain the ratio greater than 1:1. A calculation of the liquid asset ratio is set out on the following tables for the financial years ended 30 June 2022 and 30 June 2021.

	2022 \$	2021 \$
<b>Liquid assets</b>		
Cash & cash equivalents	10,691,806	11,846,643
Trade and other receivables	6,840,651	3,634,818
<b>Total liquid assets</b>	<b>17,532,457</b>	<b>15,481,461</b>
<b>Liquid liabilities</b>		
Trade & other payables	(5,258,449)	(2,484,409)
Lease liabilities	(339,949)	(326,874)
Contingent consideration	(6,687)	(31,362)
<b>Total liquid liabilities</b>	<b>(5,605,084)</b>	<b>(2,842,645)</b>
<b>Excess of liquid assets over liquid liabilities</b>	<b>11,927,373</b>	<b>12,638,816</b>

### Maturity analysis of financial assets and liabilities

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2022. The undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2022. The Group has no derivative financial instruments at 30 June 2022.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as plant and equipment and investments in working capital - e.g. inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established risk reporting that reflects expectations of management of expected settlement of financial assets and liabilities.

Management aims to maintain sufficient net liquid assets; assets in the form of cash and cash equivalents, trade and other receivables due in less than six months, to ensure that the value of these assets exceeds financial liabilities on demand. The table below demonstrates that this objective has been achieved.

30 June 2022	< 6 months \$	6 to 12 months \$	1 to 5 years \$	No fixed term \$	Total \$
<b>Financial assets</b>					
Cash & cash equivalents	10,691,806	-	-	91,667	10,783,473
Trade & other receivables	6,840,651	-	-	-	6,840,651
	<b>17,532,457</b>	<b>-</b>	<b>-</b>	<b>91,667</b>	<b>17,624,123</b>
<b>Financial liabilities</b>					
Trade & other payables	(5,258,449)	-	-	-	(5,258,449)
Lease liabilities	(168,878)	(171,071)	(412,852)	-	(752,801)
Contingent consideration	(6,687)	-	-	-	(6,687)
	<b>(5,434,014)</b>	<b>(171,071)</b>	<b>(412,852)</b>	<b>-</b>	<b>(6,017,937)</b>
Liquidity position	<b>12,098,443</b>	<b>(171,071)</b>	<b>(412,852)</b>	<b>91,667</b>	<b>11,606,186</b>

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Maturity analysis of financial assets and liabilities (continued)

30 June 2021	< 6 months \$	6 to 12 months \$	1 to 5 years \$	No fixed term \$	Total \$
<b>Financial assets</b>					
Cash & cash equivalents	11,846,643	-	-	91,667	11,938,310
Trade & other receivables	3,634,818	-	-	-	3,634,818
	<b>15,481,461</b>	<b>-</b>	<b>-</b>	<b>91,667</b>	<b>15,573,128</b>
<b>Financial liabilities</b>					
Trade & other payables	(2,484,409)	-	-	-	(2,484,409)
Lease liabilities	(162,383)	(164,491)	(752,801)	-	(1,079,675)
Contingent consideration	(4,984)	(26,378)	(22,258)	-	(53,620)
	<b>(2,651,776)</b>	<b>(190,869)</b>	<b>(775,059)</b>	<b>-</b>	<b>(3,617,704)</b>
Liquidity position	<b>12,829,685</b>	<b>(190,869)</b>	<b>(775,059)</b>	<b>91,667</b>	<b>11,955,424</b>

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates to the Group's cash and cash equivalents.

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

	2022		2021	
	<1 year	Total	<1 year	Total
<b>Financial assets</b>				
Cash & cash equivalents	10,783,473	10,783,473	11,938,310	11,938,310

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June 2022, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre-tax profit and equity would have been affected as follows

	Net Profit Higher / (lower)		Equity Higher / (lower)	
	2022 \$	2021 \$	2022 \$	2021 \$
Consolidated				
+0.5% (2021: +0.5%)	31,260	51,318	31,260	51,318
-0.5% (2021: - 0.25%)	(31,260)	(10,264)	(31,260)	(10,264)

The assumed movement in basis points for interest rate sensitivity analysis is based on the observable market environment, with currently low interest rates and the uncertain future impacts on COVID-19.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 21 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group has various financial instruments such as investment securities, cash in hand, trade debtors, trade creditors, lease liabilities and a contingent consideration liability. Apart from investment securities and the contingent consideration liability, other financial instruments arise directly from its operations. Except for the investment securities and contingent consideration liability, due to the short term nature of other financial assets and financial liabilities, the fair value of these items approximates their carrying amount.

AASB 13 requires disclosure of fair value measurements using a three-level fair value hierarchy.

The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the net market value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

	Quoted price in active market	Significant observable inputs	Significant unobservable inputs
<b>30 June 2022</b>			
<i>Financial assets</i>			
Investments in securities (Note 13)	-	-	-
<i>Financial liabilities</i>			
Contingent consideration liability (Note 23)	-	6,687	-
<b>30 June 2021</b>			
<i>Financial assets</i>			
Investments in securities (Note 13)	-	-	-
<i>Financial liabilities</i>			
Contingent consideration liability (Note 23)	-	-	53,620

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

In previous years the estimated fair value of the contingent consideration was calculated using a discounted cash flow analysis (to account for the time value of money and the risk factors) based on a range of possible revenue forecasts over the remaining earn out period. As these inputs were significantly unobservable, the fair value measurement was categorised within level 3 of the fair value hierarchy.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2022

### 21 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### *Description of significant unobservable inputs to valuation*

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 30 June 2021 is shown below.

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Contingent consideration liability	DCF method	Projected sales of SureDrop	2021: \$200,000 - \$300,000	10% increase (decrease) in the projected sales would result in an increase (decrease) in fair value of \$470.
		Discount factor based on WACC	2021 - 8.1% - 9.2%	0.5% increase (decrease) in the discount rate would result in an increase (decrease) in fair value of the contingent liability by \$51.

At 30 June 2022 the fair value of the contingent consideration liability has been determined based on significant observable inputs and therefore has been transferred from level 3 in the fair value hierarchy to level 2.

The movement in the contingent consideration liability is a result of a management assessment of the actual SureDrop revenues for the period to 30 June 2022, which is the end of the earn out period. See Note 23 for further information.

The fair value of the contingent consideration liability approximates the carrying value as it is the final earn out payment which will be settled within 6 months of the balance sheet date.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## GROUP STRUCTURE

### 22 INVESTMENTS IN CONTROLLED ENTITIES

		Senetas Corporation Ltd	
		2022	2021
		\$	\$
Investments in controlled entities	25	27,532,762	26,843,652

### 23 CONTINGENT CONSIDERATION

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

At 30 June 2022 the fair value of the contingent consideration was determined based on a percentage of the actual SureDrop revenue derived between 1 January 2022 and 30 June 2022. This resulted in the remeasurement of the liability to \$6,687 which is a decrease of \$46,933 less \$12,367 paid as consideration for the earn-out periods to 31 December 2021. This movement has been recognised in the statement of comprehensive income. All of the contingent consideration will be settled within the next 6 months from balance sheet date.

#### (a) Accounting policy

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 *Financial instruments*, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with AASB 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

#### (b) Key judgements and estimates

The Group applied judgements and estimates in reassessing the fair value of the contingent consideration in the prior year ended 30 June 2021. Refer to Note 21 for the inputs used in the fair value measurement. No judgements and estimates were used to remeasure the contingent consideration at 30 June 2022.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 24 MATERIAL PARTLY-OWNED SUBSIDIARIES

### (a) Material subsidiaries

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

Proportion of equity interest held by non-controlling interests:	2022	2021
Name	\$	\$
Votiro Cybersec Global Limited	38.8	33.4
Accumulated balances of material non-controlling interest	(5,245,320)	(1,876,846)
Loss allocation to material non-controlling interest	(4,592,095)	(4,104,634)

Refer to note 24(c) for a summary of the transactions with non-controlling interest

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

Summarised statement of profit or loss for the year ended 30 June:

	2022	2021
	\$	\$
Revenue from contracts with customers	5,776,110	3,171,797
Cost of sales	(395,133)	(156,721)
Administrative expenses	(17,789,073)	(13,743,508)
Finance costs	(260,256)	(175,775)
<b>Loss before tax</b>	<b>(12,668,352)</b>	<b>(10,904,207)</b>
Income tax	500,006	410,447
<b>Loss for the period</b>	<b>(12,168,346)</b>	<b>(10,493,760)</b>
Attributable to non-controlling interest	(4,592,095)	(4,104,634)

Summarised statement of financial position before elimination entries:

Cash and cash equivalents	1,795,216	1,225,263
Trade receivables and other current assets	5,721,287	791,689
Plant and equipment and other non-current asset	128,468	74,277
Goodwill and other intangibles	9,521,144	10,499,633
Trade and other current liabilities	(8,062,183)	(912,682)
Contract liabilities - current	(4,415,582)	(2,310,520)
Contract liabilities - non-current	(5,445,334)	(963,876)
Other non-current liabilities	(1,324,142)	(1,830,437)
<b>Total equity</b>	<b>(2,081,126)</b>	<b>6,573,347</b>
Attributable to:		
Equity holders of parent	3,164,194	8,450,193
Non-controlling interest	(5,245,320)	(1,876,846)

Summarised cash flow information for the year ended 30 June:

Operating	(6,764,909)	(5,801,041)
Investing	(97,004)	(49,448)
Financing	7,346,126	5,398,889
<b>Net decrease in cash and cash equivalents</b>	<b>484,214</b>	<b>(451,600)</b>

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 24 MATERIAL PARTLY-OWNED SUBSIDIARIES (CONTINUED)

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

On 2 September 2021 Votiro completed a Rights Issue of which the Group's participation amounted to USD\$0.5 million (AUD\$0.7 million) and non-controlling interest participation was USD\$0.3m (AUD\$0.5m). The net impact to the Group's interest in Votiro Cybersec Global Pty Limited was a reduction of non-controlling interest by 0.1% on a fully diluted basis. On 1 October 2021 Votiro granted options to employees of the issued shares of Votiro Cybersec Global Pty Limited which resulted in an increase to the non-controlling interest by 5.9% on a fully diluted basis. Additionally, throughout the half-year options were forfeited or expired of which the net impact of these resulted in a further reduction of non-controlling interest by 0.8% on a fully diluted basis resulting in non-controlling interest at 31 December 2021 of 38.3%.

On 1 January 2022 Votiro granted options to employees of the issued shares of Votiro Cybersec Global Pty Limited which resulted in an increase to the non-controlling interest by 0.5% on a fully diluted basis resulting in non-controlling interest at 30 June 2022 of 38.8%.

Immediately prior to these transactions, the carrying amount of the existing non-controlling interest in Votiro was determined in order to calculate the proportion of change to the non-controlling interest. The combined impact of these transactions resulted in the Group recognising a decrease in the equity attributable to owners of the parent of \$112,691 and an increase in non-controlling interests of \$112,691.

	2022	2021
	\$	\$
Carrying amount of non-controlling interest acquired	112,961	(390,261)
Consideration paid to non-controlling interests	-	(58,624)
Excess of consideration paid recognised in other reserves within	112,961	(448,885)

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## OTHER INFORMATION

### 25 RELATED PARTY DISCLOSURES

Senetas Corporation Limited is the ultimate parent of the Group and has the following related parties:

	% Equity interest	
	2022	2021
	\$	\$
Senetas Security Pty Ltd	100%	100%
Senetas Europe Ltd	100%	100%
(i) Senetas US LLC	100%	100%
(ii) Podzy Pty Ltd	100%	100%
(iii) CTAM Inc.	100%	100%
(iv) Votiro Cybersec Global Limited and its wholly owned subsidiaries	61.2%	66.6%

(i) Senetas US LLC is a wholly owned subsidiary of Senetas Corporation Limited and is a dormant entity.

(ii) Podzy Pty Ltd was acquired in December 2017. Podzy Pty Ltd (Podzy) is the developer of SureDrop, a secured file sharing platform. The acquisition of Podzy was completed in December 2017. Senetas acquired Podzy for a cash consideration of \$1 with a contingent consideration in the form of an earn-out arrangement. At the acquisition date, management assessed the fair value of the net assets acquired of Podzy as nil, due to the following factors:

- SureDrop required considerable development work before the product would be available for commercial sale.
- There were no quantifiable pipeline of sales.

As at 30 June 2022, an earn-out payment of \$6,687 is due under the earn-out arrangement and a further \$12,366 was paid during the year. As the earn-out period ended on 30 June 2022, the contingent consideration liability reflects the earn-out payment of \$6,687 determined based on the actual FY22 SureDrop revenue, recognised in accordance with AASB 15, less the earn-out amounts paid during FY22.

	2022	2021
	\$	\$
Fair value of the contingent consideration:	(6,687)	(53,620)

Podzy Pty Ltd is a dormant entity.

(iii) The investment is held by Senetas Security Pty Ltd and the entity is dormant.

(iv) Votiro Cybersec Ltd, Votiro Singapore Pte Ltd and Votiro Inc. are wholly owned subsidiaries of Votiro Cybersec Global Limited.

### Transactions with related parties

During the year ended 30 June 2022, Senetas entered into a loan agreement with Votiro to provide funds for working capital purposes. This loan attracted an interest rate of 11%. The balance of the loan (principal plus interest) at FY22 is US\$4.6m (AUD\$6.37m). There were no other transactions entered into with related parties except for intercompany loans which are non-interest bearing. Intercompany loans are eliminated in full on consolidation. Any intercompany sales are eliminated in full on consolidation. Intercompany expenses which are directly borne by the Parent Company are not eliminated upon consolidation.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 26 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES

### Director fees

Mr Galbally's director fees are paid to Southbank Capital Pty Ltd

Mr Gillespie's director fees are paid to SectorWest Pty Ltd

Mr Given's director fees are paid to LPG Group LLC

Mr Hansen's director fees are paid to Carikster Advisors LLC

Mr Schofield's director fees are paid to Cadigal Advisors Pty Ltd

Other than the payment of directors fees, there have been no other transactions entered between the Group and the above entities (2021: Nil). There are no outstanding balances at 30 June 2022 (2021: Nil).

### Key management personnel

#### Details of directors & executives

#### Position

#### Directors

F. Galbally	Director / Chairman (Non-Executive)
L. Given	Director (Non-Executive)
K. Gillespie	Director (Non-Executive)
L. Hansen	Director (Non-Executive)
P. Schofield	Director (Non-Executive)

#### Executive Director

A. Wilson	Chief Executive Officer
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#### Executives

L. Barker	Chief Financial Officer
J. Fay	Chief Technology Officer
J. Weston	Chief Architect

### Remuneration by category: executives & directors

	CONSOLIDATED	
	2022	2021
	\$	\$
Short-term employee benefits	2,023,551	1,732,458
Post employment employee benefits	84,452	65,082
Other long-term employee benefits	46,074	15,385
Share-based payment	51,331	20,523
<b>Total</b>	<b>2,205,408</b>	<b>1,833,448</b>

### Other transactions and balances with executives and directors

There were no other transactions with executives and directors during the year (2021: Nil).

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2022

### 27 SHARE BASED PAYMENTS

#### Employee Share Option Plan

Long Term Incentive (LTI) are provided to employees in the form of performance rights and options. A Performance Right is a grant of actual shares of stock, the payment of which is contingent on performance as measured against predetermined objectives over a period of time. An Option is the right, but not the obligation, to buy a share at a discount or at a stated fixed price, within a certain period of time.

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. The following table illustrates the number (No.) of share options and performance rights outstanding as at 30 June 2022:

	2022 Number	2022 Weighted average fair value	2021 Number	2021 Weighted average fair value
Outstanding at the beginning of the year	11,425,000	\$0.0340	9,425,000	\$0.0390
Granted during the year (iii) (iv) (v)	21,450,000	\$0.0254	2,000,000	\$0.0120
Exercised during the year*	(67,500)	\$0.1120	-	\$0.0000
Expired during the year	(100,000)	\$0.1050		
Forfeited during the year (ii)	-	-	-	-
Outstanding at the end of the year (i)	<b>32,707,500</b>	<b>\$0.0280</b>	<b>11,425,000</b>	<b>\$0.0340</b>
Exercisable at the end of the year	7,257,500	-	7,425,000	-

\* The performance rights exercised during the year had a nil exercise price.

(i) The outstanding balance as at 30 June 2022 is represented by:

- a) 12,000,000 options for the CEO.
- b) 7,000,000 executive options.
- c) 7,500,000 staff options.
- d) 6,207,500 performance rights for staff.
- e) 362,500 performance rights for staff and executives vested but have not yet been exercised. These are the remainder of the performance rights from the grant in the 2015 year for which the final tenure condition was met in September 2017.

The weighted average exercise price for the 26,500,000 share options included above is \$0.075. The weighted average exercise price of the performance rights granted and outstanding is nil.

- (ii) The performance rights were forfeited during the year as the condition was not met. The requirement was tenure for 24 months. The expense for these rights was not recognised in the financial year. There was no performance hurdle for these rights.
- (iii) The CEO, Mr Wilson, was granted 2,000,000 options at the AGM in November 2020. The Options will vest subject to a service condition of 36 months continuous service and the exercise price upon vesting is \$0.074. Each option granted entitles Mr Wilson to one fully paid ordinary share in the company, subject to satisfaction of the vesting condition and payment of the exercise price.
- (iv) Approval for the issue of 4,000,000 options to Mr Wilson was obtained under listing rule 10.14 at the AGM on 19 November 2021. The Options will vest subject to a service condition of 36 months continuous service and the exercise price upon vesting is \$0.057. Each option granted entitles Mr Wilson to one fully paid ordinary share in the company, subject to satisfaction of the vesting condition and payment of the exercise price.
- (v) The Board authorised the grant of 6,000,000 options to Key Management Personnel and 6,000,000 options to other managers on 1 December 2021. The Options will vest subject to a service condition of 36 months continuous service and the exercise price upon vesting is \$0.057. Each option granted entitles the option holder to one fully paid ordinary share in the company, subject to satisfaction of the vesting condition and payment of the exercise price. The Board also authorised the grant of 5,450,000 performance rights to Senetas staff on 1 December 2021. The performance rights will vest subject to a service condition of 36 months continuous service. The performance rights have a nil exercise price.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2022

### 27 SHARE BASED PAYMENTS (CONTINUED)

#### Fair value of options granted to CEO during the 2022 and 2021 financial year

The fair value of each option was reached using a binomial option pricing methodology. The inputs to this calculation were:

	2022 Tenure	2021 Tenure
Grant date of options	19 Nov 21	20 Nov 20
a) Stock price at grant date	\$0.054	\$0.059
b) Exercise price	\$0.057	\$0.074
c) Risk free rate	0.96%	3.00%
d) Term - Vesting (Years)	3.00	3.00
e) Assumed Option Life (Years)	4.00	4.00
f) Volatility	50.00%	35.00%
Option valuation	<b>\$0.020</b>	<b>\$0.012</b>

#### Fair value of options granted to KMP and other staff during the financial year 2022

The fair value of each option was reached using a binomial option pricing methodology. The inputs to this calculation were:

	2022 Tenure
Grant date of options	1 Dec 21
a) Stock price at grant date	\$0.049
b) Exercise price	\$0.057
c) Risk free rate	0.89%
d) Term - Vesting (Years)	3.00
e) Assumed Option Life (Years)	4.00
f) Volatility	50.00%
Option valuation	<b>\$0.017</b>

#### Fair value of performance rights granted to staff during the financial year 2022

The fair value of each performance right was reached using a binomial option pricing methodology. The inputs to this calculation were:

	2022 Tenure
Grant date of performance rights	1 Dec 21
a) Stock price at grant date	\$0.049
b) Exercise price	\$0.000
c) Risk free rate	0.89%
d) Term - Vesting (Years)	3.00
e) Assumed Option Life (Years)	4.00
f) Volatility	50.00%
Option valuation	<b>\$0.049</b>

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 27 SHARE BASED PAYMENTS (CONTINUED)

### (a) Accounting policy

The Company has established a Share/Option Plan to issue and allot securities (shares and options) to directors, 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 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 cost of these equity-settled transactions with directors and employees is measured by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined by an external valuer using a binomial option pricing model, as outlined above.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. The statement of comprehensive income charge or credit for a period reflects the movement in cumulative expense recognised at the beginning and end of that period. There is a corresponding credit or debit to equity.

If the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share based payment arrangement.

If an equity-settled award is cancelled it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### (b) Key judgements and estimates

The company determines the estimated fair value of share based payment transactions based on the fair value of the equity instruments granted. For non-market conditions the Company assigns a probability to meeting the vesting condition. The key assumptions used in determining the fair value of share based payments are described above. The expected volatility was determined based on historical volatility of Senetas shares.

## 28 CONTINGENT ASSETS AND LIABILITIES

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

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 29 AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2022	2021
	\$	\$
<b>Fees to Grant Thornton Audit Pty Ltd</b>		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	115,000	115,000
Fees for assurance services that are required by legislation to be provided by the auditor	-	-
Fees for other assurance services and agreed-upon-procedures services under other legislation or contractual arrangements where this is discretion as to whether the service is provided by the auditor or another firm	-	-
Fees for other services	-	-
<b>Total fees to Grant Thornton Audit Pty Ltd</b>	<b>115,000</b>	<b>115,000</b>
<b>Fees to other overseas member firms of Grant Thornton Audit Pty Ltd</b>		
Fees for auditing the financial report of any controlled entities	44,483	43,733
<b>Total fees to overseas member firms of Grant Thornton Audit Pty Ltd</b>	<b>44,483</b>	<b>43,733</b>
<b>Total auditor's remuneration</b>	<b>159,483</b>	<b>158,733</b>

## 30 EVENTS SUBSEQUENT TO REPORTING DATE

There are no significant events after reporting date.

## 31 PARENT ENTITY INFORMATION

Information relating to Senetas Corporation Limited for the year ended 30 June 2022:

	2022	2021
	\$	\$
Current assets	14,733,210	9,377,395
Total assets	43,774,581	38,134,002
Current liabilities	(51,769,417)	(50,918,574)
Total liabilities	(52,602,776)	(51,471,943)
Contributed equity	108,996,266	104,316,022
Retained earnings	(118,834,781)	(118,549,656)
Employee benefits reserve	1,010,320	895,692
<b>Total shareholders' equity</b>	<b>(8,828,196)</b>	<b>(13,337,940)</b>
Loss of the parent entity after tax	(2,768,775)	(5,628,196)
<b>Total comprehensive income of the parent entity</b>	<b>(2,768,775)</b>	<b>(5,628,196)</b>

The parent entity has not entered into any guarantees in relation to the debts of its subsidiaries, however has signed a letter of support with Votiro Cybersec Global Limited to provide additional funding as and when required.

The parent entity has no contingent liabilities.

The parent entity has no contractual commitments for the acquisition of plant or equipment.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 31 PARENT ENTITY INFORMATION (continued)

### (a) Accounting policy

*Determining the parent entity financial information*

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### (i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Senetas Corporation Limited.

## 32 NEW ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

### (i) **New and amended accounting standards adopted**

During the year ended 30 June 2022, the Group has not adopted any new accounting standards.

The Group has not early adopted any other standards, interpretations or amendments that has been issued but is not yet effective.

### (ii) **Accounting standards and interpretations issued but not yet effective**

Australian Accounting Standards that have recently been issued or amended but which are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2021 are outlined below:

#### *AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as current or Non-current*

AASB 2020-1 makes amendments to AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The AASB recently issued amendments at AASB 101 to clarify the requirements for classifying liabilities as current. Specifically:

- Clarifying that the classification of a liability as either current or non-current is based on the entity's right at the end of the reporting period;
- Stating that management's expectation around whether they will defer settlement or not does not impact the classification of the liability;
- Adding guidance about lending conditions and how these can impact classification; and
- Including requirements for liabilities that can be settled using an entity's own instruments.

#### Group's assessment performed to date

The Group does not believe these amendments will result in a material impact on the financial statements. The Group will first apply the amendments in AASB 101 on 1 July 2023.

# Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

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## 32 NEW ACCOUNTING POLICIES (continued)

### *AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates*

AASB 2021-2 amends the following Australian Accounting Standards:

- AASB 7 *Financial Instruments: Disclosures* (August 2015);
- AASB 101 *Presentation of Financial Statements* (July 2015);
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (August 2015);
- AASB 134 *Interim Financial Reporting* (August 2015);

The Standard also makes amendments to AASB Practice Statement 2 *Making Materiality Judgements* (December 2017).

These amendments arise from the issuance by the International Accounting Standards Board (IASB) in February 2021 of the following International Financial Reporting Standards:

- *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2); and
- *Definition of Accounting Estimates* (Amendments to IAS 8)

#### Group's assessment performed to date

The Group does not believe these amendments will result in a material impact on the financial statements. The Group will first apply the amendments in these standards on 1 July 2023.

### *AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction amends the initial recognition exemption in AASB 112: *Income Taxes* such that it is not applicable to leases and decommissioning obligations - transactions for which companies recognised both an asset and liability and that give rise to equal taxable and deductible temporary differences

#### Group's assessment performed to date

The Group does not believe these amendments will result in a material impact on the financial statements. The Group will first apply the amendments in these standards on 1 July 2023.

# Directors' Declaration

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

- (1) In the opinion of the directors:
  - (a) the consolidated financial statements and notes of Senetas Corporation Limited for the financial year ended 30 June 2022 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*; and
  - (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Notes to the financial statements ;
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2022.

On behalf of the Board



Francis W. Galbally  
Chairman  
Melbourne  
Date: 31 August 2022

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**Grant Thornton Audit Pty Ltd**

Level 22 Tower 5  
Collins Square  
727 Collins Street  
Melbourne VIC 3008  
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T +61 3 8320 2222

## Independent Auditor's Report

### To the Members of Senetas Corporation Limited

#### Report on the audit of the financial report

##### Opinion

We have audited the financial report of Senetas Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<b>Revenue recognition (Note 1)</b>	
<p>The Group earns revenue from selling hardware products, software subscriptions, maintenance subscriptions and support services.</p> <p>During the year ended 30 June 2022, \$16 million (2021: \$17.2 million) of the revenue earned was through Senetas' US distributor, Thales. This accounts for 64% (2021: 87%) of consolidated revenue.</p> <p>The arrangement with Thales details that any products/services sold through them will have the profit margin shared between Senetas and Thales.</p> <p>Under AASB 15 <i>Revenue from contracts with customers</i>, the performance obligation is achieved when the product or service is sold to Thales. Thus Senetas must account for the revenue earned on this product once sold to Thales. Given that the sale to the end customer has not occurred at such time and the price of the product or service is not fixed, management must estimate the amount of revenue earned and received on each product or estimate.</p> <p>Due to the significant amount of management judgement and estimation on the revenue earned, we consider this a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"><li>• obtaining an understanding of the processes and controls associated with material revenue streams;</li><li>• considering the appropriateness of management's assessment of revenue streams in accordance with accounting standards;</li><li>• documenting our understanding of the various arrangements used by the Group and evaluating management's revenue recognition under AASB 15;</li><li>• reviewing the appropriateness of the estimation approach, key inputs, mechanics and outputs and agreeing to supporting documentation where possible;</li><li>• testing a sample of revenue transactions and agreeing to supporting documentation, including invoice, evidence of payment, and proof of delivery or commencement of services;</li><li>• assessing the sales selected in our sample above, where applicable, for the accuracy of revenue to be deferred at the period end;</li><li>• analytically reviewing deferred revenue balances at reporting period end for exceptions and anomalies against expectations;</li><li>• substantiating sales transactions and agreeing transactions to supporting documents to assess whether revenue is recognised in the correct periods; and</li><li>• assessing the adequacy of disclosures for compliance with AASB 15.</li></ul>

## Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors' for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

### Report on the remuneration report

#### Opinion on the remuneration report

We have audited the Remuneration Report included the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Senetas Corporation Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



B A Mackenzie  
Partner – Audit & Assurance

Melbourne, 31 August 2022

# ASX Additional Information

## Share Register Statistics as at 31 July 2022

### Substantial shareholders as at the above date:

<i>Name of substantial shareholder</i>	Number of shares held
HSBC Custody Nominees (Australia) Limited - A/C 2 - shares held on behalf of Madison Park LLC	212,537,006
Mr Francis Galbally	140,000,000
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	79,891,525

### Twenty largest shareholders as at the above date are as follows:

Rank	Name	Number of ordinary shares held	% of issued capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	212,537,006	17.51
2	MR FRANCIS WILLIAM GALBALLY	140,000,000	11.53
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	79,891,525	6.58
4	SPELIZA INVESTMENTS PTY LTD <GREYSMED P/L SUPER FUND A/C>	40,415,078	3.33
5	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	22,560,326	1.86
6	MS ELIZABETH HUI-SHYAN YAO	16,389,954	1.35
7	MS DONNA YOUNG + MR PETER FLEMING <DYPF S/F A/C>	13,504,000	1.11
8	SUCCESS BREAKTHROUGH PTY LTD <JACKS SUPER FUND A/C>	12,150,000	1.00
9	EUCALIP BIO-CHEMICAL GROUP PTY LTD	11,040,140	0.91
10	CIRCUMFERENCE CAPITAL CT PTY LTD <CIRCUMFERENCE CAPITAL A/C>	10,526,316	0.87
11	PERMAX PTY LTD	9,000,000	0.74
12	MR DAMIAN ZINDEL	8,000,000	0.66
13	CHALLENGER 11 PTY LTD	7,000,000	0.58
13	DRILL INVESTMENTS PTY LTD	7,000,000	0.58
15	ADROSAGA PARTNERS (ASIA) PTE LTD	6,578,948	0.54
15	DIXSON TRUST PTY LIMITED	6,578,948	0.54
17	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	5,416,850	0.45
18	ADDO SUPER PTY LTD <ADDOS SUPERANNUATION FUND AC>	4,627,636	0.38
19	MUNN SUPERCO PTY LTD <THE MUNN SUPER FUND A/C>	4,274,000	0.35
20	JENRICH PTY LTD <TOUCHSTONE SUPER FUND A/C>	4,134,515	0.34
Total top holders balance		621,625,242	51.91

## Share Register Statistics as at 31 July 2022 (continued)

Distribution of equity securities	Fully paid ordinary shares shareholders
Total holders	5,328
Aggregate holding of the top 20	51.91%
Holders of less than a marketable parcel	2,600

### Range of holdings

Range of fully paid ordinary shares	Shareholders	%
1 -1,000	347	0.01
1,001 - 5,000	759	0.21
5,001 - 10,000	953	0.65
10,001 - 100,000	2,372	7.46
100,001 - and over	897	91.67
Total holders	5,328	100

### Required statements

- (a) There is no current on-market buy-back of the Company's securities.
- (b) The Company securities are not quoted on any exchange other than the ASX.
- (c) The name of the Company Secretary is Brendan Case.
- (d) The address and telephone number of our principal registered office in Australia is:  
312 Kings Way, South Melbourne, Victoria, 3205  
Tel: +61 3 9868 4555
- (e) The address and telephone number of the Company's share registry is:  
Computershare Australia  
Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067  
Tel: +61 3 9415 4000