



## Appendix 4D

Senetas Corporation Limited				
ACN	final (tick)	Half -Year ended		
006 067 607	√	31 December 2010		
Results for announcement to the market				
	31-Dec-10	31-Dec-09	Decrease	%
	\$	\$	\$	
<b>1. Revenues from ordinary activities</b>	5,907,027	8,204,731	(2,297,704)	-28%
<b>Net Profit (Loss) from ordinary activities after tax</b>	(1,551,305)	450,072	(2,001,377)	-445%
<b>Net Profit (Loss) attributable to Outside Equity Interest</b>	-	-	-	-
<b>2. Profit (Loss) from ordinary activities after tax attributable to members</b>	(1,551,305)	450,072	(2,001,377)	-445%
<b>3. Amount of Interim dividend</b>	No interim dividend is proposed			
<b>4. Record date for determining entitlements to the final dividend</b>	N/A			

### 5. Brief Explanation of figures 1 to 4

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

### Highlights for the Half Year to December 31, 2010 compared with the first half of the previous year:

**Net Loss Before Tax \$1.60 million**

#### Financial Highlights

- Full effect of Telstra contract loss, difficult trading environment sees Consulting Revenue down 32%;
- Maintains product sales volumes, but at lower margins;
- Delay in some large projects, continued depressed economic conditions in Europe & USA impacts product revenue, down 25%;
- Currency losses of approximately \$235K from stronger AUD; and
- Senetas remains debt free with strong sales pipeline.

#### Operational Highlights

- Cloud-based solution, MonitorStream goes live.
- Senetas Releases VLAN Encryption Hardware.
- Strategic expansion of reseller network
- Government data-loss regulations boost inquiries in overseas markets.
- Increased cyber-risk to sensitive data and personal communications stimulating interest and enquiries.

MELBOURNE 24 February 2011: The Board of Senetas Corporation Limited (ASX: SEN), the world's leading developer and supplier of data protection solutions based on certified encryption technologies, today announced its results for the half year to December 31, 2010, reporting a loss of \$1.55 million on revenues of \$5.91 million.

Directors said the results were significantly impacted by lingering effects of the global economic crisis holding up orders in Australia and in key foreign markets for its technology, particularly Europe and USA, plus the delay of some major communications projects.

The company's consulting revenue stream was down 32%, feeling the full loss of \$1.2 million in revenue following Telstra's decision last June to cancel a long-running Senetas contract in favour of an offshore outsourcer.

Senetas CEO and acting Chairman, John DuBois, said the company achieved its budgeted sales volumes for the period; however the mix of products sold included a large number of lower-speed encryptors to offshore markets, yielding lower margins due to higher cost of goods and a \$235k currency loss from the stronger Australian dollar.

He said the company continued to innovate and to invest in new technology platforms, committing almost \$1 million in the period on its new 6100 encryption platform; development of a High Assurance encryptor to secure Government communications; release of Senetas VLAN encryption hardware; finalisation of Senetas Encrypted Application Services platform and successful deployment of the first application, MonitorStream, now securely monitoring network infrastructure across a private cloud for a Victorian government agency.

Mr DuBois said the company also continued its significant investment in certification and accreditation of its technology to global standards, necessary for ongoing sales to governments. During the period the company commenced further certification processes that will allow Senetas its first access to significant sales opportunities within a foreign government and its agencies.

Total revenue for the half year to December 31, 2010 was \$5.91 million compared with \$8.20 million for the same period in 2009. The net loss after tax of \$1.55 million to December 31, 2010 compared with a profit of \$450k for the previous corresponding period. Directors said Senetas remained cash positive and debt free.

Having recently taken steps to strengthen its Australian sales and marketing team, the company also appointed new sales channel partners in Australasia, Europe and South East Asia.

Directors said Senetas had a strong sales pipeline and recent reports from industry analysts pointed to stronger projected sales for data protection solutions in foreign markets. Many of these markets were seeing sales driven by legislation that mandates reporting of information breaches. Should Australia adopt similar privacy breach legislation, Directors believe this will positively impact sales of the company's encryption as well as its secure cloud services and solutions.

In light of the difficult climate, the Company expects its 30 June 2011 Full Year Profit before Tax to be within the range of (\$500k) to \$500k

## **ABOUT SENETAS**

Senetas Corporation Limited (ASX Code: SEN) is an Australian ASX-listed company and is the world's leading developer and supplier of high speed network encryption hardware. Its products are accredited to the highest international government security standards, including FIPS 140-2 Level 3 and Common Criteria EAL4+. Customers include Government departments, military, and law enforcement agencies in the USA, Australia, the Middle East, Asia, and Europe as well as some of the world's leading financial institutions. Senetas is currently represented in over 40 countries through its own network of resellers and fulfilment channel partners.

### **For further information contact:**

Investor Relations Phone: 1300 787 795 | Email: [investor@senetas.com](mailto:investor@senetas.com)

<b>6. Details of dividend / distribution payments</b>	None	
<b>7. Details of Dividend Reinvestment Plan</b>	None	
<b>8. Movements in Retained Earnings</b>	Please refer to the attached Half-Year Financial Report	
<b>9. NTA backing</b>	<b>31-Dec-10 (Cents Per Share)</b>	<b>30-Jun-10 (Cents Per Share)</b>
Net tangible asset backing per ordinary security	1.54	1.91
<b>10. Details of entities over which control has been gained or lost during the period:</b>		
i. Name of entity	Senetas Europe Limited	
ii. Date of acquisition	5th October, 2010	
iii. Contribution to the reporting entity's loss for the period	(164,614)	
<b>11. Details of Associates / Joint Venture Holdings</b>	N/A	
<b>12. Other information on financial statements</b>	None	
<b>13. Foreign Entities – accounting standards used to prepare report</b>	N/A	
<b>14. Other Information</b>	None	
<b>15. This report is based on accounts which have been reviewed. An unqualified review conclusion has been issued.</b>		

*Ronald Warner*

R Warner

Director

24 February 2011



**Half-year condensed financial report  
for the period ended  
31 December 2010**

# SENETAS CORPORATION LIMITED

## HALF-YEAR REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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### Contents

Directors' Report .....	1
Auditors Independence Declaration.....	3
Statement of Comprehensive Income.....	4
Statement of Financial Position.....	5
Statement of Changes in Equity .....	6
Statement of Cash Flows.....	7
Notes to the Half-Year Financial Statements	
1. Corporate information.....	8
2. Summary of significant accounting policies.....	8
3. Revenues, income and expenses .....	9
4. Dividends paid & proposed.....	10
5. Contributed Equity.....	10
6. Segment reporting .....	11
7. Contingent assets and liabilities.....	13
8. Business Combination.....	14
9. Events after the balance date.....	15
Directors' Declaration .....	16
Independent Review Report.....	17

# Directors' Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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Your directors submit their report for the half-year ended 31 December 2010.

## DIRECTORS

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

A.R Stockdale (Non-Executive Chairman) - Resigned 2nd February 2011

R Warner (Non-executive)

J Connolly (Non-executive)

J.H. DuBois (Executive Director, Acting Chairman)

## REVIEW OF OPERATIONS

### Half year results to 31 December 2010:

#### Highlights for the Half Year to December 31, 2010 compared with the first half of the previous year:

**Net Loss Before Tax \$1.60 million**

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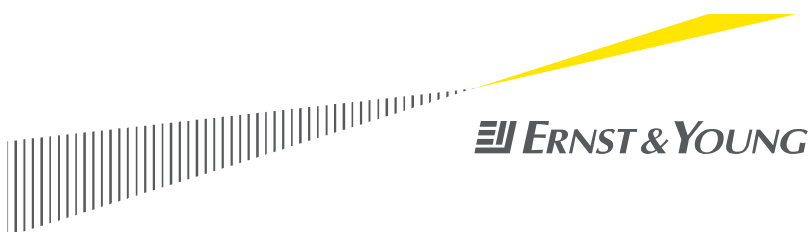
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In light of the difficult climate, the Company expects its 30 June 2011 Full Year Profit before Tax to be within the range of (\$500k) to \$500k.

# Directors' Report (Continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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

In relation to our review of the financial report of Senetas Corporation Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

David McGregor  
Partner  
24th February 2011

Liability limited by a scheme approved under  
Professional Standards Legislation

Signed in accordance with a resolution of the directors

R. Warner  
Director  
24th February 2011  
Melbourne

# Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Notes	CONSOLIDATED	
		31/12/2010	31/12/2009
		\$	\$
<b>Revenues from operating activities</b>	3(a)	5,907,027	8,204,731
Cost of sales		(1,134,316)	(1,173,190)
<b>Gross profit</b>		<u>4,772,711</u>	<u>7,031,541</u>
Other income	3(b)	152,001	152,446
Employee benefits expense	3(e)	(4,655,171)	(4,990,684)
Depreciation & amortisation expense	3(c)	(143,332)	(136,855)
Other expenses	3(d)	(1,723,704)	(1,518,448)
<b>Profit (Loss) before income tax</b>		<u>(1,597,495)</u>	<u>538,000</u>
Income tax benefit/(expense)		40,354	(87,928)
<b>Net profit (loss) for the period</b>		<u>(1,557,141)</u>	<u>450,072</u>
<b>Other comprehensive income</b>		5,836	
<b>Total comprehensive income for the period</b>		<u>(1,551,305)</u>	<u>450,072</u>
Profit (loss) for the period is attributable to:			
Owners of the parent		<u>(1,551,305)</u>	<u>450,072</u>
		<u>(1,551,305)</u>	<u>450,072</u>
Total comprehensive income for the period is attributable to:			
Owners of the parent		<u>(1,551,305)</u>	<u>450,072</u>
		<u>(1,551,305)</u>	<u>450,072</u>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent</b>			
Basic earnings per share (cents per share) - rounded	5	<u>(0.00)</u>	<u>0.00</u>
Diluted earnings per share (cents per share) - rounded		<u>(0.00)</u>	<u>0.00</u>
<b>Earnings per share for profit attributable to the ordinary equity holders of the parent</b>			
Basic earnings per share (cents per share) - rounded	5	<u>(0.00)</u>	<u>0.00</u>
Diluted earnings per share (cents per share) - rounded		<u>(0.00)</u>	<u>0.00</u>

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

# Statement of Financial Position

AS AT 31 DECEMBER 2010

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>As at</i>	<i>As at</i>
		31/12/2010	30/06/2010
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		5,708,767	6,944,933
Trade and other receivables		1,784,506	3,425,175
Inventories		1,040,737	973,906
Prepayments		109,430	79,022
Other current assets		14,593	39,663
<b>Total Current Assets</b>		<b>8,658,033</b>	<b>11,462,699</b>
<b>Non-current Assets</b>			
Deferred income tax asset		972,724	960,465
Property, plant and equipment		713,120	733,451
Intangible assets		8,812,269	8,610,695
<b>Total Non-current Assets</b>		<b>10,498,113</b>	<b>10,304,611</b>
<b>TOTAL ASSETS</b>		<b>19,156,146</b>	<b>21,767,310</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		1,561,472	2,146,772
Unearned income		614,254	1,013,916
Provisions		856,151	967,110
<b>Total Current Liabilities</b>		<b>3,031,877</b>	<b>4,127,798</b>
<b>Non-current Liabilities</b>			
Deferred income tax liabilities		51,715	79,808
Provisions		149,888	139,846
<b>Total Non-current Liabilities</b>		<b>201,603</b>	<b>219,654</b>
<b>TOTAL LIABILITIES</b>		<b>3,233,480</b>	<b>4,347,452</b>
<b>NET ASSETS</b>		<b>15,922,666</b>	<b>17,419,858</b>
<b>EQUITY</b>			
Contributed equity	5	101,551,944	101,499,944
Accumulated losses		(86,160,886)	(84,603,745)
Reserves		518,748	510,799
<b>Owners of the parent</b>		<b>15,909,806</b>	<b>17,406,998</b>
<b>Non-controlling interests</b>		<b>12,860</b>	<b>12,860</b>
<b>TOTAL EQUITY</b>		<b>15,922,666</b>	<b>17,419,858</b>

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

# Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	<i>Attributable to equity holders of Senetas Corporation Ltd</i>					<i>Non-controlling interest</i>	<i>Total equity</i>
	<i>Contributed Equity</i>	<i>Accumulated Losses</i>	<i>Employee Benefits Reserve</i>	<i>Foreign Currency Translation Reserve</i>	<i>Total</i>		
<b>CONSOLIDATED</b>	\$	\$	\$	\$	\$	\$	\$
<b>At 1 July 2009</b>	101,444,944	(85,552,371)	484,290	-	16,376,863	12,860	16,389,723
Profit for the period	-	450,072	-	-	450,072	-	450,072
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		450,072			450,072		450,072
<b>Transactions with owners in their capacity as owners</b>							
Share Based Payments	55,000	-	26,509	-	81,509	-	81,509
Dividends	-	-	-	-	-	-	-
<b>At 31 December 2009</b>	<b>101,499,944</b>	<b>(85,102,299)</b>	<b>510,799</b>	<b>-</b>	<b>16,908,444</b>	<b>12,860</b>	<b>16,921,304</b>
<b>CONSOLIDATED</b>	\$	\$	\$	\$	\$	\$	\$
<b>At 1 July 2010</b>	101,499,944	(84,603,745)	510,799	-	17,406,998	12,860	17,419,858
Loss for the period	-	(1,557,141)	-	-	(1,557,141)	-	(1,557,141)
Other comprehensive income	-	-	-	5,836	5,836	-	5,836
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(1,557,141)</b>	<b>-</b>	<b>5,836</b>	<b>(1,551,305)</b>	<b>-</b>	<b>(1,551,305)</b>
<b>Transactions with owners in their capacity as owners</b>							
Share Based Payments	52,000	-	2,113	-	54,113	-	54,113
Dividends	-	-	-	-	-	-	-
<b>At 31 December 2010</b>	<b>101,551,944</b>	<b>(86,160,886)</b>	<b>512,912</b>	<b>5,836</b>	<b>15,909,806</b>	<b>12,860</b>	<b>15,922,666</b>

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

# Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>31/12/2010</i>	<i>31/12/2009</i>
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		6,927,669	9,755,364
Payments to suppliers and employees		(8,087,529)	(8,651,534)
Sundry income		-	50,000
Interest received		172,290	100,721
<b>Net cash flows from (used in) operating activities</b>		<b>(987,570)</b>	<b>1,254,551</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(46,351)	(26,043)
Purchase of intangibles		(10,255)	(2,802)
Acquisition of subsidiary, net of cash acquired	8	(197,826)	-
<b>Net cash flows used in investing activities</b>		<b>(254,432)</b>	<b>(28,845)</b>
<b>Cash flows from financing activities</b>			
		-	-
Net increase/(decrease) in cash and cash equivalents		(1,242,002)	1,225,706
Net foreign exchange differences		5,836	-
Cash and cash equivalents at beginning of period		6,944,933	5,340,792
<b>Cash and cash equivalents at end of period</b>		<b>5,708,767</b>	<b>6,566,498</b>

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

# Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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## 1 CORPORATE INFORMATION

The half-year financial report of Senetas Corporation Limited (the Company) for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 24 February 2011.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report, and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the Annual Financial Report of Senetas Corporation Limited as at 30 June 2010.

It is also recommended that the half-year financial report be considered together with any public announcements made by Senetas Corporation Limited and its controlled entities during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

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

The half-year consolidated financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report has been prepared on a historical cost basis.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

### (b) New standards and interpretations

The new standards and interpretations effective from 1 July 2010 have not been listed here as they have no significant impact on the Group's position or performance.

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

### (c) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2010.

# Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	<i>CONSOLIDATED</i>	
	<i>31/12/2010</i>	<i>31/12/2009</i>
	\$	\$
<b>3 REVENUE, INCOME AND EXPENSES</b>		
<b>(a) Revenue from operating activities</b>		
Sale of goods	1,712,729	3,022,658
Product maintenance revenue	586,268	570,704
Provision of services	2,487,588	3,362,349
Royalties/Commissions	1,120,442	1,249,020
	<u>5,907,027</u>	<u>8,204,731</u>
<b>(b) Other income</b>		
Other income	82	50,310
Interest revenue:		
Non-related parties	151,919	102,136
	<u>152,001</u>	<u>152,446</u>
<b>(c) Depreciation and amortisation expense</b>		
Depreciation:		
Plant and equipment	123,546	117,807
Leasehold improvements	6,589	6,906
Amortisation:		
Software	13,197	12,142
	<u>143,332</u>	<u>136,855</u>
<b>(d) Other expenses</b>		
Operating lease	202,490	187,618
Inventory write off / provision	78,827	51,100
Assets written off - damaged	28,501	12,275
Travel expenses	237,810	210,072
Telephone & internet expense	66,423	59,399
Insurance expense	70,664	97,356
Certification, testing and regulatory R&D expenditure	57,975	156,810
Marketing expenses	242,508	119,988
Net loss on foreign exchange	144,059	56,802
Direct costs related to acquisition of Senetas Europe Ltd	41,550	-
Other overhead expenses	552,897	567,028
	<u>1,723,704</u>	<u>1,518,448</u>
<b>(e) Employee Benefits expenses</b>		
Salaries & wages	4,317,861	4,505,680
Superannuation	283,454	292,436
Termination payouts	(256)	111,059
Share based payments expense	54,112	81,509
	<u>4,655,171</u>	<u>4,990,684</u>

# Notes to the Half-Year Financial Statements (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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### 4 DIVIDENDS PAID AND PROPOSED

#### Equity dividends on ordinary shares:

No interim dividend was paid or is proposed for the half year ended 31 December 2010.

### 5 CONTRIBUTED EQUITY

	CONSOLIDATED	
	No. of shares	\$
Movement in ordinary shares on issue		
At 1 July 2010	461,522,263	101,499,944
Employee Share Offer - 20 Dec 2010	1,582,932	52,000
At 31 December 2010	463,105,195	101,551,944

Earnings per share for profit from continuing operations is (\$0.0034) which, rounded to the nearest two decimals, is zero. Earnings per share for profit is (\$0.0034) which, rounded to the nearest two decimals, is zero.

# Notes to the Half-Year Financial Statements (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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### 6 SEGMENT REPORTING

#### **Operating segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on products sold and services provided and the identity of service line manager. Discrete financial information about each of the operating businesses is reported to the executive management team on at least a monthly basis.

The reporting segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return

#### **Products**

The products segment produces and distributes high speed network encryption products providing network security solutions to businesses and governments around the world.

#### **Consulting services**

The consulting services segment provides a variety of IT professional services in the field of data warehousing, business intelligence, enterprise management and sells software associated with these areas.

The following table presents the revenue and profit information regarding operating segments for the half-year periods ended 31 December 2010 and 31 December 2009.

# Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Products	Consulting	Total
	\$	\$	\$
<b>Half-year ended 31 December 2010</b>			
<b>Revenue</b>			
Sales to external customers	3,205,804	2,701,223	5,907,027
<b>Total segment revenue</b>	<b>3,205,804</b>	<b>2,701,223</b>	<b>5,907,027</b>
Other revenue			82
Interest income			151,919
<b>Total revenue and other income as per the statement of comprehensive income.</b>			<b>6,059,028</b>
<b>Result</b>			
Segment result	150,503	132,919	283,422
Corporate/Administration Expenses			(1,880,917)
Loss before tax			(1,597,495)
Income tax benefit/(expense)			40,354
<b>Net loss after tax as per the statement of comprehensive income</b>			<b>(1,557,141)</b>

# Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

## 6 SEGMENT INFORMATION (continued)

	Products	Consulting	Total
	\$	\$	\$
<b>Half-Year ended 31 December 2009</b>			
<b>Revenue</b>			
Sales to external customers	4,255,980	3,948,752	8,204,731
<b>Total segment revenue</b>	<b>4,255,980</b>	<b>3,948,752</b>	<b>8,204,731</b>
Other revenue			50,310
Interest Income			102,136
<b>Total revenue and other income as per the statement of comprehensive income.</b>			<b>8,357,177</b>
<b>Result</b>			
Segment Result	1,728,499	597,543	2,326,042
Corporate/Administration Expenses			(1,788,042)
Profit before tax			538,000
Income tax benefit/(expense)			(87,928)
Net profit after tax as per the statement of comprehensive income			<b>450,072</b>

## 7 CONTINGENT ASSETS AND LIABILITIES

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

# Notes to the Half-Year Financial Statements (continued)

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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### 8 BUSINESS COMBINATION

On 5 October 2010, Senetas completed a Share Purchase Agreement, acquiring 100% of the voting shares of Focus Europe Limited; an unlisted private company based in the United Kingdom, specialised in selling and implementing high speed encryption solutions.

The consideration transferred was \$204,518 in cash. A completion payment for net assets is still to be made. The share sale agreement also provided for contingent payments to shareholders who renegotiated employment contracts with Senetas Europe Limited. These contingent payments are linked to the shareholders' future services to Senetas Europe Limited as employees. These payments are not considered part of the purchase price; they have been and will continue to be accounted for as remuneration expense in the period incurred.

The key factor contributing to goodwill of \$204,518 is being able to extend the Group's direct sales presence into the UK and European markets. UK representation will qualify our products for the process of CESG Assisted Products Service (CAPS) certification. CAPS is a certification scheme exclusive to the UK Government market. The achievement of UK CAPS certification will then enable UK government agencies to purchase the Group's encryption products.

The Group has provisionally recognised the fair values of the identifiable assets and liabilities of Focus Europe based upon the best information available as at the reporting date.

Provisional business combination accounting is as follows:

# Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

## 8 BUSINESS COMBINATION

	<i>CONSOLIDATED</i>	
	<i>Fair value at acquisition date</i>	<i>Carrying value</i>
	\$	\$
Cash and cash equivalents	6,692	6,692
Trade receivables	198,809	198,809
Other assets	1,294	1,294
Inventories	241,860	241,860
	<b>448,656</b>	<b>448,656</b>
Trade payables	(148,996)	(148,996)
Other payables	(25,524)	(25,524)
Non-interest bearing loan	(261,258)	(261,258)
Total	<b>(435,779)</b>	<b>(435,779)</b>
Provisional fair value of identifiable net assets	12,877	
Goodwill arising on acquisition	<b>204,518</b>	
Acquisition date fair value of consideration transferred		
Cash Paid	204,518	
Deferred Consideration for net assets	12,877	
Consideration transferred	<b>217,394</b>	
Deferred payment for future services	316,364	
Direct costs relating to the acquisition	41,550	
Net cash inflow / (outflow) on acquisition		
Net cash acquired	6,692	
Cash paid	(204,518)	
Net cash inflow / (outflow)	<b>(197,826)</b>	

The consolidated statement of comprehensive income for the half-year ended 31 December 2010 includes sales revenue of \$164,803 and a net loss of \$164,614 as a result of the acquisition of Focus Europe Limited. Had the acquisition of Focus Europe Limited occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included sales revenue of \$447,522 and net loss of \$11,631.

## 9 EVENTS AFTER THE BALANCE DATE

There were no significant events subsequent to balance date.

# Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in cursive script that reads "R. Warner". The signature is written in black ink and is positioned to the right of the printed name.

R. Warner

Director

24 February 2011

Melbourne.



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**To the members of Senetas Corporation Limited**

## **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Senetas Corporation Limited (the company), which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other explanatory information, and other information as set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

### **Directors' Responsibility for the Half-Year Financial Report**

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and complies with the ASX Listing Rules as they relate to Appendix 4D. The directors are also responsible for such internal controls that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and the ASX Listing Rules as they relate to Appendix 4D. As the auditor of Senetas Corporation Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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Professional Standards Legislation



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

### Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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

- a. the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
  - ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and
- b. the ASX Listing Rules as they relate to Appendix 4D

Ernst & Young

David McGregor

Partner

Melbourne

24 February 2011