



Appendix 4E
Preliminary Final Report
For announcement to the market
Senetas Corporation Limited

| | | |
|-------------|---------------------|--|
| ACN | final (tick) | Financial Year ended ('current period') |
| 006 067 607 | Final | 30-Jun-11 |

| | 30-Jun-11 \$ | 30-Jun-10 \$ | Increase / (Decrease) \$ | % |
|---|------------------------|------------------------|---------------------------------|-----------|
| 1. Revenues from ordinary activities | 11,301,407 | 15,580,363 | (4,278,956) | (27.46%) |
| Net comprehensive income from ordinary activities after tax | (5,609,557) | 948,617 | (6,558,174) | (691.34%) |
| Net comprehensive income attributable to Outside Equity Interest | - | - | - | - |
| 2. Net comprehensive income from ordinary activities after tax attributable to members | (5,609,557) | 948,617 | (6,558,174) | (691.34%) |

| | |
|---|------------------------------|
| 3 Record date for determining entitlements to the final dividend | Final dividend: not proposed |
|---|------------------------------|

Appendix 4E (continued)

4 Brief Explanation of figures 1 to 3

- The company recorded a net loss before tax of \$5.3 million for the year.
- The net loss included a \$2 million write off of a goodwill intangible asset resulting from the 2001 purchase of IBK; part of the consulting practice.
- The IT consulting division revenues were down by 36% mainly due to the loss of a long term Telstra contract but, excluding the intangible impairment, the division contained costs to remain profitable.
- The product division revenue fell 20% due to delays in domestic & international sales resulting from the depressed economic conditions in the US and Europe.
- The strong Australian dollar incurred currency exchange losses of \$289k.

Against this sobering background, Senetas' product division experienced a marked increase in enquiry from new and potentially very substantial distribution partners and end-customers, including via its new subsidiary, Senetas Europe.

Over the past year the company strategically expanded its reseller network. Proof of concept trials in the US of various Senetas encryption products are expected, on completion, to lead to significant growth in revenue streams from this area. The company's partnership with Selex Eltag UK, combined with progress in CESG CAPS approval, will lead to significant sales growth to the UK government.

The company continues to invest in global certifications for its technology which allow the company's products to be used in many government and public sector departments.

Customer and partner interest, both in ANZ and internationally continues to grow in the company's unique Encrypted Application Services Platform and its initial solution, MonitorStream. MonitorStream will be launched in South East Asia and Europe during the coming year and the company is investigating other applications suitable for embedding in the platform to deliver secure cloud-based services.

New business and repeat engagements, including a three-year appointment to the Victorian Government's eServices panel should see the Consulting division record increased revenues during 2012.

The directors reaffirm that the company has remained debt free and that management continued strict cost control. Individual employee cash bonuses were not paid on the basis that overall profit targets were not met.

The company also remains vigilant for opportunities to grow revenues through partnerships or appropriate acquisitions of strategically aligned businesses.

| | | |
|---|--|--------------------------|
| 5. Details of dividend / distribution payments | None | |
| Interim Dividend: | None | |
| Final Dividend: Not Proposed | Not Proposed | |
| 6. Details of Divided Reinvestment Plan | N/A | |
| 7. Movements in Retained Earnings | Please refer to Statement of Changes in Equity | |
| 8. NTA backing | 30-Jun-11 | 30-Jun-10 |
| | (Cents Per Share) | (Cents Per Share) |
| Net tangible asset backing per ordinary security | 1.10 | 1.91 |

Appendix 4E (continued)

| | |
|--|---|
| 9. Details of entities over which control has been gained or lost during the period | Acquisition of Focus Europe Ltd - 30th September, 2010. |
| 10. Details of Associates / Joint Venture Holdings | N/A |
| 11. Other information on financial statements | N/A |
| 12. Foreign Entities – accounting standards used to prepare report | Senetas Europe Ltd - IFRS |
| 13. Other Information | None |

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 are in the process of being audited.
5. The entity has a formally constituted audit committee.



By Order of the Board - Andrew Wilson Company Secretary

Appendix 4E FOR THE YEAR ENDED 30 JUNE 2011

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Corporate Information

Directors

C.N. Brown (Non-executive chairman) appointed director 30th May, 2011, appointed chairman 30th June, 2011

J. H. Du Bois

R. Warner

J.M. Connolly

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

Chief Executive Officer

J.H. Du Bois

Company Secretary

A. Wilson

Registered office

Senetas Corporation Limited

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Melbourne VIC 3004

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Fax: +61 3 9821 4899

Web: www.senetas.com

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Share Register

Computershare Registry Services Pty Ltd

Yarra Falls, 452 Johnston Street,

Abbotsford VIC 3061

Phone: + 61 3 9415 5000

1300 85 05 05

Fax: + 61 3 9473 2500

Investor Relations

For all investor enquiries

Phone: 1300 787 795

Email: investor@senetas.com

Auditors

Ernst & Young

8 Exhibition Street

Melbourne VIC 3000

Annual General Meeting Date & Place

Annual General Meeting of shareholders of Senetas Corporation Limited (Company) will be held at The Royce Hotel, 379 St Kilda Road, Melbourne 3004, on Thursday, 17th November 2011 at 10:30 am

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

| | Notes | CONSOLIDATED | |
|---|-------|--------------------|----------------|
| | | 2011 \$ | 2010 \$ |
| Revenue from operating activities | 1 | 11,301,407 | 15,580,363 |
| Cost of sales | | (1,837,048) | (2,108,875) |
| Gross profit | | 9,464,359 | 13,471,488 |
| Other income | 1 | 81 | 167,359 |
| Employee benefits expense | 1 | (8,508,525) | (9,578,755) |
| Depreciation and amortisation expense | 1 | (354,550) | (288,182) |
| Other expenses | 1 | (5,862,720) | (2,710,906) |
| (Loss)/profit before income tax | | (5,261,355) | 1,030,175 |
| Income tax benefit/(expense) | | (364,832) | (81,558) |
| Net (loss)/profit for the period | | (5,626,187) | 948,617 |
| Other Comprehensive Income | | | |
| Foreign currency translation | | 16,630 | - |
| Income tax on items of other comprehensive income | | - | - |
| Total comprehensive income for the period | | (5,609,557) | 948,617 |
| (Loss)/profit for the period is attributable to: | | | |
| Owners of the parent | | (5,609,557) | 948,617 |
| | | (5,609,557) | 948,617 |
| Total comprehensive income for the period is attributable to: | | | |
| Owners of the parent | | (5,609,557) | 948,617 |
| | | (5,609,557) | 948,617 |
| Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent | | | |
| – basic earnings per share (cents per share)-rounded | | (1.21) | 0.21 |
| – diluted earnings per share (cents per share)-rounded | | (1.21) | 0.21 |

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

Statement of Financial Position

AS AT 30 JUNE 2011

| | Notes | CONSOLIDATED | |
|--|-------|-------------------|-------------------|
| | | 2011 \$ | 2010 \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 3 | 3,857,924 | 6,944,933 |
| Trade and other receivables | | 1,593,302 | 3,425,175 |
| Inventories | | 1,136,843 | 973,906 |
| Prepayments | | 77,088 | 79,022 |
| Other assets | | 30,953 | 39,663 |
| Total Current Assets | | 6,696,110 | 11,462,700 |
| Non-current Assets | | | |
| Other financial assets | | 4,928 | - |
| Deferred income tax asset | | 546,425 | 960,465 |
| Property, plant and equipment | | 683,199 | 733,451 |
| Intangible assets and goodwill | | 6,752,206 | 8,610,695 |
| Total Non-current Assets | | 7,986,758 | 10,304,611 |
| TOTAL ASSETS | | 14,682,869 | 21,767,311 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | | 1,173,785 | 2,146,772 |
| Unearned income | | 332,515 | 1,013,916 |
| Provisions | | 939,919 | 967,110 |
| Total Current Liabilities | | 2,446,219 | 4,127,798 |
| Non-current Liabilities | | | |
| Deferred income tax liabilities | | 30,602 | 79,819 |
| Provisions | | 174,341 | 139,846 |
| Unearned income - non-current | | 163,403 | - |
| Total Non-current Liabilities | | 368,346 | 219,665 |
| TOTAL LIABILITIES | | 2,814,565 | 4,347,463 |
| NET ASSETS | | 11,868,305 | 17,419,849 |
| EQUITY | | | |
| Equity attributable to equity holders of the parent | | | |
| Contributed equity | 2 | 101,545,849 | 101,499,944 |
| Retained earnings | | (90,229,941) | (84,603,754) |
| Reserves | | 522,907 | 510,799 |
| Foreign currency translation reserve | | 16,630 | - |
| Parent interests | | 11,855,445 | 17,406,989 |
| Minority interests | | 12,860 | 12,860 |
| TOTAL EQUITY | | 11,868,305 | 17,419,849 |

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 2011

| | <i>Notes</i> | <i>CONSOLIDATED</i> | |
|---|--------------|-------------------------|-------------------------|
| | | <i>2011</i> | <i>2010</i> |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 12,353,152 | 16,115,193 |
| Payments to suppliers and employees | | (15,337,989) | (14,718,595) |
| Interest received | | 285,365 | 238,682 |
| Receipt of government grants | | - | 162,946 |
| Net cash flows from/(used in) operating activities | 3 | <u>(2,699,472)</u> | <u>1,798,226</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (129,028) | (167,301) |
| Purchase of intangible assets | | (56,420) | (26,784) |
| Acquisition of subsidiary | | (218,718) | - |
| Net cash flows from/(used in) investing activities | | <u>(404,166)</u> | <u>(194,085)</u> |
| Net increase/(decrease) in cash and cash equivalents | | (3,103,638) | 1,604,141 |
| Net effect of foreign currency translation | | 16,630 | - |
| Cash and cash equivalents at beginning of period | | <u>6,944,933</u> | <u>5,340,792</u> |
| Cash and cash equivalents at end of period | | <u><u>3,857,924</u></u> | <u><u>6,944,933</u></u> |

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 2011

| CONSOLIDATED | <i>Attributable to equity holders of Senetas Corporation Ltd</i> | | | | <i>Owners of the parent</i> | <i>Non controlling interest</i> | <i>Total equity</i> |
|----------------------------|--|--------------------------|---|----------------------------------|-----------------------------|---------------------------------|---------------------|
| | <i>Issued capital</i> | <i>Retained earnings</i> | <i>Foreign currency translation reserve</i> | <i>Employee Benefits Reserve</i> | <i>Total</i> | <i>Non controlling interest</i> | |
| | \$ | \$ | | | \$ | \$ | \$ |
| At 30 June 2009 | 101,444,944 | (85,552,371) | - | 484,290 | 16,376,863 | 12,860 | 16,389,723 |
| Profit for the year | - | 948,617 | - | - | 948,617 | - | 948,617 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income | - | 948,617 | - | - | 948,617 | - | 948,617 |
| Transactions with owners | 55,000 | - | - | 26,509 | 81,509 | - | 81,509 |
| At 30 June 2010 | 101,499,944 | (84,603,754) | - | 510,799 | 17,406,989 | 12,860 | 17,419,849 |
| Loss for the year | - | (5,626,187) | - | - | (5,626,187) | - | (5,626,187) |
| Other comprehensive income | - | - | 16,630 | - | 16,630 | - | 16,630 |
| Total comprehensive income | - | (5,626,187) | 16,630 | - | (5,609,557) | - | (5,609,557) |
| Transactions with owners | 45,905 | - | - | 12,108 | 58,013 | - | 58,013 |
| At 30 June 2011 | 101,545,849 | (90,229,941) | 16,630 | 522,907 | 11,855,445 | 12,860 | 11,868,305 |

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

Notes to the Appendix 4E

FOR THE YEAR ENDED 30 JUNE 2011

| 1 REVENUES AND EXPENSES | CONSOLIDATED | |
|--|-------------------|-------------------|
| | 2011 | 2010 |
| | \$ | \$ |
| (a) Revenue | | |
| Sale of goods | 3,058,160 | 4,938,233 |
| Product maintenance revenue | 1,169,141 | 1,179,560 |
| Provision of services | 4,586,650 | 6,262,884 |
| Royalties | 2,225,243 | 2,940,110 |
| Interest revenue: | | |
| Non-related parties | 262,213 | 259,576 |
| | <u>11,301,407</u> | <u>15,580,363</u> |
| (b) Other income | | |
| Government grants | - | 162,946 |
| Other income | 81 | 4,413 |
| | <u>81</u> | <u>167,359</u> |
| (c) Depreciation and amortisation expense | | |
| Depreciation: | | |
| Plant and equipment | 302,666 | 249,806 |
| Leasehold improvements | 15,317 | 13,990 |
| Amortisation: | | |
| Software | 36,567 | 24,386 |
| | <u>354,550</u> | <u>288,182</u> |
| (d) Other expenses | | |
| Operating lease | 452,932 | 385,490 |
| Foreign exchange (gain) or loss | 289,362 | 28,283 |
| Inventory written off /provision | 456,674 | 101,500 |
| R & D expenditure | 240,362 | 197,251 |
| Travel Expenditure | 406,349 | 425,031 |
| Marketing Expenditure | 347,818 | 229,268 |
| Insurance Expenditure | 142,833 | 182,643 |
| Telephone & Internet Expenditure | 91,968 | 118,493 |
| Goodwill impairment | 2,082,860 | - |
| Write off of tangible assets | 84,639 | 30,829 |
| Other overhead expenses | 1,266,923 | 1,042,947 |
| | <u>5,862,720</u> | <u>2,741,735</u> |

Notes to the Appendix 4E

FOR THE YEAR ENDED 30 JUNE 2011

| 1 REVENUES AND EXPENSES (continued) | CONSOLIDATED | |
|---|----------------------|--------------------|
| | 2011 \$ | 2010 \$ |
| (e) Employee Benefits expenses | | |
| Salaries & Wages | 7,878,042 | 8,641,165 |
| Superannuation | 572,470 | 569,388 |
| Termination Payouts | - | 286,693 |
| Share Based Payment Expense | 58,013 | 81,509 |
| | <u>8,508,525</u> | <u>9,578,755</u> |
| 2 CONTRIBUTED EQUITY | | |
| Ordinary shares - issued and fully paid | <u>101,545,849</u> | <u>101,499,944</u> |
| Fully paid ordinary shares carry one vote per share and carry the right to dividends. | | |
| | <u>No. of shares</u> | <u>\$</u> |
| <i>Movement in ordinary shares on issue</i> | | |
| <i>At 30 June 2010</i> | 461,522,263 | 101,499,944 |
| <i>Employee Share Issue</i> | 1,582,932 | 45,905 |
| <i>At 30 June 2011</i> | <u>463,105,195</u> | <u>101,545,849</u> |

Notes to the Appendix 4E (continued)

FOR THE YEAR ENDED 30 JUNE 2011

3 CASH AND CASH EQUIVALENTS

| | <i>CONSOLIDATED</i> | |
|--------------------------|---------------------|------------------|
| | <i>2011</i> | <i>2010</i> |
| | \$ | \$ |
| Cash at bank and in hand | 1,583,455 | 1,820,925 |
| Short-term deposits | 2,274,469 | 5,124,008 |
| | <u>3,857,924</u> | <u>6,944,933</u> |

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Reconciliation from the net profit/(loss) after tax to the net cash flows from operations

| | | |
|--|--------------------|------------------|
| Net profit after tax | (5,626,187) | 948,617 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation | 354,550 | 288,182 |
| Assets impairment | 2,167,499 | 30,829 |
| Unrealised foreign currency (gain)/ loss | 116,013 | (28,521) |
| Inventory written off | 456,674 | 101,500 |
| Share based payments | 58,013 | 81,509 |
| <i>Changes in assets and liabilities</i> | | |
| (Increase)/decrease in trade and other receivables | 1,831,872 | 1,005,290 |
| (Increase)/decrease in inventories | (619,611) | 62,156 |
| (Increase)/decrease in prepayments | (2,994) | 40,232 |
| (Increase)/decrease in other assets | 8,710 | (25,594) |
| (Decrease)/increase in trade and other payables | (1,095,685) | (541,604) |
| (Increase)/decrease in deferred income tax assets | 414,041 | 101,117 |
| (Decrease)/increase in deferred income tax | (49,209) | (19,569) |
| Inventory transferred to PP&E | (202,450) | 3,207 |
| (Decrease)/increase in provisions | 7,304 | (33,829) |
| (Decrease)/increase in unearned income | (518,012) | (215,296) |
| Net cash from operating activities | <u>(2,699,472)</u> | <u>1,798,226</u> |

Notes to the Appendix 4E (continued)

FOR THE YEAR ENDED 30 JUNE 2011

4 SEGMENT INFORMATION

Identification of reportable 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 makers) in assessing performance and in determining the allocation of resources.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Discrete financial information about each of these operating businesses is provided to the executive management team on at least a monthly basis. These operating segments are the sources of the Group's major risks and have the most effect on the rates of return.

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

The 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. It also continues to hold investments in several IT infrastructure businesses.

Operating segments

The following tables present revenue and profit information regarding operating segments for the years ended 30 June 2011 and 2010.

| Year ended 30 June 2011 | <i>Products</i> | <i>Services</i> | <i>Corporate expense and other</i> | <i>Total Operations</i> |
|--|------------------|--------------------|--|-------------------------|
| | \$ | \$ | \$ | \$ |
| Revenue | | | | |
| Sales to external customers | 6,471,351 | 4,567,843 | - | 11,039,194 |
| Total segment revenue | 6,471,351 | 4,567,843 | - | 11,039,194 |
| Segment net operating profit before tax | 16,236 | (1,917,913) | (3,359,678) | (5,261,355) |
| Interest & sundry income | 11,906 | - | 250,388 | 262,294 |
| Depreciation & Amortisation | 236,613 | - | 117,937 | 354,550 |
| Assets written off / impaired | 84,639 | 2,082,860 | - | 2,167,499 |
| Year ended 30 June 2010 | <i>Products</i> | <i>Services</i> | <i>Corporate expense and other</i> | <i>Total Operations</i> |
| | \$ | \$ | \$ | \$ |
| Revenue | | | | |
| Sales to external customers | 8,167,262 | 7,153,525 | - | 15,320,787 |
| Total segment revenue | 8,167,262 | 7,153,525 | - | 15,320,787 |
| Segment net operating profit before tax | 3,589,773 | 812,382 | (3,371,980) | 1,030,175 |
| Interest income | 5,560 | - | 254,016 | 259,576 |
| Depreciation & Amortisation | 199,714 | - | 88,468 | 288,182 |
| Assets written off / impaired | 30,829 | - | - | 30,829 |

Notes to the Appendix 4E (continued)

FOR THE YEAR ENDED 30 JUNE 2011

4 SEGMENT INFORMATION (continued)

| Segment revenue reconciliation to the statement of comprehensive income | CONSOLIDATED | |
|---|-------------------|-------------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Total segment revenue | 11,039,194 | 15,320,787 |
| Interest revenue | 262,294 | 259,576 |
| Other revenue from continuing operations | 81 | 167,359 |
| Total Revenue | 11,301,569 | 15,747,722 |

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographic locations based on the location of the customers. The company does not have external revenues from any external customers that are attributable to any foreign country other than as shown.

| | 2011 | 2010 |
|-------------------------|-------------------|-------------------|
| | \$ | \$ |
| Australia/New Zealand | 6,096,899 | 10,109,665 |
| United States | 2,836,819 | 3,876,597 |
| Europe | 1,138,370 | 864,430 |
| Saudi Arabia | 573,859 | 63,665 |
| Other foreign countries | 374,441 | 406,430 |
| | 11,020,387 | 15,320,787 |

Segment net operating profit/(loss) before tax reconciliation to the statement of comprehensive income

| | 2011 | 2010 |
|--|--------------------|----------------|
| | \$ | \$ |
| Segment net profit (loss) before tax | (5,261,355) | 1,030,175 |
| Other intersegment eliminations | - | - |
| Income tax benefit / (expense) | (364,832) | (81,558) |
| Total net profit/(loss) after tax per the statement of comprehensive income | (5,626,187) | 948,617 |