

Appendix 4D

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 Half-year ended 31 December 2020	Previous Corresponding Period Half-year ended 31 December 2019
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2 Results for announcement to the market

	31-Dec-20	31-Dec-19 Restated*	Change	
	\$	\$	\$	%
2.1 Revenues from ordinary activities	14,271,679	10,600,708	3,670,971	34.63%
2.2 Share of loss of an associate	-	(1,196,546)	1,196,546	(100.00%)
2.3 Net (loss)/profit before tax attributable to members	426,420	(204,929)	631,349	(308.08%)
2.4 Net profit/(loss) after tax attributable to members	(387,350)	(684,784)	297,434	(43.43%)
2.5 Other comprehensive income for the year (foreign currency translation reserve)	(1,027,165)	42,021	(1,069,186)	2,544.41%
Net comprehensive loss after tax attributable to members	(1,414,515)	(642,763)	(771,751)	120.07%

Brief Explanation of Figures 2.1 to 2.5

Commentary on the results for the period and additional ASX Appendix 4D (Listing Rule 4.2A.3) disclosures can be found in the Half-year Financial Report of Senetas Corporation Limited for the period ended 31 December 2020 attached. This document should be read in conjunction with the Annual Report of Senetas Corporation Limited for the year ended 30 June 2020 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.

3 Movement in retained earnings

Please refer to attached Interim Financial Report

4 Dividends and distribution payments

Interim dividend	No interim dividend is proposed
Record date for determining entitlements to the final dividend	N/A

5 Net tangible asset Backing

	31-Dec-20 (Cents Per Share)	31-Dec-19 (Cents Per Share)
Net tangible asset backing per ordinary security	0.26	0.55

6 Details of Entities Over Which Control Has Been Gained or Lost During The Period

None

7 Details of Associates / Joint Venture Holdings

None

8 Other Information on Financial Statements

Please refer to attached Interim Financial Report

9 Foreign Entities – accounting standards used to prepare report

Senetas Europe Ltd - IFRS

10 Other Information

* See note 12 of the attached Interim Financial Report for details regarding the restatement as a result of an *error*.

11 Independent review report

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



Francis W. Galbally
Chairman
Date 26 February 2021

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Consolidated Interim Financial Report for the half-year ended 31 December 2020

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CORPORATE INFORMATION

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

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Auditors

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DIRECTORS' REPORT

SENETAS CORPORATION LIMITED

Senetas Corporation Ltd (ASX: SEN) (Senetas / the Company), 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 half-year ended 31 December 2020 (HY21).

DIRECTORS

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

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)

DISTRIBUTIONS PAID AND PROPOSED

	Cents	\$
Distributions paid during the year:	Nil	Nil

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.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no significant changes in the state of affairs.

OPERATING & FINANCIAL REVIEW

HY2021 Financial Highlights:

- Group operating revenue of \$14.3 million – up 35%
- EBITDA for the Senetas business segment of \$3.9 million
- Operating profit before tax for the Senetas business segment of \$3.5 million – up over 250% on the underlying Senetas segment result in HY2020
- Group net loss before tax of \$1.7 million – includes a net loss before tax from Votiro of \$5.1 million
- Group EBITDA attributable to members of \$1.6 million (HY2020 \$0.1 million)
- Group net profit before tax attributable to members of \$0.4 million
- During the half-year Senetas announced the first to market high-assurance quantum resistant network encryption cybersecurity solution
- Sales of 100Gbps encryptors to end user customers doubled in HY2021
- Strong balance sheet position and no debt

DIRECTORS' REPORT

Half year ended 31 December 2020 (\$000's)	HY2021	HY2020* Restated
Revenue from ordinary activities	14,272	10,601
Gross profit	12,159	9,008
Other income	349	324
Share of loss of an associate (Votiro)*	-	(1,197)
Profit (loss) before tax	(1,666)	(509)
Tax expense	(734)	(480)
Net profit (loss) after tax	(2,399)	(990)

*Votiro results consolidated from November 2019. Loss of associate in HY2020 reflects Senetas's share of Votiro results from July-October 2019

The following table highlights the underlying operating results for the Senetas operating segment for HY2021.

Half year ended 31 December 2020 (\$000's)	HY2021	HY2020* Restated
Senetas operating segment		
Revenue from ordinary activities	12,760	9,524
Gross profit	10,699	8,027
Other income	369	324
Profit before tax	3,464	103
<i>Adjustments to calculate underlying Senetas segment net profit before tax</i>		
Share of loss of an associate (Votiro)*	-	1,197
Loss on step acquisition	-	4
Underlying Senetas segment net profit before tax	3,464	1,304

* Loss of associate in HY2020 reflects Senetas's share of Votiro results from July-October 2019

- Group operating revenue of \$14.3 million was up 35% over the prior period (HY2020: \$10.6 million)
- Group operating revenue includes \$1.5 million of revenue from Votiro for the period (HY2020: \$1.1 million)
- Gross margin for the Group of 85% was the same as the prior period
- Group EBITDA attributable to members for HY2021 was \$1.6 million (HY2020: \$0.1 million)
- The Group net loss before tax of \$1.7 million includes a \$5.1 million operating loss before tax from Votiro
 - Votiro loss before tax includes large non-cash items such as share based payments expense of \$1.1 million and amortisation of \$1.1 million
- The Group net loss after tax was \$2.4 million including a \$4.9 million loss after tax from Votiro
- The operating profit before tax for the Senetas operating segment in HY2021 was \$3.5 million, up over 250% on the underlying Senetas segment result in HY2020
- R&D costs were 5% higher in HY2021 primarily associated with Senetas's investment in Quantum resistance and transport layer independence
- Cost reduction initiatives implemented during FY2020 continued to provide benefits in HY2021 with corporate overheads down by almost 20% compared to the prior period
- Senetas retains a strong balance sheet with no debt and \$13.8 million of consolidated cash at 31 December 2020

DIRECTORS' REPORT

Commenting on the six months to 31 December 2020, Senetas CEO, Andrew Wilson, said: "In the first half of FY2021 Senetas has reached some key milestones and seen the business grow strongly despite the impacts COVID-19 has had on the global economy.

"Sales growth for the Senetas business has occurred across all of our markets, but with the strongest growth coming from the Middle East and Europe region driven by further penetration into Middle Eastern markets where we saw our largest ever sale of 100Gbps encryptors.

"Importantly, after some softness in the US commercial market earlier in the calendar year, there were some encouraging signs of a good rebound in that segment later in the December 2020 quarter.

"Sales highlights included a doubling of 100Gbps encryptor sales compared to the first half of FY2020, and included our first sales of that product into the Australian market. After a long period of development, customer trials and regulatory approvals, Senetas also made the first sales of its custom algorithm products that were made specifically for the eastern Europe market

"We are excited to have made the Company's first ever sales of SureDrop and our virtual/software based encryption products during the half. We are hopeful that as sales momentum builds over time these products can make important contributions as additional annuity style revenue streams.

"In HY2021 Senetas also released the first to market high-assurance quantum resistant network encryption cybersecurity solutions that will provide customers with necessary long-term protection against the emerging threat of quantum computing by adding quantum resistant features to its current hardware network encryption platform. These solutions are expected to provide additional revenue opportunities for Senetas as the threats from quantum computing emerge in the coming years.

"Strategic plans and product development at Votiro remain on track despite a slow down in sales execution through the middle part of the 2020 calendar year. Votiro contributed revenue of \$1.5 million for HY2021 and the December 2020 quarter sales have rebounded strongly. We remain very confident in the outlook for that business.

"Senetas's balance sheet remains strong with \$13.8 million of cash on hand and no debt at 31 December 2020."

Operational review

Group revenue growth of 35% in HY2021 was driven by good growth in all regions.

Senetas segment operating revenue was up 34% with growth in both product sales and maintenance revenue over 30% up on the prior period. Strongest growth was in the Middle East and Europe region with revenue up over 80% led by the Middle East where sales to government customers have been growing strongly. Recurring maintenance revenue was 48% of total Senetas segment revenue.

Senetas's 10Gbps and 1Gbps encryptors remain the largest driver of revenue, however, 100Gbps encryptors are building an increasing share of sales. Key sales highlights for the Senetas business included:

- The largest ever single order for 100Gbps encryptors from a Middle Eastern government agency;
- First sales of 100Gbps encryptors into the Australian market;
- First sales of the new custom algorithm product for Eastern Europe after all regulatory approvals were received in HY2021; and
- The first sales of SureDrop and virtual/software encryption products

DIRECTORS' REPORT

Net profit before tax for the Senetas business segment of \$3.5 million was up over 250% on the underlying (prior to any impacts from the investment in Votiro) net profit before tax in HY2020 of \$1.3 million.

Votiro operating revenue for HY2021 was \$1.5 million, up from \$1.1 million in HY2020. Votiro's sales growth was impacted by a slowdown in sales through the June and September 2020 quarters as a result of COVID-19 related disruptions. Encouragingly there was a strong rebound in Votiro sales in the December 2020 quarter.

HY2021 is the first time a full half year of Votiro results has been consolidated in Senetas's Group first half result. The Votiro net loss before tax of \$5.1 million in HY2021 compares to a net loss before tax of \$0.6 million for the November and December 2019 months that Votiro was consolidated in the prior period. The Votiro segment loss before tax includes non-cash items such as share based payments expense of \$1.1 million and amortisation of \$1.1 million.

Gross margins for the Group remained steady at 85%.

Cost reduction initiatives across the group resulted in lower corporate overheads. Senetas corporate overheads were down almost 20% on the prior period. R&D costs increased 5% in HY2021.

R&D and new product development

The major areas of R&D focus for the year to date and remainder of FY2021 include:

- The release of Senetas's quantum resistant network encryption solution;
- The completion of certification and regulatory processes to allow the first sales of Senetas's custom algorithm solutions for the Eastern Europe market;
- Product upgrades; and
- Enhancements to Senetas's hardware and virtual/software product capabilities

In December 2020 Senetas announced the first to market high-assurance quantum resistant network encryption cybersecurity solution. Universally regarded as the most significant threat to cybersecurity in history, quantum computing will put today's conventional mathematics-based public key data encryption at risk.

Senetas's quantum evolution enables customers to combine both conventional and quantum resistant encryption in a single platform – 'hybrid encryption' - providing customers a secure transition starting 'today' to a future quantum-safe world.

Senetas is making further enhancements to its hardware and virtual/software product capabilities to broaden the market opportunities and to allow their operation in more customer environments.

Specifically, these developments include further transport layer independence capabilities for hardware encryptors so as they can be deployed in more complex layer 3 environments; and enhanced capabilities for Senetas's virtual/software encryption solutions to provide access to more cloud environments.

Final regulatory clearances and certifications were received for sale of the new custom algorithm encryptors during HY2021 and the first sales of the products into Eastern Europe were made in the December 2020 quarter.

DIRECTORS' REPORT

Quantum computing: The most significant threat to cyber security in history

Quantum computing will render today's mathematics-based public key data encryption ineffective. Tech giants like IBM, Google, Microsoft and Amazon are competing with State sponsored programs to develop a quantum computer outside lab environments. Whilst the potential use of quantum computers will be enormous for, research, AI, medicine and big data, the risks for cyber security are enormous if in the hands of rogue states or cyber criminals.

IBM estimates that a working quantum computer outside a lab environment will be a reality within the next five years. However, the likelihood that rogue states are working on quantum computing is high, and it is possible that quantum computing will be in use before the world is alerted to its development.

The advent of the world's first practical quantum computer will render today's conventional public key encrypted infrastructures unsecure, making sensitive information vulnerable across governments', defence agencies', and businesses' public and private networks.

Today, to decrypt conventionally encrypted data could take thousands of man-years using the most powerful computers available. In the future quantum computers will enable decryption of that data in a matter of seconds, minutes or hours. Good cybersecurity demands that data be secure for the very long-term.

Accordingly, Quantum Resistant Encryption (QRE) will be essential for long-term data protection.

Senetas is the first company to take to market high-assurance, high-speed network encryptors that can provide Quantum Resistant Encryption (QRE) in addition to today's state-of-the-art classical encryption security. Our government, defence and business customers can make a secure transition to a future quantum-safe world.

The Senetas quantum resistant encryption network security solution supports all of the quantum encryption algorithms selected as finalists by the US National Institute of Standards and Technology (NIST) prior to their expected standardisation as soon as 2022. The Senetas solution also supports the latest European Telecommunication Standards Institute (ETSI) standards for quantum key distribution – an important and emerging security capability that has applications in 5G networks.

Future proofing encryption solutions today requires conventional cryptography and quantum resistant encryption – hybrid encryption. Senetas' quantum resistant encryption will be available to existing customers on their current platforms. The availability of quantum resistant capabilities in a commercial product today, marrying both conventional and quantum security in a single solution, allows Senetas customers to start their transition to a quantum-resistant future.

Votiro

Demand for software tools to protect against known and unknown malware and ransomware attacks is anticipated to grow strongly in future and Votiro is a world leader in the development of cybersecurity technology to protect organisations from those threats.

Ransomware is the fastest growing cyber threat. The Centre for Internet Security states that ransomware has become a significant threat to US businesses and individuals during the past 2 years. CrowdStrike in its Incident Response and Proactive Services report from 2020 and insights for 2021 advises that in 2020 more than 80% of malware attacks were a form of ransomware¹. These attacks are driving a demand for protection against zero day (unknown) threats.

This demand is driving increased interest in Votiro's Secure File Gateway products and sales growth in the future is expected to be considerable and has the potential to develop into a substantial annuity business.

After a slowdown in sales as a result of COVID-19 through the middle of the 2020 calendar year, there was a strong rebound with good sales growth in the December 2020 quarter, and that momentum has led to a good start to the new calendar year.

¹ <https://www.crowdstrike.com/blog/key-themes-findings-from-cyber-front-lines-report/>

DIRECTORS' REPORT

In July 2020 Votiro announced it had signed a partnership and distribution agreement with Thales in relation to its Secure File Gateway product line in the US market. The US sales pipeline is growing strongly with the partnership and is leading to significant sales opportunities with both government and commercial organisations.

The US market remains the key growth opportunity for Votiro with a number of large scale trials underway. Votiro's Secure File Gateway was recently selected by a Fortune 500 company to protect it from malware attacks with deployment to over 50,000 users.

Votiro has also just announced a partnership with Menlo Security, a cloud security leader, to provide a total security solution for file downloads. Through this partnership Votiro and Menlo provide a zero trust approach to file downloads.

Senetas remains very excited about the growth potential of the Votiro business and its ability to deliver significant value to Senetas shareholders. A rights issue is proposed before the end of FY2021 in order to support Votiro's working capital requirements as it builds towards cash flow breakeven. The rights issue is up to a maximum of US\$5 million and Senetas has committed to participating in the rights issue for a minimum of US\$3 million.

In recent months Senetas has provided Votiro with interim financing via a bridging loan (US\$1.6 million at 31 December 2020 – US\$2.2 million at 26 February 2021) until completion of the rights issue. It is expected that the bridging loan will either be converted into shares as part of the rights issue or repaid via the proceeds of the rights issue.

Senetas expects to maintain a controlling shareholding of between 55-60% in Votiro after the rights issue has been completed.

Balance sheet and cash flow

Consolidated net assets of \$17.6 million were 13% lower at 31 December 2020 with no debt and cash on hand of \$13.8 million. Lower net assets reflect the current period loss from Votiro.

Lower goodwill and intangible assets at 31 December 2020 reflect amortisation during the period (\$1.2 million) and foreign exchange movements due to a lower US dollar (\$1.4 million).

Receipts from customers were up 44% during HY2021. Group net cash outflows from operating activities was \$1.4 million comprising \$1.9 million of operating cash inflows for the Senetas business segment and \$3.3 million of operating cash outflows for the Votiro business segment.

Outlook

Commenting on the Company's outlook, Mr Wilson said: "HY2021 was a very strong start to the financial year, particularly given the uncertainties created by COVID-19.

"Whilst the Senetas business weathered the COVID-19 impacts particularly well, the Votiro business saw a significant slowdown in sales through the middle of last calendar year. However, a strong sales result in the December quarter and a developing pipeline of new opportunities early in 2021 are encouraging signs for the growth of the Votiro business.

"Senetas revenue for the first half was our strongest ever result which is a credit to the Senetas team and our global distribution partner, Thales. The sales pipeline for the balance of FY2021 is encouraging and we are optimistic that revenue in the second half of the financial year can be ahead of the prior corresponding period, although not at the same growth rates that were achieved in HY2021.

DIRECTORS' REPORT

"The first sales of our custom algorithm, SureDrop and virtual/software encryption products during HY2021 represented an important milestone for the business after extended periods of development, certification, marketing and customer trials. These products are important because they expand the market reach and range of customer environments in which Senetas products can be deployed. They are unlikely to make a significant contribution to Senetas's revenue and earnings in the near term, however, sales momentum is expected to build gradually as they are successfully deployed in more customer environments.

"R&D expenditure for the remainder of FY2021 is expected to be in line with the first half and the reduction in corporate overhead costs should continue into the second half of FY2021.

"With the increasing number of cybersecurity threats and the recent focus from Australian governments on sovereign cybersecurity solutions Senetas remains well placed for future growth."

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There are no significant events after reporting date

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.

Signed in accordance with a resolution of the directors.



Francis W. Galbally
Chairman
Date 26 February 2021

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 review of Senetas Corporation Limited for the half-year ended 31 December 2020, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 26 February 2021

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Interim Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

		CONSOLIDATED	
		December 2020	December 2019
			Restated*
	Notes	\$	\$
Revenue from contracts with customers	1	14,271,679	10,600,708
Revenue		14,271,679	10,600,708
Cost of sales		(2,112,832)	(1,593,119)
Gross profit		12,158,847	9,007,589
Other income	2	348,516	323,579
Employee benefits expense	3(a)	(7,518,227)	(4,074,751)
Depreciation and amortisation expense	3(b)	(1,675,694)	(644,145)
Administration expenses	3(c)	(2,943,058)	(2,893,892)
Other expenses	3(d)	(2,036,151)	(1,026,544)
Loss on step acquisition of investment in an associate		-	(4,748)
Share of loss of an associate		-	(1,196,546)
Loss before income tax		(1,665,767)	(509,458)
Income tax expense	4	(733,516)	(480,169)
Loss after income tax		(2,399,283)	(989,627)
Other comprehensive income/(loss)			
Items that may be subsequently classified to profit or loss			
Foreign currency translation reserve		(1,355,567)	70,820
Other comprehensive income/(loss) for the period		(1,355,567)	70,820
Total comprehensive loss for the period, net of tax		(3,754,850)	(918,807)
(Loss)/profit for the period is attributable to:			
Owners of the parent		(387,350)	(684,784)
Non-controlling interest		(2,011,933)	(304,843)
		(2,399,283)	(989,627)
Total comprehensive (loss)/profit for the period is attributable to:			
Owners of the parent		(1,414,515)	(642,763)
Non-controlling interest		(2,340,335)	(276,044)
		(3,754,850)	(918,807)
Earnings per share (cents per share)			
Basic, profit for the year attributable to ordinary equity holders of the Parent.		(0.04)	(0.06)
Diluted, profit for the year attributable to ordinary equity holders of the Parent.		(0.04)	(0.06)

* See note 12 for details regarding the restatement as a result of an error.

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

Interim Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2020

	Notes	CONSOLIDATED	
		December 2020	June 2020 Restated*
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		13,765,564	15,711,373
Trade receivables and contract assets	6	5,709,216	5,482,928
Inventories		2,154,020	2,453,253
Prepayments		638,567	609,997
Other assets		15,668	45,006
Total current assets		22,283,035	24,302,557
Non-current assets			
Long-term cash deposit		91,667	91,667
Non-current prepayments		47,063	101,034
Investment in an associate		-	-
Deferred tax asset		1,046,427	1,001,558
Plant and equipment		1,218,191	1,439,579
Goodwill and intangible assets	7	11,309,070	14,058,040
Right-of-use asset		1,030,146	1,475,628
Total non-current assets		14,742,564	18,167,506
TOTAL ASSETS		37,025,600	42,470,063
LIABILITIES			
Current liabilities			
Trade and other payables		2,400,111	3,085,789
Contingent consideration liability	10	19,226	33,610
Current income tax payable		398,971	657,002
Contract liabilities		6,678,565	8,351,167
Lease liabilities		264,363	589,381
Provisions		1,760,912	1,293,484
Total current liabilities		11,522,148	14,010,433
Non-current liabilities			
Deferred tax liabilities		2,830,204	2,960,578
Provisions		62,600	65,138
Other payables		116,669	129,623
Contract liabilities		3,995,358	3,940,724
Lease liabilities		834,012	1,041,114
Contingent consideration liability	10	45,602	43,707
Total non-current liabilities		7,884,446	8,180,885
TOTAL LIABILITIES		19,406,594	22,191,318
NET ASSETS		17,619,005	20,278,745
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	8	104,316,022	104,316,022
Accumulated losses		(87,139,042)	(86,751,692)
Employee benefits reserve		1,861,378	1,207,585
Other reserves		579,235	582,186
Foreign currency translation reserve		(1,012,325)	14,840
Equity attributable to owners of the parent		18,605,268	19,368,941
Non-controlling interests		(986,263)	909,804
TOTAL EQUITY		17,619,005	20,278,745

* See note 12 for details regarding the restatement as a result of an error.

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

Interim Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	CONSOLIDATED	
	December 2020	December 2019
Notes	\$	\$
Cash flows from operating activities		
Receipts from customers	12,965,161	9,033,515
Payments to suppliers and employees	(13,198,227)	(10,070,726)
Income tax paid	(1,166,790)	108,577
Interest received	37,581	(584,801)
Net cash flows from operating activities	(1,362,275)	(1,513,435)
Cash flows used in investing activities		
Purchase of plant and equipment	(144,432)	(111,225)
Purchase of other intangibles	(63,029)	(40,855)
Acquisition of a subsidiary (net of cash acquired)	-	614,195
Additional investment in an associate (prior to step acquisition)	-	(1,626,440)
Net cash flows used in investing activities	(207,461)	(1,164,325)
Cash flows used in financing activities		
Return of capital to equity holders of the parent		(499,583)
Payment of interest on lease liability	(38,164)	(31,151)
Payment of principal portion of lease liability	(261,560)	(119,146)
Net cash flows used in financing activities	(299,724)	(649,880)
Net (decrease)/increase in cash and cash equivalents	(1,869,461)	(3,327,640)
Net foreign exchange differences	(76,348)	(492)
Cash and cash equivalents at beginning of period	15,711,373	17,860,132
Cash and cash equivalents at end of period	13,765,564	14,531,999

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

Interim Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	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		
CONSOLIDATED	\$	\$	\$	\$	\$	\$	\$	\$
At 1 July 2019	104,728,595	(85,824,079)	(36,972)	866,233	-	19,733,777	-	19,733,777
Loss for the year (restated*)	-	(684,784)	-	-	-	(684,784)	(304,843)	(989,627)
Other comprehensive income	-	-	42,021	-	-	42,021	28,799	70,820
Total comprehensive income	-	(684,784)	42,021	-	-	(642,763)	(276,044)	(918,807)
Transactions with owners in their capacity as owners								
Movement in non-controlling interest	-	-	-	-	-	-	(908,240)	(908,240)
Return of capital	(499,583)	-	-	-	-	(499,583)	-	(499,583)
Share based payments expense (restated*)	-	-	-	125,460	-	125,460	41,769	167,229
Options converted to shares	66,011	-	-	(66,011)	-	-	-	-
At 31 December 2019	104,295,023	(86,508,863)	5,049	925,682	-	18,716,891	(1,142,515)	17,574,376
	\$	\$	\$	\$		\$	\$	\$
At 1 July 2020	104,316,022	(86,911,826)	14,840	1,405,526	582,186	19,406,748	909,804	20,316,552
Correction of error		160,134		(197,941)		(37,807)	-	(37,807)
Restated total equity at 1 July 2020	104,316,022	(86,751,692)	14,840	1,207,585	582,186	19,368,941	909,804	20,278,745
Loss for the year	-	(387,350)	-	-	-	(387,350)	(2,011,933)	(2,399,283)
Other comprehensive income	-	-	(1,027,165)	-	-	(1,027,165)	(328,402)	(1,355,567)
Total Comprehensive Income	-	(387,350)	(1,027,165)	-	-	(1,414,515)	(2,340,335)	(3,754,850)
Transactions with owners in their capacity as owners								
Acquisition of non-controlling interests	-	-	-	-	(2,951)	(2,951)	2,951	-
Return of capital	-	-	-	-	-	-	-	-
Share based payments expense	-	-	-	653,793	-	653,793	441,317	1,095,110
At 31 December 2020	104,316,022	(87,139,042)	(1,012,325)	1,861,378	579,235	18,605,268	(986,263)	17,619,005

* See note 12 for details regarding the restatement as a result of an error.

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

Notes to the Interim Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

ABOUT THIS REPORT

The interim condensed consolidated financial report of Senetas Corporation Limited and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2020 were authorised for issue in accordance with a resolution of directors on 26 February 2021.

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 interim condensed consolidated financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* issued by the Australian Accounting Standards Board (AASB). The interim condensed consolidated financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial report as at 30 June 2020.

The interim consolidated financial report has been prepared on an historical cost basis except for contingent consideration and investment securities that have been measured at fair value.

The interim consolidated financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

The accounting policies adopted in the preparation of the interim consolidated financial report are consistent with those followed in the preparation of the Group's annual report for the year ended 30 June 2020.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim consolidated financial report 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.

In preparing the interim consolidated financial report, the significant estimates, judgements and assumptions made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the most recent annual report as at 30 June 2020.

Notes to the Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

FINANCIAL PERFORMANCE SECTION

1 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated revenue information

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

	CONSOLIDATED	
	December 2020	December 2019
	\$	\$
Sale of goods	6,588,756	4,858,235
Product maintenance revenue	6,771,497	5,119,630
Provision of services	911,426	622,843
Total revenue from contracts with customers	14,271,679	10,600,708

Geographical markets

Asia Pacific	2,257,956	1,852,990
United States	6,491,058	5,782,331
Europe	5,522,665	2,965,387
Total revenue from contracts with customers	14,271,679	10,600,708

Timing of revenue recognition

Goods transferred at a point in time	7,500,182	5,481,078
Services transferred over time	6,771,497	5,119,630
Total revenue from contracts with customers	14,271,679	10,600,708

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

Sale of goods	-	-
Product maintenance revenue	10,673,923	9,640,856
Provision of services	-	-
Total	10,673,923	9,640,856

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

Product maintenance revenue expected to be recognised within:

	\$	\$
One (1) year of the reporting date	6,678,565	5,493,906
Two (2) years from the reporting date	2,319,649	2,847,452
Three (3) years from the reporting date	1,130,970	973,291
Between four (4) and five (5) years	544,739	326,207
Total	10,673,923	9,640,856

2 OTHER INCOME

Government grants	300,520	-
Net gain on foreign exchange	-	121,255
Interest income	28,291	202,324
Other income	19,705	-
Total	348,516	323,579

Notes to the Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

3 EXPENSES

	Notes	CONSOLIDATED	
		December 2020	December 2019 Restated*
		\$	\$
(a) Employee benefits expense			
Salaries & wages		6,183,862	3,709,072
Superannuation		207,492	198,945
Termination payouts		31,763	-
Share based payment expense (Restated*)		1,095,110	166,734
Total		7,518,227	4,074,751

* See note 12 for details regarding the restatement as a result of an error.

(b) Depreciation and amortisation expense

Depreciation:			
Plant and equipment		292,558	358,333
Leasehold improvements		24,571	43,768
Right-of-use asset		190,554	183,238
Amortisation:			
Customer relationships		123,150	-
Software		1,044,861	58,807
Total		1,675,694	644,146

(c) Administration expenses

Premises costs		88,421	88,369
Travel expenditure		15,744	435,232
Telephone and internet expenditure		84,708	73,242
Insurance expenditure		261,275	193,765
Marketing expenditure		960,313	566,419
External contractors -sales and corporate		1,532,597	1,536,875
Total		2,943,058	2,893,902

(d) Other expenses

Certification, testing and direct R&D expenditure		128,270	253,744
Legal fees		358,277	192,626
Professional services		241,964	325,341
Subscriptions and membership fees		165,403	85,140
Interest on ROU asset		38,164	31,151
Re-measurement of contingent consideration liability		(12,490)	(8,209)
Net loss on foreign exchange		774,087	-
Write off of bad debt		63,398	-
Other expenses		279,078	146,750
Total		2,036,151	1,026,543

4 INCOME TAX

The Group calculates the income tax expense for the reporting period using the tax rate that would be applicable to expected total annual earnings.

Major components of income tax expense in the interim statement of comprehensive income are:

Current income tax

Current income tax charge	908,759	570,953
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Deferred income tax

Relating to origination and reversal of temporary differences	(175,243)	(90,784)
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Income tax expense reported in statement of comprehensive income

733,516	480,169
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Notes to the Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

5 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 half-years ended 31 December:

Half-year ended 31 December 2020		Senetas	Votiro	Total
		\$	\$	\$
Segment revenue - Revenue from contracts with customers				
Sale of equipment		6,588,756	-	6,588,756
Maintenance revenue		6,164,593	606,904	6,771,497
Provision of services		6,493	904,933	911,426
Total Segment revenue		12,759,842	1,511,837	14,271,679
	Senetas	Votiro	Eliminations	Total
	\$	\$	\$	\$
Result				
Segment profit/(loss) before tax	3,464,426	(5,130,193)	-	(1,665,767)
Income tax expense / (benefit)	(930,474)	196,958	-	(733,516)
Segment profit/(loss) after tax	2,533,952	(4,933,235)	-	(2,399,283)
Non-current assets	13,967,274	11,192,008	(10,416,718)	14,742,564
Total assets	37,235,007	12,450,481	(12,659,888)	37,025,600
Total liabilities	(13,520,431)	(8,129,333)	2,243,170	(19,406,594)
Net assets	23,714,576	4,321,148	(10,416,718)	17,619,005

Notes to the Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

5 SEGMENT INFORMATION (CONTINUED)

Half-year ended 31 December 2019	Senetas \$	Votiro \$	Total \$
<i>Segment revenue - Revenue from contracts with customers</i>			
Sale of equipment	4,858,235	-	4,858,235
Maintenance revenue	4,650,181	469,449	5,119,630
Provision of services	16,076	606,767	622,843
Total Segment revenue	9,524,492	1,076,216	10,600,708

	Senetas \$	Votiro Restated* \$	Eliminations \$	Total \$
<i>Result</i>				
Segment profit/(loss) before tax	103,205	(612,734)	(71)	(509,600)
Income tax expense / (benefit)	(479,538)	(631)	-	(480,169)
Segment loss after tax	(376,333)	(613,365)	71	(989,627)
Non-current assets	11,114,786	615,766	829,049	12,559,601
Total assets	30,728,496	10,539,851	(7,128,760)	34,139,587
Total liabilities	(11,807,627)	(4,918,671)	123,280	(16,603,018)
Net assets	18,920,869	5,621,180	(7,005,480)	17,536,569

* See note 12 for details regarding the restatement as a result of an error.

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 below.

Half-year ended 31 December 2020	Senetas \$	Votiro \$	Total \$
Asia Pacific	1,421,309	836,647	2,257,956
United States	6,198,879	292,179	6,491,058
Europe	5,139,654	383,011	5,522,665
Total	12,759,842	1,511,837	14,271,679

Half-year ended 31 December 2019	Senetas \$	Votiro \$	Total \$
Asia Pacific	1,050,441	802,549	1,852,990
United States	5,718,762	63,569	5,782,331
Europe	2,755,289	210,098	2,965,387
Total	9,524,492	1,076,216	10,600,708

Revenue from one customer - the Company's global distribution partner, Thales - amounted to \$11,057,485 (2019: \$8,465,215) arising from the above mentioned geographical areas.

Notes to the Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

WORKING CAPITAL SECTION

6 TRADE RECEIVABLES AND CONTRACT ASSETS

	Notes	CONSOLIDATED	
		December 2020	June 2020
		\$	\$
Trade receivables (i)		4,030,071	4,041,103
Contract asset		1,443,119	1,010,803
Net GST receivable		153,503	209,487
Government grants		82,523	221,535
Total		5,709,216	5,482,928

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

The Group holds no collateral against possible default by a customer.

OPERATING ASSETS AND LIABILITIES

7 GOODWILL AND INTANGIBLE ASSETS

	Notes	Goodwill \$	Customer relationships \$	Software \$	Total \$
Half-Year ended 31 December 2020					
At 1 July 2020, net of accumulated amortisation and impairment		3,850,143	1,113,304	9,085,001	14,048,448
Additions		-	-	63,029	63,029
Amortisation		-	(123,150)	(1,044,861)	(1,168,011)
Exchange differences		(410,554)	(136,323)	(1,087,519)	(1,634,396)
At 31 December 2020 net of accumulated amortisation and impairment		3,439,589	853,831	7,015,651	11,309,070
At 31 December 2020 net of accumulated amortisation and impairment					
Cost (gross carrying amount)		3,439,589	1,154,655	9,967,933	14,562,177
Accumulated amortisation and impairment		-	(300,824)	(2,952,283)	(3,253,107)
Net carrying amount at 31 December 2020		3,439,589	853,831	7,015,650	11,309,070
Year ended 30 June 2020					
At 1 July 2019, net of accumulated amortisation and impairment		-	-	195,517	195,517
Acquisition through business combination (restated*)		3,850,143	1,290,978	10,298,811	15,439,932
Additions		-	-	128,585	128,585
Amortisation		-	(177,674)	(1,537,912)	(1,715,586)
Exchange differences		2,410	800	6,382	9,592
At 30 June 2020 net of accumulated amortisation and impairment		3,852,553	1,114,104	9,091,383	14,058,040
At 30 June 2020 net of accumulated amortisation and impairment					
Cost (gross carrying amount) (restated*)		3,852,553	1,291,778	10,998,805	16,143,136
Accumulated amortisation and impairment		-	(177,674)	(1,907,422)	(2,085,096)
Net carrying amount at 30 June 2020		3,852,553	1,114,104	9,091,383	14,058,040

* See note 12 for details regarding the restatement as a result of an error.

Notes to the Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

CAPITAL AND FINANCIAL RISK MANAGEMENT

8 CONTRIBUTED EQUITY

	CONSOLIDATED	
	December 2020	June 2020
Ordinary shares	\$	\$
<i>Issued and paid-up capital</i>		
Ordinary shares each fully paid	<u>104,316,022</u>	<u>104,316,022</u>

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

Movements in ordinary shares on issue	December 2020		June 2020	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	1,082,149,179	104,316,022	1,081,329,448	104,728,595
Capital return	-	-	-	(499,583)
Performance rights converted to shares	-	-	819,731	87,010
End of the financial period	<u>1,082,149,179</u>	<u>104,316,022</u>	<u>1,082,149,179</u>	<u>104,316,022</u>

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.

Notes to the Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

9 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
31 December 2020			
<i>Financial liabilities</i>			
Contingent consideration liability (Note 10)	-	-	64,828
30 June 2020			
<i>Financial liabilities</i>			
Contingent consideration liability (Note 10)	-	-	77,317

Valuations are the responsibility of the Board of Directors of the Group and management may use the services of independent valuers to determine appropriateness of valuation of unlisted investments. The Board review the valuation policies of the Group on an annual basis, to ensure adherence to industry best practices. There were no other changes in valuation techniques during the year.

There have been no transfers between Level 1, 2 or 3 of the fair value hierarchy during the year.

Other than the remeasurement of contingent consideration liability to \$64,828, there has been no other movement in Level 3 items.

GROUP STRUCTURE

10 CONTINGENT CONSIDERATION

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

The estimated fair value is calculated by 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. The fair value of the contingent consideration has been reassessed as at 31 December 2020 and resulted in the remeasurement of the liability to \$64,829 which is a decrease of \$12,488 from 30 June 2019. The movement has been recognised in the statement of comprehensive income. \$19,226 of the contingent consideration is expected to be settled within the next 12 months from the balance sheet date. This contingent consideration liability will continued to be reassessed at each reporting date over the remaining earn-out period. The contingent consideration liability is categorised as a level 3 item of the fair value hierarchy.

11 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: Name	December 2020 \$	June 2020 Restated* \$
Votiro Cybersec Global Limited	41.1	40.5
Accumulated balances of material non-controlling interest	(986,256)	909,804
Loss allocation to material non-controlling interest	(2,011,933)	(2,341,392)

Following the grant of options to Votiro employees on 13 October 2020, non-controlling interest increased by 0.6% to 41.1%.

(b) Non-controlling interests (NCI)

Summarised statement of profit or loss for the half-year ended 31 December:

	December 2020 \$	December 2019 ⁽¹⁾ Restated* \$
Revenue from contracts with customers	1,511,837	1,076,215
Cost of sales	(51,992)	(94,648)
Administrative expenses	(6,569,128)	(1,389,281)
Finance costs	(40,616)	(205,020)
Loss before tax	(5,149,898)	(612,734)
Income tax	196,958	631
Loss for the period	(4,952,940)	(613,365)
Attributable to non-controlling interest	(2,011,933)	(304,843)

⁽¹⁾ The profit and loss for the comparative period is from the date of acquisition of control (1 November 2019) to 31 December 2019.

* See note 12 for details regarding the restatement as a result of an error.

Notes to the Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

11 MATERIAL PARTLY-OWNED SUBSIDIARIES (CONTINUED)

Summarised statement of financial position before elimination entries:

	December 2020	June 2020 Restated*
	\$	\$
Cash and cash equivalents	492,024	1,773,350
Trade receivables and other current assets	766,448	522,619
Plant and equipment and other non-current asset	87,123	478,819
Goodwill and other intangibles (*restated)	11,104,884	13,854,455
Trade and other current liabilities	(3,105,273)	(4,533,517)
Contract liabilities - current	(1,957,122)	(1,920,525)
Contract liabilities - non-current	(864,805)	(1,470,933)
Other non-current liabilities	(2,085,463)	(2,544,238)
Total equity	4,437,817	6,160,030
Attributable to:		
Equity holders of parent	5,424,080	5,250,226
Non-controlling interest	(986,263)	909,804

Summarised cash flow information for the half-year ended 31 December:

	December 2020	December 2019 ⁽¹⁾
	\$	\$
Operating	(3,286,778)	(1,052,255)
Investing	(42,179)	(16,454)
Financing	2,135,008	-
Net decrease in cash and cash equivalents	(1,193,949)	(1,068,709)

⁽¹⁾ The cash flow information for the comparative period is from the date of acquisition of control (1 November 2019) to 31 December 2019.

* See note 12 for details regarding the restatement as a result of an error.

(c) Transactions with non-controlling interests

On 13 October 2020, Votiro granted options to employees of the issued shares of Votiro Cybersec Global Limited which resulted in an increase to the non-controlling interest by 0.6% on a fully diluted basis. Immediately prior to this transaction, the carrying amount of the existing 40.5% non-controlling interest in Votiro was \$374,224. The Group recognised an increase in non-controlling interests of \$2,951, and a decrease in the equity attributable to owners of the parent of \$2,951. The effect on the equity attributable to the owners of Votiro during the half-year is summarised as follows:

	December 2020	June 2020
	\$	\$
Carrying amount of non-controlling interest acquired	(2,951)	582,186
Consideration paid to non-controlling interests	-	-
Excess of consideration paid recognised in other reserves within equity	(2,951)	582,186

Notes to the Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

OTHER INFORMATION

12 CORRECTION OF A MATERIAL ERROR

In preparing the 31 December 2020 half-year financial report, it was discovered that a computational error in calculating the share based payment expense was made by a subsidiary. The error resulted in a material overstatement of the share based payment expense recognised at 30 June 2020 and 31 December 2019 and a corresponding overstatement of the employee benefits reserve.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	30 June 2020	Increase/ (decrease)	30 June 2020 (Restated)
	\$	\$	\$
Statement of Financial Position (extract)			
Goodwill and intangible assets	14,095,847	(37,807)	14,058,040
Net assets	20,316,552	(37,807)	20,278,745
Accumulated losses	(86,911,826)	160,134	(86,751,692)
Employee benefits reserve	1,405,526	(197,941)	1,207,585
Total equity	20,316,552	(37,807)	20,278,745

	31 December 2019	Profit Increase/ (decrease)	31 December 2019
	\$	\$	\$
Statement of Comprehensive Income (extract)			
Share based payment expense	(186,513)	19,779	(166,734)
Share of loss of an associate	(1,234,353)	37,807	(1,196,546)
Gain/(loss) on step acquisition of investment in an associate	33,059	(37,807)	(4,748)
Loss for the period	(1,009,406)	19,779	(989,627)
Other comprehensive income for the period	70,820	-	70,820
Total comprehensive income for the period	(938,586)	19,779	(918,807)
Profit is attributable to:			
Owners of the parent	(694,733)	9,949	(684,784)
Non-controlling interest	(314,673)	9,830	(304,843)
	(1,009,406)	19,779	(989,627)
Total comprehensive income is attributable to:			
Owners of the parent	(652,712)	9,949	(642,763)
Non-controlling interest	(285,874)	9,830	(276,044)
	(938,586)	19,779	(918,807)

There was a negligible impact to the basic and diluted earnings per share for the prior period.

13 CONTINGENT ASSETS AND LIABILITIES

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

14 EVENTS SUBSEQUENT TO REPORTING DATE

There are no significant events after reporting date.

DIRECTORS' DECLARATION

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 half- year ended 31 December 2020 are in accordance with the *Corporations Act 2001* , including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001* ; and
- (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.

On behalf of the Board



Francis W. Galbally
Chairman
Melbourne
Date: 26 February 2021

Independent Auditor's Review Report

To the Members of Senetas Corporation Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Senetas Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and 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 half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Senetas Corporation Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Senetas Corporation Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 26 February 2021