Audinate

Annual Report

2019


Dante
Broadway
Audinate
TAIWAN

Global leader in digital media networking, distributing top quality digital audio and video signals over computer networks

Contents

FY19 financials

Revenue
A$28.3m
44% growth

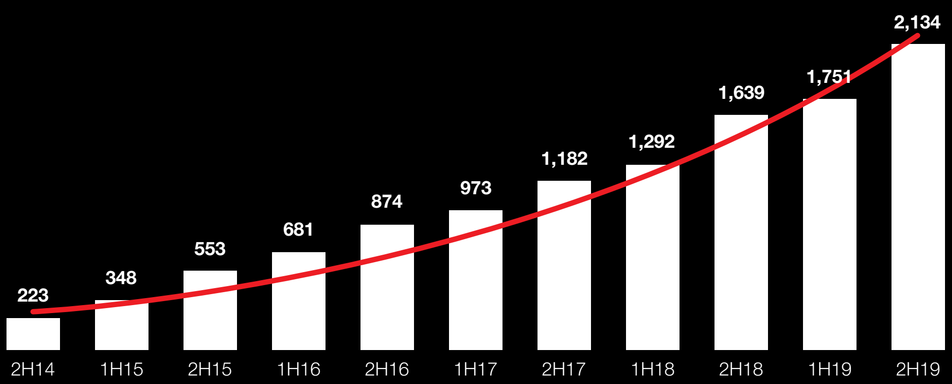
Operating cashflow
A$3.6m
Increased from A$1.0m

EBITDA
A$2.8m
Increased from A$0.6m

Capital raised
A$24.0m
via placement & SPP

Growing network effect

Number of Dante-enabled products drives economic network effect



57%
CAGR in Dante ecosystem of products

Note: per financial half-year

- 29% growth in Dante units* shipped annually
- 2,134 Dante-enabled products on the market
- 22% increase in OEMs shipping Dante product
- 3 video & software products launched

* Chips, cards, modules & software

Chairman’s letter

Dear Shareholders,

On behalf of the Directors, it is my pleasure to present the Audinate Group Limited Annual Report for the Financial Year ended 30 June 2019 (FY19). It was another very good year for Audinate as the business exceeded its financial goals and delivered on strategic product initiatives which are important in continuing to build our platform for future growth.

In FY19 we made our first step into the video market, with the launch of our Dante AV products at the InfoComm tradeshow in June 2019. I was fortunate enough to be at the tradeshow and witness first-hand the level of interest and excitement from our customers about the potential for Dante AV. Critically, this more than doubles the total addressable market of our existing audio networking business. Securing design wins for these products in FY20 is a key objective to build a pipeline for additional revenue growth in FY21 and beyond.

During the year we also went through a process to re-evaluate our vision and values. This was an invaluable exercise for the Group that re-affirmed our current strategic direction but also led to a broader articulation of what we are about as an organisation. As Audinate continues to grow, it is important to preserve the elements of the culture that have made us successful and codify the expectations of everyone who works here. Our new vision statement “Audinate: Pioneering the future of AV” encapsulates both the innovative heritage of the business and the aspiration that continues to drive us every day.

The Group also implemented a staff equity plan during the year to provide access to equity, in the form of shares or performance rights, to all employees. We see this as critical in promoting a genuine sense of ownership and strong alignment between staff and shareholders. These initiatives contributed to a significant boost to our employee engagement score during the year.

Lee Ellison has recently retired as CEO and Director after nearly eleven years with the company and it is therefore timely to reflect on Audinate’s achievements under his leadership. When Lee joined Audinate, it was a fledgling Australian technology company with high aspirations but only a handful of customers. Today we have more than 450 customers, over 2,100 Dante enabled products on the market, and a global presence in seven countries. Lee has done an outstanding job in achieving all this and building a strong team to continue to propel the business into its next phase of growth. We wish him well in his retirement and thank him for the many years of dedication, drive, and enthusiasm he has given to Audinate.

We are also in the fortunate position of having Aidan Williams, co-founder and previously Chief Technology Officer, to succeed Lee as our next Chief Executive Officer. As co-founder, Aidan has been responsible for driving the Dante product vision and strategy from the very inception of the business to what it is today. The Board went through a rigorous process to consider successors, which validated our view that our internal candidate was the best choice for our next CEO. Whilst much has been achieved so far in Audinate’s history, we are still relatively early in our journey to transform the AV industry, and I am confident that Aidan is the right person to lead us through this next chapter. I am also reassured by the presence of a strong and experienced leadership team that he inherited from Lee and which will be a critical component of our ongoing success.

In June and July of 2019 the company raised $24m of additional capital. I would like to thank all the institutional and retail shareholders who participated in the private placement and associated share purchase plan. We were genuinely overwhelmed by the level of interest in the capital raise and humbled by this support. Audinate will continue to judiciously deploy this capital to enable the software transformation of the AV industry.

On behalf of the Board of Directors of Audinate, we also wish to express our sincere thanks to all the employees at Audinate. Your passion, drive and teamwork are an essential part of our great results in FY19 and critical to our ongoing success.

DAVID KRALL
Chairman

CEO’s report

FY19 was another exciting year for Audinate as the consistent, reliable execution of our long-term strategy resulted in us achieving all of the financial and operational goals we set for the business at the beginning of the year. The AV industry is still relatively early in its conversion from analogue to digital networking and we are pleased with our ongoing delivery of a broader suite of products and services to enable and accelerate this transformation.

Financial results

The company delivered 33.6% US$ revenue growth from US$15.2 million in FY18 to US$20.3 million in the current year. The strengthening of the USD, the currency in which we bill our customers, meant that revenue in Australian dollars increased 44.1% to $28.3 million.

Dollar amounts referenced from this point onwards are exclusively Australian dollars.

The strong growth in revenue underpinned a 249% increase in EBITDA to $2.8 million as the operating leverage in our business model was evident from the amount of growth in gross profit that flowed through to earnings.

Similarly, operating cashflows grew strongly to $3.6 million in FY19 compared to $1.0 million in the prior year.

Ongoing growth in the gross margin of our core audio networking business continues to be used to fund new product initiatives, which is evident in our research and development spend growing to $6.7 million in FY19. The majority of this spend related to Dante AV and new software products, which are explained in greater detail later in this report.

Audinate strengthened its balance sheet with the successful completion of an over-subscribed institutional placement of $20 million on 6 June 2019. A further $4 million was raised via an associated share purchase plan which completed on 10 July 2019. We are grateful for this significant show of support from our shareholders and excited about the ability this provides us to accelerate our product roadmap and growth initiatives.

Operational results

The revenue of our core audio networking business has three main drivers and we delivered good improvement across all the relevant metrics in FY19.

Our research shows that one of the biggest obstacles to the adoption of our Dante technology is training. In response we developed an extensive suite of Dante certification courses that are available to professionals in the AV industry to take face-to-face or online. We launched these training courses about three years ago and have trained more than 60,000 people on the benefits Dante and digital audio networking by the end of FY19. Our research also shows that post training most professionals buy more Dante enabled products, which in turn stimulates Original Equipment Manufacturers’ (‘OEM’) production and purchases of our technology in physical or software form.

CEO’s report continued

Another critical revenue driver relates to our penetration within existing OEM customers and it is generally the case that the more Dante enabled products they have the more revenue we make. During FY19 the total number of Dante enabled products grew 30% to 2,134 products, which is more than six times greater than our nearest competitor. Even more pleasing was that the average number of products per OEM is now approaching 8 products, up from just over 7 products a year ago.

The number of Dante enabled products is a measure of the size of the Dante ecosystem and the larger this ecosystem becomes the stronger the economic network effect. For OEMs the Dante ecosystem becomes more attractive based on the growth in the number of other products they can connect to. Whilst for end-users the ecosystem is more attractive based not just on the number of Dante enabled products, but also based on the breadth of products available and the multitude of brand choices.

The other significant revenue driver for the business is the number of OEMs adopting Dante. During the year the number of OEMs with Dante enabled products available grew 22% to 270 customers at the end of FY19. There are a further 170 OEM customers currently in the process of developing their first Dante enabled products and we would typically expect most of these customers to come to market with products over the next two years.

Product developments

During FY19, Audinate also made its entry into the video market with the release of its Dante AV module and the introduction of the Dante AV Product Design Suite in June 2019. The AV module sales model is similar to our existing audio networking business which means that design wins with OEMs over the course of FY20 are important to build a pipeline of Dante enabled products available for shipping by FY21 and beyond. The Dante AV Product Design Suite is a product for our OEM customers and represents a complete, ready to manufacture product design. We expect to deliver this product to our OEMs by December 2019. It is envisaged this will shorten time to market for Dante AV products and provide a more economical alternative to internal product development for some OEMs.

At the InfoComm tradeshow in June 2019 Audinate released two new software products. One of these products was the Dante Application Library™ (DAL) which allows software developers to seamlessly integrate Dante functionality directly into their PC & Mac applications. Zoom Video Communications Inc, a leader in video-first unified communications, has teamed up with Audinate to integrate the Dante Application Library into its Zoom Room application for video meetings. Zoom was announced as the initial customer for DAL and commercial launch of the new enhancement is anticipated to be in late 2019.

This product is strategically important for Audinate as it represents a way to connect a rapidly growing number of software applications with in-room sound reinforcement, such as Dante enabled speakers and microphones.

The other product released was the Dante Embedded Platform™(DEP). DEP enables manufacturers to implement Dante in software running on Linux for Intel and ARM processors. QSC is the first DEP customer to deploy the product within the Q-SYS line of digital signal processors and is expected to be rolled out by the end of calendar year 2019.

This product is also strategically important for the Group as it enables customers to add Dante support to third party AV products already in the field and the potential for system integrators and end-users to add new features and more Dante channels to products, as their systems grow and change. Software based implementations also allow OEM customers to save on their overall COGs component of adding Dante to their products whilst still providing similar gross profit dollars to Audinate.

Other matters

In August 2019 we moved into our new Sydney Head Office in Surry Hills after we outgrew our old premises in Ultimo. We expect that the new purpose-built fit-out will support our agile and flexible work practices through the next phase of growth.

More broadly Audinate has significantly extended its global footprint with expansion to Germany, China and Japan since June 2018. Having dedicated employees in these key markets is important to drive the adoption of Dante in a way which is localised to the customs and practices of each of these different countries. In FY20 we will also be focused upon delivering Dante in different languages to help further penetrate non-English speaking markets.

Outlook

We anticipate that USD revenue growth will continue in a range consistent with long-term historic performance. Economic conditions and US tariffs may impact the near-term results, but this will not impact on the Company's focus to grow long-term shareholder value. Audinate is well placed to drive innovation throughout the AV industry. Our business is well capitalised and has the foundations in place to accelerate our product development and support the software transition of the AV industry.

2019.

LEE ELLISON
Chief Executive Officer

AIDAN WILLIAMS
Chief Executive Officer

CEO's report continued

Thank you from retiring CEO

I am grateful to have been given the opportunity to guide Audinate over the last 11 years. We started with only a few customers, and now Audinate has become the de-facto standard for audio networking for the Professional AV industry. It has been a privilege to work alongside such a dedicated and exceptional team at Audinate.

Upon my retirement, Aidan Williams, our co-founder and successor as CEO, takes over the helm. Aidan has been leading the company's strategic development over the years and together we have expanded and strengthened the executive leadership team. I am comforted in my decision to enter retirement knowing that Audinate is in a very good place to continue to achieve our vision to Pioneer the Future of AV.

I would like to thank our shareholders for your continuing support, and above all for your trust in Audinate.

LEE ELLISON
Chief Executive Officer

Financial report
2019

Contents

Corporate directory

Directors	David Krall Lee Ellison John Dyson Roger Price Alison Ledger Tim Finlayson
Company secretary	Rob Goss
Notice of annual general meeting	The details of the annual general meeting of Audinate Group Limited are: Rydges Sydney Central 28 Albion Street Surry Hills NSW 2010 11 a.m. on Thursday 24 October 2019
Registered office	Level 7 64 Kippax Street Surry Hills NSW 2010 Tel: 02 8280 7100
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Tel: 1300 554 474
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Maddocks Level 27 123 Pitt Street Sydney NSW 2000
Stock exchange listing	Audinate Group Limited shares are listed on the Australian Securities Exchange (ASX code: AD8)
Website	www.audinate.com
Corporate Governance Statement	The directors and management are committed to conducting the business of Audinate Group Limited in an ethical manner and in accordance with the highest standards of corporate governance. Audinate Group Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, which is approved at the same time as the Annual Report can be found at: https://www.audinate.com/company/governance

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Audinate Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors
The following persons were directors of Audinate Group Limited during the whole financial year and up to the date of this report, unless otherwise stated:

David Krall
Lee Ellison
John Dyson
Roger Price
Alison Ledger
Tim Finlayson

Principal activities
The Group's principal activity is the development and sale of digital Audio Visual ('AV') networking solutions. Dante® is the Group's technology platform that distributes high-quality digital audio and video signals over computer networks. Dante comprises software and hardware that is sold to and integrated inside the AV products of its Original Equipment Manufacturer ('OEM') customers. Audinate also sells application software through its own channel to provide management and control for these installations.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
For the year ended 30 June 2019, the Group reported an increase in revenue of 44.1% to $28.3 million from $19.7 million in the prior year. As the Group invoices its customers in US dollars, this currency is a more relevant measure of sales performance. In US dollars, revenue increased by 33.6% to US$20.3 million in 2019 from US$15.2 million in the prior year.

The directors consider Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') to reflect the core earnings of the Group. EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash and significant items.

	Consolidated	
	2019 $'000	2018 $'000
Profit after income tax expense for the year	662	2,544
Interest revenue	(192)	(227)
Other (income)/expense	(104)	70
Income tax benefit	(20)	(3,280)
Depreciation and amortisation	2,419	1,452
EBITDA	2,765	559

The Group has grown the number of OEM customers shipping Dante enabled products to 270 OEMs at 30 June 2019, up from 222 at 30 June 2018. Once the OEM has designed the Dante platform into one of its products, the Group will receive revenue at each production run in the form of sales of Dante chips, modules or cards or royalties. Dante enabled OEM products available for sale increased to 2,134 products, up 30% from 1,639 at the end of June 2018. Sales units of the volume of chips, modules and cards, shipped in 2019 increased to 352,000, a 41.9% increase over the prior year. Audinate revenue from software includes royalties, consumer software and Dante Domain Manager.

Operating expenses, which consist of employee benefit expenses, marketing expenses and administration and other operating expenses increased by approximately 30.0% to $18.3 million in 2019 from $14.1 million in the prior year. This increase was primarily due to additional headcount and the impact of two years of staff equity grant expense in the current year. EBITDA was $2.8 million in 2019 compared to $0.6m in 2018.

In the prior year the Group entered into a tax consolidated group and the impact of this decision was recorded as an income tax benefit amounting to approximately $2.4 million.

The Group recorded a profit after tax of $0.7 million for the year ended 30 June 2019 compared to $2.5 million for the prior year, which included the one-off $2.4m non-cash tax impact described above.

Significant changes in the state of affairs

The Group completed a $20 million institutional placement on 5 June 2019 and the use of these proceeds is covered in this report under 'Likely developments and expected results of operations'.

As previously announced, Lee Ellison will retire as CEO and director of the Group on 13 September 2019 and be replaced in both roles by co-founder Aidan Williams.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

The Group completed a Share Purchase Plan on 10 July 2019 which raised $4,000,003 of cash and resulted in the issue of 571,429 ordinary shares on this date.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Group will continue to execute on the strategy to maintain revenue growth in the core business.

The Group’s growth strategy is multi-faceted and seeks to:

- continue to grow the OEMs adopting Dante;
- increase the adoption of Dante across a customer’s product portfolio to expand the ecosystem of available Dante enabled products;
- drive other market participants’ adoption of Dante by working with consultants, integrators, and customers to create a “network effect” as the adoption of Dante in partner products expands; and
- deliver new products and services to both OEMs and end-users.

As the Group increases its customer base, and the number of Dante-enabled devices within the ecosystem increases, more choices are available for consultants, system designers, integrators, and end users to design turnkey systems. This in turn, further entrenches Dante as the preferred networking technology for professional AV installations, and encourages OEMs to be part of the Dante ecosystem to ensure their products are considered for new installations as well as upgrades to existing installations.

In the coming year the Group will also focus on the sale of Dante AV products for incorporation into OEM’s video products. The first step in this process is getting product designs agreed with OEM's for them to adopt Dante AV technology and bring them to market.

The proceeds from the capital raise completed at the end of FY 2019 will allow the Group to:

- expand global sales penetration;
- accelerate recent product initiatives;
- develop the next generation Dante platform; and
- provide additional balance sheet strength and flexibility to support growth.

This additional capital positions Audinate well to pursue new opportunities from the video market and to support the growing demand for software based Dante implementations for both audio and video products.

Environmental regulation

The Group is not directly subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	David Krall
Title:	Chairman and Non-Executive Director
Qualifications:	David has a Master of Business Administration from Harvard University and both a Bachelor of Science degree and Masters degree in Engineering from Massachusetts Institute of Technology.
Experience and expertise:	David serves as a director and/or strategic advisor to several technology companies, combining a strong educational background in engineering and business with 30 years of professional experience. David currently acts as Strategic Advisor for Roku Inc. He is the former President and Chief Operating Officer of Roku Inc., a market leader in television streaming. He was also formerly President and Chief Executive Officer of Avid Technology Inc. (NASDAQ: AVID)
Other current directorships:	Director of Progress Software Corporation (NASDAQ: PRGS); Director of Harmonic Inc. (NASDAQ: HLIT); Director of Universal Audio; and, Chairman of WeVideo Inc.
Former directorships (last 3 years):	Director of Quantum Corp. (NYSE: QTM)
Special responsibilities:	Member of the Remuneration and Nomination Committee
Interests in shares:	293,958 ordinary shares
Interests in options:	186,042 options over ordinary shares
Interests in rights:	None

Name:	Lee Ellison
Title:	Chief Executive Officer
Qualifications:	Lee has a Bachelor of Science degree from The Ohio State University. Lee also completed an executive management program at the University of Virginia's Darden Business School.
Experience and expertise:	Lee has held a series of senior management roles in both start-up and listed companies in the telecom and computer technology industries. Lee has held various senior executive and leadership roles over the last 30 years. Lee formerly served as founding Senior Vice President of Worldwide Sales at Dilithium Networks. Previously, Lee served as Vice President of Global Sales and International Operations for Tektronix, Inc. During his 16-year tenure with Glenayre Electronics, Lee held various executive management positions.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	820 ordinary shares
Interests in options:	320,000 options over ordinary shares
Interests in rights:	2,368,410 performance rights over ordinary shares

Name:	John Dyson
Title:	Non-Executive Director
Qualifications:	John has a Master of Business Administration from RMIT University and a Bachelor of Science degree from Monash University. He has a Graduate Diploma in Finance and Investment from the Securities Institute of Australia and is a member of the Australian Institute of Company Directors.
Experience and expertise:	John is a director and one of the founders of Starfish Ventures. He played a crucial role in the establishment of Starfish Ventures and has personally overseen and managed investments across a range of technologies and industries. John is currently a director of Atmail Pty Ltd., Echoview Pty Ltd., Nitro Software Pty Ltd, Akatana Inc., Design Crowd Pty Ltd and Hearables 3D Pty Limited. John is also a director at the Walter and Eliza Hall Institute of Medical Research. Formerly, John was General Manager (Australia) of JAFCO Investment (Asia Pacific), a Singapore based private equity manager. Prior to joining JAFCO, John worked in the investment banking and stockbroking industries for Schroders, Nomura Securities, KPMG and ANZ McCaughan.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee and Audit and Risk Management Committee
Interests in shares:	184,429 ordinary shares
Interests in options:	None
Interests in rights:	None

Name:	Roger Price
Title:	Non-Executive Director
Qualifications:	Roger has an Engineering degree from the University of Technology, Sydney.
Experience and expertise:	Roger is currently the Chairman and Chief Executive Officer of Windlab Limited, a wind energy company. Previously Roger was also a partner at Innovation Capital, a venture capital firm in Sydney, one of the early investors in the Group. Roger has a depth of operational experience including senior engineering, manufacturing, information technology service and international business development roles for a number of technology-based companies. Prior to joining Innovation Capital, Roger was the Chief Executive Officer of Reino Intl., a developer of advanced parking solutions. Roger commenced his career at Alcatel and has held senior positions with a number of Australian technology businesses and NASDAQ listed software companies.
Other current directorships:	Director of Windlab Limited (ASX: WND)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Management Committee
Interests in shares:	71,156 ordinary shares
Interests in options:	None
Interests in rights:	None

Name:	Alison Ledger
Title:	Non-Executive Director
Qualifications:	Alison has a Master of Business Administration from Harvard University and a Bachelor of Arts degree in Economics from Boston College. She is a graduate and member of the Australian Institute of Company Directors.
Experience and expertise:	Alison is a company director with significant experience in banking, consulting and corporate P&L roles. She is currently a Non-Executive Director of private equity owned Latitude Financial Services, its subsidiary Hallmark Insurance and ASX listed Countplus. As a Partner with Mckinsey & Company, Alison advised leading global and Australian financial institutions on strategy, performance improvement and organisational change. While Executive General Manager, Product, Pricing and eBusinesses at Insurance Australia Group (IAG), Alison led the digital transformation of the direct insurance business.
Other current directorships:	Non-Executive Director of Countplus Limited (ASX: CUP)
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Remuneration and Nomination Committee
Interests in shares:	1,500 ordinary shares
Interests in options:	None
Interests in rights:	None

Name:	Tim Finlayson
Title:	Non-Executive Director
Qualifications:	Tim has degrees in Economics and Laws from Macquarie University. He is a member of Chartered Accountants Australia and New Zealand and is admitted as a Solicitor of the Supreme Court of New South Wales.
Experience and expertise:	Tim is a chartered accountant with more than 25 years of experience in professional services, telecommunications and infrastructure industries and has held finance and operational leadership roles in Australia, Singapore and Vietnam. Tim is currently Chief Operating Officer with King & Wood Mallesons Australia, a leading international law firm. During his time at PricewaterhouseCoopers, Tim was a partner of Tax and Legal Services in Indochina advising foreign companies on setting up and operating in Vietnam, Cambodia and Laos, following tax advisory roles in Sydney and Singapore. Tim was previously Chief Financial Officer for Sydney Airport Corporation (ASX: SYD) and Hutchison Telecommunications (Australia) Limited (ASX: HTA).
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Audit and Risk Management Committee
Interests in shares:	122,951 ordinary shares
Interests in options:	None
Interests in rights:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Rob Goss is the Chief Financial Officer and Company Secretary, responsible for finance, investor relations and human resources. He is a member of the Chartered Accountants Australia and New Zealand and has a Bachelor of Business degree, majoring in Accounting, from the University of Technology, Sydney.

Before joining the Group in 2017, Rob served as Chief Financial Officer for BuildingIQ, Inc. (ASX: BIQ), a commercial energy platform to manage building heating and cooling via the cloud to save on energy costs. Prior to BuildingIQ, Rob was Chief Financial Officer at iProperty Group Limited (ASX: IPP), an online property and portal operating in Malaysia, Hong Kong, Indonesia, Singapore and Thailand. Previously, Rob held senior finance roles at ANZ Bank and Allco Finance Group after commencing his career as a chartered accountant at KPMG.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Management Committee	
	Attended	Held	Attended	Held	Attended	Held
David Krall	14	14	2	2	-	-
Lee Ellison	14	14	-	-	-	-
John Dyson	13	14	2	2	2	2
Roger Price	12	14	-	-	2	2
Alison Ledger	14	14	2	2	-	-
Tim Finlayson	12	14	-	-	2	2

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel ('KMP') are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Philosophy and governance
- Remuneration framework and structure
- Remuneration details
- Executive KMP contract details
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Philosophy and governance

Remuneration philosophy

The Company's objective is to provide the maximum benefit to the shareholders while ensuring the long-term sustainability of the business. To achieve this the Company must attract, motivate and retain highly skilled directors and executives, and remunerate them fairly and appropriately. The Board of Directors ('the Board') has adopted a remuneration framework based on the following principles:

- Competitiveness and reasonableness;
- Linkage between executive rewards and shareholder value;
- Establishment of appropriately demanding performance hurdles for variable executive rewards; and
- Transparency.

In accordance with best practice corporate governance, the structure of Non-Executive Director and executive remuneration is separate and distinct.

Remuneration governance

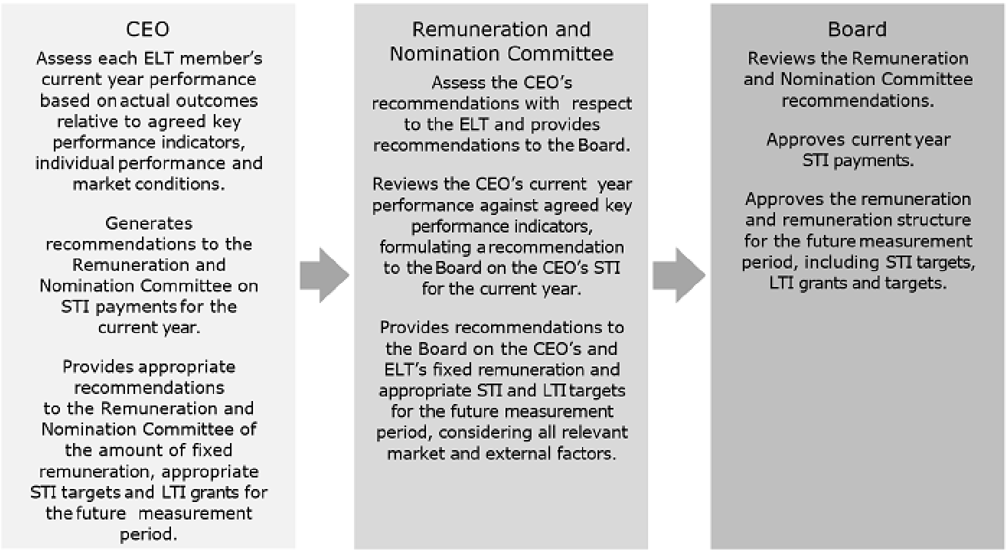
The Board has overall responsibility for the Group’s remuneration principles, practices, strategy and approach to ensure they support the Company’s business strategy and are appropriate for a listed Company given the size and nature of Audinate’s business.

The Remuneration and Nomination Committee is responsible for advising the Board on the composition of the Board and its committees, evaluating potential Board candidates and advising on their suitability, and ensuring appropriate succession plans are in place. This Committee currently comprises three independent non-executive directors and the CEO and other directors attend at the invitation of the Committee Chair.

The Remuneration and Nomination Committee establishes, amends and reviews the compensation and equity incentive plans with respect to the Executive Leadership Team ('ELT') and employees of the Group including determining individual elements of the total compensation of the Chief Executive Officer, and other members of the ELT.

The Remuneration and Nomination Committee may seek external advice to determine the appropriate level and structure of the remuneration packages from time to time (refer to the section 'Independent advice' below).

A summary of the annual remuneration review process for the executive leadership team is set out below.



Independent advice
During the 2019 financial year the Group, through the Remuneration and Nomination Committee, engaged AON Hewitt for independent advice. The work performed included an external benchmark of executive and non-executive director remuneration and advice on the structure of the long-term incentive plan for the ELT and staff equity plans. AON Hewitt was paid $40,000 for these services.

Voting and feedback from Annual General Meeting ('AGM')
At the AGM more than 99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The Company did not receive any specific feedback at the AGM regarding remuneration practices.

Remuneration framework and structure

Non-executive directors' remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. This amount is currently capped under the Constitution at $750,000 per annum. Any increase to the aggregate amount needs to be approved by shareholders. Directors will seek approval from time to time, as appropriate. This aggregate annual sum does not include any special remuneration which the Board may grant to the directors for special exertions or additional services performed by a director for or at the request of the Group, which may be in addition to or in substitution of the director's fees.

The Company has entered into an appointment letter with each of its non-executive directors. Non-executive fees, inclusive of superannuation but exclusive of GST (where applicable), are currently as follows:

Name of Non-Executive Director	Fees per annum
David Krall	$120,000
John Dyson	$65,000
Roger Price	$65,000
Alison Ledger*	$65,000
Tim Finlayson**	$65,000

* Chair of Remuneration and Nomination Committee
** Chair of Audit and Risk Committee

Non-executive directors also receive an additional $15,000 per annum for chairing a Board committee.

Summary of executive remuneration structure

Objective	Component	Form	Assessment
Attract and retain employees with the skills and experience associated with the role.	Total Fixed Remuneration	Cash and non-cash benefits	Market data, individual experience and performance.
Incentivise and reward achievement of annual key performance objectives and business outcomes.	Short Term Incentive	Cash and non-cash benefits	Annual performance based on financial and non-financial targets.
Align motivations with shareholder interests and creation of long-term value.	Long Term Incentive	Performance rights to shares	Total shareholder return relative to market index over 3 years.

Total fixed remuneration ('TFR')
TFR includes base salary and superannuation contributions and may include, at the discretion of the Board, other benefits such as health insurance for US based employees. TFR is determined with reference to available market data, the scope of an individual's role and the qualifications and experience of the individual, as well as geographic location. TFR is reviewed annually to account for market movements and individual performance outcomes. See further details in the section headed Executive KMP contract details within the Remuneration Report.

Short-term incentive plan ('STI Plan')
The STI Plan is designed to reward eligible employees for their efforts toward the accomplishment of the Group's goals during the plan year. Under the STI Plan, the decision to pay any bonus remains at the full discretion of the Board, based on recommendations by the Remuneration and Nomination Committee.

The key components of the cash-based STI Plan are:

- participants may be entitled to receive a percentage of their fixed remuneration as an annual cash bonus;
- payment of an annual cash bonus is based on (i) overall company-wide achievement of corporate financial goals, and (ii) individual performance targets and objectives;
- corporate financial goals set annually and may include measures such as revenue, EBITDA, gross profit margin and growth targets, or other targets as considered appropriate and set by the Board; and
- a minimum threshold is set for the payout on the achievement of corporate financial goals and the maximum payout amount is capped at 150% in the event of outperformance.

In FY19 the STI for all KMP and the ELT was 70% weighted to the achievement of corporate financial goals and 30% to individual key performance objectives. The corporate financial goals for FY19 were targets for USD revenue, USD gross margin and operating costs. In the current year the payout for the achievement of corporate financial goals was 103% of the target amount.

Long-term incentive plan ('LTI Plan')
The LTI Plan is designed to assist in the reward, retention and motivation of the ELT and other key employees ('participants'). Under the rules of the LTI Plan, the Board has the discretion to offer awards to nominated participants.

A summary of the rules of the LTI Plan is set out below:
- the LTI Plan is open to participants, as determined by the Board. Participation is voluntary;
- awards may be in the form of options to acquire shares; performance rights to acquire shares; and/or shares, including those acquired under a limited recourse loan funded arrangement;
- the Board may determine the type/number of awards to be issued under the LTI Plan to each participant and other terms of issue such as: service-based conditions and/or performance hurdles; any amount payable on the grant of the awards; the exercise price of any option granted; the period during which a vested option can be exercised; and any forfeiture conditions or disposal restrictions applying to the awards and any shares that a participant receives upon exercise of their options or performance rights;
- the Board may, in certain circumstances, impose a clawback, including the cancellation of unvested performance rights and forfeiture of shares allocated upon vesting of options or performance rights (e.g. in the event of fraud, dishonesty or serious breach of duty);
- the Board may, in its discretion, also determine that the Company will issue limited recourse loans to participants to use for the purchase of shares as part of a share award under the LTI Plan;
- when any service-based conditions and/or performance hurdles have been satisfied, participants will receive fully vested shares or their options/performance rights will become vested and will be exercisable over shares, as applicable;
- each vested option and performance right enables the participant to be issued or to be transferred one share upon exercise, subject to the rules governing the LTI Plan and the terms of any particular offer;
- participants holding options or performance rights are not permitted to participate in new issues of securities by the Company but adjustments may be made to the number of shares over which the options or performance rights are granted and/or the exercise price (if any) to take into account changes in the capital structure of the Company that occur by way of pro rata and bonus issues in accordance with the rules of the LTI Plan and the ASX Listing Rules.
- the LTI Plan limits the aggregate number of awards that the Company may grant without shareholder approval, such that the sum of all awards on issue (assuming all options and performance rights were exercised) do not at any time exceed in aggregate 10% of the total issued capital of the Company as at the date of any proposed new awards; and
- the Board may delegate management and administration of the LTI Plan, together with any of their powers or discretions under the LTI Plan, to a committee of the Board or to anyone or more persons selected by them as the Board thinks fit.

LTI grants – allocation methodology
During the current financial year, the Group issued performance rights to the ELT under the LTI Plan rules outlined above. The Remuneration and Nomination Committee used external benchmarking to determine a base allocation to each member of the leadership team in keeping with the Group's remuneration philosophy. The number of performance rights to be issued is calculated by dividing the target LTI amount by the 30-day volume weighted share price prior to the annual general meeting. The accounting valuation of performance rights is lower due to the inclusion of performance hurdles.

This approach resulted in an LTI grant to the CEO of 100% of his TFR. The Board, based on the input of the Remuneration and Nomination Committee and CEO, may vary the allocation to an individual member of the ELT based on the following factors:
- Additional recognition for recent out performance by an individual;
- Succession considerations around an individual assuming greater responsibilities in future years;
- Strategic importance of tasks and responsibilities assumed by an individual;
- Relative weighting of other elements of compensation, including commission plans;
- Retention purposes for key roles; and
- Non-compliance with the Group's values, Code of Conduct and other relevant employee policies.

In the current year the application of this approach resulted in LTI grants to the ELT of between 25% to 75% of their TFR, except for the CEO as noted above.

None of the employment contracts of the KMP, or the ELT more broadly, contain any future contractual commitments about a specified level of participation in the LTI Plan and the Board retains complete discretion to determine the appropriate level of LTI grants in future periods, within the construct of the LTI Plan rules summarised above.

LTI grants - vesting conditions
The performance rights will vest over a period of three years subject to the satisfaction of both:
1) a service based vesting condition; and
2) the relevant performance hurdle.

The vesting condition for the performance rights is that the individual must remain an Employee (as defined in the Plan Rules) up to and including the vesting dates for the performance rights. The performance rights vest at 30 June 2021 subject to satisfaction of the vesting conditions below.

The performance metric for the performance rights is aligned to the Company's share price growth as compared to the ASX Emerging Companies Index. The ASX Emerging Companies Index has been selected as it represents the market performance of alternative small and mid-cap companies that Audinate shareholders may invest in.

The percentage of performance rights that vest will be as follows:

The Company's Total Shareholder Return performance compared to the ASX Emerging Companies Index	Percentage of performance rights to vest
<50th percentile	No vesting
≥50th percentile to 74th percentile	Pro-rata straight line vesting between 50% and 99%
≥75th percentile	100% vesting

In the event that the Company achieves a negative Total Shareholder Return ('TSR') that is better than the ASX Emerging Companies Index TSR the percentage of performance rights to vest is capped at 50%.

Other equity grants
The Group recognises the importance of all employees having an equity interest in the ongoing performance of Audinate and during FY19 extended the LTI Plan to other key employees outside of the ELT. Based on the successful achievement of the company financial objectives in FY19 the Group will issue performance rights which will vest in two equal tranches over 12 and 24 months, providing that the staff member remains an employee at the time of vesting. The Group has made a provision for the awarding of performance rights in FY19 that will be issued post the release of the financial statements.

Other employees will receive a grant of $1,000 of shares based on the successful achievement of company financial objectives in FY19, receiving an acceptable performance appraisal, and remaining in employment at the date of issue, post the release of the FY19 financial statements.

Group performance and link to remuneration
Remuneration for all staff is directly linked to the performance of the Group. The overall level of reward is based on the achievement of revenue and EBITDA thresholds as well as the individual's performance assessment score. No bonus is payable unless the thresholds are met and the ultimate amount payable remains at the discretion of the Board. Refer to the section "Additional information" below for details of the total shareholders return and earnings. TSR is the key performance metric for the LTI plan.

Remuneration details

Amounts of remuneration
Details of the remuneration of key management personnel of the Group are set out in this section.

The key management personnel of the Group consisted of the following directors of Audinate Group Limited:
- David Krall - Chairman and Non-Executive Director
- Lee Ellison - Chief Executive Officer
- John Dyson - Non-Executive Director
- Roger Price - Non-Executive Director
- Alison Ledger - Non-Executive Director
- Tim Finlayson - Non-Executive Director

And the following persons:

- Rob Goss - Chief Financial Officer and Company Secretary
- Aidan Williams - Chief Technology Officer

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2019	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
David Krall (Chairman)	120,000	-	-	-	-	-	120,000
John Dyson	59,361	-	-	5,639	-	-	65,000
Roger Price	41,000	-	-	24,000	-	-	65,000
Alison Ledger	73,059	-	-	6,941	-	-	80,000
Tim Finlayson	73,059	-	-	6,941	-	-	80,000
Executive Directors:							
Lee Ellison	449,194	218,013	20,128	-	-	146,710	834,045
Other Key Management Personnel:							
Rob Goss	282,666	75,398	-	20,531	3,328	54,471	436,394
Aidan Williams	235,437	68,870	-	20,531	4,806	88,687	418,331
	1,333,776	362,281	20,128	84,583	8,134	289,868	2,098,770

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2018	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
David Krall (Chairman)	120,000	-	-	-	-	-	120,000
John Dyson	59,831	-	-	5,169	-	-	65,000
Roger Price	59,360	-	-	5,640	-	-	65,000
Alison Ledger	73,060	-	-	6,940	-	-	80,000
Tim Finlayson	73,079	-	-	6,921	-	-	80,000
Executive Directors:							
Lee Ellison	365,802	191,449	17,970	-	-	58,684	633,905
Other Key Management Personnel:							
Rob Goss	237,830	64,969	-	19,940	-	19,561	342,300
Aidan Williams	203,256	58,937	-	19,940	12,401	39,123	333,657
	1,192,218	315,355	17,970	64,550	12,401	117,368	1,719,862

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2019	2018	At risk - STI 2019	2018	At risk - LTI 2019	2018
Executive Directors:						
Lee Ellison	56%	61%	26%	30%	18%	9%
Other Key Management Personnel:						
Rob Goss	70%	75%	17%	19%	13%	6%
Aidan Williams	62%	71%	16%	18%	22%	11%

Non-executive directors did not receive share options or other performance linked incentives during the year ended 30 June 2019 and 30 June 2018.

Executive KMP contract details
Remuneration and other terms of employment for KMP are formalised in services agreement and the key details of these agreements are summarised below:

Component	Approach for CEO	Approach for Executive KMP
Total Fixed Remuneration:	US$300,000 plus health insurance	$270,000 - $300,000
Contract Duration:	Ongoing	Ongoing
Target STI % of TFR:	50%	25%
Target LTI % of TFR:	100%	50%
Notice period by individual/company:	6 months	3 months
Restraint:	Post termination subject to non-competition and non-solicitation of customers within USA and Australia for 6 months	Post termination subject to non-competition and non-solicitation of customers within USA, Australia and UK for 12 months

In the event that there is any component of the CEO's termination arrangements that requires shareholder approval, this will be proposed at the Annual General Meeting to be held on 24 October 2019.

All other members of the executive leadership team are employed under written terms of employment with the Group. The key terms and conditions of their employment include:
- remuneration packages;
- eligibility to participate in the STI and LTI Plans;
- notice of termination of employment provisions, with the relevant notice period of up to 3 months; and
- for some of those executives, post-employment restrictions covering non-competition, non-solicitation of clients for a maximum duration of up to 3 months.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
30/06/2017	30/06/2017	17/10/2019	$0.0620	$0.022
30/06/2017	30/06/2017	23/08/2022	$0.2600	$0.090

Options granted carry no dividend or voting rights. The options set out in the table above represent options granted in exchange for options in Audinate Group Limited as part of the restructure which took place at the date of the IPO on 30 June 2017.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Performance rights
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of the executive director and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of rights granted	Grant date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
Lee Ellison	267,811	30/06/2017	30/06/2022	$0.0000	$0.810
Lee Ellison	1,995,000	02/08/2017	15/09/2019	$0.0000	$0.810
Lee Ellison	105,599	26/03/2019	31/08/2021	$0.0000	$2.181
Rob Goss	89,270	30/06/2017	30/06/2022	$0.0000	$0.810
Rob Goss	42,857	26/03/2019	31/08/2021	$0.0000	$2.181
Aidan Williams	178,541	30/06/2017	30/06/2022	$0.0000	$0.810
Aidan Williams	57,857	26/03/2019	30/06/2021	$0.0000	$2.181

The performance rights issued on 30 June 2017 vest in three tranches after the release of the annual results in 2020, 2021 and 2022. All other grants vest as a single tranche.

Apart from the performance rights granted to Lee Ellison on 2 August 2017 all other performance rights commence vesting upon achieving total shareholder return equal to the 50th percentile of the ASX Emerging Companies Index and vest fully at the 75th percentile.

Performance rights granted carry no dividend or voting rights and no rights vested during the year ended 30 June 2019.

Additional information
The earnings of the Group for the five years to 30 June 2019 are summarised below:

	2015* $'000	2016* $'000	2017** $'000	2018 $'000	2019 $'000
Sales revenue	8,035	11,903	15,063	19,653	28,313
EBITDA	26	(64)	784	559	2,765
Profit/(loss) after income tax	516	54	(20,443)	2,544	662

* Relates to the Group prior to the restructure that occurred at the time of the IPO at 30 June 2017.
** EBITDA in the 2017 financial year is calculated excluding the one-off impacts of IPO expenses and the change in fair value of redeemable preference shares.

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2018	2019
Share price at financial year end ($)	3.92	7.99
Basic earnings per share (cents per share)	4.19	1.08
Diluted earnings per share (cents per share)	3.95	1.02

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
David Krall	293,958	-	-	-	293,958
Lee Ellison	820	-	-	-	820
John Dyson*	204,921	-	-	(20,492)	184,429
Roger Price**	67,356	-	3,800	-	71,156
Alison Ledger	-	-	1,500	-	1,500
Tim Finlayson**	122,951	-	-	-	122,951
Rob Goss**	605,228	-	-	(400,820)	204,408
Aidan Williams	1,811,405	-	99,502	-	1,910,907
	3,106,639	-	104,802	(421,312)	2,790,129

* 10,602,602 ordinary shares held by entities associated with John Dyson were disposed of during the year ended 30 June 2019.

** Includes indirect holdings

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other**	Balance at the end of the year
Options over ordinary shares					
David Krall	186,042	-	-	-	186,042
Lee Ellison*	320,000	-	-	-	320,000
Aidan Williams	104,000	-	(99,502)	(4,498)	-
	610,042	-	(99,502)	(4,498)	506,042

* Held indirectly

** Other includes the impact of cashless exercise

All of the outstanding options at 30 June 2019 were fully vested and exercisable.

Performance rights holding
The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares				
Lee Ellison	2,262,811	105,599	-	2,368,410
Rob Goss	89,270	42,857	-	132,127
Aidan Williams	178,541	57,857	-	236,398
	2,530,622	206,313	-	2,736,935

	Vested	Unvested	Balance at the end of the year
Performance rights over ordinary shares			
Lee Ellison	1,995,000	373,410	2,368,410
Rob Goss	-	132,127	132,127
Aidan Williams	-	236,398	236,398
	1,995,000	741,935	2,736,935

Loans to directors and executives
Prior to the IPO, Audinate Pty Limited offered option-holders an interest bearing, non-recourse loan in order to fund the exercise price of options for shares in Audinate Pty Limited. As a part of the restructure described in the prospectus these shares were then exchanged for shares in Audinate Group Limited. The total value of the loans outstanding at 30 June 2019 was $91,237 (2018: $90,738), inclusive of a loan outstanding to Aidan Williams of $40,650 (2018: $38,731).

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Audinate Group Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30/06/2017	17/10/2019	$0.0620	370,042
30/06/2017	09/12/2019	$0.0620	10,000
30/06/2017	09/01/2020	$0.0620	10,000
30/06/2017	21/08/2020	$0.0620	10,000
30/06/2017	09/12/2020	$0.0620	260,000
30/06/2017	11/06/2022	$0.2600	135,000
30/06/2017	23/08/2022	$0.2600	372,800
30/06/2017	31/01/2023	$0.2600	40,000
			1,207,842

Shares under performance rights
Unissued ordinary shares of Audinate Group Limited under performance rights* at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
30/06/2017	30/06/2022	$0.0000	1,020,804
02/08/2017	15/09/2019	$0.0000	1,995,000
29/06/2018	30/06/2022	$0.0000	34,566
26/03/2019	31/08/2022	$0.0000	487,557
			3,537,927

*   ASX restricted quoted performance rights

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of Audinate Group Limited were issued during the year ended 30 June 2019 and up to the date of this report on the exercise of options granted:

Date options exercised	Exercise price	Number of shares issued
21/09/2018	$0.0360	10,000
21/09/2018	$0.0620	100,000
02/11/2018	$0.0620	50,000
19/11/2018	$0.0360	20,000
25/02/2019	$0.0620	50,000
06/03/2019	$0.2600	8,000
13/03/2019	$0.2600	8,000
13/03/2019	$0.0620	20,000
14/03/2019	$0.0620	10,000
25/03/2019	$0.0620	12,000
25/03/2019	$0.2600	8,000
05/04/2019	$0.0620	10,000
05/04/2019	$0.2600	99,502
17/05/2019	$0.2600	15,000
17/05/2019	$0.0620	38,000
07/06/2019	$0.2600	8,000
21/06/2019	$0.0620	20,000
21/06/2019	$0.2600	16,000
		502,502

Shares issued on the exercise of performance rights

There were no ordinary shares of Audinate Group Limited issued on the exercise of performance rights during the year ended 30 June 2019 and up to the date of this report.

Indemnity and insurance of officers

During the financial year, the Company had a policy in place in respect of directors' and officers' liability and legal expenses insurance contracts, for current directors, including senior executives, employees and officers and for former directors, officers and employees of the Company for a period of 12 months and directors, senior executives, secretaries and employees of its Group. The policy prohibits disclosure of the premiums paid.

The policy covers:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The Company has also entered into a Deed of Access ('Deed') and Indemnity with all past and present directors, which provides an indemnity to the directors for legal costs and any liability arising from negligence of the director, to the extent permitted by law. In addition, the Deed allows the Company to advance a director an interest free loan equal to any legal costs which, in the Company's opinion, are not permitted to be indemnified under the law. Any such advance is repayable by the director at the conclusion of the proceedings.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Officers of the Company who are former partners of Deloitte Touche Tohmatsu
There are no officers of the Company who are former partners of Deloitte Touche Tohmatsu.

Auditor's independence declaration
A copy of the auditor's independence declaration is set out on the following page.

Auditor
Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.

On behalf of the directors

David Krall
Chairman

23 August 2019
Sydney

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

23 August 2019

The Board of Directors
Audinate Group Limited
Level 7
64-76 Kippax Street
Surry Hills NSW

Dear Board Members

Audinate Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Audinate Group Limited.

As lead audit partner for the audit of the financial statements of Audinate Group Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountant

Consolidated statement of profit or loss and other comprehensive income
for the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Revenue			
Sales	5	28,313	19,653
Cost of goods sold		(7,250)	(5,011)
Gross margin		21,063	14,642
Expenses			
Employee expenses	6	(12,288)	(9,073)
Marketing expenses		(2,631)	(2,338)
Administration and other operating expenses		(3,379)	(2,672)
Depreciation and amortisation	6	(2,419)	(1,452)
Total expenses		(20,717)	(15,535)
Operating profit/(loss)		346	(893)
Other income	7	296	157
Profit before income tax benefit		642	(736)
Income tax benefit	8	20	3,280
Profit after income tax benefit for the year attributable to the owners of Audinate Group Limited		662	2,544
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(41)	(16)
Other comprehensive income for the year, net of tax		(41)	(16)
Total comprehensive income for the year attributable to the owners of Audinate Group Limited		621	2,528
		Cents	**Cents**
Basic earnings per share	9	1.08	4.19
Diluted earnings per share	9	1.02	3.95

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Consolidated statement of financial position

as at 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Assets			
Current assets			
Cash and cash equivalents	10	30,069	13,631
Trade and other receivables	11	2,872	1,819
Current tax asset	8	-	1,344
Inventories	12	1,803	1,225
Other assets	13	812	276
Total current assets		35,556	18,295
Non-current assets			
Property, plant and equipment	14	1,013	691
Intangibles	15	7,691	3,879
Deferred tax	8	2,278	1,874
Total non-current assets		10,982	6,444
Total assets		46,538	24,739
Liabilities			
Current liabilities			
Trade and other payables	16	2,413	2,164
Contract liabilities/unearned revenue	17	308	134
Income tax payable	8	19	23
Employee benefits		2,474	1,663
Provisions		47	73
Total current liabilities		5,261	4,057
Non-current liabilities			
Employee benefits		133	309
Total non-current liabilities		133	309
Total liabilities		5,394	4,366
Net assets		41,144	20,373
Equity			
Contributed capital	18	83,143	63,288
Reserves	19	775	521
Accumulated losses		(42,774)	(43,436)
Total equity		41,144	20,373

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

Consolidated statement of changes in equity

for the year ended 30 June 2019

Consolidated	Contributed capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017	63,260	302	(45,980)	17,582
Profit after income tax benefit for the year	-	-	2,544	2,544
Other comprehensive income for the year, net of tax	-	(16)	-	(16)
Total comprehensive income for the year	-	(16)	2,544	2,528
Transactions with owners in their capacity as owners:				
Share-based payments (note 19)	-	235	-	235
Issue of shares on exercise of options	45	-	-	45
Share issue costs	(17)	-	-	(17)
Balance at 30 June 2018	63,288	521	(43,436)	20,373

Consolidated	Contributed capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2018	63,288	521	(43,436)	20,373
Profit after income tax benefit for the year	-	-	662	662
Other comprehensive income for the year, net of tax	-	(41)	-	(41)
Total comprehensive income for the year	-	(41)	662	621
Transactions with owners in their capacity as owners:				
Share-based payments (note 19)	-	686	-	686
Issue of shares on exercise of options	36	-	-	36
Issue of shares	20,000	-	-	20,000
Transfer from option reserve	391	(391)	-	-
Share issue costs, net of tax	(572)	-	-	(572)
Balance at 30 June 2019	83,143	775	(42,774)	41,144

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

Consolidated statement of cash flows
for the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		27,747	19,679
Payments to suppliers and employees (inclusive of GST)		(25,510)	(19,165)
Interest received		205	251
Research and development incentive received		1,327	334
Income taxes paid		(153)	(62)
Net cash from operating activities	29	3,616	1,037
Cash flows from investing activities			
Payments for property, plant and equipment		(669)	(627)
Payments for intangibles		(5,782)	(3,029)
Research and development incentive received		-	680
Net cash used in investing activities		(6,451)	(2,976)
Cash flows from financing activities			
Proceeds from issue of shares		20,036	4,086
Payments to selling shareholders		-	(7,030)
Share issue transaction costs		(789)	(115)
Net cash from/(used in) financing activities		19,247	(3,059)
Net increase/(decrease) in cash and cash equivalents		16,412	(4,998)
Cash and cash equivalents at the beginning of the financial year		13,631	18,694
Effects of exchange rate changes on cash and cash equivalents		26	(65)
Cash and cash equivalents at the end of the financial year	10	30,069	13,631

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

Note 1. General information

The financial statements cover Audinate Group Limited ('Company' or 'parent entity') as a consolidated entity consisting of Audinate Group Limited and the entities it controlled (collectively referred to as the 'Group') at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Audinate Group Limited's functional and presentation currency.

Audinate Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 7, 64 Kippax Street
Surry Hills NSW 2010

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 August 2019. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The Group has adopted all of the new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 9 Financial Instruments
The Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 9 changes the classification of complex financial instruments, calculation of impairment losses in financial assets, and hedge accounting. Audinate has no complex financial instruments and does not apply hedge accounting. As a result these changes have not materially impacted Audinate.

The calculation of impairment losses impacts the way Audinate calculates the bad debts provision, now termed as the allowance for expected credit losses. The Group applies the AASB 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Note 2. Significant accounting policies (continued)

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there are no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group has applied the exception under AASB 9 to not restate comparatives as the credit loss allowance under AASB 139 and AASB 9 did not result in material changes to the amounts previously reported.

AASB 15 Revenue from Contracts with Customers
The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The Group has applied the modified retrospective approach under AASB 15 with the cumulative effect of initially applying the standard recognised in opening retained earnings. The cumulative effect of initially applying the standard was $nil, as the timing of revenue recognition has not changed for the Group's contracts that were in progress at 1 July 2018.

Audinate designs, develops and delivers technology solutions for the digital audio and visual industry globally.

From these activities, Audinate generates the following streams of revenue:

- Chips, cards and modules (including adapters);
- Software and licence fees;
- Support and maintenance; and
- Royalties.

Each of the above services delivered to customers are considered separate performance obligations, even though for practical expedience they may be governed by a single legal contract with the customer.

Under AASB 15, revenue recognition for each of the above is as follows:

Revenue Stream	Performance obligations	Timing of recognition
Chips, cards and modules (including adapters)	Goods dispatched from warehouse.	Recognised at point of dispatch from warehouse, when control is transferred to the customer on basis of ex-works terms.
Software and licence fees	Provision of access to software and activation code.	Revenue from software is recognised at point of sale and access to software is granted.
Support and maintenance	As defined in contract.	Revenue is recognised over time as stipulated by terms in contract.
Royalties	Provision of financial information from OEM partners.	At point in time when OEM partners report on sales to end users.

Note 2. Significant accounting policies (continued)

Revenue from providing support and maintenance is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period. This is determined based on contract terms and period of agreement.

Some contracts include multiple deliverables, such as software licences and maintenance. In these cases, the transaction price is split according to performance obligations described above.

In fixed-price contracts, the customer pays the fixed amount based on an agreed payment schedule. If the services rendered by the Group exceed the payment, a contract asset (previously referred to as "unbilled income") is recognised. If the payments exceed the services rendered, a contract liability (previously referred to as "unearned revenue") is recognised.

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

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
These financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 30.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Audinate Group Limited as at 30 June 2019 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Note 2. Significant accounting policies (continued)

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Audinate Group Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

During the prior financial year, Audinate Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries formed an income tax consolidated group under the tax consolidation regime, which resulted in a deferred tax asset being recognised.

Note 2. Significant accounting policies (continued)

The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value on a 'weighted average cost' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

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

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 2. Significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	Lease term
Furniture and fittings	4 - 10 years
Computer and engineering equipment	1 - 10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method of amortisation and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised, commencing from the time the asset's development reaches the condition necessary for it to be capable of operating in the manner intended by management. Amortisation is calculated on a straight-line basis over the period of their expected benefit, being their finite useful life of three years.

Intellectual property

Significant costs associated with the intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of three years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3-5 years.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 2. Significant accounting policies (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities/unearned revenue

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee related cost in profit or loss when they are due.

Share-based payments
Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined using the Monte Carlo simulation method that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Note 2. Significant accounting policies (continued)

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Audinate Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Note 2. Significant accounting policies (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 16 Leases

AASB 16 Leases ('AASB 16') provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the AASB 117 Leases ('AASB 117') current lease guidance and related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Group will be 1 July 2019.

The Group has chosen the modified retrospective approach of AASB 16. Consequently, the Group will not restate the comparative information.

AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset.

AASB 16 will change how the Group accounts for leases previously classified as operating leases, which were off-balance sheet. On initial application of AASB 16 the Group will:

- Recognise right of use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value, the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

As at 30 June 2019, the Group has operating lease commitments of $3,767,000 (note 25).

A preliminary assessment indicates that the Group will recognise a right-of-use asset of $3,404,000 and a corresponding lease liability of $3,673,000 after derecognising liabilities of $272,000 in respect of all these leases. The impact on profit or loss in first year is expected to decrease other expenses by $715,000, to increase depreciation by $682,000 and to increase interest expense by $125,000.

Note 2. Significant accounting policies (continued)

All lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes AASB 16 would be to increase the net cash generated by operating activities by $984,000 and to decrease the net cash arising from financing activities by the same amount.

New Conceptual Framework for Financial Reporting
A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the Group has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the Group may need to revisit such policies.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Monte Carlo simulation method taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Useful life of capitalised development costs
The Group regularly considers the useful life of development costs, which is currently estimated to be three years. In determining the appropriate useful life for these assets a range of factors are taken into account including the specific nature of the asset created, risk of technical obsolescence, business performance and market conditions. To the extent that there is a change to the useful life of these assets (not related to impairment) the amortisation charge is changed prospectively.

Note 4. Operating segments

Identification of reportable operating segments
The Group operates in one segment, based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

As a result, the operating segment information is as disclosed in the statements and notes to the financial statements throughout the report.

Major customers
Most of the Group's major customers are multinational companies that Audinate may transact with in multiple countries. Due to the corporate structure of the Group this revenue is accounted for by Audinate Pty Limited in Australia. The top ten customers represent approximately 41% (2018: 50%) of the Group's revenue during the year ended 30 June 2019 and of that amount the largest customer represents approximately 13% (2018: 15%) of the Group's revenue.

Geographical information
The majority of the Group's revenue is generated from sales contracts between Audinate Pty Limited and a range of international companies. The geographic split of this revenue is based on the location of the customer: a) Americas 39% (2018: 40%); b) Asia 33% (2018: 24%); and c) Europe and Middle East 28% (2018: 36%). Occasionally the international offices may generate some revenue related to marketing activities.

	Sales to external customers*		Geographical non-current assets	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Australia	28,292	19,566	10,306	6,300
United Kingdom	-	-	26	17
Hong Kong	-	-	4	1
United States of America	21	87	646	126
	28,313	19,653	10,982	6,444

* Sales to external customers is based on the domicile of the entity recording the sale.

Note 5. Revenue

	Consolidated	
	2019 $'000	2018 $'000
Sales	28,313	19,653

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 2019 $'000
Chips, cards and modules (including adapters)	24,031
Software revenue (including licence fees and royalties)	3,779
Other revenue (including support and maintenance)	503
	28,313

Timing of revenue recognition
Revenue from goods and services is recognised at a point in time or over a period of time as described in note 2.

Note 6. Expenses

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation of property, plant and equipment	344	130
Amortisation of intangibles	2,075	1,322
Total depreciation and amortisation	2,419	1,452
Rental expense relating to operating leases		
Minimum lease payments	450	364
Employee benefit expenses		
Salaries and wages	9,287	7,191
Superannuation	676	508
Share-based payments	686	235
Other costs	1,639	1,139
Total employee benefit expenses*	12,288	9,073

* Comparative information for employee benefit expenses has been increased by $235,000 with a corresponding decrease in administration and other operating expenses to agree with the current year presentation. There was no effect on profit, assets, liabilities or equity.

Note 7. Other income

	Consolidated 2019 $'000	Consolidated 2018 $'000
Net foreign exchange gain/(loss)	104	(70)
Interest revenue	192	227
	296	157

Note 8. Income tax

The Group incurs an income tax expense in its overseas subsidiaries relating to the net taxable profit generated on services provided to the Group.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Income tax benefit		
Current tax	(1,004)	(1,300)
Under provision prior year	36	-
Deferred tax - origination and reversal of temporary differences	948	473
Prior period adjustment	-	(105)
Adjustment recognised on tax consolidation	-	(2,443)
Adjustment recognised on tax consolidation - impact of change of tax rate	-	(118)
Adjustment recognised on tax consolidation - impact of change of tax rate on DTA	-	213
Aggregate income tax benefit	(20)	(3,280)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Profit before income tax benefit	642	(736)
Tax at the statutory tax rate of 27.5%	177	(202)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of development costs (pre 30 June 2017)	339	111
Expenditure claimed for research and development incentive	1,832	557
Other non-assessable items	-	(122)
Research and development incentive benefit	(2,564)	(1,344)
Non-deductible expenses	193	68
	(23)	(932)
Under provision prior year	36	-
Difference in overseas tax rates	(33)	-
Adjustment recognised on tax consolidation	-	(2,443)
Adjustment recognised on tax consolidation - impact of change of tax rate	-	(118)
Adjustment recognised on tax consolidation - impact of change of tax rate on DTA	-	213
Income tax benefit	(20)	(3,280)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax asset		
Net deferred tax asset comprises temporary differences attributable to:		
Carried forward tax losses	1,153	-
Provisions	777	414
Blackhole expenditure	347	259
Intangible assets	(202)	1,159
Trade and other payables	115	86
Property, plant and equipment	59	(38)
Other	29	(6)
Deferred tax asset	2,278	1,874

Note 8. Income tax (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current tax asset		
Current tax asset	-	1,344

Current tax asset represents an estimate of the amount receivable from the Australian Tax Office inclusive of the research and development incentive. As the Group's turn over exceeded $20 million in the 2019 financial year it is no longer eligible to receive this benefit in cash, instead the equivalent expenditure is included within the carried forward tax losses in the reconciliation of the deferred tax asset as set out above.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Income tax payable		
Income tax payable	19	23

Note 9. Earnings per share

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit after income tax attributable to the owners of Audinate Group Limited	662	2,544
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	61,439,782	60,758,728
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,174,297	1,627,891
Performance rights	1,995,000	1,995,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	64,609,079	64,381,619
	Cents	**Cents**
Basic earnings per share	1.08	4.19
Diluted earnings per share	1.02	3.95

The prior period basic earnings per share and diluted earnings per share have been retrospectively adjusted for the bonus element of the 2019 Institutional Placement.

Note 10. Current assets - cash and cash equivalents

	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash at bank	4,315	1,810
Cash on deposit	25,754	11,821
	30,069	13,631

Note 11. Current assets - trade and other receivables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Trade receivables	2,647	1,738
Less: Allowance for expected credit losses	(2)	-
	2,645	1,738
Other receivables	227	81
	2,872	1,819

Allowance for expected credit losses
The Group has recognised a loss of $2,000 in respect of the expected credit losses for the year ended 30 June 2019 (30 June 2018: none).

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2019 %	Carrying amount 2019 $'000	Allowance for expected credit losses 2019 $'000
Not overdue	0.066%	2,647	2

Note 12. Current assets - inventories

	Consolidated 2019 $'000	Consolidated 2018 $'000
Raw materials - at cost	238	364
Finished goods - at cost	1,565	861
	1,803	1,225

Note 13. Current assets - other assets

	Consolidated 2019 $'000	Consolidated 2018 $'000
Prepayments	594	170
Deposits	218	106
	812	276

Note 14. Non-current assets - property, plant and equipment

	Consolidated 2019 $'000	Consolidated 2018 $'000
Leasehold improvements - at cost	482	192
Less: Accumulated depreciation	(206)	(88)
	276	104
Furniture and fittings - at cost	83	77
Less: Accumulated depreciation	(45)	(22)
	38	55
Computer and equipment - at cost	1,409	1,039
Less: Accumulated depreciation	(710)	(507)
	699	532
	1,013	691

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $'000	Furniture and fittings $'000	Computer and equipment $'000	Total $'000
Balance at 1 July 2017	121	49	196	366
Additions	16	9	430	455
Depreciation expense	(33)	(3)	(94)	(130)
Balance at 30 June 2018	104	55	532	691
Additions	290	6	370	666
Depreciation expense	(118)	(23)	(203)	(344)
Balance at 30 June 2019	276	38	699	1,013

Note 15. Non-current assets - intangibles

	Consolidated 2019 $'000	Consolidated 2018 $'000
Development costs	11,956	6,686
Less: Accumulated amortisation	(5,093)	(3,172)
	6,863	3,514
Intellectual property	335	260
Less: Accumulated amortisation	(158)	(66)
	177	194
Software - at cost	713	171
Less: Accumulated amortisation	(62)	-
	651	171
	7,691	3,879

Note 15. Non-current assets - intangibles (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Development costs $'000	Intellectual property $'000	Software $'000	Total $'000
Balance at 1 July 2017	1,903	98	-	2,001
Additions	2,923	106	171	3,200
Amortisation expense	(1,312)	(10)	-	(1,322)
Balance at 30 June 2018	3,514	194	171	3,879
Additions	5,270	75	542	5,887
Amortisation expense	(1,921)	(92)	(62)	(2,075)
Balance at 30 June 2019	6,863	177	651	7,691

Note 16. Current liabilities - trade and other payables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Trade payables	1,122	1,201
Accrued expenses	726	404
Other payables	565	559
	2,413	2,164

Refer to note 21 for further information on financial instruments.

Note 17. Current liabilities - contract liabilities/unearned revenue

	Consolidated 2019 $'000	Consolidated 2018 $'000
Contract liabilities (30 June 2018: Unearned revenue)	308	134

Reconciliation
Reconciliation of the written down values at the beginning and end of the current financial year is set out below:

	Consolidated 2019 $'000
Opening balance	-
Transfer from unearned revenue on 1 July 2018	134
Billings in advance	1,152
Transfer to revenue - included in the opening balance	(134)
Transfer to revenue - relating to current period	(844)
Closing balance	308

Note 17. Current liabilities - contract liabilities/unearned revenue (continued)

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $308,000 as at 30 June 2019 and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2019 $'000
Within 6 months	204
6 to 12 months	104
	308

Note 18. Equity - contributed capital

Fully paid ordinary shares

	Consolidated			
	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares - fully paid	64,296,003	60,936,358	83,143	63,288

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2018 financial statements.

Note 18. Equity - contributed capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2017	59,513,513		63,260
Issue of shares in the Company - exercise of options	31 August 2017	813,209	$0.2600	6
Issue of shares in the Company - exercise of options	31 August 2017	402,567	$0.0620	8
Issue of shares in the Company - exercise of options	23 October 2017	24,000	$0.2600	6
Issue of shares in the Company - exercise of options	23 October 2017	10,000	$0.0620	1
Issue of shares in the Company - exercise of options	17 November 2017	19,734	$0.0620	1
Issue of shares in the Company - exercise of options	1 February 2018	7,290	$0.2600	2
Issue of shares in the Company - exercise of options	1 February 2018	9,788	$0.0620	1
Issue of shares in the Company - exercise of options	21 February 2018	4,000	$0.2600	1
Issue of shares in the Company - exercise of options	21 February 2018	20,000	$0.0620	1
Issue of shares in the Company - exercise of options	23 March 2018	45,896	$0.2600	12
Issue of shares in the Company - exercise of options	23 March 2018	29,412	$0.0620	2
Issue of shares in the Company - exercise of options	23 April 2018	10,000	$0.0620	1
Issue of shares in the Company - exercise of options	4 May 2018	8,000	$0.2600	2
Issue of shares in the Company - exercise of options	21 May 2018	3,652	$0.2600	1
Issue of shares in the Company - exercise of options	12 June 2018	5,943	$0.0360	-
Issue of shares in the Company - exercise of options	25 June 2018	9,354	$0.2600	-
Share issue costs		-	-	(17)
Balance	30 June 2018	60,936,358		63,288
Issue of shares in the Company - exercise of options	21 September 2018	10,000	$0.0360	-
Issue of shares in the Company - exercise of options	21 September 2018	100,000	$0.0620	6
Issue of shares in the Company - exercise of options	2 November 2018	50,000	$0.0620	3
Issue of shares in the Company - exercise of options	19 November 2018	20,000	$0.0360	1
Issue of shares in the Company - exercise of options	25 February 2019	50,000	$0.0620	3
Issue of shares in the Company - exercise of options	6 March 2019	8,000	$0.2600	2
Issue of shares in the Company - exercise of options	13 March 2019	8,000	$0.2600	2
Issue of shares in the Company - exercise of options	13 March 2019	20,000	$0.0620	1
Issue of shares in the Company - exercise of options	14 March 2019	10,000	$0.0620	1
Issue of shares in the Company - exercise of options	25 March 2019	12,000	$0.0620	1
Issue of shares in the Company - exercise of options	25 March 2019	8,000	$0.2600	2
Issue of shares in the Company - exercise of options	5 April 2019	10,000	$0.0620	1
Issue of shares in the Company - exercise of options	5 April 2019	99,502	$0.2600	-
Issue of shares in the Company - exercise of options	17 May 2019	15,000	$0.2600	4
Issue of shares in the Company - exercise of options	17 May 2019	38,000	$0.0620	2
Issue of shares in the Company - exercise of options	7 June 2019	8,000	$0.2600	2
Issue of shares in the Company	13 June 2019	2,857,143	$7.0000	20,000
Issue of shares in the Company - exercise of options	21 June 2019	20,000	$0.0620	1
Issue of shares in the Company - exercise of options	21 June 2019	16,000	$0.2600	4
Share issue costs, net of tax		-	-	(572)
Transfer to share-based payments reserve		-	-	391
Balance	30 June 2019	64,296,003		83,143

The table above includes shares issued to employees under a cashless exercise election.

Note 19. Equity - reserves

	Consolidated 2019 $'000	Consolidated 2018 $'000
Foreign currency reserve	(146)	(105)
Share-based payments reserve	921	626
	775	521

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency $'000	Share-based payments $'000	Total $'000
Balance at 1 July 2017	(89)	391	302
Foreign currency translation	(16)	-	(16)
Share-based payments	-	235	235
Balance at 30 June 2018	(105)	626	521
Foreign currency translation	(41)	-	(41)
Share-based payments	-	686	686
Transfer to equity for vested options	-	(391)	(391)
Balance at 30 June 2019	(146)	921	775

Note 20. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 21. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group.

The Group's policy is not to trade in or use financial instruments to hedge its risks.

Risk management is carried out by the Board of Directors ('the Board'). The Board uses different methods to measure different types of risks to which the Group is exposed. These methods include ageing analysis for credit risk and sensitivity analysis in the case of interest rate risk.

Note 21. Financial instruments (continued)

Market risk

The Group's US dollar denominated sales, on which the risk of foreign exchange movement, was partially offset against exchange rate movement of US dollar denominated for purchases which is set below:

	Consolidated 2019 $'000	Consolidated 2018 $'000
US dollar denominated - sales	20,251	15,231
US dollar denominated - purchases	(11,714)	(8,500)

Interest rate risk
At the reporting date, the Group had no variable rate borrowings. Cash at bank earns interest at floating rates based on daily bank deposit rates.

As at the reporting date, the Group had the following variable rate cash and cash equivalents:

	2019		2018	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash at bank	-	4,315	-	1,810
Cash on deposit	1.59%	25,754	1.90%	11,821
Net exposure to cash flow interest rate risk		30,069		13,631

No sensitivity analysis has been performed for the exposure to interest rate risk on the Group's bank balance as the exposure is not significant.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group trades only with recognised and creditworthy independent third parties. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group monitors the receivables on an ongoing basis and its exposure to bad debts is not significant.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Liquidity risk
Prudent liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 21. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

Consolidated - 2019	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-interest bearing						
Trade payables	-	1,122	-	-	-	1,122
Accrued expenses	-	726	-	-	-	726
Other payables	-	565	-	-	-	565
Total non-derivatives		2,413	-	-	-	2,413

Consolidated - 2018	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-interest bearing						
Trade payables	-	1,201	-	-	-	1,201
Accrued expenses	-	404	-	-	-	404
Other payables	-	559	-	-	-	559
Total non-derivatives		2,164	-	-	-	2,164

The cash flows in the maturity analysis above are not expected to occur earlier than contractually disclosed above.

Note 22. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company:

	Consolidated 2019 $	Consolidated 2018 $
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	115,990	100,000

Note 24. Contingent liabilities

The Group had no contingent liabilities at 30 June 2019 and 30 June 2018.

Note 25. Commitments

	Consolidated 2019 $'000	Consolidated 2018 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	492	-
Intangible assets	450	-
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	719	385
One to five years	2,984	742
More than five years	64	-
	3,767	1,127

Property, plant and equipment capital commitments represent outstanding fit-out costs for the new Head office.

Operating lease commitments includes contracted amounts for offices. The leases have various escalation clauses. On renewal, the terms of the leases may be renegotiated. Refer to note 2 for details on the impact of AASB 16 'Leases' which applies to the Group from 1 July 2019.

Note 26. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated 2019 $	Consolidated 2018 $
Short-term employee benefits	1,724,319	1,537,944
Post-employment benefits	84,583	64,550
Share-based payments	289,868	117,368
	2,098,770	1,719,862

Note 27. Related party transactions

Parent entity
Audinate Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 28.

Key management personnel
Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Note 27. Related party transactions (continued)

Loans to/from related parties
As described in the directors' report, Audinate Pty Limited offered employees interest bearing, non-recourse loans in order to fund the exercise of options prior to the IPO. The total value of the loans outstanding at 30 June 2019 was $91,237 (2018: $90,738), inclusive of a loan outstanding to Aidan Williams of $40,650 (2018: $38,731).

There were no other loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	2018 %
Audinate Pty Limited	Australia	100%	100%
Audinate, Inc.	United States of America	100%	100%
Audinate Limited	United Kingdom	100%	100%
Audinate Limited	Hong Kong	100%	100%
Audinate Holdings Limited	Australia	100%	100%

Note 29. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2019 $'000	2018 $'000
Profit after income tax benefit for the year	662	2,544
Adjustments for:		
Depreciation and amortisation	2,419	1,452
Share-based payments	686	235
Net unrealised foreign exchange gain	(29)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,063)	211
Increase in inventories	(578)	(458)
Increase in deferred tax assets	(187)	(1,874)
Decrease/(increase) in current tax asset	1,344	(442)
Increase in other operating assets	(722)	(30)
Increase/(decrease) in trade and other payables	117	(434)
Decrease in income tax payable	(4)	-
Increase/(decrease) in other operating liabilities	971	(167)
Net cash from operating activities	3,616	1,037

Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2019 $'000	Parent 2018 $'000
Profit after income tax	(1,303)	1,344
Total comprehensive income	(1,303)	1,344

Statement of financial position

	Parent 2019 $'000	Parent 2018 $'000
Total current assets	29,668	15,370
Total assets	91,111	73,976
Total current liabilities	419	2,757
Total liabilities	419	2,757
Net assets	90,692	71,219
Equity		
Contributed capital	91,424	71,569
Reserves	921	-
Accumulated losses	(1,653)	(350)
Total equity	90,692	71,219

The contributed capital of the parent entity differs from the contributed capital of the Group, as Audinate Group Limited's acquisition of Audinate Pty Limited was accounted for on the basis that the transaction was a form of capital reconstruction and group reorganisation, rather than a business combination.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 31. Share-based payments

Options
Under the legacy Employee Share Option Plan ('ESOP'), the Company's Board of Directors ('Board'), or a committee of the Board, granted incentive and non-qualified stock options to employees, officers, directors, consultants, independent contractors, and advisors to the Company, or to any parent, subsidiary, or affiliate of the Company. The purpose of the legacy ESOP was to attract, retain, and motivate eligible persons whose present and potential contributions are important to the Group's success by offering them an opportunity to participate in the Company's future performance through equity awards of stock options and stock bonuses. The legacy ESOP has been superseded by the LTI plan which is explained in the remuneration report.

Set out below are summaries of options granted under the plan:

2019

Start date	End date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other*	Balance at the end of the year
30/06/2017	23/11/2018	$0.0360	30,000	-	(30,000)	-	-
30/06/2017	17/10/2019	$0.0620	448,042	-	(78,000)	-	370,042
30/06/2017	09/12/2019	$0.0620	10,000	-	-	-	10,000
30/06/2017	09/01/2020	$0.0620	10,000	-	-	-	10,000
30/06/2017	21/08/2020	$0.0620	42,000	-	(32,000)	-	10,000
30/06/2017	09/12/2020	$0.0620	460,000	-	(200,000)	-	260,000
30/06/2017	11/06/2022	$0.2600	158,000	-	(23,000)	-	135,000
30/06/2017	23/08/2022	$0.2600	508,800	-	(131,502)	(4,498)	372,800
30/06/2017	31/01/2023	$0.2600	48,000	-	(8,000)	-	40,000
			1,714,842	-	(502,502)	(4,498)	1,207,842

* Other includes the impact of cashless exercise

2018

Start date	End date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other*	Balance at the end of the year
30/06/2017	23/11/2018	$0.0360	36,000	-	(6,000)	-	30,000
30/06/2017	17/10/2019	$0.0620	913,042	-	(465,000)	-	448,042
30/06/2017	09/12/2019	$0.0620	40,000	-	(30,000)	-	10,000
30/06/2017	09/01/2020	$0.0620	10,000	-	-	-	10,000
30/06/2017	21/08/2020	$0.0620	58,000	-	(16,000)	-	42,000
30/06/2017	09/12/2020	$0.0620	460,000	-	-	-	460,000
30/06/2017	11/06/2022	$0.2600	188,000	-	(30,000)	-	158,000
30/06/2017	23/08/2022	$0.2600	740,000	-	(231,200)	-	508,800
30/06/2017	31/01/2023	$0.2600	770,000	-	(722,000)	-	48,000
30/06/2017	03/04/2023	$0.2600	50,000	-	(50,000)	-	-
			-	-	127,355	(127,355)	-
			3,265,042	-	(1,422,845)	(127,355)	1,714,842

* Other includes the impact of cashless exercise

1,207,842 options were exercisable at the end of the financial year (2018: 1,714,842).

The weighted average share price of the Company during the financial year was $5.47 (2018: $2.95).

Note 31. Share-based payments (continued)

Share Rights
Set out below are summaries of performance rights granted:

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ lapsed/other	Balance at the end of the year
30/06/2017	30/06/2022	$0.0000	1,038,509	-	-	(17,705)	1,020,804
02/08/2017	15/09/2019	$0.0000	1,995,000	-	-	-	1,995,000
29/06/2018	30/06/2022	$0.0000	34,566	-	-	-	34,566
26/03/2019	31/08/2022	$0.0000	-	487,557	-	-	487,557
			3,068,075	487,557	-	(17,705)	3,537,927

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ lapsed/other	Balance at the end of the year
30/06/2017	30/06/2022	$0.0000	1,038,509	-	-	-	1,038,509
02/08/2017	15/09/2019	$0.0000	-	1,995,000	-	-	1,995,000
29/06/2018	30/06/2022	$0.0000	-	34,566	-	-	34,566
			1,038,509	2,029,566	-	-	3,068,075

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1 year (2018: 3 years).

The performance rights issued on 26 March 2019 were externally valued based on a share price of $3.54, an exercise price of zero, volatility of 20%-30%, a risk-free interest rate of 2.06% and probability weighting reflecting the probability of meeting the vesting conditions. The fair value of the share rights based on these inputs is $2.1813.

Apart from the performance rights expiring in 2019, the remaining performance rights vest in three tranches after the release of the annual results in 2020, 2021 and 2022.

Performance rights commence vesting upon achieving total shareholder return equal to the 50th percentile of the ASX Emerging Companies Index and vest fully at the 75th percentile.

Note 32. Events after the reporting period

The Group completed a Share Purchase Plan on 10 July 2019 which raised $4,000,003 of cash and resulted in the issue of 571,429 ordinary shares on this date.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' declaration
for the year ended 30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Accounting Standards and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

On behalf of the directors

David Krall
Chairman

23 August 2019
Sydney

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

Independent Auditor's Report to the members of Audinate Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Audinate Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Deloitte.

Key Audit Matters

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

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td colspan="2">Deferred tax assets and recoverability</td></tr>
<tr><td>As at 30 June 2019 the Group has recognised Deferred tax assets to the value of $2.278 million as disclosed in Note 8. Of this amount, $1.153 million relates to carried forward tax losses arising from the 2019 R&D claim.

Judgement is required in determining the amount of the claim and the recoverability of these losses is also dependent upon a number of factors including, whether there will be sufficient taxable profits in future periods to support recognition.</td><td>Our audit procedures included, but were not limited to:
Comparing forecasts to Board approved business plans;
Assessing historical forecasting accuracy by comparing actual performance to budgets;
Testing on a sample basis, management's model for future taxable profit for mathematical accuracy;
Evaluating the recoverability of deferred tax assets;
Recalculating deferred tax asset balances which comprise a combination of timing differences between tax and accounting values.
Engaging the use of our Deloitte Tax and R&D specialists experts to assist with:
- Reviewing of the tax calculation;
- Reviewing the basis and validity of the claim.
We also assessed the appropriateness of the disclosures in Note 8 to the financial statements.</td></tr>
<tr><td colspan="2">Capitalisation and carrying value of development costs</td></tr>
<tr><td>As at 30 June 2019, the group has capitalised development costs totalling $6.863 million as disclosed in Note 15.

The group capitalises internal and external costs that are directly attributable to the development of intangible assets.

As disclosed in Note 3, significant judgement is involved in assessing whether the criteria for capitalisation of such costs has been met, particularly in determining:
The appropriateness of the costs that can be capitalised and whether these costs were directly attributable to relevant products developed; and
The extent to which these capitalised development costs will generate sufficient economic benefit to support their carrying values.</td><td>Our audit procedures included, but were not limited to:
Discussing the products for which development costs have been capitalised with management to develop an understanding of the nature and feasibility of the products at 30 June 2019,
Assessing the key controls in place over the process for recording and identifying qualifying costs to be capitalised,
Assessing the appropriateness of costs capitalised, on a sample basis, by agreeing the material costs, overheads and engineers' hours incurred to external invoices and internal timesheets and payroll records, and
Evaluating the appropriateness of the carrying value of the capitalised development costs by major product, with reference to historical and forecast cashflow, and analysis of sale trends.
We also assessed the appropriateness of the disclosures in Note 15 to the financial statements.</td></tr>
</table>

Deloitte.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and ASX Additional Information, which we obtained prior to the date of this auditor's report. The other information also includes the annual report (but does not include the financial report and our auditor's report thereon) which is expected to be made available to us after that date.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Deloitte.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 17 to 26 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Audinate Group Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants
Sydney, 23 August 2019

Shareholder information

SHAREHOLDER INFORMATION AS AT 26 AUGUST 2019

Shareholder Information required by the Australian Securities Exchange Limited (ASX) Listing Rules and not disclosed elsewhere in the Report is set out below.

Substantial shareholders

The number of securities held by substantial shareholders and their associates, as advised to the Company and ASX, are set out below:

Name	Date of Notice	Number of Securities	%
Yamaha Corporation	10/07/2017	6,289,308	10.57
Smallco Investment Manager Limited	31/08/2018	5,675,902	9.31

Number of security holders and securities on issue

Audinate Group Limited has issued the following securities:

a. 64,917,226 fully paid ordinary shares held by 7,731 shareholders;

b. 1,157,842 unlisted options held by 25 option holders; and

c. 3,537,927 unlisted performance rights held by 27 performance right holders.

Voting rights

The voting rights attached to ordinary shares are that on a show of hands, every member present, in person or proxy, has one vote and upon a poll, each share shall have one vote for each share held.

Option holders and performance right holders do not have any voting rights on the options and rights held by them.

Distribution of quoted security holders

	Fully Paid Ordinary shares		
Category	**Holders**	**Shares**	**%**
1 – 1,000	3,684	1,732,330	2.67
1,001 – 5,000	2,983	6,856,959	10.56
5,001 – 10,000	621	4,477,094	6.90
10,001 – 100,000	412	8,375,442	12.90
100,001 and over	31	43,475,401	66.97
Total	**7,731**	**64,917,226**	**100.00**

Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of ordinary shares is 143 based on Audinate Group Limited's closing share price of $6.85 on 26 August 2019.

Twenty largest shareholders of quoted equity securities

Details of the 20 largest shareholders of quoted securities by registered shareholding are:

No.	Name	No. of shares	%
1	J P Morgan Nominees Australia Pty Limited	13,423,565	20.68
2	HSBC Custody Nominees (Australia) Limited*	7,398,544	11.40
3.	Yamaha Corporation	6,289,308	9.69
4	National Nominees Limited	3,252,761	5.01
5	Citicorp Nominees Pty Limited	2,111,325	3.25
6	Mr Aiden Michael Williams	1,910,087	2.94
7	Mr David John Myers	990,000	1.53
8	Geetha Varuni Witana	934,882	1.44
9	HSBC Custody Nominees (Australia) Limited - A/C 2	544,372	0.84
10	Mirrabooka Investments Limited	533,199	0.82
11	Neweconomy Com Au Nominees Pty Limited <900 Account>	528,895	0.81
12	BNP Paribas Nominees Pty Ltd <IB Au Noms Retailclient DRP>	443,058	0.68
13	RJWX3 Family Superannuation Managers Pty Ltd <RJWX3 Family Superannuation Fund A/C>	411,980	0.63
14	CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	385,238	0.59
15	BNP Paribas NOMS Pty Ltd <DRP>	366,938	0.57
16	UBS Nominees Pty Ltd	360,586	0.56
17	Mr Chris Ware	347,061	0.53
18	ITR Investments Pty Limited <Ian Reid No 2 Family A/C>	340,083	0.52
19	Mr David Krall	293,958	0.45
20	Bond Street Custodians Limited <LWHEAT - F00450 A/C>	233,353	0.36
	Total	**41,099,193**	**60.57**
	Total on Register	**64,917,226**	**100.00**

* This holding includes 520,671 shares beneficially held by Mr Richard White. Mr White is also a director of RJWX3 Family Superannuation Managers Pty Ltd and beneficiary of the RJWX3 Family Superannuation Fund (which holds 411,980 Audinate shares). The holdings combined equate to 932,651 shares which represents 1.44% of the Company's issued capital.

Shareholder information

Restricted securities and securities subject to voluntary escrow

There are no restricted securities or shares under voluntary escrow.

Unquoted securities

There are 1,157,842 unquoted options with varying exercise prices and expiry dates held by 25 options holders. All options are held under the Company's employee incentive scheme.

There are 3,537,927 unquoted Performance Rights held by 27 performance right holders. All Performance Rights are held under the Company's employee incentive scheme.

On market buy-back

There is no current on market buy-back.

www.audinate.com