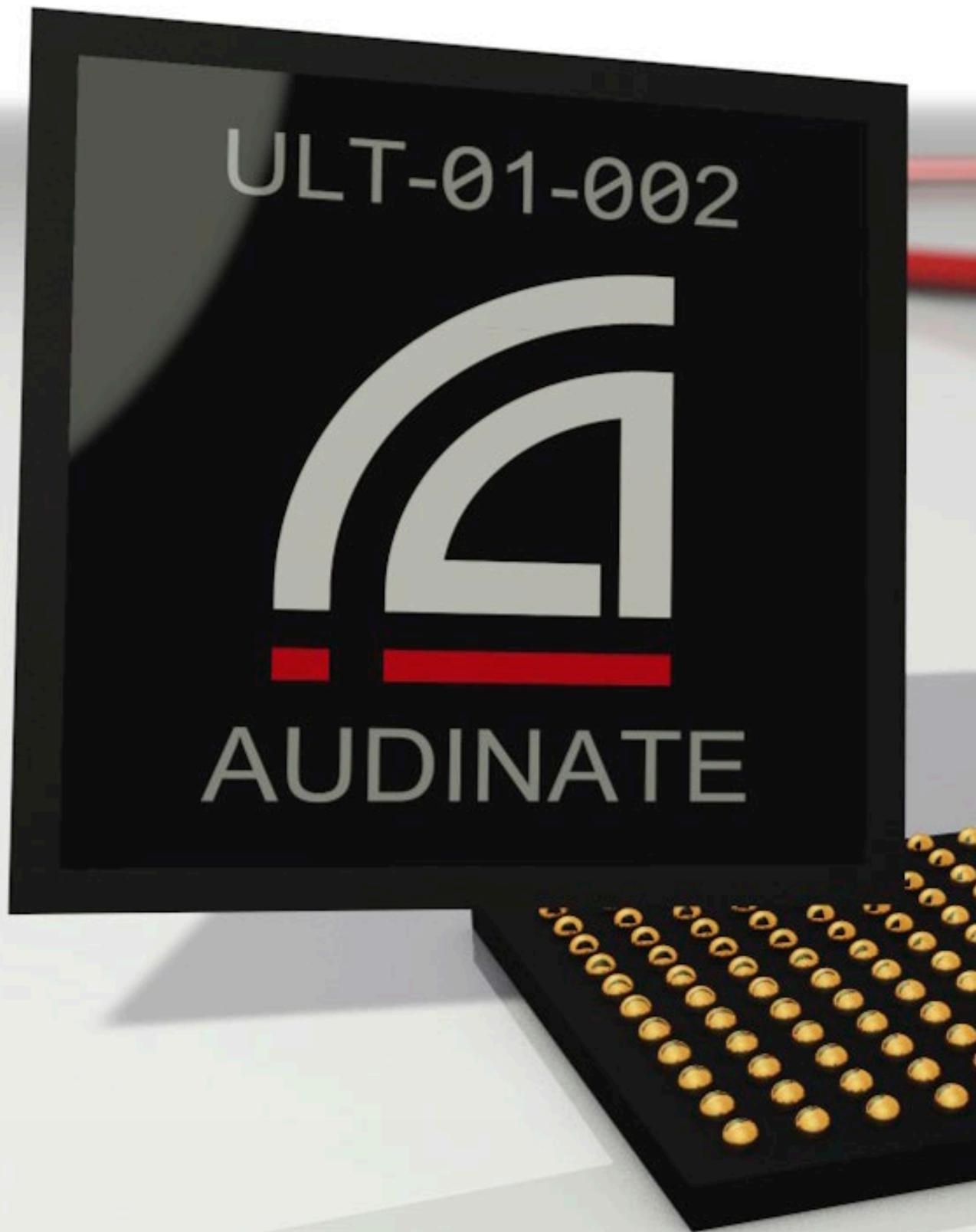




Audinate®

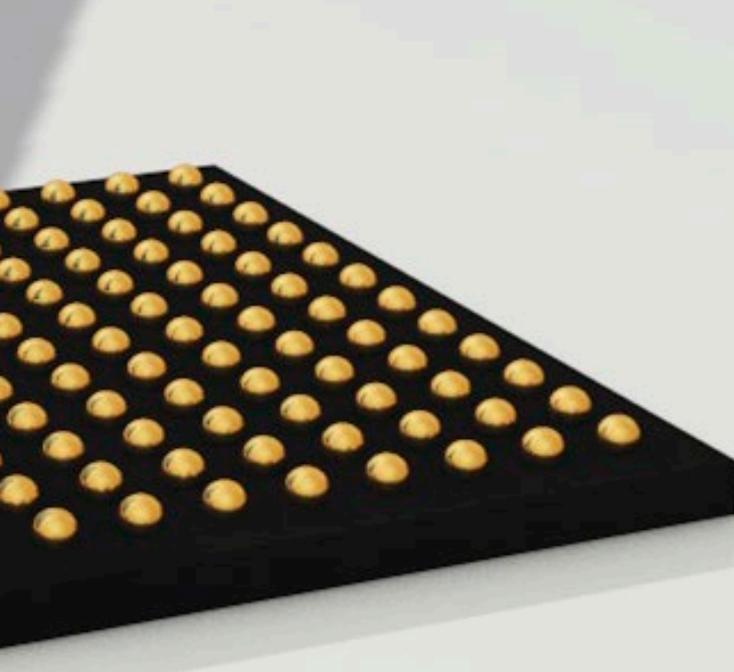
ANNUAL REPORT 2020





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Global leader
in audio
networking,
distributing high
quality digital
audio signals
over computer
networks

FY20 Financials

Revenue

A\$30.3m

EBITDA

A\$2.0m

Gross Margin

76.6%

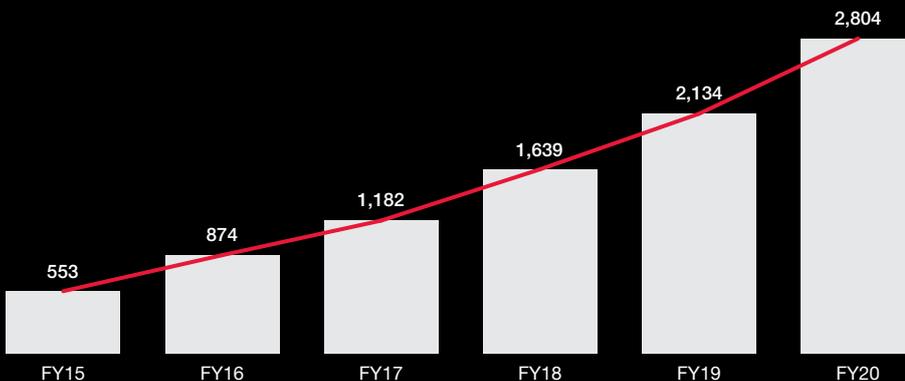
Cash on hand

A\$29.3m

- 31% growth in Dante-enabled products available on the market
- 8.2 times more products than the nearest audio networking competitor
- 21% increase in OEMs shipping Dante-enabled products
- 30% increase in software revenue
- 57,000 people trained on Dante this year

Growing network effect

Number of Dante-enabled products drives economic network effect



CAGR 38% in number of Dante-enabled products available in the market

Note: per financial year

Dante AVIO™
2CH Analog **Input** Adapter



MADE IN GERMANY

Chairman's Letter

Dear Shareholders,

On behalf of the Directors, I am pleased to present the Audinate Group Limited Annual Report for the Financial Year ended 30 June 2020 (FY20). The business continues to make good progress in achieving its medium-term objectives despite a very challenging revenue environment in the second half of the fiscal year.

The uptake of our new Dante products has been particularly encouraging with the number of design wins across Dante video, Dante Embedded Platform, Dante Application Library and IP Core representing a strong market endorsement of these products. Notably, the Dante Embedded Platform introduces the ability of an end-user to add Dante to an existing AV product in the field. This is a significant step for the evolution of our business model and something that we expect to aid the proliferation of our technology.

This product development requires new business infrastructure to enable and support it. Accordingly, it is pleasing to see the progress Audinate has made this year in terms of code protection and in-field licensing and enablement. The fulfillment of these capabilities is an essential strategic objective for the year ahead.

The establishment of a manufacturing line in Malaysia was initiated to address the imposition of US tariffs on Chinese imports. As it turned out, this provided critical business

continuity and enabled us to maintain supply, as many others experienced disruption. The opening of our office in the Philippines, in the midst of COVID-19, was another important step in building out the business platform to support growth and achieve operational efficiencies.

We have made important progress in the video market this year, delivering our Dante AV Product Design Suite to customers in April, securing a number of design wins, facilitating a demo of the first Dante video camera by Bolin, and launching the Authorised Implementer Program to enable production of white-labelled Dante video products. The launch of the first Dante video products by our customers will be another key milestone we expect to achieve in the year ahead.

2020 has been a particularly tumultuous time for even the most seasoned CEOs, let alone for one in his first year in the seat. In that respect Aidan has done a fantastic job in responding to a once in a generation environment and dealing with all the operational and day-to-day challenges that have unexpectedly emerged. The Board have all been impressed by the mature and calm way he has managed to balance immediate tactical demands with an ongoing focus on strategic imperatives. We are also fortunate to have the level of depth, experience and expertise within our Executive Leadership Team that have made an invaluable contribution in supporting Aidan this year.

As a Board we have tried to balance the risks and concerns which have arisen from the global uncertainty and dislocation with the opportunities that emerge in challenging times. This is an environment where caution and respect for capital is critical, but it is also equally important to seize the breaks when they emerge. This may be a seminal moment for the AV industry and signal an acceleration in the conversion from traditional analogue cabling to networked audio. Our conviction in the strength of our technology, quality of our strategy, and size of the nascent opportunities were key considerations in deciding to raise more capital.

Subsequent to year-end Audinate completed a \$40 million equity raise in July and August of 2020. This was an important step in restoring the Group's growth capital, de-risking the business from ongoing uncertainties and impacts of COVID-19, and enhancing our ability to consider strategic acquisitions. We retain a strong conviction in our business strategy to enable a transformation of the AV industry and genuinely appreciate the support of our institutional and retail shareholders in backing this vision.

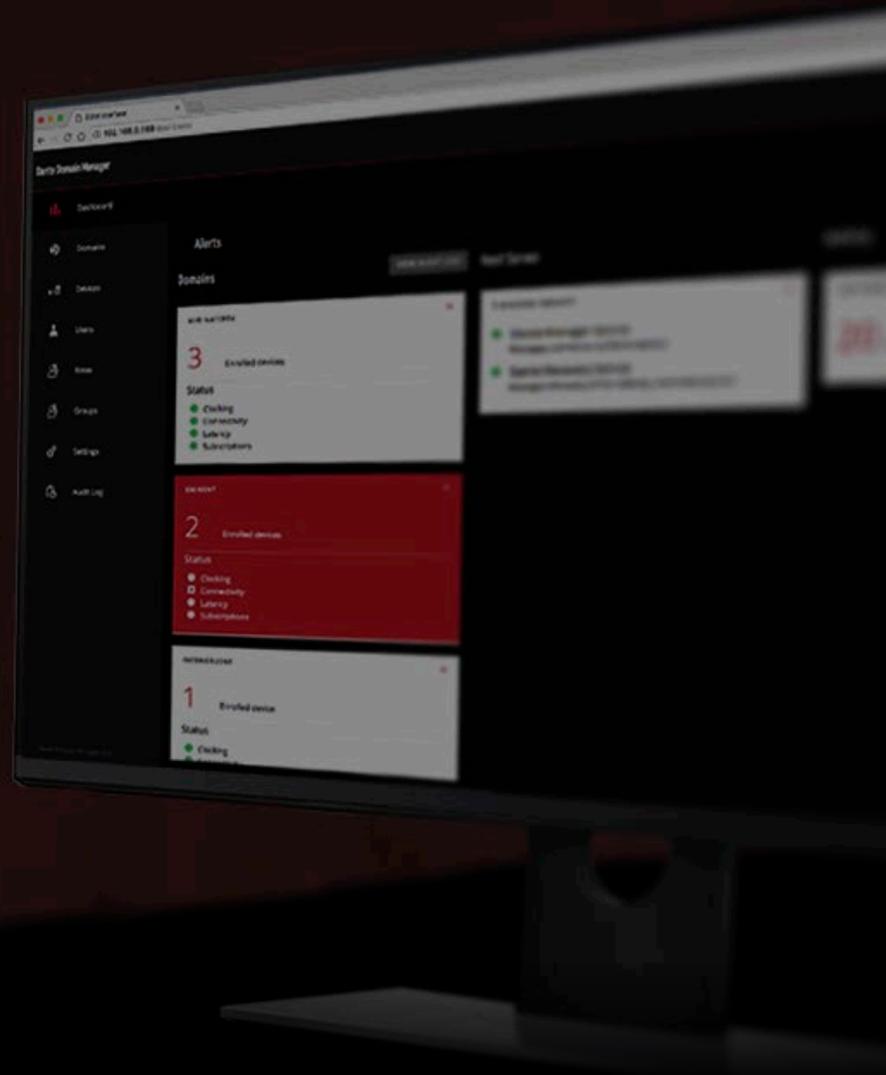
On behalf of the Board we would also like to recognise and thank Aidan and the entire staff of Audinate for their persistence, dedication, and teamwork in the extremely challenging and demanding environment that we have experienced this year. We remain confident that the milestones being achieved in the near term will position Audinate and our stakeholders to benefit from the inevitable economic recovery to come.



DAVID KRALL
Chairman



“We remain confident that the milestones being achieved in the near term will position Audinate and our stakeholders to benefit from the inevitable economic recovery to come.”



CEO's Report

In FY20 Audinate made good progress in delivering against its medium-term objectives, albeit in a challenging revenue environment due to the impact of COVID-19 in Q4.

Whilst dealing with the short-term impacts of COVID-19, the business has focused upon longer term strategic priorities and priming the pump for recovery. Today, the majority of our revenue derives from supplying Dante audio networking components to manufacturers of professional AV equipment and is related to the volume of pro-AV equipment being sold. However, Audinate does not directly influence demand for pro-AV equipment. By way of analogy, Intel's revenue increases when Dell sells more laptops with one of their chips built inside, however changes in pricing by Intel does not necessarily cause more people to buy Dell laptops. Further, in many cases our technology represents a small proportion of the bill of materials cost for a product and price reductions for our technology are not expected to markedly drive increased sales.

Therefore, our energies have been focused on how we can increase the number of AV products using our technology and stimulating demand for networked audio products generally by increasing knowledge and awareness of Dante technology and its associated benefits.

Importance of Design Wins

The first step in getting another Dante-enabled product to market is convincing an Original Equipment Manufacturer (OEM) to purchase a Dante implementation of some kind – we term this a “design win”. A manufacturer designing their first networked audio product, or an existing customer, may purchase a different Dante implementation option to broaden the application of Dante within their portfolio. Each design win has a meaningful up-front fee to cover customer support costs and signals commitment to the adoption of Dante.

Following a design win it typically takes 12-18 months for a manufacturer to design a new Dante-enabled product and make it available for shipping. Audinate receives orders for Dante implementations in chip, module, or software royalty form each time Dante-enabled products are manufactured. A stream of regular repeat orders associated with manufacturing runs is created for each new Dante-enabled product. Successive Dante-enabled product designs are usually completed more quickly as our penetration within their product portfolio grows.

Around a year ago, we released a new software Dante implementation called Dante Embedded Platform (DEP). It is a flexible software implementation that scales from single audio channel speakers & microphones to larger multi-channel products like mixing consoles and signal processors. DEP software can share a chip with software provided by the manufacturer greatly reducing cost by eliminating additional chips and circuitry needed to add Dante support to a product.

DEP enables Dante proliferation as it can be incorporated into a manufacturer's platform once and then deployed into a range of products with widely varying channel counts. In comparison, chip and module products require different electronic circuit designs as the channel count varies incurring engineering effort for each design variation.

Another strategically important aspect of software implementations like DEP is the ability to add Dante to a product already in the field. Furthermore, it is also possible to upgrade products in the field beyond a base level of Dante support included at manufacturing time. We are very excited to see this vision fulfilled by Dante Embedded Platform in a commercially successful product launched by QSC in April 2020.

Importance of training

Whilst we are very pleased to have established Dante as the de-facto standard in audio we are still very early in the transition from analogue cabling to networking. As such there are many industry professionals still running cables for a living. Our certification training courses play an important role in teaching them the basics of networking, familiarising them with Dante and credentialing them for their customers. The aim being to provide them with knowledge and confidence to specify, install and use Dante.

There are three levels of certification and in many countries, they count towards Continuing Professional Development (CPD) points for industry professionals. Historically we have delivered training at face to face events and via a learning portal, but with the onset of COVID-19 we switched to webinars. We have also added full time training resources in the UK and Mexico to complement our two US based resources and this has also enabled us to extend training to nine different languages. As a result, in FY20 we held 82 webinars (FY19: 6) and trained about 57,000 people on Dante, up 185% from the prior year.



Operational results

We continued to see strong growth in the number of Dante enabled products released by equipment manufacturers, with 31% growth in the product catalogue to 2,804 products at the end of FY20. Historically tradeshows have been an important platform for the release of new products, so it is particularly reassuring that the cancellation of tradeshows has not adversely impacted new product releases. As a result, we now have more than 8 times the number of products available than our next nearest audio networking competitor (up from 6x 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. For end-users, the ecosystem is more attractive based not just on the number of Dante enabled products, but also due to the breadth of products available and the multitude of brand choices.

Another important measure of the proliferation of the technology is the number of OEMs adopting Dante and releasing new products. During the year, the number of OEMs with Dante enabled products increased 21% to 328. There are design wins with a further 179 OEMs who are in the process of designing and releasing their first product, representing a pipeline for further growth.

Our Chairman has already spoken to some of the other operational achievements during FY20 and I echo his sentiments around Dante video and the building out of the infrastructure needed to support the evolution of our business model. Both areas will continue to be key objectives for further progress during FY21.

Financial Results

Gross profit increased over FY20 by 10.1% to A\$23.2 million, due to an improved gross profit margin of 76.6% and a 7.1% increase in revenue primarily due to USD/AUD exchange rate benefits. In USD, revenue was US\$20.4 million compared to US\$20.3 million in the prior year, reflecting the Q4 FY20 impact COVID-19.

As customers transition to new software-based Dante implementations, Audinate expects to see margin improvement. Accordingly, growth in gross profit dollars is becoming a more significant measure of performance than revenue growth alone.

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

Operating costs, which consist primarily of staff costs, marketing expenses and administration & other operating expenses, increased to \$21.2 million. The increase was primarily due to a \$3.1 million increase in employee costs

as headcount increased to 123, as well as \$0.6 million of one-off costs associated with retirement of the former CEO Lee Ellison. The overall impact of these factors led to a decline in EBITDA to approximately A\$2.0 million (FY19: \$2.8 million).

COVID-19 also necessitated a review of tax losses that the Group had recorded as an asset on its balance sheet. The Group retains access to these tax losses to apply against taxable income in future periods and may re-recognise them as an asset when greater certainty returns. This was the main reason that Audinate recorded a net loss after tax of A\$4.1 million.

Equity Raise

The \$40 million equity raise that the business completed in July and August 2020 was an important step in replenishing our growth capital, de-risking the business from any ongoing impacts from COVID-19 and restoring our ability to consider strategic M&A. We appreciate that our shareholders share our conviction around the opportunity and long-term strategy for Audinate.

Conclusion

Lastly, I would like to thank both the Board and all the staff at Audinate for their support during my first year in the CEO role. Despite the challenging environment I have thoroughly enjoyed FY20 and am immensely satisfied with the progress we are making in fulfilling the vision we have for Audinate. We have a dedicated, energetic and creative team at Audinate, and I am looking forward to the year ahead, making further progress in fulfilling our vision to "Pioneer the Future of AV".



AIDAN WILLIAMS
Chief Executive Officer



Audinate

Audinate Group Limited

ABN 56 618 616 916

Directors' Report and Financial Statements – 30 June 2020

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Directors' Report

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 2020.

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

Aidan Williams (Appointed on 16 September 2019)

John Dyson

Roger Price

Alison Ledger

Tim Finlayson

Lee Ellison (Resigned on 13 September 2019)

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 2020, the Group reported an increase in revenue of 7.1% to \$30.3 million from \$28.3 million in the prior year ended 30 June 2019. Gross margin grew 10.1% from \$21.1 million for the prior year to \$23.2 million for the year ended 30 June 2020. Gross margin percent also improved to 76.6% from 74.4% for the year due to favourable product mix of more software sales relative to lower margin chip sales.

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	
	2020 \$'000	2019 \$'000
(Loss)/profit after income tax (expense)/benefit for the year	(4,138)	662
Interest revenue	(320)	(192)
Grant income	(503)	–
Other income	(11)	(104)
Finance costs	117	–
Income tax expense/(benefit)	2,465	(20)
Depreciation and amortisation	4,422	2,419
EBITDA	2,032	2,765

The Group has grown the number of OEM customers shipping Dante enabled products to 328 OEMs at 30 June 2020, up 21.5% from 270 at 30 June 2019. 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 2,804 products, up 31.4% from 2,134 at 30 June 2019. Whilst Audinate continued to experience growth in key business metrics this did not fully translate into growth in revenue and units as the AV industry experienced headwinds from global economic conditions, including the impact of COVID-19 and US tariffs on Chinese imports.

Operating expenses, which consist of employee benefit expenses, marketing expenses and administration and other operating expenses increased by approximately 15.8% to \$21.2 million in the year ended 30 June 2020 from \$18.3 million in the prior year. This increase was primarily due to \$3.1 million increase in employee costs as the Group invested in additional headcount and \$0.6 million of costs incurred as a result of Lee Ellison's (former CEO) retirement at the end of 2019. In response to the impacts of COVID-19 the Group made 8 roles redundant in June 2020 at a one-off cost of \$0.1 million recorded within employment costs. EBITDA was \$2.0 million in the year ended 30 June 2020 compared to \$2.8 million in the prior year.

AASB 16 'Leases' was applied for the year ended 30 June 2020 but not for the prior year. The table above therefore shows EBITDA calculated under two different lease accounting policies applied for these respective years. Had the Group applied AASB 16 in the prior year EBITDA would have been \$3.4 million.

As a result of COVID-19 related stimulus initiatives the Group has received \$434,000 in JobKeeper support payments, a \$50,000 cash flow boost from the Australian Government and a \$19,000 small business grant from the UK Government. All of these amounts were recorded in other income and are therefore excluded from the calculation of EBITDA.

In addition to these stimulus amounts, COVID-19 also necessitated a review of tax losses that the Group had recorded as an asset on its balance sheet. Given the adverse impact on revenue in FY20 and the ongoing uncertainty in FY21 the Group considered it prudent and appropriate to write-off tax losses of approximately \$3.6 million at year end. These tax losses include the benefit of research and development tax offsets, which the Group expects to continue to receive in future years. The Group retains access to these tax losses to apply against taxable income in future periods and may re-recognise them as an asset when greater certainty returns.

During FY20 there was a \$2.0 million increase in depreciation and amortisation largely as a result of increased development spending and the amortisation of the right of use assets due to the change in lease accounting standard. As a result of all these items the Group recorded a net loss after tax \$4.1 million compared to net profit after tax of \$0.7 million in the prior year.

Significant changes in the state of affairs

During the second half of FY20 COVID 19 had a significant impact on the Group causing revenue to drop approximately 25% (in USD terms) from Q3 to Q4. The main segments that Audinate's products target have all been impacted to varying degrees: from live sound being negatively impacted to higher education being favourably impacted by the transition to remote learning models. This uncertainty is expected to continue into FY21 and was one of the reasons that prompted the Group to undertake the equity raising.

Around 12 months ago, the Group completed a Share Purchase Plan (10 July 2019) which raised \$4 million of cash and resulted in the issue of 571,429 shares. A further equity raising was recently completed and is described in matters subsequent to the end of the financial year.

Lee Ellison retired as CEO and director of the Company on 13 September 2019 and was 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 an institutional placement on 22 July 2020 which raised \$28 million of cash and resulted in the issue of 5,436,894 ordinary shares on this date. In addition, a Share Purchase Plan was completed on 17 August 2020 which raised \$12 million of cash and resulted in the issue of 2,343,750 ordinary shares on this date.

No other matter or circumstance has arisen since 30 June 2020 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' Report

Likely developments and expected results of operations

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 continue to focus on the sale of Dante Video, Dante Embedded Platform and Dante Application Library 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.

Proceeds from the Equity Raising completed subsequent to end of FY20 will be used to accelerate Audinate's growth opportunities, and strengthen its global leadership position in the AV-industry, while developing its video capabilities. Specifically, the proceeds will be used to:

- increase investment in engineering, R&D capabilities and business infrastructure to extend Audinate's market leading position in the audio networking space;
- strengthen the Company's balance sheet position in the uncertain COVID-19 period;
- accelerate investment in additional video and software products; and
- provide flexibility to pursue potential M&A opportunities that complement the Company's medium-term objectives.

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: HMIT); 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:	400,000 ordinary shares
Interests in options:	80,000 options over ordinary shares
Interests in rights:	None

Name:	Aidan Williams (Appointed on 16 September 2019)
Title:	Chief Executive Officer
Qualifications:	Aidan has a BSc in Computer Science, and a BEng (Hons I) in Electrical Engineering, both from the University of New South Wales (UNSW), Australia.
Experience and expertise:	Aidan Williams is co-founder and CEO of Audinate. While at the National ICT Australia (NICTA), he was the driving force behind the Digital Audio Networking project that developed the fundamental audio networking technology behind Dante. Prior to joining NICTA, Aidan was at Motorola Labs in Sydney where he worked on advanced networking technologies including zero-configuration IP networking, IPv6, reliable multicast, mobile adhoc networking and residential gateways. He is an inventor on more than twenty patents related to IP networking. Before embarking on an R&D career; Aidan developed extensive skills in networking, security, operating systems, and software development through several years of hands-on experience managing large networks, mission-critical systems and network security for a large university campus.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	1,910,907 ordinary shares
Interests in options:	None
Interests in rights:	276,512 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., Aktana 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:	Director of Nitro Software Ltd (ASX: NTO)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee and the Audit and Risk Management Committee
Interests in shares:	184,429 ordinary shares
Interests in options:	None
Interests in rights:	None

Directors' Report

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 Chief Executive Officer of Windlab Limited, a wind energy company (which was listed on the ASX until it was sold and delisted on 29 June 2020). 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:	None
Former directorships (last 3 years):	Formerly Executive Chairman of Windlab Limited (ASX: WND)
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 the Remuneration and Nomination Committee
Interests in shares:	4,000 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. He is a graduate and member of the Australian Institute of Company Directors.
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 the Audit and Risk Management Committee
Interests in shares:	125,094 ordinary shares
Interests in options:	None
Interests in rights:	None

Name:	Lee Ellison (Resigned on 13 September 2019)
Title:	Former Chief Executive Officer
Qualifications:	Lee has a Bachelor of Science degree from 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 Dillithium 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:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director
Interests in rights:	Not applicable as no longer a director

'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.

Directors' Report

Company Secretary

Rob Goss is the Chief Financial Officer and Company Secretary, responsible for finance, risk management and investor relations. 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 portal operating in Malaysia, Hong Kong, Indonesia, Singapore and Thailand. Previously, Rob held senior finance roles at ANZ Bank and Allico 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 2020, 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	13	13	1	1	–	–
Aidan Williams	11	11	–	–	–	–
John Dyson	12	13	1	1	2	2
Roger Price	13	13	–	–	2	2
Alison Ledger	12	13	1	1	–	–
Tim Finlayson	13	13	–	–	2	2
Lee Ellison	2	2	–	–	–	–

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

Note that during the year the transition of the CEO was dealt with by the Full Board under the stewardship of the Chair of the Remuneration and Nomination Committee.

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:

- Remuneration philosophy and governance
- Remuneration framework and structure
- Remuneration details
- Executive KMP contract details
- Equity-based compensation
- Additional information
- Additional disclosures relating to KMP

Remuneration 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

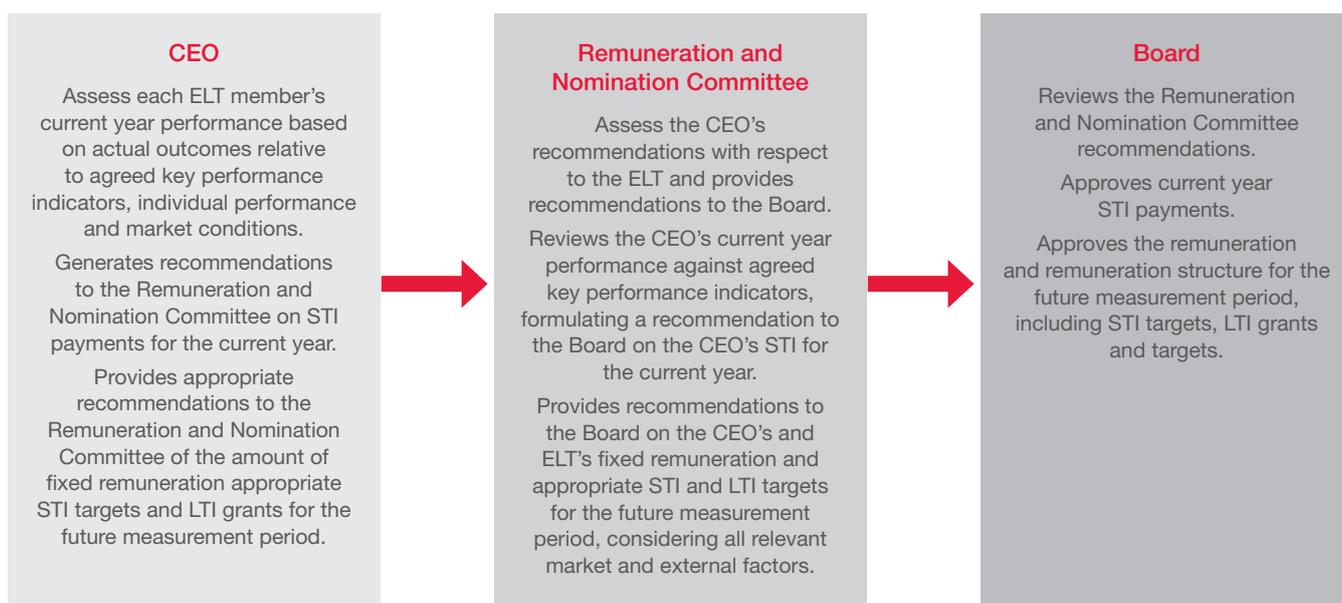
The Board has overall responsibility for the Group's remuneration principles, practices, strategy and approach to ensure they support the Company's business strategy and are appropriate for a listed Company given the size and nature of Audinate's business.

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 is currently comprised of 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.



Directors' Report

Independent advice

During the 2020 financial year no independent advice was sought. During the 2019 financial year the Group engaged AON Hewitt for independent advice. AON Hewitt was paid \$40,000 for this service.

Voting and feedback from Annual General Meeting ('AGM')

At the AGM more than 96% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company understands that some shareholders expressed support for the waiving of service conditions but not the waiving of market conditions in respect of the retirement benefits approved at the AGM for former CEO, Lee Ellison. This feedback will be taken into account in future analogous situations. Refer to the section headed 'Retirement benefits to former CEO, Lee Ellison'.

Remuneration framework and structure

Non-executive director 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 Company's 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	150,000
John Dyson	75,000
Roger Price	75,000
Alison Ledger*	75,000
Tim Finlayson**	75,000

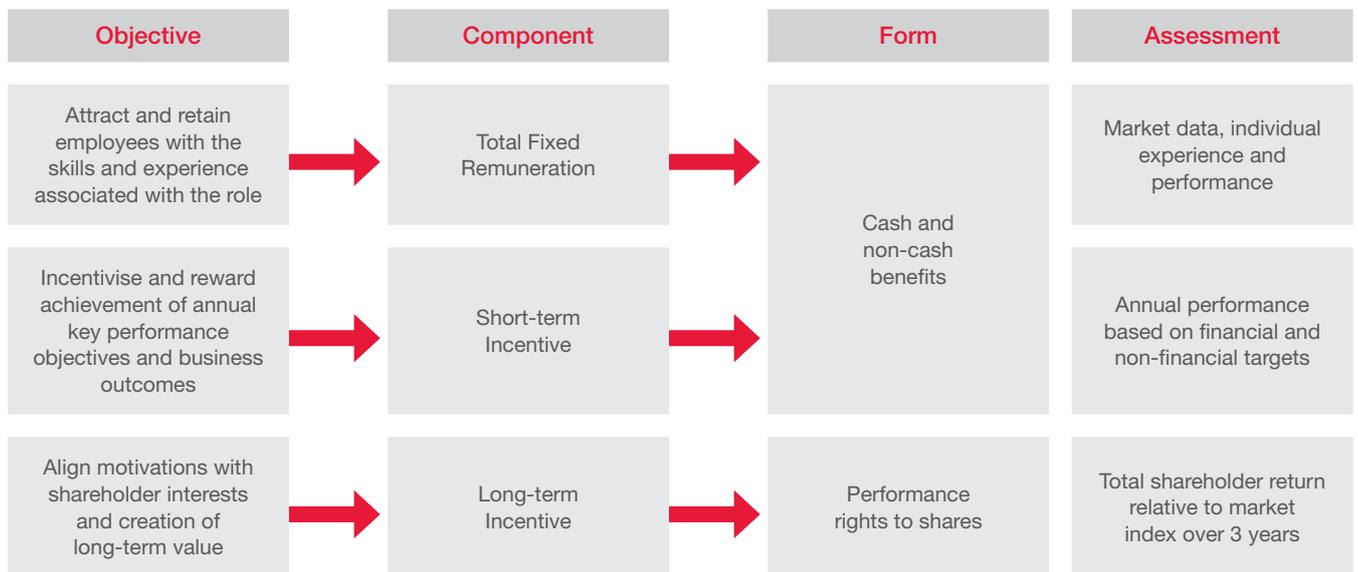
* Chair of Remuneration and Nomination Committee

** Chair of Audit and Risk Committee

Other than the Chairman, non-executive directors also receive an additional \$15,000 per annum for chairing a Board committee and \$5,000 for being a member of a Board committee.

The Chairman's monthly board fees are fixed to US dollars at the beginning of the year based on the prevailing USD exchange rate at the time.

Summary of executive remuneration structure



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 are 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 FY20 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 FY20 were targets for USD revenue, USD gross margin % and EBITDA. These corporate financial goals were not achieved due to the impact of COVID-19 and consequently no STI was paid.

Directors' Report

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 75% 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.

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 service based 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 issued in FY20 vest at 30 June 2022 subject to achieving the performance hurdle.

The performance metric for the performance rights is aligned to the Company's share price growth as compared to the ASX 300 Index. The ASX 300 Index has been selected as it represents the market performance of alternative companies that Audinate shareholders may invest in. Prior year grants are measured against the ASX Emerging Companies Index.

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

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

In the event that the Company achieves a negative Total Shareholder Return ('TSR') that is better than the relevant 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 issued 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. No performance right grants will be made to other key employees, outside the ELT, in respect of FY20.

Other employees received 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. No share grants will be made in respect of FY20.

Retirement benefits to former CEO, Lee Ellison

On 29 May 2019, Lee Ellison gave notice of his resignation which took effect at the end of his notice period on 29 November 2019.

The Board recommended (and shareholders subsequently approved at the AGM) the accelerated vesting of all 373,410 of the unvested performance rights held by Lee Ellison at the time of his retirement. Lee was integral to building a very successful business over 10 plus years of service with the Group, delivering excellent shareholder returns. He also worked very co-operatively with the Board on succession planning, acting in the best interests of shareholders and the long-term success and growth of the Company. It should be noted that the performance hurdles associated with the grant of these performance rights, assuming the performance hurdles were tested as at the time of the AGM and based on trading prices on the ASX at that time, had been significantly over-achieved.

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 TSR and earnings. TSR is the key performance metric for the LTI plan.

Directors' Report

Remuneration details

Amounts of remuneration

Details of the remuneration of KMP of the Group are set out in this section.

The KMP of the Group consisted of the following directors of Audinate Group Limited:

- David Krall – Chairman and Non-Executive Director
- Aidan Williams – Chief Executive Officer (Appointed on 16 September 2019, Formerly Chief Technology Officer)
- John Dyson – Non-Executive Director
- Roger Price – Non-Executive Director
- Alison Ledger – Non-Executive Director
- Tim Finlayson – Non-Executive Director
- Lee Ellison – Former Chief Executive Officer (Resigned on 16 September 2019)

And the following persons:

- Rob Goss – Chief Financial Officer and Company Secretary

2020	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	
Non-Executive Directors:							
David Krall (Chairman)	147,595	–	–	–	–	–	147,595
John Dyson	74,581	–	–	7,085	–	–	81,666
Roger Price	52,416	–	–	25,085	–	–	77,501
Alison Ledger	80,670	–	–	7,663	–	–	88,333
Tim Finlayson	80,670	–	–	7,663	–	–	88,333
Executive Directors:							
Aidan Williams	373,961	–	–	21,003	27,500	136,865	559,329
Lee Ellison*	190,326	–	9,148	–	–	304,135	503,609
Other KMP:							
Rob Goss	312,235	–	–	21,003	3,778	80,518	417,534
	1,312,454	–	9,148	89,502	31,278	521,518	1,963,900

* Includes remuneration from 1 July 2019 to date of his retirement.

2019	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	
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 KMP:							
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

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

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	2020	2019	2020	2019	2020	2019
Executive Directors:						
Aidan Williams	76%	62%	–	16%	24%	22%
Lee Ellison	40%	56%	–	26%	60%	18%
Other KMP:						
Rob Goss	81%	70%	–	17%	19%	13%

Non-executive directors did not receive share options or other performance linked incentives during the year ended 30 June 2020 and 30 June 2019.

Directors' Report

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:	\$400,000	\$320,000
Contract Duration:	Ongoing	Ongoing
Target STI % of TFR:	50%	25%
Target LTI % of TFR:	75%	50%
Notice period by individual/company:	6 months	3 months
Restraint:	Post termination subject to non-competition and non-solicitation of customers within USA, Australia and UK for 12 months	Post termination subject to non-competition and non-solicitation of customers within USA, Australia and UK for 12 months

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.

KMP have no entitlement to termination payments in the event of removal for misconduct.

Equity-based compensation

Issue of shares

There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2020.

Options

There were no options over ordinary shares granted to or vested by directors and other KMP as part of compensation during the year ended 30 June 2020.

Performance rights

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

Name	Number of rights granted	Grant date	Expiry date	Relevant Index	Share price hurdle for vesting	Fair value per right at grant date
Aidan Williams	178,541	30/06/2017	30/06/2022	ASX Emerging Companies	\$0.000	\$0.780
Aidan Williams	57,857	26/03/2019	31/08/2022	ASX Emerging Companies	\$0.000	\$2.181
Aidan Williams	40,114	30/06/2020	31/08/2022	ASX 300	\$0.000	\$4.370
Rob Goss	89,270	30/06/2017	30/06/2022	ASX Emerging Companies	\$0.000	\$0.780
Rob Goss	42,857	26/03/2019	31/08/2022	ASX Emerging Companies	\$0.000	\$2.181
Rob Goss	21,401	30/06/2020	31/08/2022	ASX 300	\$0.000	\$4.370

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 after three years.

Performance rights commence vesting upon achieving total shareholder return equal to the 50th percentile of the relevant index and vest fully at the 75th percentile.

Performance rights granted carry no dividend or voting rights. Other than the accelerated vesting of 373,410 performance rights, related to the retirement of the former CEO Mr Lee Ellison, no other performance rights vested during the year.

Additional information

The earnings of the Group for the five years to 30 June 2020 are summarised below:

	2016* \$'000	2017** \$'000	2018 \$'000	2019 \$'000	2020 \$'000
Sales revenue	11,903	15,063	19,653	28,313	30,317
EBITDA	(64)	784	559	2,765	2,032
Profit/(loss) after income tax	54	(20,443)	2,544	662	(4,138)

* 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 TSR are summarised below:

	2018	2019	2020
Share price at financial year end (\$)	3.92	7.99	5.40
Basic earnings per share (cents per share)	4.19	1.08	(6.17)
Diluted earnings per share (cents per share)	3.95	1.02	(6.17)

Additional disclosures relating to KMP

Shareholding

The number of shares in the Company held during the financial year by each director and other members of KMP 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	–	106,042	–	400,000
Aidan Williams	1,910,907	–	–	–	1,910,907
John Dyson	184,429	–	–	–	184,429
Roger Price*	71,156	–	–	–	71,156
Alison Ledger	1,500	–	2,500	–	4,000
Tim Finlayson*	122,951	–	2,143	–	125,094
Lee Ellison**	820	2,195,000	–	(2,195,820)	–
Rob Goss*	204,408	–	–	(101,100)	103,308
	2,790,129	2,195,000	110,685	(2,296,920)	2,798,894

* Includes indirect holdings

** Lee held 820 ordinary shares at the date of resignation

Directors' Report

Option holding

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

	Balance at the start of the year	Granted	Exercised	Other*	Balance at the end of the year
Options over ordinary shares					
David Krall	186,042	–	(106,042)	–	80,000
Lee Ellison*	320,000	–	(200,000)	(120,000)	–
	506,042	–	(306,042)	(120,000)	80,000

* 120,000 options over ordinary shares held indirectly at the date of resignation

All of the outstanding options at 30 June 2020 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 KMP 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				
Aidan Williams	236,398	40,114	–	276,512
Lee Ellison*	2,368,410	–	(2,368,410)	–
Rob Goss	132,127	21,401	–	153,528
	2,736,935	61,515	(2,368,410)	430,040

* During FY20 Lee Ellison exercised 1,995,000 performance rights and at the date of his retirement (29 November 2019) he held 373,410 performance rights which had vested but had not been exercised.

	Vested	Unvested	Balance at the end of the year
Performance rights over ordinary shares			
Aidan Williams	–	276,512	276,512
Rob Goss	–	153,528	153,528
	–	430,040	430,040

Subsequent to 30 June 2020 the first tranche of performance rights issued to Aidan Williams and Rob Goss on 30 June 2017 vested in full, amounting to 59,514 and 29,757 performance rights respectively.

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. These loans were fully repaid during the year ended 30 June 2020. The total value of the loans outstanding at 30 June 2019 was \$91,237, inclusive of a loan outstanding from Aidan Williams of \$40,650.

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	09/12/2020	\$0.0620	130,000
30/06/2017	11/06/2022	\$0.2600	105,000
30/06/2017	23/08/2022	\$0.2600	248,800
30/06/2017	31/01/2023	\$0.2600	24,000
			507,800

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	Vesting date	Exercise price	Number under rights
30/06/2017	15/07/2020	\$0.0000	245,104
30/06/2017	15/07/2021	\$0.0000	244,472
30/06/2017	15/07/2022	\$0.0000	239,179
29/06/2018	15/07/2020	\$0.0000	17,425
29/06/2018	15/07/2021	\$0.0000	17,425
29/06/2018	15/07/2022	\$0.0000	17,421
26/03/2019	30/06/2022	\$0.0000	381,958
16/10/2019	31/08/2020	\$0.0000	15,689
16/10/2019	31/08/2021	\$0.0000	15,689
30/06/2020	30/06/2022	\$0.0000	163,864
30/06/2020	06/01/2022	\$0.0000	10,792
30/06/2020	06/01/2023	\$0.0000	10,791
			1,379,809

* 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.

Directors' Report

Shares issued on the exercise of options

The following ordinary shares of Audinate Group Limited were issued during the year ended 30 June 2020 and up to the date of this report on the exercise of options granted:

Date options exercised	Exercise price	Number of shares issued
19/07/2019	\$0.0620	20,000
19/07/2019	\$0.0620	9,923
19/07/2019	\$0.2600	8,000
19/07/2019	\$0.2600	3,871
19/08/2019	\$0.2600	8,000
20/09/2019	\$0.0620	9,916
03/10/2019	\$0.0620	370,042
03/10/2019	\$0.2600	12,000
08/11/2019	\$0.0620	100,000
08/11/2019	\$0.2600	12,000
22/11/2019	\$0.2600	2,901
20/03/2020	\$0.0620	10,000
17/04/2020	\$0.0620	10,000
17/04/2020	\$0.2600	3,000
05/06/2020	\$0.2600	120,000
		699,653

Shares issued on the exercise of performance rights

The following ordinary shares of Audinate Group Limited were issued during the year ended 30 June 2020 and up to the date of this report on the exercise of performance rights granted:

Date performance rights converted to shares	Exercise price	Number of shares issued
16/09/2019	\$0.0000	1,995,000
12/12/2019	\$0.0000	267,811
12/12/2019	\$0.0000	105,599
		2,368,410

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. The policy also covers 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

20 August 2020
Sydney

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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Grosvenor Place
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Australia

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20 August 2020

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 2020, 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



Helen Hamilton-James
Partner
Chartered Accountant

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte Network

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
Revenue			
Sales	5	30,317	28,313
Cost of goods sold		(7,109)	(7,250)
Gross margin		23,208	21,063
Expenses			
Employee expenses	6	(15,797)	(12,700)
Marketing expenses		(2,484)	(2,631)
Administration and other operating expenses		(2,895)	(2,967)
Depreciation and amortisation	6	(4,422)	(2,419)
Total expenses		(25,598)	(20,717)
Operating (loss)/profit		(2,390)	346
Finance costs	6	(117)	–
Other income	7	834	296
(Loss)/profit before income tax (expense)/benefit		(1,673)	642
Income tax (expense)/benefit	8	(2,465)	20
(Loss)/profit after income tax (expense)/benefit for the year attributable to the owners of Audinate Group Limited		(4,138)	662
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		1	(41)
Other comprehensive income for the year, net of tax		1	(41)
Total comprehensive income for the year attributable to the owners of Audinate Group Limited		(4,137)	621
		Cents	Cents
Basic earnings per share	9	(6.17)	1.08
Diluted earnings per share	9	(6.17)	1.02

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 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	10	29,286	30,069
Trade and other receivables	11	1,849	2,872
Inventories	12	1,645	1,803
Other assets	13	993	812
Total current assets		33,773	35,556
Non-current assets			
Property, plant and equipment	14	1,455	1,013
Right-of-use assets	15	2,481	–
Intangibles	16	12,050	7,691
Deferred tax	8	100	2,278
Other assets	17	444	–
Total non-current assets		16,530	10,982
Total assets		50,303	46,538
LIABILITIES			
Current liabilities			
Trade and other payables	18	3,034	2,413
Contract liabilities	19	512	308
Lease liability		585	–
Income tax payable	8	258	19
Employee benefits		1,600	2,474
Provisions		–	47
Other liabilities		108	–
Total current liabilities		6,097	5,261
Non-current liabilities			
Lease liability		2,003	–
Employee benefits		124	133
Other liabilities		112	–
Total non-current liabilities		2,239	133
Total liabilities		8,336	5,394
Net assets		41,967	41,144
Equity			
Contributed capital	20	87,526	83,143
Reserves	21	1,353	775
Accumulated losses		(46,912)	(42,774)
Total equity		41,967	41,144

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 2020

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
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 21)	–	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

Consolidated	Contributed capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	83,143	775	(42,774)	41,144
Loss after income tax expense for the year	–	–	(4,138)	(4,138)
Other comprehensive income for the year, net of tax	–	1	–	1
Total comprehensive income for the year	–	1	(4,138)	(4,137)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 21)	–	1,103	–	1,103
Issue of shares – share purchase plan	4,000	–	–	4,000
Issue of shares – exercise of options	74	–	–	74
Issue of shares – vesting of performance rights	490	(490)	–	–
Issue of shares – under long-term incentive plan	36	(36)	–	–
Share issue costs, net of tax	(217)	–	–	(217)
Balance at 30 June 2020	87,526	1,353	(46,912)	41,967

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 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		31,635	27,747
Payments to suppliers and employees (inclusive of GST)		(27,258)	(25,510)
Interest received		251	205
Interest and other finance costs paid		(117)	–
Government grants received		285	–
Research and development incentive received		–	1,327
Income taxes refunded		85	–
Income taxes paid		(46)	(153)
Net cash from operating activities	32	4,835	3,616
Cash flows from investing activities			
Payments for property, plant and equipment		(914)	(669)
Payments for intangibles		(7,392)	(5,782)
Payments for long-term secured term deposits		(444)	–
Net cash used in investing activities		(8,750)	(6,451)
Cash flows from financing activities			
Proceeds from issue of shares		4,074	20,036
Share issue transaction costs		(299)	(789)
Repayment of lease liability		(642)	–
Net cash from financing activities		3,133	19,247
Net (decrease)/increase in cash and cash equivalents		(782)	16,412
Cash and cash equivalents at the beginning of the financial year		30,069	13,631
Effects of exchange rate changes on cash and cash equivalents		(1)	26
Cash and cash equivalents at the end of the financial year	10	29,286	30,069

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

Notes to the Consolidated Financial Statements

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 financial 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 19 August 2020. 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 16 Leases

The Group adopted AASB 16 'Leases' from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Notes to the Consolidated Financial Statements

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. There was no impact of adoption on opening accumulated losses as at 1 July 2019 as follows:

	Consolidated
	1 July 2019
	\$'000
Operating lease commitments as at 1 July 2019 (AASB 117)	3,767
Operating lease commitments discount based on the weighted average incremental borrowing rate of 5% (AASB 16)	(20)
Operating lease commitments committed before 1 July 2019 but commenced after 1 July 2019	(3,429)
Right-of-use assets (AASB 16)	318
Lease liabilities – current (AASB 16)	(554)
Lease liabilities – non-current (AASB 16)	(33)
Accrual for lease change-over costs	269
Impact on opening accumulated losses as at 1 July 2019	–

Impact on profit or loss and cash flows

	Consolidated	
	2020	2019
	\$'000	\$'000
Amounts recognised in profit or loss in relation to leases		
Administration and other operating expenses		
Minimum lease payments (refer note 6)	–	378
Short-term lease payments (refer note 6)	79	72
Low-value assets lease payments (refer note 6)	15	7
	94	457
Depreciation and amortisation		
Depreciation of right-of-use assets (refer note 6)	682	–
Finance Costs		
Interest expense on lease liabilities (refer note 6)	115	–
	891	457

	Consolidated	
	2020	2019
	\$'000	\$'000
Amounts recognised in the statement of cash flows in relation to leases		
Cash flows from operating activities		
Payments to suppliers and employees	(93)	(457)
Interest and other finance costs paid	(115)	–
	(208)	(457)
Cash flows from financing activities		
Repayment of lease liability	(642)	–
	(850)	(457)

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Accounting for leases which end within 12 months of the date of initial application as short-term leases; and
- Excluding initial direct costs from the measurement of the right-of-use asset.

The lease term was determined through management's assessment of the contracted lease terms.

Interpretation 23 Uncertainty over Income Tax

The Group has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exist. The interpretation requires: the Group to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the Group to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening retained profits as at 1 July 2019.

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.

Notes to the Consolidated Financial Statements

Parent entity information

These financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Audinate Group Limited as at 30 June 2020 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.

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 are 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.

Revenue recognition

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 products and 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.

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.

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.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are recognised in profit or loss over the period necessary to match with the costs that they are intended to compensate. The Group received COVID-19 related government grants for wage subsidies and cash flow boost in Australia and small business grant in the UK during the year. The grants are recognised as other income and are included in note 7.

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.

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.

Notes to the Consolidated Financial Statements

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.

Audinate Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries formed an income tax consolidated group under the tax consolidation regime in 2017.

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 First In, First Out 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.

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.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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 the expected benefit, being the finite useful life of three years.

Intellectual property

Significant costs associated with 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 2-5 years.

Notes to the Consolidated Financial Statements

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 value 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.

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

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.

Lease liability

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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, performance rights 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.

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.

Notes to the Consolidated Financial Statements

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.

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 2020. 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.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. The COVID-19 pandemic can result in a wide range of potential revenue outcomes in the forthcoming financial year, hence one of the main reasons for the equity raising undertaken subsequent to 30 June 2020. Other than as addressed in specific notes, there does not currently appear to be either any other significant impact upon the financial statements or any other significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

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.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the COVID-19 pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 11, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

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.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

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) 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 43% (2019: 41%) of the Group's revenue during the year ended 30 June 2020 and of that amount the largest customer represents approximately 11% (2019: 13%) of the Group's revenue.

Notes to the Consolidated Financial Statements

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 38% (2019: 39%); b) Asia 32% (2019: 33%); and c) Europe and Middle East 30% (2019: 28%). Occasionally the international offices may generate some revenue related to marketing activities.

	Sales to external customers*		Geographical non-current assets	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Australia	30,317	28,292	16,253	10,306
United Kingdom	–	–	30	26
Hong Kong	–	–	3	4
United States of America	–	21	244	646
	30,317	28,313	16,530	10,982

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

Note 5. Revenue

	Consolidated	
	2020 \$'000	2019 \$'000
Sales	30,317	28,313

Disaggregation of revenue

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

	Consolidated	
	2020 \$'000	2019 \$'000
Chips, cards and modules (including adapters)	23,517	24,031
Software revenue (including licence fees and royalties)	6,123	3,779
Other revenue (including support and maintenance)	677	503
	30,317	28,313

Timing of revenue recognition

Revenue from providing support and maintenance is recognised over the period of time in which the services are provided. All other revenue is recognised when the service is provided or the goods are dispatched from the warehouse.

Note 6. Expenses

	Consolidated	
	2020 \$'000	2019 \$'000
(Loss)/profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation of property, plant and equipment	474	344
Depreciation of office leases – right-of-use	682	–
Amortisation of intangibles	3,698	2,075
Depreciation and amortisation – capitalised	(432)	–
Total depreciation and amortisation	4,422	2,419
Finance costs		
Interest and finance charges paid/payable on lease liabilities	115	–
Interest – other	2	–
Total finance costs	117	–
Leases		
Minimum lease payments	–	378
Short-term lease payments	79	72
Low-value assets lease payments	15	7
Total lease expense	94	457
Employee benefit expenses		
Salaries and wages	11,217	9,699
Post-employment benefits	1,000	676
Share-based payments	1,103	686
Other costs	2,477	1,639
Total employee benefit expenses*	15,797	12,700

* During the current year director fees and mileage allowances paid to employees have been classified as employee expenses. Consequently comparative information (for the year ended 30 June 2019) for employee expenses has been increased by \$412,000 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	
	2020 \$'000	2019 \$'000
Net foreign exchange gain	11	104
Interest revenue	320	192
Government grants	503	–
	834	296

Notes to the Consolidated Financial Statements

Government grants

During the Coronavirus ('COVID-19') pandemic, the Group has received \$434,000 from JobKeeper support payments from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the related employee benefits are recognised as an expense. The JobKeeper payment scheme in its current form runs for the fortnights from 30 March until 27 September 2020. The Group is expected to be eligible for approximately \$688,000 of additional JobKeeper support payments from the government to the end of September 2020 on the condition that employee benefits continue to be paid. In addition the Group received a \$50,000 cash flow boost from the Australian Government and a \$19,000 small business grant from the UK Government.

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	
	2020	2019
	\$'000	\$'000
Income tax expense/(benefit)		
Current tax	(2,737)	(1,004)
Under provision prior year	(55)	36
Deferred tax – origination and reversal of temporary differences	1,627	948
Derecognition of tax losses	3,630	–
Aggregate income tax expense/(benefit)	2,465	(20)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
(Loss)/profit before income tax (expense)/benefit	(1,673)	642
Tax at the statutory tax rate of 27.5%	(460)	177
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of development costs (pre 30 June 2017)	74	339
Expenditure claimed for research and development incentive	2,552	1,832
Research and development incentive benefit	(3,573)	(2,564)
Derecognition of tax losses	3,630	–
Non-deductible expenses	241	193
	2,464	(23)
Under provision prior year	(55)	36
Difference in overseas tax rates	56	(33)
Income tax expense/(benefit)	2,465	(20)

	Consolidated	
	2020	2019
	\$'000	\$'000
Deferred tax asset		
Net deferred tax asset comprises temporary differences attributable to:		
Lease liabilities	714	–
Provisions	649	777
Carried forward tax losses	424	1,153
Blackhole expenditure	282	347
Trade and other payables	96	115
Intangible assets	(1,324)	(202)
Right-of-use assets	(684)	–
Property, plant and equipment	(70)	59
Other	13	29
Deferred tax asset	100	2,278

	Consolidated	
	2020	2019
	\$'000	\$'000
Income tax payable		
Income tax payable	258	19

Income tax payable represents an estimate of tax payable by overseas subsidiaries.

The Group has \$3,630,000 (2019: \$nil) of unused tax credits and offsets for which no deferred tax asset is recognised in the statement of financial position.

Notes to the Consolidated Financial Statements

Note 9. Earnings per share

	Consolidated	
	2020 \$'000	2019 \$'000
(Loss)/profit after income tax attributable to the owners of Audinate Group Limited	(4,138)	662
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	67,057,118	61,439,782
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	–	1,174,297
Performance rights	–	1,995,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	67,057,118	64,609,079
	Cents	Cents
Basic earnings per share	(6.17)	1.08
Diluted earnings per share	(6.17)	1.02

At 30 June 2020, options and performance rights over ordinary shares were excluded from the calculation of the weighted average number of ordinary shares used in calculating diluted earnings per share due to being anti-dilutive.

Note 10. Current assets – cash and cash equivalents

	Consolidated	
	2020 \$'000	2019 \$'000
Cash at bank	5,161	4,315
Cash on deposit	24,125	25,754
	29,286	30,069

Note 11. Current assets – trade and other receivables

	Consolidated	
	2020 \$'000	2019 \$'000
Trade receivables	1,394	2,647
Less: Allowance for expected credit losses	(11)	(2)
	1,383	2,645
Other receivables	466	227
	1,849	2,872

Allowance for expected credit losses

The Group has recognised a loss of \$22,000 in respect of the expected credit losses for the year ended 30 June 2020 (2019: \$2,000).

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

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020 %	2019 %	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Not overdue	0.068%	0.066%	1,394	2,647	11	2

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2020 \$'000	2019 \$'000
Opening balance	2	–
Additional provisions recognised	22	2
Receivables written off during the year as uncollectable	(13)	–
Closing balance	11	2

Note 12. Current assets – inventories

	Consolidated	
	2020 \$'000	2019 \$'000
Raw materials – at cost	395	238
Finished goods – at cost	1,250	1,565
	1,645	1,803

Note 13. Current assets – other assets

	Consolidated	
	2020 \$'000	2019 \$'000
Prepayments	590	594
Deposits	403	218
	993	812

Notes to the Consolidated Financial Statements

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

	Consolidated	
	2020 \$'000	2019 \$'000
Leasehold improvements – at cost	792	482
Less: Accumulated depreciation	(134)	(206)
	658	276
Furniture and fittings – at cost	72	83
Less: Accumulated depreciation	(37)	(45)
	35	38
Computer and equipment – at cost	1,587	1,409
Less: Accumulated depreciation	(825)	(710)
	762	699
	1,455	1,013

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 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
Additions	516	19	379	914
Exchange differences	–	1	1	2
Depreciation expense	(134)	(23)	(317)	(474)
Balance at 30 June 2020	658	35	762	1,455

Note 15. Non-current assets – right-of-use assets

	Consolidated	
	2020 \$'000	2019 \$'000
Office leases – right-of-use	3,160	–
Less: Accumulated depreciation	(679)	–
	2,481	–

Additions to the right-of-use assets during the year were \$3,085,000.

The Group leases offices under agreements of between 1 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 16. Non-current assets – intangibles

	Consolidated	
	2020 \$'000	2019 \$'000
Development costs	18,964	11,956
Less: Accumulated amortisation	(8,488)	(5,093)
	10,476	6,863
Intellectual property	518	335
Less: Accumulated amortisation	(284)	(158)
	234	177
Software – at cost	1,579	713
Less: Accumulated amortisation	(239)	(62)
	1,340	651
	12,050	7,691

Reconciliations

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

Consolidated	Development costs \$'000	Intellectual property \$'000	Software \$'000	Total \$'000
Balance at 1 July 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
Additions	7,008	183	866	8,057
Amortisation expense	(3,395)	(126)	(177)	(3,698)
Balance at 30 June 2020	10,476	234	1,340	12,050

Notes to the Consolidated Financial Statements

Note 17. Non-current assets – other assets

	Consolidated	
	2020 \$'000	2019 \$'000
Security deposit*	444	–

* Represents amount held as security for Sydney office lease.

Note 18. Current liabilities – trade and other payables

	Consolidated	
	2020 \$'000	2019 \$'000
Trade payables	1,541	1,122
Accrued expenses	385	726
Other payables	1,108	565
	3,034	2,413

Refer to note 23 for further information on financial instruments.

Note 19. Current liabilities – contract liabilities

	Consolidated	
	2020 \$'000	2019 \$'000
Contract liabilities	512	308

Reconciliation

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

	Consolidated	
	2020 \$'000	2019 \$'000
Opening balance	308	–
Transfer from unearned revenue on 1 July 2018	–	134
Billings in advance	1,640	1,152
Transfer to revenue – included in the opening balance	–	(134)
Transfer to revenue – relating to current period	(1,436)	(844)
Closing balance	512	308

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 \$512,000 as at 30 June 2020 (\$308,000 as at 30 June 2019) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2020 \$'000	2019 \$'000
Within 6 months	279	204
6 to 12 months	233	104
	512	308

Note 20. Equity – contributed capital

Fully paid ordinary shares

	Consolidated			
	2020 Shares	2019 Shares	2020 \$'000	2019 \$'000
Ordinary shares – fully paid	67,940,499	64,296,003	87,526	83,143

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. 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 2019 financial statements.

Notes to the Consolidated Financial Statements

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2018	60,936,358		63,288
Issue of shares – exercise of options	21 September 2018	10,000	\$0.0360	–
Issue of shares – exercise of options	21 September 2018	100,000	\$0.0620	6
Issue of shares – exercise of options	2 November 2018	50,000	\$0.0620	3
Issue of shares – exercise of options	19 November 2018	20,000	\$0.0360	1
Issue of shares – exercise of options	25 February 2019	50,000	\$0.0620	3
Issue of shares – exercise of options	6 March 2019	8,000	\$0.2600	2
Issue of shares – exercise of options	13 March 2019	8,000	\$0.2600	2
Issue of shares – exercise of options	13 March 2019	20,000	\$0.0620	1
Issue of shares – exercise of options	14 March 2019	10,000	\$0.0620	1
Issue of shares – exercise of options	25 March 2019	12,000	\$0.0620	1
Issue of shares – exercise of options	25 March 2019	8,000	\$0.2600	2
Issue of shares – exercise of options	5 April 2019	10,000	\$0.0620	1
Issue of shares – exercise of options	5 April 2019	99,502	\$0.2600	–
Issue of shares – exercise of options	17 May 2019	15,000	\$0.2600	4
Issue of shares – exercise of options	17 May 2019	38,000	\$0.0620	2
Issue of shares – exercise of options	7 June 2019	8,000	\$0.2600	2
Issue of shares	13 June 2019	2,857,143	\$7.0000	20,000
Issue of shares – exercise of options	21 June 2019	20,000	\$0.0620	1
Issue of shares – exercise of options	21 June 2019	16,000	\$0.2600	4
Share issue costs, net of tax		–	–	(572)
Transfer from share-based payments reserve		–	–	391

Details	Date	Shares	Issue price	\$'000
Balance	30 June 2019	64,296,003		83,143
Issue of shares – share purchase plan	11 July 2019	571,429	\$7.0000	4,000
Issue of shares – exercise of options	19 July 2019	20,000	\$0.0620	1
Issue of shares – exercise of options	19 July 2019	9,923	\$0.0620	–
Issue of shares – exercise of options	19 July 2019	8,000	\$0.2600	2
Issue of shares – exercise of options	19 July 2019	3,871	\$0.2600	–
Issue of shares – exercise of options	19 August 2019	8,000	\$0.2600	2
Issue of shares – vesting of performance rights	16 September 2019	1,995,000	\$0.0000	–
Issue of shares – exercise of options	20 September 2019	9,916	\$0.0620	–
Issue of shares – exercise of options	3 October 2019	370,042	\$0.0620	23
Issue of shares – exercise of options	3 October 2019	12,000	\$0.2600	3
Issue of shares – under long-term incentive plan	16 October 2019	5,004	\$7.2150	36
Issue of shares – exercise of options	8 November 2019	100,000	\$0.0620	6
Issue of shares – exercise of options	8 November 2019	12,000	\$0.2600	3
Issue of shares – exercise of options	22 November 2019	2,901	\$0.2600	–
Issue of shares – vesting of performance rights	12 December 2019	267,811	\$0.8000	214
Issue of shares – vesting of performance rights	12 December 2019	105,599	\$2.6110	276
Issue of shares – exercise of options	20 March 2020	10,000	\$0.0620	1
Issue of shares – exercise of options	17 April 2020	10,000	\$0.0620	1
Issue of shares – exercise of options	17 April 2020	3,000	\$0.2600	1
Issue of shares – exercise of options	5 June 2020	120,000	\$0.2600	31
Share issue costs		–	–	(299)
Deferred tax credit recognised directly in equity		–	–	82
Balance	30 June 2020	67,940,499		87,526

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

Notes to the Consolidated Financial Statements

Note 21. Equity – reserves

	Consolidated	
	2020 \$'000	2019 \$'000
Foreign currency reserve	(145)	(146)
Share-based payments reserve	1,498	921
	1,353	775

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 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
Foreign currency translation	1	–	1
Share-based payments	–	1,103	1,103
Transfer to equity for issue of shares – vested performance rights	–	(490)	(490)
Transfer to equity for issue of shares – under long-term incentive plan	–	(36)	(36)
Balance at 30 June 2020	(145)	1,498	1,353

Note 22. Equity – dividends

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

Note 23. 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.

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	
	2020 \$'000	2019 \$'000
US dollar denominated – sales	20,374	20,251
US dollar denominated – purchases	(13,141)	(11,714)

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:

	2020		2019	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash at bank	–	5,161	–	4,315
Cash on deposit	0.65%	24,125	1.59%	25,754
Net exposure to cash flow interest rate risk		29,286		30,069

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.

Notes to the Consolidated Financial Statements

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.

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 – 2020	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	–	1,541	–	–	–	1,541
Accrued expenses	–	385	–	–	–	385
Other payables	–	1,108	–	–	–	1,108
Interest-bearing – fixed rate						
Lease liability	4.08%	679	665	1,472	–	2,816
Other liabilities	4.00%	117	117	–	–	234
Total non-derivatives		3,830	782	1,472	–	6,084

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

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

Note 24. 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 25. 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, and unrelated firms:

	Consolidated	
	2020 \$	2019 \$
Audit services		
Audit or review of the Group financial statements	127,270	115,990
Audit of the controlled entities	23,145	–
	150,415	115,990

Note 26. Contingent liabilities

The Group had no contingent liabilities at 30 June 2020 or 30 June 2019.

Note 27. Commitments

	Consolidated	
	2020 \$'000	2019 \$'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
One to five years	–	2,984
More than five years	–	64
	–	3,767

Refer to note 2 for details on the impact of AASB 16 'Leases' adopted by the Group from 1 July 2019.

Notes to the Consolidated Financial Statements

Note 28. 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	
	2020 \$	2019 \$
Short-term employee benefits	1,352,880	1,724,319
Post-employment benefits	89,502	84,583
Share-based payments	521,518	289,868
	1,963,900	2,098,770

Note 29. Related party transactions

Parent entity

Audinate Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 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.

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. These loans were fully repaid during the year ended 30 June 2020. The total value of the loans outstanding at 30 June 2019 was \$91,237, inclusive of a loan outstanding from Aidan Williams of \$40,650.

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 30. 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	
		2020 %	2019 %
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 Pty Limited	Australia	100%	100%

Note 31. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2020 \$'000	2019 \$'000
Profit/(loss) after income tax	61	(1,303)
Total comprehensive income	61	(1,303)

Statement of financial position

	Parent	
	2020 \$'000	2019 \$'000
Total current assets	36,569	29,668
Total assets	95,888	91,111
Total current liabilities	175	419
Total liabilities	175	419
Net assets	95,713	90,692
Equity		
Contributed capital	95,807	91,424
Reserves	1,498	921
Accumulated losses	(1,592)	(1,653)
Total equity	95,713	90,692

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.

Notes to the Consolidated Financial Statements

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 2020 or 30 June 2019.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 or 30 June 2019.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 or 30 June 2019.

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 32. Cash flow information

Reconciliation of (loss)/profit after income tax to net cash from operating activities

	Consolidated	
	2020 \$'000	2019 \$'000
(Loss)/profit after income tax (expense)/benefit for the year	(4,138)	662
Adjustments for:		
Depreciation and amortisation	4,422	2,419
Share-based payments	1,103	686
Net unrealised foreign exchange loss/(gain)	10	(29)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,061	(1,063)
Decrease/(increase) in inventories	158	(578)
Decrease/(increase) in deferred tax assets	2,269	(187)
Decrease/(increase) in current tax asset	–	1,344
Increase in other operating assets	(162)	(722)
Increase in trade and other payables	641	117
Increase/(decrease) in income tax payable	235	(4)
Increase/(decrease) in other operating liabilities	(764)	971
Net cash from operating activities	4,835	3,616

Non-cash investing and financing activities

	Consolidated	
	2020 \$'000	2019 \$'000
Additions to the right-of-use assets	3,085	–
Depreciation and amortisation capitalised to development costs	432	–
	3,517	–

Changes in liabilities arising from financing activities

Consolidated	Lease liability \$'000
Balance at 1 July 2018	–
Balance at 30 June 2019	–
Net cash used in financing activities	(642)
Leases recognised on the adoption of AASB 16	318
Acquisition of leases	3,085
Modification of leases	(88)
Transfer from onerous lease accrual	269
Exit of lease	(361)
Foreign currency translation	7
Balance at 30 June 2020	2,588

Notes to the Consolidated Financial Statements

Note 33. 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:

2020

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	17/10/2019	\$0.0620	370,042	–	(369,958)	(84)	–
30/06/2017	09/12/2019	\$0.0620	10,000	–	(10,000)	–	–
30/06/2017	09/01/2020	\$0.0620	10,000	–	(9,923)	(77)	–
30/06/2017	21/08/2020	\$0.0620	10,000	–	(10,000)	–	–
30/06/2017	09/12/2020	\$0.0620	260,000	–	(130,000)	–	130,000
30/06/2017	11/06/2022	\$0.2600	135,000	–	(29,901)	(99)	105,000
30/06/2017	23/08/2022	\$0.2600	372,800	–	(123,871)	(129)	248,800
30/06/2017	31/01/2023	\$0.2600	40,000	–	(16,000)	–	24,000
			1,207,842	–	(699,653)	(389)	507,800

* Other includes the impact of cashless exercise of options.

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 of options.

507,800 options were exercisable at the end of the financial year (2019: 1,207,842).

The weighted average share price of the Company during the financial year was \$6.46 (2019: \$5.47).

Share rights

Set out below are summaries of performance rights granted:

2020

Grant date	Vesting 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	15/07/2020	\$0.0000	334,375	–	(89,271)	–	245,104
30/06/2017	15/07/2021	\$0.0000	334,375	–	(89,271)	(632)	244,472
30/06/2017	15/07/2022	\$0.0000	334,349	–	(89,269)	(5,901)	239,179
02/08/2017	15/09/2019	\$0.0000	1,995,000	–	(1,995,000)	–	–
29/06/2018	15/07/2020	\$0.0000	17,425	–	–	–	17,425
29/06/2018	15/07/2021	\$0.0000	17,425	–	–	–	17,425
29/06/2018	15/07/2022	\$0.0000	17,421	–	–	–	17,421
26/03/2019	30/06/2022	\$0.0000	487,557	–	(105,599)	–	381,958
16/10/2019	31/08/2020	\$0.0000	–	16,485	–	(796)	15,689
16/10/2019	31/08/2021	\$0.0000	–	16,485	–	(796)	15,689
30/06/2020	30/06/2022	\$0.0000	–	163,864	–	–	163,864
30/06/2020	06/01/2022	\$0.0000	–	10,792	–	–	10,792
30/06/2020	06/01/2023	\$0.0000	–	10,791	–	–	10,791
			3,537,927	218,417	(2,368,410)	(8,125)	1,379,809

2019

Grant date	Vesting 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	15/07/2020	\$0.0000	340,277	–	–	(5,902)	334,375
30/06/2017	15/07/2021	\$0.0000	340,277	–	–	(5,902)	334,375
30/06/2017	15/07/2022	\$0.0000	340,250	–	–	(5,901)	334,349
02/08/2017	15/09/2019	\$0.0000	1,995,000	–	–	–	1,995,000
29/06/2018	15/07/2020	\$0.0000	17,425	–	–	–	17,425
29/06/2018	15/07/2021	\$0.0000	17,425	–	–	–	17,425
29/06/2018	15/07/2022	\$0.0000	17,421	–	–	–	17,421
26/03/2019	30/06/2022	\$0.0000	–	487,557	–	–	487,557
			3,068,075	487,557	–	(17,705)	3,537,927

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.1 years (2019: 1 year).

Notes to the Consolidated Financial Statements

The 163,864 performance rights issued with a grant date of 30 June 2020 were externally valued based on a share price of \$7.32, an exercise price of zero, volatility of 35% – 45%, a risk-free interest rate of 0.71% and probability weighting reflecting the probability of meeting the vesting conditions. The fair value of the share rights based on these inputs is \$4.37 per share. These performance rights vesting upon:

- Achieving total shareholder return equal to the 50th percentile of the relevant Index and vest fully at the 75th percentile; and
- The employee remaining an employee up to and including the vesting date.

The remaining performance rights issued in the current year with a grant date of 16 October 2019 and 30 June 2020 were valued using the 30-day Volume Weighted Average Price ('VWAP') at \$7.21 and \$8.24 respectively. These performance rights vest upon the employee remaining an employee up to and including the vesting date.

At the Annual General Meeting on 24 October 2019, the shareholders approved the removal of the vesting conditions and performance hurdles from the 373,410 performance rights held by the former CEO, Lee Ellison as outlined below.

267,811 performance rights issued on 30 June 2017 under the Employee Incentive Offer as part of the IPO which were subject to the following vesting conditions and performance hurdles:

- A vesting condition that Lee remains an employee of the Group up to and including the vesting dates for the relevant tranches of performance rights; and
- Performance hurdles which are based on the Company's total shareholder return as compared to the S&P/Emerging Companies Index with such performance to be tested in three tranches over three years on 15 July 2020, 15 July 2021 and 15 July 2022; and

105,599 performance rights issued on 26 March 2019 following shareholder approval at the 2018 Annual General Meeting, which were subject to the following vesting conditions and performance hurdles:

- A vesting condition that Lee remains an employee of the Group up to and including the vesting date for the performance rights; and
- Performance hurdle which is based on the Company's total shareholder return as compared to the S&P/Emerging Companies Index with such performance to be tested on 15 July 2021.

The removal of the vesting condition that Lee remains an employee of the Group up to and including the vesting date for the performance rights resulted in an acceleration of the share based payments expense of \$198,651 in the year ended 30 June 2020.

The removal of the performance condition was externally valued based on a share price of \$7.32, an exercise price of zero, volatility of 35% – 45%, a risk-free interest rate of 0.56% to 0.71% and probability weighting reflecting the probability of meeting the vesting conditions. The fair value of the removal of the performance conditions for the 267,811 share rights resulted in a value of \$0.02 per performance right. The fair value of the removal of the performance conditions for the 105,599 performance rights resulted in a value of \$0.43 per performance right. This resulted in an additional share-based payments expense of \$50,764 in the year ended 30 June 2020.

Shares issued

On 16 October 2019, the Company issued 5,004 shares (issue price \$7.21460) to staff under Company's the long-term incentive plan following the release of the Company's 2019 results.

Note 34. Events after the reporting period

The Group completed an institutional placement on 22 July 2020 which raised \$28 million of cash and resulted in the issue of 5,436,894 ordinary shares on this date. In addition, a Share Purchase Plan was completed on 17 August 2020 which raised \$12 million of cash and resulted in the issue of 2,343,750 ordinary shares on this date.

No other matter or circumstance has arisen since 30 June 2020 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.

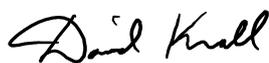
Directors' Declaration

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 2020 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

20 August 2020

Sydney

Independent Auditor's Report

to the members of Audinate Group Limited

Deloitte.

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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 2020, 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 2020 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Capitalisation and carrying value of development costs	
<p>As at 30 June 2020, the group has capitalised development costs totalling \$10.476 million as disclosed in Note 16.</p> <p>The group capitalises internal and external costs that are directly attributable to the development of intangible assets.</p> <p>As disclosed in Note 3, significant judgement is involved in assessing whether the criteria for capitalisation of such costs has been met per the relevant accounting standard, particularly in determining:</p> <ul style="list-style-type: none"> • 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. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Discussed the products for which development costs have been capitalised with management to understand the nature and feasibility of the products at 30 June 2020, • Obtained an understanding of the key controls in place over the process for recording and identifying qualifying costs to be capitalised, • Assessed on a sample basis, the appropriateness of costs capitalised by agreeing the material costs, overheads and engineers' hours incurred to external invoices, internal timesheets and payroll records, and • Evaluated 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. <p>We also assessed the appropriateness of the disclosures included in the Notes to the financial statements.</p>

Independent Auditor's Report

to the members of Audinate Group Limited

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, actions taken to eliminate threats or safeguards applied.

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 16 to 26 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Audinate Group Limited, for the year ended 30 June 2020, 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



Helen Hamilton-James
Partner
Chartered Accountants
Sydney, 20 August 2020

Shareholder Information

as at 25 August 2020

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	05/03/2020	8,234,011	9.20
Australian Super Pty Ltd	28/07/2020	4,359,029	6.42

Number of security holders and securities on issue

Audinate Group Limited has issued the following securities:

- (a) 75,786,756 fully paid ordinary shares held by 13,898 shareholders;
- (b) 440,200 unlisted options held by 18 option holders; and
- (c) 1,379,809 unlisted performance rights held by 48 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

Category	Fully Paid Ordinary shares		
	Holders	Shares	%
1 – 1,000	7,929	3,487,407	4.60
1,001 – 5,000	4,570	10,710,047	14.44
5,001 – 10,000	857	6,175,367	8.15
10,001 – 100,000	511	10,941,345	14.44
100,001 and over	31	44,472,590	58.58
Total	13,898	75,786,756	100.00

Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of ordinary shares is 545 based on Audinate Group Limited's closing share price of \$5.40 on 25 August 2020.

Twenty largest shareholders of quoted equity securities

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

	Name	No. of shares	%
1	J P Morgan Nominees Australia Pty Limited	18,821,224	24.83
2	HSBC Custody Nominees (Australia) Limited	6,546,018	8.64
3	Yamaha Corporation	6,289,308	8.30
4	Mr Aidan Williams	1,910,907	2.52
5	Citicorp Nominees Pty Limited	1,646,138	2.17
6	National Nominees Limited	1,569,909	2.07
7	Geetha Varuni Witana	934,882	1.23
8	Mr David John Myers	700,000	0.92
9	BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	658,657	0.87
10	BNP Paribas Noms Pty Ltd <DRP>	573,267	0.76
11	Mirrabooka Investments Limited	491,680	0.65
12	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	400,007	0.53
13	Mr David Krall	400,000	0.53
14	ITR Investments Pty Limited <Ian Reid No 2 Family A/C>	345,360	0.46
15	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	337,811	0.45
16	Bond Street Custodians Limited <Lwheat - F00450 A/C>	233,353	0.31
17	Fabemu No 2 Pty Ltd <Gibbon Superannuation Fund>	204,919	0.27
18	Mr Chris Ware	200,270	0.26
19	Trujon Investment Holdings Pty Ltd <Trujon Super Fund A/C>	169,795	0.22
20	Dunecove Pty Limited <Pencars Super Fund A/C>	168,003	0.22
	Total	42,601,508	56.21
	Total on Register	75,786,756	100.00

Restricted securities and securities subject to voluntary escrow

There are no restricted securities or shares under voluntary escrow.

Shareholder Information

as at 25 August 2020

Unquoted securities

There are 440,200 unquoted options with varying exercise prices and expiry dates held by 18 options holders. All options are held under the Company's employee incentive scheme.

Category	Options (unquoted)		
	Holders	Options	%
1 – 1,000	–	–	–
1,001 – 5,000	5	20,000	4.54
5,001 – 10,000	7	62,000	14.08
10,001 – 100,000	5	248,200	56.38
100,001 and over	1	110,000	24.99
Total	18	440,200	100%

There are 1,379,809 unquoted Performance Rights held by 48 performance right holders. All Performance Rights are held under the Company's employee incentive scheme.

Category	Performance Rights (unquoted)		
	Holders	Performance Rights	%
1 – 1,000	21	13,184	0.96
1,001 – 5,000	2	2,134	0.15
5,001 – 10,000	–	–	–
10,001 – 100,000	19	356,234	25.82
100,001 and over	6	1,008,257	73.07
Total	48	1,379,809	100%

On market buy-back

There is no current on market buy-back.

Corporate Directory

30 June 2020

Directors	David Krall Aidan Williams John Dyson Roger Price Alison Ledger Tim Finlayson
Company Secretary	Rob Goss
Notice of annual general meeting	The annual general meeting of Audinate Group Limited will be held on 15 October 2020. The safety of our shareholders, our people and the broader community are important to your Board. Accordingly, like many other companies, the Company proposes to hold a virtual annual general meeting. Further information, including how to attend and participate in the meeting, will be provided in due course.
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	<p>The directors and management are committed to conducting the business of Audinate Group Limited in an ethical manner and in accordance with high 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 for the size and nature of its operations.</p> <p>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:</p> <p>https://www.audinate.com/company/governance</p>

The logo for Audinate features a stylized 'A' icon composed of three curved segments. To the right of the icon, the word 'audinate' is written in a lowercase, sans-serif font. A small red square is positioned above the letter 'i'. A horizontal red line is drawn beneath the entire word 'audinate'. A registered trademark symbol (®) is located at the top right of the word.

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