

1. Company details

Name of entity:	Audinate Group Limited
ABN:	56 618 616 916
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

The Group has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 31 December 2019 using the modified retrospective approach and as such the comparatives have not been restated.

Refer to Note 2 for the impact of adoption of AASB 16 on the Group.

			\$'000
Revenues from ordinary activities	up	14.1% to	16,147
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	11.3% to	1,873
Profit before income tax benefit	down	82.4% to	129
Profit from ordinary activities after tax attributable to the owners of Audinate Group Limited	down	59.6% to	341
Profit for the half-year attributable to the owners of Audinate Group Limited	down	59.6% to	341

Dividends

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

Comments

Review of operations

For the half-year period ended 31 December 2019, the Group reported an increase in revenue of 14.1% to \$16.1 million from \$14.2 million in the prior half-year period (six months ended 31 December 2018). Gross margin grew 20% from \$10.4 million for the prior half-year period to \$12.5 million for the half-year period ended 31 December 2019. Gross margin % also improved to 77.1% from 73.3% for the prior half-year period 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	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Profit after income tax expense for the half-year	341	845
Interest revenue	(194)	(103)
Other expense/(income)	1	(94)
Interest expense	60	-
Income tax benefit	(212)	(114)
Depreciation and amortisation	1,877	1,149
EBITDA	<u>1,873</u>	<u>1,683</u>

AASB 16 'Leases' was applied for the half-year period ended 31 December 2019 but not for the prior half-year period. The table above therefore shows EBITDA calculated under two different lease accounting policies applied for these respective half-year periods. Had the Group applied AASB 16 in the prior half-year period EBITDA would have been \$1.9 million which is consistent with the EBITDA of \$1.9 million for the half-year period ended 31 December 2019.

Net profit after tax decreased to \$0.4 million from \$0.8 in the six-month period ended 31 December 2018. The main factor in this movement was an increase in depreciation and amortisation relating primarily to increased development costs.

Refer to the 'Review of operations' section of the Directors' report accompanying this Appendix 4D for further commentary.

3. Net tangible assets

	31 Dec 2019 Cents	30 Jun 2019 Cents
Net tangible assets per ordinary security	<u>52.88</u>	<u>52.03</u>

4. Dividend reinvestment plans

Not applicable.

5. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

6. Attachments

Details of attachments (if any):

The Interim Report of Audinate Group Limited for the half-year ended 31 December 2019 is attached.

7. Signed

Authorised by the Board of Directors.

Signed 

Date: 24 February 2020

David Krall
Chairman
Sydney

Audinate Group Limited

ABN 56 618 616 916

Interim Report - 31 December 2019

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Directors	David Krall John Dyson Roger Price Alison Ledger Tim Finlayson Aidan Williams
Company secretary	Rob Goss
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

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 half-year ended 31 December 2019.

Directors

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

David Krall
 John Dyson
 Roger Price
 Alison Ledger
 Tim Finlayson
 Lee Ellison (Resigned on 13 September 2019)
 Aidan Williams (Appointed on 16 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 half-year.

Review of operations

For the half-year period ended 31 December 2019, the Group reported an increase in revenue of 14.1% to \$16.1 million from \$14.2 million in the prior half-year period (six months ended 31 December 2018). Gross margin grew 20% from \$10.4 million for the prior half-year period to \$12.5 million for the half-year period ended 31 December 2019. Gross margin % also improved to 77.1% from 73.3% for the prior half-year period 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	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Profit after income tax expense for the half-year	341	845
Interest revenue	(194)	(103)
Other expense/(income)	1	(94)
Interest expense	60	-
Income tax benefit	(212)	(114)
Depreciation and amortisation	1,877	1,149
EBITDA	1,873	1,683

The Group has grown the number of OEM customers shipping Dante enabled products to 292 OEMs at 31 December 2019, up 27% from 228 at 31 December 2018. Once the OEM has designed the Dante platform into one of its products, the Group will receive revenue at each production run in the form of sales of Dante chips, modules or cards or royalties. Dante enabled OEM products available for sale increased to 2,371 products, up 35% from 1,750 at 31 December 2018. Dante chips, modules, cards and software ('units'), shipped in the half-year period ended 31 December 2019 increased approximately 3% over the prior half-year period. 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 US tariffs.

Operating expenses, which consist of employee benefit expenses, marketing expenses and administration and other operating expenses increased by approximately 17.8% to \$10.6 million in the half-year period ended 31 December 2019 from \$8.7 million in the prior half-year period. This increase was primarily due to additional headcount and \$0.6 million of costs incurred as a result of the CEO's exit. EBITDA was \$1.9 million in the half-year period ended 31 December 2019 compared to \$1.7 million in the prior half-year period.

AASB 16 'Leases' was applied for the half-year period ended 31 December 2019 but not for the prior half-year period. The table above therefore shows EBITDA calculated under two different lease accounting policies applied for these respective half-year periods. Had the Group applied AASB 16 in the prior half-year period EBITDA would have been \$1.9 million which is consistent with the EBITDA of \$1.9 million for the half -year period ended 31 December 2019.

Net profit after tax decreased to \$0.4 million from \$0.8 million in the six-month period ended 31 December 2018. The main factor in this movement was an increase in depreciation and amortisation relating primarily to increased development costs.

Significant changes in the state of affairs

The Group completed a Share Purchase Plan on 10 July 2019 which raised \$4 million of cash and resulted in the issue of 571,429 shares.

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 half-year.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out following the Directors' Report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

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

On behalf of the directors



David Krall
Chairman

24 February 2020
Sydney

The Board of Directors
Audinate Group Ltd
Level 7, 64 Kippax St
Surry Hills 2010

24 February 2020

Dear Board Members

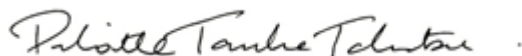
Auditor's Independence Declaration to Audinate Group Ltd

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 Ltd.

As lead audit partner for the review of the half year financial report of Audinate Group Ltd for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James
Partner
Chartered Accountants

Audinate Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019



	Note	Consolidated 31 Dec 2019 \$'000	31 Dec 2018 \$'000
Revenue			
Sales	4	16,147	14,151
Cost of goods sold		(3,694)	(3,773)
Gross margin		<u>12,453</u>	<u>10,378</u>
Expenses			
Employee expenses		(7,803)	(6,088)
Marketing expenses		(1,287)	(1,051)
Administration and other operating expenses		(1,490)	(1,556)
Depreciation and amortisation		(1,877)	(1,149)
Total expenses		<u>(12,457)</u>	<u>(9,844)</u>
Operating (loss)/profit		(4)	534
Finance costs	5	(60)	-
Other income	6	<u>193</u>	<u>197</u>
Profit before income tax benefit		129	731
Income tax benefit	7	<u>212</u>	<u>114</u>
Profit after income tax benefit for the half-year attributable to the owners of Audinate Group Limited		341	845
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(29)</u>	<u>(69)</u>
Other comprehensive income for the half-year, net of tax		<u>(29)</u>	<u>(69)</u>
Total comprehensive income for the half-year attributable to the owners of Audinate Group Limited		<u>312</u>	<u>776</u>
		Cents	Cents
Basic earnings per share	14	0.52	1.38
Diluted earnings per share	14	0.52	1.31

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

	Note	Consolidated 31 Dec 2019 \$'000	30 Jun 2019 \$'000
Assets			
Current assets			
Cash and cash equivalents		34,349	30,069
Trade and other receivables	8	2,614	2,872
Current tax asset	7	6	-
Inventories		971	1,803
Other assets		1,140	812
Total current assets		39,080	35,556
Non-current assets			
Property, plant and equipment		1,493	1,013
Right-of-use assets	9	2,849	-
Intangibles		10,204	7,691
Deferred tax	7	2,712	2,278
Other non-current assets		444	-
Total non-current assets		17,702	10,982
Total assets		56,782	46,538
Liabilities			
Current liabilities			
Trade and other payables		2,592	2,413
Other current liabilities	10	2,986	-
Contract liabilities		285	308
Lease liability		612	-
Income tax payable	7	214	19
Employee benefits		1,576	2,474
Provisions		-	47
Total current liabilities		8,265	5,261
Non-current liabilities			
Lease liability		2,289	-
Employee benefits		174	133
Total non-current liabilities		2,463	133
Total liabilities		10,728	5,394
Net assets		46,054	41,144
Equity			
Contributed capital	11	87,497	83,143
Reserves		990	775
Accumulated losses		(42,433)	(42,774)
Total equity		46,054	41,144

Audinate Group Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2019



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 half-year	-	-	845	845
Other comprehensive income for the half-year, net of tax	-	(69)	-	(69)
Total comprehensive income for the half-year	-	(69)	845	776
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	375	-	375
Balance at 31 December 2018	<u>63,288</u>	<u>827</u>	<u>(42,591)</u>	<u>21,524</u>

Consolidated	Contributed capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	83,143	775	(42,774)	41,144
Profit after income tax benefit for the half-year	-	-	341	341
Other comprehensive income for the half-year, net of tax	-	(29)	-	(29)
Total comprehensive income for the half-year	-	(29)	341	312
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	770	-	770
Issue of shares - share purchase plan	4,000	-	-	4,000
Issue of shares - exercise of options	41	-	-	41
Issue of shares - vesting of performance rights	490	(490)	-	-
Issue of shares - under long term incentive plan	36	(36)	-	-
Share issue transaction costs, net of tax	(213)	-	-	(213)
Balance at 31 December 2019	<u>87,497</u>	<u>990</u>	<u>(42,433)</u>	<u>46,054</u>

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

Audinate Group Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2019



	Note	Consolidated	Consolidated
		31 Dec 2019	31 Dec 2018
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		16,367	13,950
Payments to suppliers and employees		(13,581)	(13,470)
Interest received		121	102
Interest and other finance costs paid		(60)	-
Income taxes refunded		90	-
Income taxes paid		(42)	(31)
		<u>2,895</u>	<u>551</u>
Net cash from operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment		(686)	(229)
Payments for intangibles		(3,854)	(1,722)
Payments for long term secured term deposits		(444)	-
		<u>(4,984)</u>	<u>(1,951)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares		4,041	-
Share issue transaction costs		(294)	-
Repayment of lease liabilities		(339)	-
Proceeds from sale of employee shares	10	2,986	-
		<u>6,394</u>	<u>-</u>
Net cash from financing activities			
Net increase/(decrease) in cash and cash equivalents		4,305	(1,400)
Cash and cash equivalents at the beginning of the financial half-year		30,069	13,631
Effects of exchange rate changes on cash and cash equivalents		(25)	(55)
		<u>34,349</u>	<u>12,176</u>
Cash and cash equivalents at the end of the financial half-year			

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

Note 1. General information

The financial statements cover Audinate Group Limited (the '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 half-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 21 February 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

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 new 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.

Note 2. Significant accounting policies (continued)

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:

	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)	<u>318</u>
Lease liabilities - current (AASB 16)	(554)
Lease liabilities - non-current (AASB 16)	(33)
Accrual for lease change-over costs	<u>269</u>
Impact on opening accumulated losses as at 1 July 2019	<u><u>-</u></u>

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.

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.

Lease liabilities

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.

Note 2. Significant accounting policies (continued)

Restatement of comparatives

During the current period director fees have been classified as employee expenses. Consequently comparative information (for the half-year ended 31 December 2018) for employee expenses has been increased by \$287,000 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.

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.

Note 3. Operating segments

Identification of reportable operating segments

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

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

Note 4. Revenue

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Sales	<u>16,147</u>	<u>14,151</u>

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Chips, cards and modules (including adapters)	12,615	11,822
Software revenue (including licence fees and royalties)	3,300	2,222
Other revenue (including support and maintenance)	<u>232</u>	<u>107</u>
	<u>16,147</u>	<u>14,151</u>

Timing of revenue recognition

Revenue from support and maintenance is recognised over a period of time. All other revenue is recognised at a point in time.

Note 5. Finance costs

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Interest and finance charges paid/payable on lease liabilities	(58)	-
Interest - other	<u>(2)</u>	<u>-</u>
	<u>(60)</u>	<u>-</u>

Note 6. Other income

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Net foreign exchange (loss)/gain	(1)	94
Interest revenue	194	103
	<u>193</u>	<u>197</u>

Note 7. 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	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
<i>Income tax benefit</i>		
Current tax	(1,292)	(351)
Deferred tax - origination and reversal of temporary differences	1,133	206
Adjustments in respect of current income tax of previous year	(53)	31
Aggregate income tax benefit	<u>(212)</u>	<u>(114)</u>
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Profit before income tax benefit	129	731
Tax at the statutory tax rate of 27.5%	35	201
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of development costs (pre 30 June 2017)	74	-
Expenditure claimed for research and development incentive	1,247	1,098
Other non-assessable items	195	86
Research and development incentive benefit	(1,746)	(1,537)
	(195)	(152)
Income tax payable in respect of foreign subsidiaries	36	7
Adjustments in respect of current income tax of previous year	(53)	31
Income tax benefit	<u>(212)</u>	<u>(114)</u>

Note 7. Income tax (continued)

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
<i>Deferred tax asset</i>		
Net deferred tax asset comprises temporary differences attributable to:		
Carry forward tax losses	2,547	1,153
Lease liabilities	770	-
Provisions	646	777
Blackhole expenditure	354	347
Trade and other payables	62	115
Intangible assets	(906)	(202)
Right-of-use assets	(756)	-
Property, plant and equipment	(46)	59
Other	41	29
	<u>2,712</u>	<u>2,278</u>

Deferred tax asset

Current tax asset
Current tax asset

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
	<u>6</u>	<u>-</u>

Current tax asset represents amount receivable from the Australian Tax Office.

Income tax payable
Income tax payable

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
	<u>214</u>	<u>19</u>

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

Note 8. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Trade receivables	2,383	2,647
Less: Allowance for expected credit losses	(1)	(2)
	<u>2,382</u>	<u>2,645</u>
Other receivables	<u>232</u>	<u>227</u>
	<u>2,614</u>	<u>2,872</u>

Allowance for expected credit losses

The Group has recognised a gain of \$1,000 (31 December 2018: \$nil) in profit or loss in respect of the expected credit losses for the half-year ended 31 December 2019.

Note 9. Non-current assets - right-of-use assets

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Land and buildings - right-of-use	3,166	-
Less: Accumulated depreciation	(317)	-
	<u>2,849</u>	<u>-</u>

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

The Group leases land and buildings for its 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 10. Current liabilities - other current liabilities

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Other current liabilities	<u>2,986</u>	<u>-</u>

Audinate sold shares on behalf of the previous CEO and received proceeds of \$2,986,000. At 31 December 2019, this amount is included in cash and cash equivalents with an equal obligation recognised as other current liabilities. The liability was paid on 7 January 2020.

Note 11. Equity - contributed capital

Fully paid ordinary shares

	Consolidated			
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>67,797,499</u>	<u>64,296,003</u>	<u>87,497</u>	<u>83,143</u>

Note 11. Equity - contributed capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 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	24
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
Share issue transaction costs, net of tax		-	-	(213)
Balance	31 December 2019	<u>67,797,499</u>		<u>87,497</u>

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

Ordinary shares

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

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

Share buy-back

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

Note 12. Equity - dividends

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

Note 13. Contingent liabilities

The Group had no contingent liabilities at 31 December 2019 and 30 June 2019.

Note 14. Earnings per share

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Profit after income tax attributable to the owners of Audinate Group Limited	<u>341</u>	<u>845</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	65,310,617	61,017,977
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	632,463	1,470,655
Performance rights	<u>32,970</u>	<u>1,995,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>65,976,050</u>	<u>64,483,632</u>
	Cents	Cents
Basic earnings per share	0.52	1.38
Diluted earnings per share	0.52	1.31

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink that reads "David Krall".

David Krall
Chairman

24 February 2020
Sydney

Independent Auditor's Review Report to the Members of Audinate Group Limited

We have reviewed the accompanying half-year financial report of Audinate Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2019 and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Audinate Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

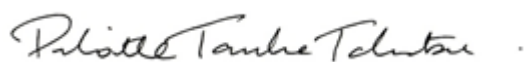
Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Audinate Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Audinate Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James
Partner
Chartered Accountants
Sydney, 24 February 2020