

1. Company details

Name of entity:	Audinate Group Limited
ABN:	56 618 616 916
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

				\$'000
Revenues from ordinary activities	up	52.5%	to	30,843
Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	up	109.0%	to	4,266
Loss before income tax expense	down (improved)	(80.8%)	to	(385)
Loss from ordinary activities after tax expense attributable to the owners of Audinate Group Limited	down (improved)	(82.3%)	to	(381)
Loss for the half-year attributable to the owners of Audinate Group Limited	down (improved)	(82.3%)	to	(381)

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 2022, the Group reported an increase in revenue of 52.5% to \$30.8 million from \$20.2 million in the previous corresponding period (six months ended 31 December 2021). As the Group invoices its customers in US dollars, this currency is a more relevant measure of sales performance. In US dollars, revenue increased by 39.3% to US\$20.6 million in the current period from US\$14.8 million in the previous corresponding period.

Gross profit dollars increased by 43.5% to \$21.9 million in the half-year ended 31 December 2022 from \$15.3 million in the previous corresponding period. As expected, the increased proportion of lower margin video products (from the Silex acquisition) and the new Brooklyn 3 modules resulted in a gross margin of 71.2% for the half-year ended 31 December 2022 compared to 75.6% in the previous corresponding period.

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 2022	31 Dec 2021
	\$'000	\$'000
Loss after income tax expense for the half-year	(381)	(2,149)
Interest income	(248)	(108)
Revaluation of deferred contingent consideration	(439)	-
Other income	(4)	(2)
Net foreign exchange loss	45	78
Interest expense	160	42
Income tax (benefit) / expense	(4)	137
Depreciation and amortisation	5,137	4,043
EBITDA	<u>4,266</u>	<u>2,041</u>

Management have excluded the A\$439,000 gain on revaluation of the deferred contingent consideration (in respect of the Silex acquisition) from EBITDA. Refer paragraph below for additional information.

Operating expenses, which consist of employee benefit expenses, sales and marketing expenses and administration and other operating expenses increased by approximately 33.4% to \$17.7 million in the half-year ended 31 December 2022 from \$13.3 million in the previous corresponding period. The key movement was due to a \$3.3 million increase in employee costs as headcount grew from 166 to 186 at 31 December 2022, salaries increased and the annualisation timing of new headcount over this period. As expected, sales and marketing expenses increased by \$0.7 million from the previous corresponding period due to the increased participation at trade shows and recommencement of in-person customer training. EBITDA was \$4.3 million in the half-year ended 31 December 2022 compared to \$2.0 million in the previous corresponding period.

During the half-year ended 31 December 2022, depreciation and amortisation increased by \$1.1 million in the current period reflecting an increasing balance of capitalised development costs.

A deferred contingent cash consideration up to a maximum of US\$1.5 million is payable in the 2H FY23 to the vendors of the Silex Insight video business (purchased in January 2022). Audinate has revalued the deferred contingent cash consideration liability on 31 December 2022 to \$0.9 million, which resulted in a \$0.4 million gain. This gain was recognised in other income during the half-year period ended 31 December 2022.

Consistent with the prior years, the Group considered it prudent and appropriate to not recognise tax losses of approximately \$1.35 million generated in the half-year period ended 31 December 2022. 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.

Net loss after tax was \$0.4 million for the half-year ended 31 December 2022 compared to a \$2.2 million net loss after tax in the previous corresponding period. Refer to the 'Review of operations' section of the Directors' report accompanying this Appendix 4D for further commentary.

3. Net tangible assets

	31 Dec 2022 Cents	30 Jun 2022 Cents
Net tangible assets per ordinary security	<u>57.29</u>	<u>60.57</u>

Net tangible assets is calculated as net assets excluding intangibles as per the statement of financial position.

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.

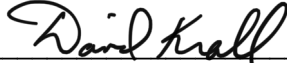
6. Attachments

Details of attachments (if any):

The Interim Report of Audinate Group Limited for the half-year ended 31 December 2022 is attached.

7. Signed

Authorised by the Board of Directors.

Signed  _____

David Krall
Chairman
Sydney

Date: 13 February 2023

Audinate Group Limited

ABN 56 618 616 916

Interim Report - 31 December 2022

Audinate Group Limited
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31 December 2022



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Directors	David Krall Aidan Williams John Dyson Roger Price Alison Ledger Tim Finlayson Amrita Blickstead (appointed 1 January 2023)
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 2022.

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
Aidan Williams
John Dyson
Roger Price
Alison Ledger
Tim Finlayson
Amrita Blickstead (appointed 1 January 2023)

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 chips, cards and modules that are sold to and integrated inside the AV products of its Original Equipment Manufacturer ('OEM') customers. Audinate also provides a series of products and services to AV professionals including AVIO adapters and management and control software.

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 2022, the Group reported an increase in revenue of 52.5% to \$30.8 million from \$20.2 million in the previous corresponding period (six months ended 31 December 2021). As the Group invoices its customers in US dollars, this currency is a more relevant measure of sales performance. In US dollars, revenue increased by 39.3% to US\$20.6 million in the current period from US\$14.8 million in the previous corresponding period.

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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 2022	31 Dec 2021
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Consistent with the prior years, the Group considered it prudent and appropriate to not recognise tax losses of approximately \$1.35 million generated in the half-year period ended 31 December 2022. 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.

Net loss after tax was \$0.4 million for the half-year ended 31 December 2022 compared to a \$2.2 million net loss after tax in the previous corresponding period.

Strong demand outweighs customer supply chain impacts

Strong demand for Dante continued during the first half with 78 design wins, up 86% from the previous corresponding period. Each design win represents a new or existing customer committing to developing a least one new type of Dante-enabled product. As Dante technology becomes increasingly entrenched as the de-facto standard, design wins become a more revealing metric than the simple total of OEM customers. Sales backlog remains at record levels however conversion of backlog into further revenue growth will be dependent upon improved chip supply.

Chip shortages and supply chain challenges continue to linger with shortage induced product redesign hindering new product development. The total number of OEM brands licensing Dante grew to 559 at 31 December 2022 (up from 531 pcp); however, 19 OEM customers stopped shipping products as older products were retired and some OEMs were acquired or shutdown.

Correspondingly, 38 Dante-enabled products were retired due to the factors described above, however a healthy 116 new products were released during the seasonally quieter half of the year. The total number of Dante-enabled products grew to a record high of 3,688 products, representing a 12x lead on the next alternate technology.

Strong demand for Dante, a buoyant industry outlook and an improving (but still constrained) chip supply bode well for second-half performance & future revenue growth.

Managing supply chain risks

As foreshadowed in the FY22 Annual Report, supply chain challenges continued throughout the first half and are expected to persist through the remainder of FY23. These challenges include long lead times for many electronic components and ongoing elevated spot market prices, affecting Audinate and our manufacturing customers.

The Group has high levels of raw materials for the recently released Brooklyn 3 designs, although it remains unable to completely fulfil demand for our AVIO adaptors and Ultimo chips. These supply chain challenges have also curtailed software revenue growth as customers have experienced difficulties in manufacturing products in desired quantities. Notwithstanding these challenges, our sales order backlog remains at record levels and we remain confident of our ability to convert this into revenue as raw materials become available.

Significant changes in the state of affairs

There were no 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 2022 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

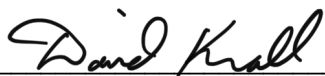
The Company is of a kind referred to in ASIC Corporations Instrument 2016/191, relating to 'rounding-off' of amounts. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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.

On behalf of the directors

A handwritten signature in black ink that reads "David Krall". The signature is written in a cursive style and is positioned above a horizontal line.

David Krall
Chairman

13 February 2023
Sydney

13 February 2023

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

Dear Board Members

Auditor's Independence Declaration to 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 review of half year financial report of Audinate Group Limited for the half year ended 31 December 2022, 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 sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Pooja Patel

Pooja Patel
Partner
Chartered Accountant

Audinate Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022



	Note	Consolidated	Consolidated
		31 Dec 2022	31 Dec 2021
		\$'000	\$'000
Revenue			
Sales	4	30,843	20,226
Cost of goods sold		(8,894)	(4,931)
Gross profit		<u>21,949</u>	<u>15,295</u>
Expenses			
Employee expenses		(13,937)	(10,589)
Sales and marketing expenses		(1,738)	(1,003)
Administration and other operating expenses		(2,008)	(1,662)
Depreciation and amortisation		(5,137)	(4,043)
Total expenses		<u>(22,820)</u>	<u>(17,297)</u>
Operating loss		(871)	(2,002)
Net foreign exchange loss		(45)	(78)
Finance costs		(160)	(42)
Other income	5	<u>691</u>	<u>110</u>
Loss before income tax benefit/(expense)		(385)	(2,012)
Income tax benefit/(expense)	6	<u>4</u>	<u>(137)</u>
Loss after income tax benefit/(expense) for the half-year attributable to the owners of Audinate Group Limited		(381)	(2,149)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>238</u>	<u>(35)</u>
Other comprehensive income for the half-year, net of tax		<u>238</u>	<u>(35)</u>
Total comprehensive income for the half-year attributable to the owners of Audinate Group Limited		<u>(143)</u>	<u>(2,184)</u>
		Cents	Cents
Basic earnings per share	7	(0.49)	(2.80)
Diluted earnings per share	7	(0.49)	(2.80)

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 2022 \$'000	30 Jun 2022 \$'000
Assets			
Current assets			
Cash and cash equivalents		21,867	17,465
Term deposits	8	16,000	27,000
Trade and other receivables	9	7,845	6,513
Current tax asset	6	102	-
Inventories		6,054	5,601
Other assets		2,532	1,263
Total current assets		<u>54,400</u>	<u>57,842</u>
Non-current assets			
Property, plant and equipment		1,895	1,737
Right-of-use assets		1,379	1,784
Intangibles	10	31,970	28,542
Deferred tax	6	90	90
Other assets		443	443
Total non-current assets		<u>35,777</u>	<u>32,596</u>
Total assets		<u>90,177</u>	<u>90,438</u>
Liabilities			
Current liabilities			
Trade and other payables		4,645	3,496
Contract liabilities		1,735	2,041
Lease liability		893	860
Income tax payable	6	78	35
Employee benefits		3,828	5,356
Other liabilities	11	1,181	1,386
Total current liabilities		<u>12,360</u>	<u>13,174</u>
Non-current liabilities			
Contract liabilities		303	218
Lease liability		653	1,107
Employee benefits		201	179
Other liabilities	11	321	476
Total non-current liabilities		<u>1,478</u>	<u>1,980</u>
Total liabilities		<u>13,838</u>	<u>15,154</u>
Net assets		<u>76,339</u>	<u>75,284</u>
Equity			
Contributed capital	12	128,656	128,266
Reserves		2,874	1,828
Accumulated losses		(55,191)	(54,810)
Total equity		<u>76,339</u>	<u>75,284</u>

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

Audinate Group Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2022



Consolidated	Contributed capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	126,947	2,261	(50,353)	78,855
Loss after income tax expense for the half-year	-	-	(2,149)	(2,149)
Other comprehensive income for the half-year, net of tax	-	(35)	-	(35)
Total comprehensive income for the half-year	-	(35)	(2,149)	(2,184)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	563	-	563
Issue of shares - under long term incentive plan	1,194	(1,194)	-	-
Share issue transaction costs, net of tax	(13)	-	-	(13)
Balance at 31 December 2021	<u>128,128</u>	<u>1,595</u>	<u>(52,502)</u>	<u>77,221</u>
Consolidated	Contributed capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	128,266	1,828	(54,810)	75,284
Loss after income tax benefit for the half-year	-	-	(381)	(381)
Other comprehensive income for the half-year, net of tax	-	238	-	238
Total comprehensive income for the half-year	-	238	(381)	(143)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	1,206	-	1,206
Issue of shares - under long term incentive plan	398	(398)	-	-
Share issue transaction costs, net of tax	(8)	-	-	(8)
Balance at 31 December 2022	<u>128,656</u>	<u>2,874</u>	<u>(55,191)</u>	<u>76,339</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 2022



	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	29,795	20,081
Payments to suppliers and employees (inclusive of GST)	(28,089)	(19,449)
Interest received	204	81
Interest and other finance costs paid	(35)	(42)
Income taxes paid	(49)	(120)
	<u>1,826</u>	<u>551</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(573)	(480)
Payments for intangibles	(7,458)	(4,752)
Proceeds from term deposits	11,000	-
	<u>2,969</u>	<u>(5,232)</u>
Cash flows from financing activities		
Share issue transaction costs	(11)	(18)
Repayment of lease liability	(475)	(350)
	<u>(486)</u>	<u>(368)</u>
Net increase/(decrease) in cash and cash equivalents	4,309	(5,049)
Cash and cash equivalents at the beginning of the financial half-year	17,465	38,429
Effects of exchange rate changes on cash and cash equivalents	93	(45)
	<u>21,867</u>	<u>33,335</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>21,867</u></u>	<u><u>33,335</u></u>

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 10 February 2023. 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 2022 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 are condensed financial statements that 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 2022 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, 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

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 Chief Executive Officer (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 financial statements and notes to the financial statements throughout the report.

Note 4. Revenue

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Sales	<u>30,843</u>	<u>20,226</u>

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Chips, cards and modules revenue (including adapters) ¹	23,387	14,731
Software revenue (including licence fees and royalties) ²	7,020	5,252
Other revenue	436	243
	<u>30,843</u>	<u>20,226</u>

¹ Includes subscriptions, support and maintenance

176 114

² Includes subscriptions, support and maintenance

881 476

Timing of revenue recognition

Revenue from subscription and 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 or software is provided or the goods are dispatched from the warehouse.

Note 5. Other income

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Revaluation of deferred contingent consideration (note 11)	439	-
Interest income	248	108
Other income	4	2
	<u>691</u>	<u>110</u>

Note 6. 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 2022	31 Dec 2021
	\$'000	\$'000
<i>Income tax (benefit)/expense</i>		
Current tax	(2,396)	(1,359)
(Over)/under provision prior year	(34)	9
Deferred tax - origination and reversal of temporary differences	1,075	236
Derecognition of tax losses	1,351	1,251
	<u>(4)</u>	<u>137</u>
<i>Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate</i>		
Loss before income tax benefit/(expense)	(385)	(2,012)
Tax at the statutory tax rate of 30% (2021: 25%)	(116)	(503)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenditure claimed for research and development incentive	1,654	1,154
Research and development incentive benefit	(2,503)	(1,878)
Derecognition of tax losses	1,351	1,251
Contributions to employee share trust	(763)	-
Revaluation of deferred contingent consideration	(131)	-
Non-deductible expenses	536	119
	<u>28</u>	<u>143</u>
(Over)/under provision prior year	(34)	9
Other	2	(15)
	<u>(4)</u>	<u>137</u>

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Deferred tax asset</i>		
Net deferred tax asset comprises temporary differences attributable to:		
Carried forward tax losses	1,378	283
Provisions	1,162	1,142
Contract liabilities	433	309
Lease liabilities	357	389
Capital blackhole expenditure	247	262
Trade and other payables	123	103
Intangible assets	(3,044)	(1,993)
Property, plant and equipment	(337)	(193)
Right-of-use assets	(312)	(346)
Other	83	134
	<u>90</u>	<u>90</u>

Note 6. Income tax (continued)

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Current tax asset</i>		
Current tax asset	<u>102</u>	<u>-</u>
	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Income tax payable</i>		
Income tax payable	<u>78</u>	<u>35</u>

The income tax rate for the Australian tax consolidated group increased from 25% to 30% with effect from 1 July 2022. The change in rate decreased the unused tax losses for which no deferred tax asset is recognised by \$57,000.

At 31 December 2022, the Group has \$8,971,00 (30 June 2022: \$7,676,000) of unused tax losses for which no deferred tax asset is recognised in the statement of financial position.

Note 7. Earnings per share

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Loss after income tax attributable to the owners of Audinate Group Limited	<u>(381)</u>	<u>(2,149)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>77,366,360</u>	<u>76,752,543</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>77,366,360</u>	<u>76,752,543</u>
	Cents	Cents
Basic earnings per share	(0.49)	(2.80)
Diluted earnings per share	(0.49)	(2.80)

At 31 December 2022 and 31 December 2021, 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, as the Group reported a loss for the period.

Note 8. Term deposits

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Current assets</i>		
Term deposits	<u>16,000</u>	<u>27,000</u>

Current term deposits represent term deposits with a maturity date of between three months and one year from the date of acquisition.

Note 9. Trade and other receivables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	6,486	5,829
Less: Allowance for expected credit losses	(3)	(3)
	<u>6,483</u>	<u>5,826</u>
Other receivables	<u>1,362</u>	<u>687</u>
	<u><u>7,845</u></u>	<u><u>6,513</u></u>

Allowance for expected credit losses

The Group has recognised \$nil (31 December 2021: \$nil) in profit or loss in respect of the expected credit losses for the half-year ended 31 December 2022.

Note 10. Intangibles

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Non-current assets</i>		
Goodwill - at cost	<u>8,904</u>	<u>8,605</u>
Development costs	42,481	38,582
Less: Accumulated amortisation	(21,291)	(20,783)
	<u>21,190</u>	<u>17,799</u>
Intellectual property	733	705
Less: Accumulated amortisation	(611)	(557)
	<u>122</u>	<u>148</u>
Customer contracts - at cost	780	780
Less: Accumulated amortisation	(162)	(74)
	<u>618</u>	<u>706</u>
Software - at cost	2,257	2,578
Less: Accumulated amortisation	(1,121)	(1,294)
	<u>1,136</u>	<u>1,284</u>
	<u><u>31,970</u></u>	<u><u>28,542</u></u>

Reconciliations

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

Consolidated	Goodwill	Development	Intellectual	Customer	Software	Total
	\$'000	costs	property	contracts	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	8,605	17,799	148	706	1,284	28,542
Additions	-	7,662	29	-	105	7,796
Exchange differences	299	-	-	-	-	299
Amortisation expense	-	(4,271)	(55)	(88)	(253)	(4,667)
Balance at 31 December 2022	<u><u>8,904</u></u>	<u><u>21,190</u></u>	<u><u>122</u></u>	<u><u>618</u></u>	<u><u>1,136</u></u>	<u><u>31,970</u></u>

Note 11. Other liabilities

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Current liabilities</i>		
Liabilities at amortised cost	318	208
Deferred contingent consideration	863	1,178
	<u>1,181</u>	<u>1,386</u>
<i>Non-current liabilities</i>		
Other non-current liability	321	476
	<u>1,502</u>	<u>1,862</u>

Deferred contingent consideration (to be settled in cash)

On 31 January 2022, Audinate acquired 100% interest in the Silex Insight video business. Audinate will pay the vendors of Silex Insight Video business a deferred cash consideration of one dollar for every one dollar of post-acquisition sales revenue which exceeds US\$2.5 million for the twelve month period to 31 January 2023. The transaction structure was implemented to reflect the risk assumed by acquiring the business when factory production was not operational due to supply chain impacts. The deferred cash consideration payable is capped at US\$1.5 million.

Reconciliation of the fair value of deferred contingent consideration at the beginning and end of the reporting period is presented below.

	Consolidated
	\$'000
Fair value of deferred contingent consideration at 1 July 2022	1,178
Unwinding of discount	118
Unrealised foreign exchange gain	(43)
Foreign currency revaluation reserve	49
Revaluation of deferred contingent consideration (note 5)	<u>(439)</u>
Fair value of deferred contingent consideration at 31 December 2022 (discount rate 10%)	<u>863</u>

During the period deferred consideration was revised based upon the expected US\$ revenue for the twelve-month period to 31 January 2023. The change in this estimate is recognised as Other Income (note 5).

Sensitivity

The sensitivity of the deferred contingent consideration liability arises mainly from the estimated post-acquisition sales revenue over the twelve-month period to 31 January 2023. The 31 December 2022 contingent consideration liability recognised would change by A\$14,000 for every US\$10,000 change in estimated post-acquisition sales revenue over the twelve-month period to 31 January 2023.

Note 12. Contributed capital

Fully paid ordinary shares

	Consolidated			
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>77,443,919</u>	<u>77,170,653</u>	<u>128,656</u>	<u>128,266</u>

Note 12. Contributed capital (continued)

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.

Movements in ordinary share capital

Details	Date	Shares	Price	\$'000
Balance	1 July 2022	77,170,653		128,266
Issue of shares - vesting of performance rights	22 August 2022	252,391	\$0.7800	197
Issue of shares - vesting of performance rights	22 August 2022	15,311	\$9.9800	153
Issue of shares - under long term incentive plan	2 September 2022	5,564	\$8.5200	48
Share issue transaction costs				(11)
Tax effect of share issue costs		-		3
Balance	31 December 2022	<u>77,443,919</u>		<u>128,656</u>

The price for performance rights disclosed in the table above represents fair value of the right at grant date.

Note 13. Dividends

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

Note 14. Contingent liabilities

At 31 December 2022, the Group recognised a liability of \$863,000 (30 June 2022: \$1,178,000) for a deferred contingent consideration payment related to the acquisition of the Silex Insights Video Business (refer note 11 for further information).

The Group had no other contingent liabilities at 31 December 2022 and 30 June 2022.

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 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 2022 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

13 February 2023
Sydney

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Audinate Group Ltd (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the 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 as set out on pages 7 to 18.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2022 and of 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 review report.

Directors' Responsibilities 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 Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the

Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Pooja Patel

Pooja Patel

Partner

Chartered Accountants

Sydney, 13 February 2023