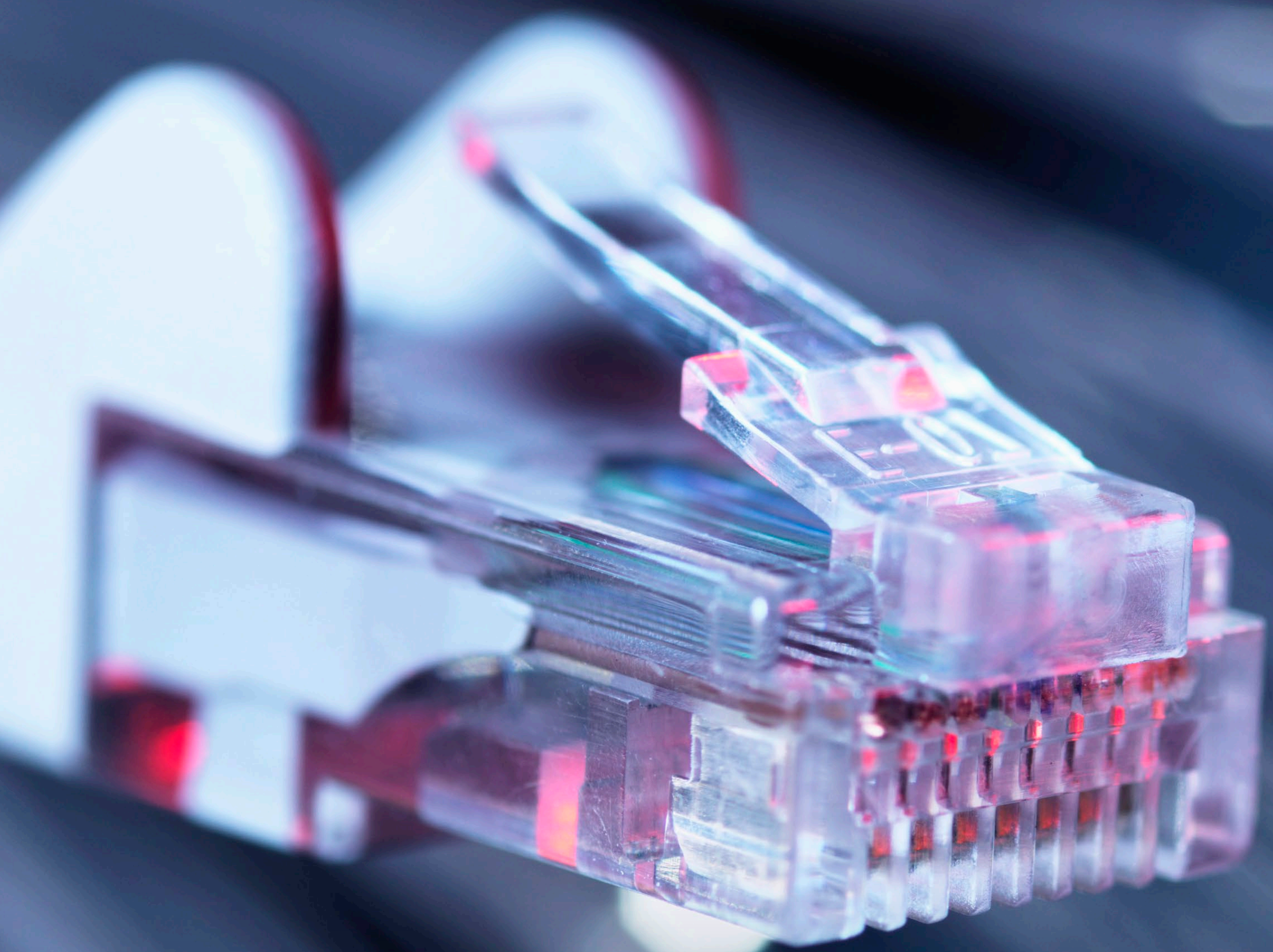
Audinate Group Limited
(ACN 618 616 916)



Audinate®

PROSPECTUS

Financial Adviser

blackpeak capital

Lead Manager and Underwriter

ShawandPartners

Legal Adviser

DLA PIPER

Important notices

Offer
The Offer contained in this Prospectus is an invitation to apply for fully paid ordinary shares in Audinate Group Limited (ACN 618 616 916) (**Company**). The Company is also offering Shares to Audinate employees under this Prospectus under the Employee Gift Offer and offering Performance Rights to selected Audinate employees under the Employee Incentive Offer.

This Prospectus is issued by the Company for the purposes of Chapter 6D of the Corporations Act.

Lodgement and Listing
This Prospectus is dated 13 June 2017 (**Prospectus Date**) and a copy of this Prospectus was lodged with ASIC on that date. The Company will apply to ASX for admission of the Company to the official list of ASX and for quotation of its Shares on ASX within seven days after the date of this Prospectus. Neither ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry Date
No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the Prospectus Date.

Note to Applicants
The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

No person is authorised to give any information or to make any representation in connection with the Offer or the Shares described in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company or the Lead Manager in connection with the Offer.

This Prospectus is important and should be read in its entirety prior to deciding whether to invest in the Shares offered. There are risks associated with an investment in the Shares, which must be regarded as a speculative investment. Some of the key risks that should be considered are set out in Section 5. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues). There may also be risks in addition to these that should be considered in light of your personal circumstances.

If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional adviser before deciding whether to invest in the Shares.

No person named in this Prospectus warrants or guarantees the Company's performance, the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

No offer where offer would be illegal
This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia. The Offer is not being extended to any investor outside Australia, other than to certain institutional and sophisticated investors as part of the institutional offer in certain jurisdictions as described in Section 7. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Notice to United States residents
The Shares being offered pursuant to this Prospectus have not been registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or any US state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Shares in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful under applicable law, including the US Securities Act. In addition, any hedging transactions involving the Shares may not be conducted unless in compliance with the US Securities Act.

Financial information and amounts
Section 4 of this Prospectus sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is set out in Section 4.2.

The Historical Financial Information is presented on both an actual and Pro forma basis and has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board (IFRS).

This Prospectus also includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is presented on both a statutory and Pro forma basis and is unaudited. The Financial Information is presented in abbreviated form. It does not include all of the presentation and disclosures required by the Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 4 and 5.

All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest $'000 (thousand) unless otherwise stated. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Non-IFRS financial information
Investors should be aware that certain financial data included in this Prospectus is "non-IFRS financial information" under Regulatory Guide 230 Disclosing non-IFRS financial information, published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of the Company. The non-IFRS measures do not have standardised meanings prescribed by Australian Accounting Standards and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios included in this Prospectus.

Investigating Accountant's Report on Historical Financial Information and on Forecast Financial Information and Financial Services Guides
The provider of the Investigating Accountant's Report on Historical Financial Information and on Forecast Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act (Financial Services Guide). The Investigating Accountant's Report and accompanying Financial Services Guide are provided in Section 8.

Disclaimer
No person is authorised by the Company or the Lead Manager to give any information or make any representation in connection with the Offer that is not contained in the Prospectus. Only information or representations contained in this Prospectus may be relied on as having been authorised by the Company or its Directors, the Lead Manager or any other person in connection with the Offer. The business, financial condition, results of operations and prospects of the Company may have changed since the Prospectus Date.

This Prospectus contains forward-looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations, financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective", "plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about the Company's business and the industry in which the Company operates and management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 5. Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements set out in this Prospectus and are cautioned not to place undue reliance on such forward-looking statements.

These forward-looking statements speak only as at the Prospectus Date. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with ASX after the Prospectus Date.

Certain numerical figures included in this Prospectus may have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

Past Performance
This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Cautionary note regarding industry and market data
This Prospectus, including the Industry overview in Section 2 and the Company overview in Section 3, contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets.
Unless otherwise indicated, such information is based on a market study that the Company commissioned from Frost & Sullivan (**Company Market Study**), as well as the Company's analysis of such information. The information contained in the Company Market Study has been accurately reproduced, and, as far as the Company is aware, no facts have been omitted which would render the information provided inaccurate or misleading.

The Company Market Study includes or is otherwise based on information supplied to Frost & Sullivan by or on behalf of the Company, including internal financial and operational information of the Group. In addition, the Company understands from Frost & Sullivan that the Company Market Study includes or is otherwise based on information obtained from (a) various data collection agencies, industry associations, forums and institutes and private market analysts; and (b) publicly available information, such as federal and state government budgets, tender publications, and other information publicly released by corporations and government departments, as well as primary interviews conducted with industry experts and participants and secondary market research.

While the Company Market Study provides that the views, opinions, forecasts and information contained in the report are based on information reasonably believed by Frost & Sullivan in good faith to be reliable, Frost & Sullivan has not independently verified or audited the information or material provided to it by or on behalf of the Company. In addition, the Company has not independently verified, and cannot give any assurances as to the accuracy and completeness of the market and industry data contained in this Prospectus that has been extracted or derived from the Company Market Study. Accordingly, the accuracy and completeness of such information are not guaranteed. There is no assurance that any of the forecasts or projections contained in the Company Market Study which are referred to in this Prospectus will be achieved.

Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. There is no assurance that any of the forecasts contained in reports, surveys and research of third parties which are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Forecasts and estimates involve risks and uncertainties and are subject to change based on various factors, including the risk factors in Section 5.

Exposure period
The Corporations Act prohibits the Company from processing Applications for Shares under the Offer in the seven-day period after the date of lodgement of the Prospectus with ASIC (**Exposure Period**). This period may be extended by ASIC for a further period of seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by ASIC and market participants prior to the raising of funds under the Offer. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with Section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period.
No preference will be conferred on any Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made generally available to Australian residents without the Application Form, by being posted on www.investor.audinate.com.

Obtaining a copy of the Prospectus
A hard copy of this Prospectus will be available for Australian residents free of charge during the Offer Period by contacting the Audinate Offer Information Line on 1300 551 242 between 8.30am and 5.30pm AEST, Monday to Friday (excluding public holidays). If you are eligible to participate in the Offer and are calling from outside Australia, please call +61 1300 551 242.

This Prospectus will be made available in electronic form on the following website: www.investor.audinate.com. Information contained on www.investor.audinate.com, other than the Prospectus, does not form part of this Prospectus.

The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. Hard copy and electronic versions of the Prospectus are generally not available to persons in other jurisdictions (including the United States).

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. If unsure about the completeness of this Prospectus received electronically, or a print out of it, you should contact the Company on the above.

Applications for the Shares under this Prospectus may only be made on either a printed copy of the Application Form attached to or accompanying this Prospectus or via the electronic Application Form attached to the electronic version of this Prospectus, available at www.investor.audinate.com.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus.

Cooling off rights
Cooling off rights do not apply to an investment in Shares pursuant to the Offer. This means that, in most circumstances you cannot withdraw your Application once it has been accepted.

Privacy
The Company, the Share Registry on its behalf, and the Lead Manager may collect, hold, use and disclose personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. This means that the Company will need to collect your personal information (for example, your name, address and details of the Securities that you hold) . Under the Corporations Act some of this information must be included in the Company's Share register, which will be accessible by the public.

The Company will only use and/or disclose your personal information for the purposes for which it was collected, other related purposes and as permitted or required by law. If you do not wish to provide this information, the Company and the Share Registry may not be able to process your Application.

The Company and the Share Registry may also share your personal information with agents and service providers of the Company or others who provide services on the Company's behalf, some of which may be located outside of Australia where personal information may not receive the same level of protection as that afforded under Australian law.

For more details on how the Company collects, stores, uses and discloses your information, please read the Company's Privacy Policy located at www.audinate.com. Alternatively, you can contact the Offer Information Line by telephone on 1300 551 242 (within Australia) or +61 1300 551 242 (outside Australia) from 8:30am to 5:30pm AEST, Monday to Friday (excluding public holidays) and you will be sent a copy of its Privacy Policy free of charge. It is recommended that you obtain a copy of this Privacy Policy and read it carefully before making an investment decision.

By completing an Application Form or authorising a broker to do so on your behalf, or by providing the Company with your personal information, you agree to this information being collected, held, used and disclosed as set out in this Prospectus and the Company's Privacy Policy (located at www.audinate.com).

The Company's Privacy Policy also contains information about how you can access and seek correction of your personal information, complain about a breach by the Company of the Australian privacy laws, and how the Company will deal with your complaint.

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

Definitions, abbreviations and time
Defined terms and abbreviations used in this Prospectus (unless specified otherwise) are explained in Section 10.

All references to time in this Prospectus refer to Australian Eastern Standard Time (**AEST**) unless stated otherwise.

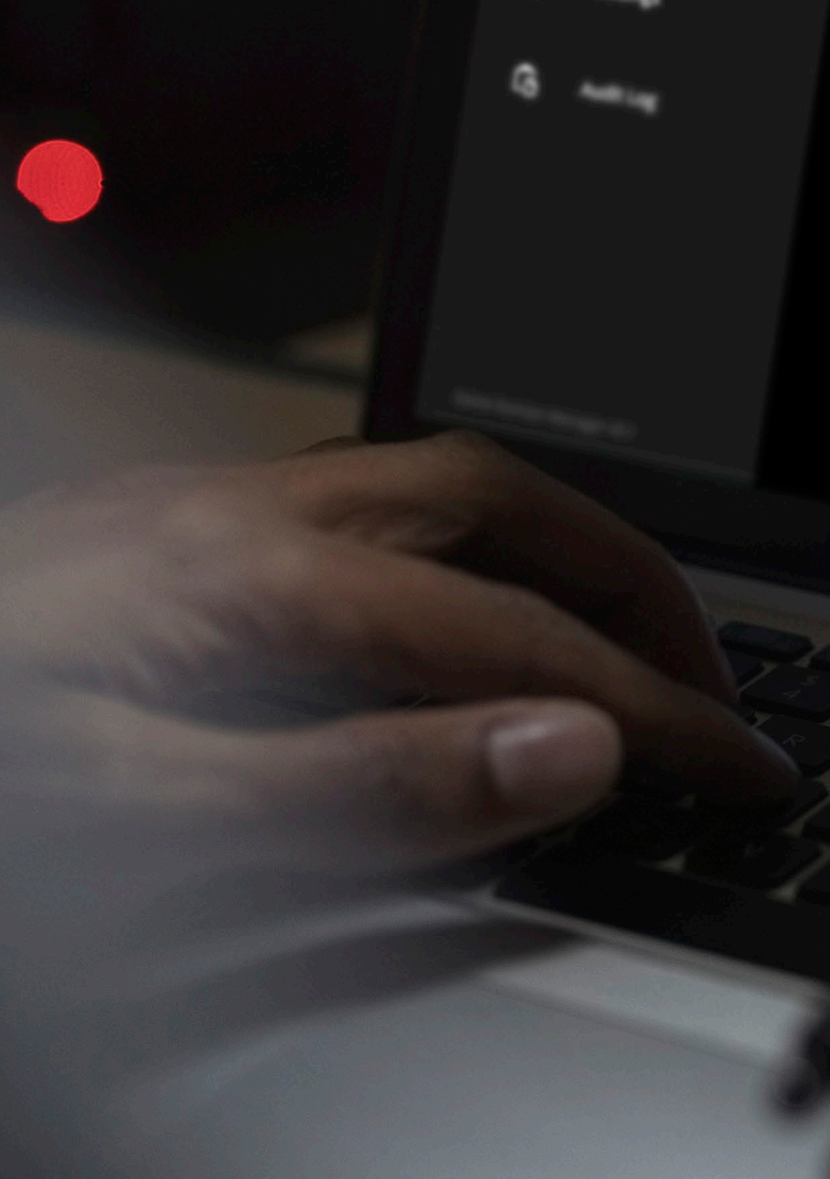
Photographs, data and diagrams
Photographs and diagrams used in this Prospectus which do not have any descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

Diagrams used in the Prospectus are illustrative only and may not be drawn to scale and may not accurately reflect the final appearance of the subject matter which it depicts.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at 13 June 2017.

Company website
Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in this Prospectus, is incorporated in this Prospectus by reference.

Table of contents




Activity
VIEW AUDIT LOG
Domains
Host Server
MOST RECENT
57 User operations and events in the last 24 hours
9
Enrolled devices
Status
Clocking
Connectivity
Latency
Subscriptions
5 MINUTE LOAD AVERAGE
Load Average: 10%
DISK SPACE USAGE
GREEN
4
Enrolled devices
Status
Clocking
Connectivity
Latency
Subscriptions
2 INTERNAL SERVICES

Important Information

Key Offer dates

Prospectus date	**13 June 2017**
Opening date	**21 June 2017**
Closing date	**28 June 2017**
Settlement	**29 June 2017**
Issue of Shares	**30 June 2017**
Deferred settlement trading	**30 June 2017**
Expected dispatch of holding statements	**3 July 2017**
Expected commencement of trading on ASX (on a normal settlement basis)	**4 July 2017**

Note: This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time. The Company, in consultation with the Lead Manager, reserves the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer Period relating to any component of the Offer, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

Key Offer statistics[1]

Offer price	**$1.22**
Total number of Shares available under the Offers[2]	**17.3m**
Gross proceeds of the Offer[3]	**$21.0m**
Proceeds of the Offer paid to Selling Shareholders	**$7.0m**
Total number of Shares on issue at Completion of the Offer	**59.5m**
Total number of Shares held by Existing Shareholders on Completion of the Offer	**42.3m**
Market capitalisation at the Offer Price[4]	**$72.6m**
Pro forma net cash (as at 31 December 2016)[5]	**$14.7m**
Enterprise value at the Offer Price[6]	**$57.9m**
Enterprise value/Pro forma FY17 forecast Sales Revenue[7]	**4.0x**
Enterprise value/Pro forma FY18 forecast Sales Revenue[7]	**3.1x**
Enterprise value/Pro forma FY17 forecast Gross Profit[8]	**5.3x**
Enterprise value/Pro forma FY18 forecast Gross Profit[8]	**4.1x**
Option adjustment to enterprise value[9]	**$7.2m**
Fully diluted enterprise value at the Offer Price[10]	**$65.1m**
Fully diluted enterprise value to Pro forma FY2017 forecast Sales Revenue[11]	**4.5x**
Fully diluted enterprise value to Pro forma FY2018 forecast Sales Revenue[11]	**3.5x**
Fully diluted enterprise value to Pro forma FY2017 forecast Gross Profit[12]	**5.9x**
Fully diluted enterprise value to Pro forma FY2018 forecast Gross Profit [12]	**4.6x**

Notes:

1. This table contains Forecast Financial Information and information derived from the Forecast Financial Information. The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix I, and is subject to key risks set out in Section 5. Forecasts have been included in this Prospectus for the years ending 30 June 2017 and 30 June 2018. There is no guarantee that the forecasts will be achieved.
2. Total Shares available under the Offers includes 48,380 Shares available under the Employee Gift Offer for no consideration. See Section 7.2 for details regarding the structure of the Offer and 7.5 for information on the capital structure of the Company following Completion.
3. Gross proceeds of the Offer reflects the total number of Shares available under the Offer multiplied by the Offer Price.
4. Reflects the total number of Shares on issue following completion multiplied by the Offer Price. Shares may not trade at the Offer Price after Listing.
5. Pro forma net cash is calculated as cash and cash equivalents as at 31 December 2016, calculated on a Pro forma basis assuming Completion. Certain financial information in this Prospectus is described as Pro forma for the reasons described in Section 4.
6. Enterprise value is calculated as the market capitalisation of the Company, based on the Offer price, less Pro forma net cash. Refer to Section 4 for details of the components of Pro forma net cash.
7. This ratio is calculated as enterprise value divided by FY17 Pro forma forecast Sales Revenue and FY18 Pro forma forecast sales revenue respectively.
8. This ratio is calculated as enterprise value divided by FY17 Pro forma forecast Gross Profit and FY18 Pro forma forecast Gross Profit respectively.
9. Adjustment to reflect the increase market capitalisation for an increase in Shares on a fully diluted basis, adjusted for 3.0 million Performance Rights plus 3.3 million vested options, at the Offer price, less the change in Pro forma net cash for 3.3 million vested options at their respective exercise prices (see Section 9.7 and 9.8 respectively).
10. Enterprise value plus option adjustment to enterprise value.
11. This ratio is calculated as the fully diluted enterprise value divided by FY17 Pro forma forecast Sales Revenue and FY18 Pro forma forecast sales revenue respectively.
12. This ratio is calculated as the fully diluted enterprise value divided by FY17 Pro forma forecast Gross Profit and FY18 Pro forma forecast Gross Profit respectively.

How to invest

Applications for Shares can only be made by completing and lodging an Application Form. Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.

Questions

Please call the Offer Information Line at 1300 551 242 (within Australia) or +61 1300 551 242 (outside Australia) from 8:30am until 5:30pm (AEST) Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether this is a suitable investment for you, you should seek advice from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in the Company.

Chairman's letter

Dear investor,

On behalf of our Board of Directors, I am pleased to offer you the opportunity to become a shareholder in Audinate Group Limited (**Company**).

Audinate is the leading provider of professional digital audio networking technologies globally. Audinate has grown its customer base to over 350 original equipment manufacturer (OEM) brands, including many of the world's leading professional Audio Visual (AV) equipment brands such as Bosch, Bose, Harman, Roland, Shure, Sony, Symetrix and Yamaha. Audinate's primary customers are OEM brands who design Audinate's technology platform, Dante, into their professional audio products.

The Dante platform distributes digital audio signals over computer networks, and is designed to bring the benefits of IT networking to the professional AV industry. Dante comprises software and hardware that primarily resides inside the audio products of its customers and provides a complete audio networking solution. Using Dante-enabled products ensures interoperability between audio devices and allows end users to enjoy high quality, flexible audio solutions typically with a lower total cost of ownership compared to analogue installations. Audinate also provides an expanding range of software and support services to assist end users to manage their audio networks.

"The Dante platform distributes digital audio signals over computer networks, and is designed to bring the benefits of IT networking to the professional AV industry."

The transition from analogue installations to networked audio installations is in its early stages. Audinate believes the Company stands to benefit from the increasing momentum in the adoption of audio networking to replace legacy analogue connectivity in professional AV installations. The majority of Audinate's revenue is repeating in nature as a result of Audinate's technology being embedded within an OEM's products. Once the OEM has designed the Dante platform into one of its products, it needs to reorder Dante chips, modules or cards or pay a royalty fee at the time of manufacture. Our future revenue is expected to benefit from the growing Dante-enabled product ecosystem which is creating a "network effect" as the adoption of our Dante proprietary networking platform in partner products expands. This attribute of Audinate's business model provides a degree of revenue visibility, and a platform on which to build further growth. Between 1 July 2013 and 30 June 2018, Audinate is forecast to deliver strong compound annual growth in revenue of 30% with $18.6 million of revenue forecast for FY2018.

The Company is led by experienced management with a track record of driving significant growth, and who will own approximately 6.4% of the Company's issued capital, following listing on the Australian Securities Exchange.

Audinate's growth strategy seeks to increase the number of OEMs adopting Dante; increase the adoption of the Dante platform within existing customers' product portfolios; deliver new products and services to both OEMs and end users of professional AV systems; and leverage the network effect to further entrench Dante as the preferred networking technology for professional AV installations.

The purpose of the Offer is to provide funding and financial flexibility to support Audinate's global growth strategy, support the launch of new products such as Dante Domain Manager, to enable some of the existing shareholders to realise part of their investment, to provide liquidity for shares, and to provide the Company with the benefits of an increased profile as a listed entity.

This Prospectus contains detailed information about the Offer, the historical and forecast financial results of the Company and the material risks associated with an investment in the Company. Before applying for Shares, any prospective investor should be satisfied that they have a sufficient understanding of the risks involved in making an investment in the Company. These include risks associated with increased competition, industry standardisation, protection of intellectual property, reliance on key customers, launch of new products, ability to attract and retain key personnel, supply chain disruption risk, a failure to retain existing customers and attract new customers, and failure to realise benefits from product development costs. Please refer to Section 5 for further details.

I encourage you to read this document carefully and in its entirety before making an investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a shareholder of the Company.

Yours sincerely,

David Krall

Section one

Investment overview

Dante in Conference Rooms

1 Investment overview

1.1 Introduction to Audinate and its business model

Topic	Summary	For more information
What is Audinate?	Audinate is the leading provider of professional audio networking technologies globally with approximately four times the market adoption of its closest competitor. Dante is Audinate's technology platform that distributes digital audio signals over computer networks.	Section 3
What is Audinate's history?	Audinate's core technology, Dante, was first developed in 2004 by co-founder and Chief Technology Officer, Aidan Williams, with initial funding and support provided by NICTA (now CSIRO's Data61). In 2006, the founding team established Audinate and led the spin-out from NICTA to commercialise the Dante technology. Audinate gained its first customer in 2007, and has organically grown its customer base to 360 OEM brands as at 31 March 2017, including many of the world's leading professional AV equipment manufacturers.	Section 3.1
Where does Audinate operate?	Audinate has offices in Sydney Australia (headquarters), Portland Oregon, Brighton UK, and Hong Kong. Audinate's customers are spread across Asia, EMEA, and the Americas.	Section 3.5
What are Audinate's key products?	Dante comprises software and hardware that are primarily embedded within the audio products of its OEM customers. Key products include chips, modules and cards (with embedded software); reference designs; and software to enable network configuration and management.	Section 3.2
Who uses Audinate's products?	Audinate's primary customers are OEMs who design and manufacture professional audio equipment. End users of professional AV systems that utilise the Dante platform cover a wide range of market segments, including commercial installations, broadcast, transport, stadiums, and live sound.	Section 3.4
Why do customers select Audinate?	The Company considers that there are several key features and benefits of its Dante solution, including: – Rapid product development and customer support to OEMs; – Auto discovery of other Dante devices on a network – "Plug & Play"; – Simplified connection management with Dante Controller; – Ensures interoperability of any Dante-enabled device purchased off-the-shelf; and – The availability of Dante-enabled devices from a range of manufacturers creates an "ecosystem" of products, entrenching Dante as the preferred networking technology for professional AV installations by means of the "network effect".	Section 3.2
What is Audinate's business model and how does it generate its revenue?	Audinate primarily generates revenue from repeating unit sales of chips, modules and cards to its OEM customers. It also generates revenue from royalties on reference designs, software license fees and maintenance fees, sales of product development kits, and engineering development fees. Once the OEM has designed the Dante platform into one of its products, Audinate's revenue streams are repeating in nature as a result of Audinate's technology being embedded within an OEM's end product(s). This provides a degree of predictability to Audinate's revenues. Audinate believes that its high gross margins (FY16 average gross margin of ~74%) are reflective of the intellectual property that is embedded in its products.	Section 3.2
Who owns the intellectual property behind Audinate's products?	All intellectual property is wholly-owned by Audinate.	Section 3.6 and Appendix II
What is Audinate's growth strategy?	Audinate's growth strategy includes: – Increasing the number of OEMs adopting Dante; – Increasing adoption of Dante-enabled products by existing OEM customers; – Driving other market participants' adoption of Dante by offering training courses, presenting at trade shows, and publishing white papers and industry blogs; and – Leveraging the network effect to further entrench Dante as the preferred networking technology for professional AV installations.	Section 3.7

1.2 Overview of the industry in which Audinate operates

Topic	Summary	For more information
What industries and segments does Audinate operate in?	Audinate's solutions are used in the professional AV market, which includes the Sound Reinforcement, Broadcast, and Recording segments. The Sound Reinforcement segment, being a key segment for Audinate's solutions today, includes products that receive, amplify, enhance or reproduce live or pre-recorded sound sources such as microphones, mixers, processors, amplifiers and speakers.	Section 2.1
What is audio networking and what are the key benefits?	Audio networking is a form of digital audio distribution using computer networks. Audio networking technologies convert the audio signal into digital data, which enables the use of low cost, readily available Ethernet or fibre optic cables to connect audio devices and carry multiple signals (e.g. multiple audio sources, voice, data etc.) over the same cable. The key benefits of audio networking compared to analogue audio systems include: – Improved audio quality; – Reduced cabling and installation; – Improved flexibility; and – Convergence of voice, data and audio networks means audio networking uses existing IP infrastructure.	Section 2.4
What are the key drivers of the professional AV market?	The key drivers of the professional AV market include: – Collaboration in corporate, government and institutional workplaces driving adoption of professional AV equipment; – Strong pipeline of major events, such as the FIFA World Cup in Russia in 2018 and the Olympics in Tokyo in 2020, which require large professional AV systems; – Steady growth in expenditure on professional AV equipment for meeting venues, such as hotels; – Growth in the live music market; – Growth in the recording, post-production and broadcasting equipment market; – Growth in smart campuses due to increasing demand for AV-based learning experiences in universities and other educational organisations; and – Growth in transport infrastructure investment.	Section 2.7
Who does Audinate compete with?	Audinate's Dante is an off-the-shelf commercial solution with approximately four times the market adoption of its closest competitor, Cobranet. Other competing commercial solutions include Ethersound and Ravenna. Audinate's audio networking solutions also compete with the following alternatives: – Proprietary solutions which are developed internally by OEMs; – Solutions that follow prescribed standards, which are developed by committees composed of industry participants; and – Commercial off-the-shelf solutions.	Section 2.5 and 2.6
What is Audinate's market opportunity?	Frost & Sullivan estimate that Audinate's current addressable market was A$353 million in 2016, which is forecast to grow to A$455 million in 2021. The Company believes that more than A$300 million of this addressable market is currently unpenetrated by audio networking and reflects the current use of analogue signal distribution for professional AV installations. Audinate believes that the transition from analogue installations to networked audio installations is in its early stages and will continue to gain momentum. Supporting the Company's view is survey data published by RH Consulting, which shows that the proportion of respondents for whom audio networking made up at least half of their project work increased from 19% in 2014 to 69% in 2016.	Section 2.1 and 2.7

1.3 Key strengths

Topic	Summary	For more information
Global Market Leader	Audinate is the leading provider of professional audio networking technologies globally with 916 Dante-enabled products available in the market as at January 2017, compared to 220 products being available for its closest competitor, Cobranet. The number of Dante-enabled products available as at 31 March 2017 was 1,077. This leading position is the result of continued investment in its technology platform, Dante. The key benefits of the Dante solution include: – Rapid product development and customer support to OEMs; – Auto discovery of other Dante devices on a network – "Plug & Play"; – Simplified connection management with Dante Controller; – Interoperability of any Dante-enabled device purchased off-the-shelf; and – The availability of Dante-enabled devices from a range of manufacturers creates an "ecosystem" of products, entrenching Dante as the preferred networking technology for professional AV installations by means of the "network effect".	Section 2.6 and 3.2
Significant Market Opportunity	Audinate is a provider of audio networking software and hardware with a current focus on the Sound Reinforcement segment of the professional AV market. Frost & Sullivan estimates the market for audio networking solutions for the Sound Reinforcement market was A$353 million (US$268 million) in 2016 and will grow to A$455 million (US$346 million) in 2021, representing a 5-year CAGR of 5.2%. As Audinate is the market leader in audio networking solutions with approximately $12 million in revenue in FY2016, and Frost & Sullivan estimate that Audinate's current addressable market of audio networking solutions in the Sound Reinforcement segment is A$353 million, the Company believes that there is well over A$300 million of unpenetrated potential in the market for audio networking solutions annually. The unpenetrated market potential for audio networking reflects the current use of analogue signal distribution for professional AV installations.	Section 2.7
Attractive Financial Profile	Audinate's financial profile includes: – Strong historical and forecast organic revenue growth with a CAGR of 30% between 1 July 2013 and 30 June 2018 and A$18.6 million of revenue forecast for FY2018. Audinate's revenue growth is supported by repeat product orders made by its customers; – High gross margin of 76% forecast in FY2018 (FY2017: 76%, FY2016: 74%) supported by strong IP; and – Strong investment in growth with R&D expenditure of $2.8 million in FY2016.	Section 4
Quality Customer Base	Audinate has a quality customer base including many of the world's leading professional AV equipment brands. Audinate had a customer base of 360 OEM brands as at 31 March 2017, which has grown from 60 at the end of 2012. As the customer base has grown, the number of Dante-enabled products each customer has available has also consistently grown, increasing from 4.1 to 6.3 (from the end of March 2014 to the end of March 2017), demonstrating an increasing penetration of the Dante platform within the product portfolio of its customers. Audinate expects that this trend will continue in the future.	Section 3.4
Innovative Products	Audinate has a strong track record of product innovation since its inception. As a result, Audinate has a significant portfolio of intellectually property. Audinate aims to continue developing new products and innovating as part of its strategy to drive more sales. The primary ways that Audinate aims to execute this strategy include: – Expanding the product range across both hardware and software; – Upgrading the existing product portfolio; and – Pursuing the opportunity for product extension and growth into the video market.	Section 3.7

Topic	Summary	For more information
Experienced Management Team	Audinate has had a consistent executive team over time, with extensive industry experience, who has successfully driven significant growth since the Group's inception to establish Audinate's market leadership position. Audinate's key executive management includes: – Lee Ellison, CEO: joined Audinate in 2008 following senior management roles in various US publicly listed companies in the telecom and computer industries. Prior roles include Vice President of Global Sales and International Operations for Tektronix, Inc., and Glenayre Electronics; – Aidan Williams, Co-Founder and CTO: co-founded Audinate in 2006. Prior roles include heading the Digital Audio Networking project at National ICT Australia (NICTA), now part of CSIRO, and working in research and development at Motorola Labs in Sydney; – Rob Goss, CFO: joined Audinate in 2017. Prior roles include various senior management finance positions in various ASX publicly listed companies, including Building IQ, Inc (ASX:BIQ), iProperty Group Limited (ASX:IPP), and ANZ Bank (ASX:ANZ); and – David Myers, Co-Founder and COO: co-founded Audinate in 2006. Prior roles include being co-founder and Vice President of Engineering of Dilithium Networks (David Myers intends to retire from the Company in November 2017).	Section 6.3

1.4 Key risks

Topic	Summary	For more information
Competition risk	Audinate competes against other audio networking companies. Some of Audinate's existing and potential competitors may have significantly more resources than Audinate does and this may enable them to increase their market share. In addition, Audinate's OEM customers may also decide to develop their own networking technology solutions in-house or Audinate may fail to anticipate and respond to changing opportunities, technology, standards or customer requirements as quickly as competitors. If any of these risks arise, Audinate may compete less effectively against Audinate's competitors and it could reduce Audinate's market share and ability to secure existing or new business which would have an adverse impact on Audinate's operating and financial performance.	Section 5.1
Industry Standardisation	There is currently a minimal level of industry standardisation across the AV industry. There is a risk that future industry standardisation across the AV industry could disrupt and adversely affect Audinate's business. If Audinate does not continue to innovate, such standardisation has the potential to commoditise Audinate's products and could result in reduced margins and have an adverse effect on Audinate's operations and financial performance.	Section 5.1
Protection of intellectual property	The value of Audinate's products is dependent on Audinate's ability to protect intellectual property, including business processes and know-how, copyrights and trademarks. There is a risk that Audinate may be unable to detect the unauthorised use of its intellectual property rights in all instances. Further, actions Audinate takes to protect its intellectual property may be costly, and may not be adequate or enforceable and thus may not prevent the misappropriation of its intellectual property and proprietary information. Audinate's failure to protect its intellectual property rights could have an adverse impact on Audinate's operations and financial performance.	Section 5.1
Reliance on key customers	A significant proportion of Audinate's revenue (over 20% in FY2016) is currently derived from Audinate's largest customer, Yamaha Corporation. On completion of the Offers Yamaha will own approximately 10.6% of the Company's issued capital. If Audinate's relationship with Yamaha or any of its other major customers deteriorates, or should any of these major customers default or terminate their agreements with Audinate, or merely not order products from Audinate, then Audinate's business and financial condition could be adversely impacted.	Section 5.1

Topic	Summary	For more information
Launch of new products	The development schedule for new products (e.g. Dante Domain Manager, adapters and video products) may take longer than forecast, delaying the development of new revenue streams. New third party technologies could prove more advanced and be developed in less time than Audinate's new products. In addition, Audinate expects that over time (beyond the Forecast Period), software revenue will contribute a greater proportion of Audinate's total revenue. There is a risk that Audinate's software and services may not be well received by its customers or Audinate may not be able to generate sufficient adoption of its software by end users.	Section 5.1
Ability to attract and retain key personnel	The Group's continued success depends on being able to hire and retain highly skilled and experienced employees in the technical and development teams. Failure to do so may adversely affect Audinate's ability to develop products or implement its business strategies, which may adversely affect its future financial performance.	Section 5.1
Supply chain disruption risk	Audinate sells chips and printed circuit board modules which incorporate its software. These devices are manufactured or supplied by third parties. A disruption to supply of these components or the manufacturing of these devices could have a material adverse effect on the Company's ability to generate revenue while the disruption or delays remain in place. If the disruptions were prolonged and another third party supplier or manufacturer could not be sourced, this could have a material adverse effect on Audinate's ability to continue to grow the business.	Section 5.1
Failure to retain existing customers and attract new customers	The success of Audinate's business relies on the ability to retain existing customers, attract new business from existing customers as well as attract new customers. If customers do not continue to use Audinate's products and increase their usage over time, and if new customers do not choose to use Audinate's products, the growth in Audinate's revenue may slow, or Audinate's revenue may decline, which will have an adverse impact on Audinate's operating and financial performance.	Section 5.1
Failure to realise benefits from product development costs	Developing technology is expensive and the investment in the development of these product offerings often involves an extended period of time to achieve a return on investment. Audinate may not, however receive significant revenues from these investments for several years, or may not realise such benefits at all.	Section 5.1

1.5 Board and management

Topic	Summary	For more information
Who are the directors of the Company?	– David Krall, Independent Chairman – Lee Ellison, Chief Executive Officer – John Dyson, Non-Executive Director – Roger Price, Non-Executive Director – Alison Ledger, Independent Non-Executive Director – Tim Finlayson, Independent Non-Executive Director	Section 6.1 and 6.2
Who are the senior management of Audinate?	– Lee Ellison, Chief Executive Officer – Aidan Williams, Chief Technology Officer – Rob Goss, Chief Financial Officer – David Myers, Chief Operating Officer (David intends to retire from the Company in November 2017) – Chris Ware, Senior Vice President of Engineering – Josh Rush, Vice President of Marketing and Product Management – John Rechsteiner, Vice President of Sales and Support	Section 6.3

1.6 Significant interests of key people and related party transactions

Topic	Summary	For more information
Who are the Existing Shareholders and what will be their interest in the Company at the Completion of the Offer?	See table below	Section 7.5

Shareholder	**Shares at Prospectus Date[1] (m)**	**Shares held on Completion of the Offer (m)**	**(%)**
Starfish Ventures[2]	17.4	17.4	29.2%
Innovation Capital Partners	10.9	10.9	18.3%
Yamaha Corporation	6.3	6.3	10.6%
NICTA	1.1	1.1	1.9%
Lee Ellison and associates	–	0.0	0.0%
Aidan Williams and associates	1.7	1.7	2.9%
David Myers and associates[3]	1.5	1.5	2.5%
Rob Goss and associates	–	0.0	0.0%
Other Directors and Senior Executives	0.9	0.9	1.5%
Other Employees	1.7	1.8	3.0%
Other Existing Shareholders	0.7	0.7	1.2%
New investors in the Offer	–	17.2	29.0%
Total Shares	**42.2**	**59.5**	**100.0%**

1. Assuming the Restructuring, including the sell-down by the Selling Shareholders occurred immediately prior to the Prospectus Date, as per section 7.4.
2. Starfish Ventures manages and acts as the responsible entity and trustee for a number of funds, as defined in Section 10.
3. David Myers intends to retire from the Company in November 2017.

Topic	Summary	For more information
What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?	See table below	Section 6.5 and 6.6

Director (including associates)	**Shares as at the Prospectus Date[1]**	**Incentives held as at the Prospectus Date**	**Shares after Completion of the Offer[2]**	**Incentives held as of Completion of the Offer**	**Percentage holding of Shares immediately following Completion (undiluted)[3]**	**Percentage holding of Shares immediately following Completion (fully diluted)[3]**
Lee Ellison	–	320,000 Options	820	320,000 Options 2,262,811 Perf. Rights	0.0%	3.9%
David Krall	293,958	186,042 Options	293,958	186,042 Options	0.5%	0.7%
John Dyson[4]	–	–	–	–	–	–
Roger Price[5]	–	–	–	–	–	–
Alison Ledger	–	–	–	–	–	–
Tim Finlayson	–	–	–	–	–	–

1. Assuming that the Restructure had completed immediately prior to the Prospectus Date.
2. Excluding any Shares the Directors acquire under the Offer.
3. Refer to section 9.6 for details of the total number of Shares immediately following Completion on an undiluted and fully diluted basis.
4. John Dyson is associated with Starfish Ventures. For information regarding Starfish Ventures and related entities' shareholdings in the Company refer to Section 7.5.
5. Roger Price is associated with Innovation Capital Partners. For information regarding Innovation Capital Partners and related entities' shareholdings in the Company refer to Section 7.5.

The securities set out in the table above will be subject to escrow arrangements described below. Lee Ellison is entitled to receive remuneration in accordance with his executive service agreement. The Non-Executive Directors are entitled to directors' fees on commercial terms.

Topic	Summary	For more information
Will any Shares be subject to restrictions on disposal following Completion?	(see table below)	

Shareholder	Shares held on Completion (m)	Shares held on Completion (%)	Options + Performance Rights held on Completion (m)
Starfish Ventures[1,2]	17.4	29.2%	–
Innovation Capital Partners[1,2]	10.9	18.3%	–
Yamaha Corporation[1,4]	6.3	10.6%	–
NICTA[1]	1.1	1.9%	–
Lee Ellison and associates[4]	0.0	0.0%	2.6
Aidan Williams and associates[1]	1.7	2.9%	0.4
David Myers and associates[1,4]	1.5	2.5%	0.2
Rob Goss and associates[1]	0.0	0.0%	0.8
Other Directors and Senior Executives[1]	0.9	1.5%	1.1
Other Shareholders[3]	1.8	3.0%	1.2
Total Escrowed Shareholders	**41.5**	**69.8%**	**6.3**

1. Voluntary Escrow period is through to release of FY2018 results.
2. Voluntary Escrow period for 11.1% of Starfish Ventures' and Innovation Capital Partners' Shares held on Completion through to release of 1H FY2018 results.
3. Voluntary Escrow period is through to release of 1H FY2018 results.
4. ASX escrow period is for Lee Ellison, David Krall, David Myers, Yamaha Corporation and their associates: until two years following Listing.

1.7 Key financial metrics and dividends

Topic	Summary	For more information
How does Audinate expect to fund its operations?	Following Completion, Audinate's principal sources of funds will be cash flow from operations and cash held at Completion of the Offer. Audinate expects that it will have sufficient cash flow from operations and cash on balance sheet to meet its business needs during the forecast period and will have sufficient working capital to carry out its stated objectives.	Section 4
What is Audinate's historical and forecast financial performance?	See tables below	Section 4.3

A$ ('000) Year Ended 30 June	Pro forma Historical			Pro forma Forecast	
	FY14	**FY15**	**FY16**	**FY17**	**FY18**
Sales Revenue	**6,520**	**8,035**	**11,903**	**14,596**	**18,552**
COGS	(1,625)	(1,600)	(3,062)	(3,568)	(4,428)
Gross Profit	**4,895**	**6,435**	**8,841**	**11,028**	**14,125**
Employee related costs	(4,756)	(4,791)	(6,480)	(7,692)	(10,342)
Marketing expense	(545)	(1,035)	(1,659)	(1,619)	(2,006)
Administration and other operating expenses	(1,720)	(2,033)	(2,227)	(2,393)	(2,965)
Total operating expenses	**(7,022)**	**(7,859)**	**(10,366)**	**(11,704)**	**(15,313)**
EBITDA	**(2,127)**	**(1,424)**	**(1,525)**	**(676)**	**(1,188)**
Depreciation and amortisation expense	(567)	(615)	(720)	(920)	(1,195)
EBIT	**(2,694)**	**(2,039)**	**(2,245)**	**(1,596)**	**(2,383)**

A$ ('000) Year Ended 30 June	Statutory Historical			Statutory Forecast	
	FY14	**FY15**	**FY16**	**FY17**	**FY18**
Sales Revenue	**6,520**	**8,035**	**11,903**	**14,596**	**18,552**
COGS	(1,625)	(1,600)	(3,062)	(3,568)	(4,428)
Gross Profit	**4,895**	**6,435**	**8,841**	**11,028**	**14,125**
Employee related costs	(4,311)	(4,206)	(5,885)	(7,307)	(10,342)
Marketing expense	(525)	(1,015)	(1,639)	(1,599)	(2,006)
Administration and other operating expenses	(875)	(1,188)	(1,382)	(3,346)	(2,965)
Total operating expenses	**(5,712)**	**(6,409)**	**(8,906)**	**(12,252)**	**(15,313)**
EBITDA	**(817)**	**26**	**(64)**	**(1,224)**	**(1,188)**
Depreciation and amortisation expense	(120)	(361)	(627)	(920)	(1,195)
EBIT	**(936)**	**(335)**	**(692)**	**(2,144)**	**(2,383)**

Topic	Summary	For more information
What is Audinate's dividend policy?	The Company intends to retain future earnings to fund the development and growth of the business. The Company does not anticipate paying dividends to Shareholders for the foreseeable future.	Section 4.15
What will Audinate's capital structure be on Completion of the Offer?	On Completion the Company will have on issue approximately: – 59.5 million Shares; – 3.3 million Options; and – 3.0 million Performance Rights	Section 9.6

1.8 Overview of the Offer

Topic	Summary	For more information
What is the Offer?	The Offer is an initial public offering of 17.3 million Shares in the Company at an Offer Price of $1.22 per Share, raising gross proceeds of $21.0 million	Section 7.1
Who is the issuer of the Prospectus?	Audinate Group Limited (ACN 618 616 916) is the issuer of this Prospectus	Section 7.7
Why is the Offer being conducted?	The purpose of this Offer is to: – Provide funding and financial flexibility to support Audinate's global growth strategy, future growth opportunities and new product development; – Enable some existing shareholders to realise part of their investment; – Broaden the shareholder base; and – Provide the Company with the benefits of an increased profile as a listed entity.	Section 7.3
What is the proposed use of funds raised under the Offer?	The proceeds received by Audinate from the issue of new Shares under the Offer will be used to: – Provide expansion capital to invest in additional sales force and marketing initiatives; – Provide expansion capital to invest in additional R&D initiatives; – Provide capital to invest in systems, processes and infrastructure; – Provide funds for working capital and corporate development purposes; and – Pay Selling Shareholders the cash proceeds under the Restructure; – To pay the costs associated with the Offer.	Section 7.3 and Section 9.5
Who are the Selling Shareholders and what will they receive under the Offer?	NICTA, Starfish Ventures and Innovation Capital, three of Audinate's early stage venture investors, are selling down part of their shareholdings and will received aggregate proceeds of $7.0 million under the Offer.	Section 7.4
Will the shares be quoted on the ASX?	The Company will apply for admission to the Official List of the ASX and quotation of Shares on the ASX under the code "AD8".	Section 7.7

How is the Offer structured?	The Offer comprises:
	– the Retail Offer, consisting of:
	  – the Broker Firm Offer – open to Retail Investors in Australia who have received a firm allocation from their Broker;
	  – the Priority Offer – open to selected investors (as agreed between the Company and the Lead Manager) who receive a Priority Offer Invitation; and
	  – the Institutional Offer – an invitation to bid for Shares made to Institutional Investors in Australia and certain other eligible jurisdictions.
		Section 7.2

Is the Offer underwritten?	The Offer is fully underwritten by the Lead Manager.	Section 7.2 and 9.9
What is the allocation policy under the Offer?	The allocation of Shares between the Retail Offer and the Institutional Offer was determined by the Lead Manager by agreement with the Company, having regard to the allocation policies. With respect to the Broker Firm Offer, it will be a matter for Brokers to determine how they allocate Shares among their eligible retail clients. The allocation of Shares under the Institutional Offer was determined by agreement between the Company and the Lead Manager. The allocation of Shares under the Priority Offer was determined by the Company.	Section 7.7
What are the Employee Offers?	The Employee Gift Offer is an offer of $1,000 of Shares to Eligible Employees for no subscription price. The Employee Incentive Offer is an offer of performance rights to certain Audinate employees under the Long Term Incentive Plan.	Sections 7.11, 6.7.3 and 6.7.4

Topic	Summary	For more information
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offers.	Section 7.7
What are the tax implications of investing in the Shares?	Investors may be subject to Australian income tax or withholding tax on any future dividends paid. The tax consequences of an investment in Shares will depend on your particular circumstances, particularly for non-resident shareholders. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 9.11
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or around 3 July 2017.	Section 7.2
How can I apply?	Broker Firm Offer applicants may apply for Shares by completing an Application Form and lodging it with the Broker who invited them to participate in the Offer. Priority Offer applicants and applicants under the Employee Offers may apply by completing an Application Form and returning it to the Company in accordance with the instructions in the personalised invitation letter accompanying this Prospectus.	Section 7.7
Can the Offer be withdrawn?	The Company may withdraw the Offer at any time before the issue of Shares to successful applicants or bidders. If the Offer, or any part of it, does not proceed, all relevant application monies will be refunded (without interest).	Section 7.7

Section two

Industry overview

Dante in Live Sound

2.1 Introduction

Audinate is the leading provider of networking software and hardware to enable Internet Protocol (IP) based delivery and management of high quality, synchronised, uncompressed audio over standard computer networks in the Audio Visual (AV) market. Audinate's patented Dante™ platform enables the use of standard Ethernet cables to connect AV devices in an audio network, displacing expensive and heavy analogue cables.

Audinate's solutions are utilised across thousands of installations within the professional AV market, which includes the Sound Reinforcement, Broadcast, and Recording segments. The Sound Reinforcement segment, being a key segment for Audinate's solutions today, includes products that receive, amplify, enhance or reproduce live or pre-recorded sound sources such as microphones, mixers, processors, amplifiers and speakers.

Frost & Sullivan estimate that Audinate's current addressable market of audio networking solutions in the Sound Reinforcement segment was A$353 million in 2016 (US$268 million), which is forecast to grow to A$455 million (US$346 million) by 2021.[1] The Company believes that more than A$300 million (US$228 million) of this addressable market is current unpenetrated by audio networking and reflects the use of analogue signal distribution for professional AV installations.

2.2 Professional AV market

Professional AV market overview

Professional AV is distinguished from consumer AV in that it caters to the needs of enterprise customers (both in the public and private sectors) and typically involves the transmission of multiple high quality uncompressed live audio signals to multiple devices. Professional AV systems encompass projects installed for live sound (concerts, night clubs, theatres, etc.), commercial installations (transport, stadiums, universities, hotels, courtrooms, shopping centres, houses of worship, etc.), broadcast facilities, and recording and post-production (music and film, production, lecture capture, etc.).

Market size

The professional AV market comprises several product and service segments that are used in a diverse range of applications by end-user groups (see Figure 1). InfoComm International estimates the total professional AV market to have generated over A$150 billion (US$114 billion) in revenues in 2016 (based on retail selling prices).[2] This industry value is estimated to be split 67% and 33% between product and service segments, respectively.[2]

FIGURE 1: OVERVIEW OF THE PROFESSIONAL AV MARKET

Product segments	
Sound Reinforcement	– Amplifiers, mixers, intercoms, headsets, microphones, wireless microphones, receivers and tuners, public address systems and speakers
AV Acquisition and Delivery	– Digital media players, AV recorders, cameras, hard drives and other storage systems, editing and production equipment
AV Conferencing	– Speaker phones, conferencing systems, echo cancellers, system interface units, expansion cards, cameras, room and group systems, portable systems, routing switches
Control Systems	– Media and networking controllers, video and audio distribution processors and systems, wired and wireless touch panels, IR repeaters and media retrieval systems
Displays	– TVs, monitors, plasma displays, touch screens, CCTV monitors
Signal Management	– Encoders, decoders, converters and switches
Other Products	– Room management

Service segments	
Design	– System design and consulting
Installation/Integration	– Installation of hardware – Installation of software – Connection of hardware and software
Managed Services	– Maintenance-on-demand – Ongoing service checks – AV facilities management
Programming	– Audio device programming – Video device programming
Rental and Staging	– Equipment hire – Equipment and stage set-up
Other Services	– IT networking

Source: InfoComm International, IABM DC

1. Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017
2. 2014 AV Market Definition & Strategy Study, InfoComm International

End users

Key customer groups of professional AV products and services are set out in Figure 2.

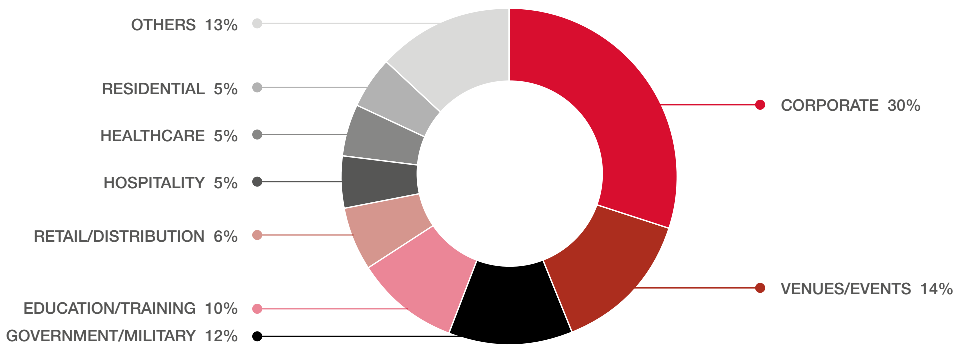
FIGURE 2: PROFESSIONAL AV MARKET END USERS

End user group	Applications
Corporate	– Offices, manufacturing and process industries
Venues/Events	– Stadiums/arenas, theme parks, house of worship, event organisers, outdoor concerts, clubs, performing arts centres
Government/Military	– Government, military, justice, corrections, public service facilities
Education/Training	– Universities and other higher education sites, primary and secondary schools, training services
Retail/Distribution	– Shops, malls, wholesale
Hospitality	– Hotels, restaurants, night clubs, cruise ships, casinos
Healthcare	– Hospitals, clinics, community health centres
Residential	– High-end home cinemas, sound systems, intercoms

Source: InfoComm International

The Corporate segment represent the largest users of professional AV products and services, at 30% of total expenditure. Venues, Government and Educational user groups have similar industry expenditure shares with 14%, 12% and 10%, respectively.[3]

FIGURE 3: PROFESSIONAL AV MARKET BY CUSTOMER SEGMENT 2014



Source: 2014 AV Market Definition & Strategy Study, InfoComm International

3. 2014 AV Market Definition & Strategy Study, InfoComm International

Industry participants

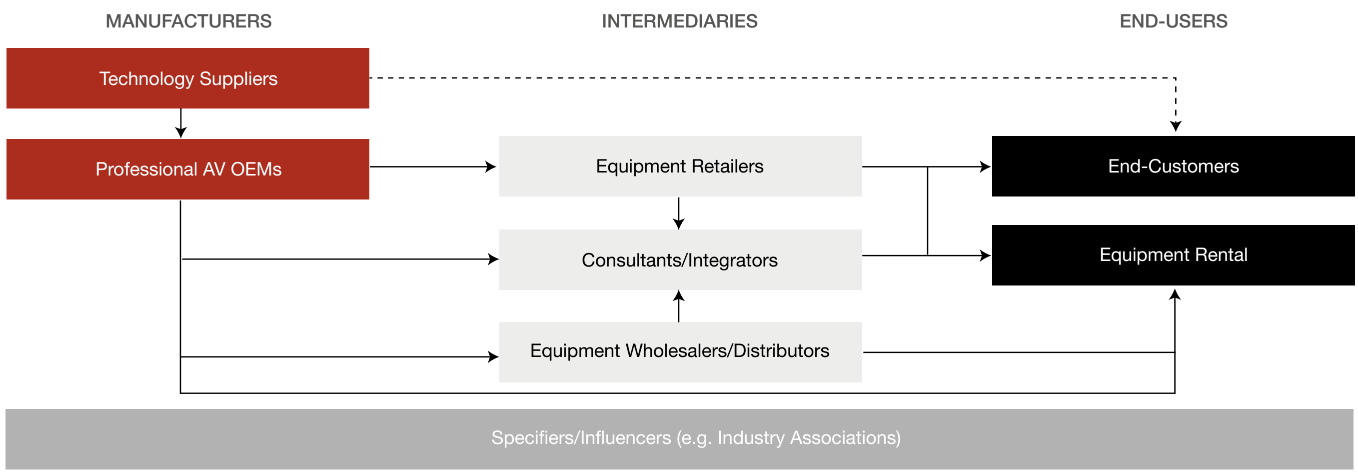
In general, technology suppliers (e.g. Audinate) sell technology solutions to Original Equipment Manufacturers (OEMs), who incorporate the solutions (e.g. Dante) into their products. OEMs then sell their products to AV equipment retailers, integrators, wholesalers/distributors and/or directly to end users.

Key industry participants within the professional AV industry and the industry supply chain are set out in Figure 4 and Figure 5, respectively.

FIGURE 4: PROFESSIONAL AV KEY MARKET PARTICIPANTS

Participant	Overview	Influence/Role	Example participants
Technology Suppliers	– Develop and promote technology solutions to OEMs that meet the requirements of end users	– Source of innovation for OEMs in developing new products and solutions – Provide support to OEMs through the product development process	– Audinate – Dolby – DTS
Original Equipment Manufacturers (OEMs)	– Manufacture final products for AV equipment retailers, consultants, integrators, equipment wholesalers/ distributors, end users	– Products influence approach to the design and installation of AV solutions – OEMs may trial new products in demonstrative installations or reference sites to gain feedback from AV consultants and integrators, or to build product awareness – Promote new products at trade shows and via other sales and marketing efforts	– Audio-Technica – Bosch – Focusrite – Harman – Sennheiser – Shure – Solid State Logic – Symetrix – Yamaha
AV consultants/ integrators	– Consult and advise on the design or installation of AV solutions (including hardware) to end users	– Recommend particular products and technology solutions to end users – May provide feedback to OEMs in relation to particular products or technologies	– AVI-SPL – Jands – Stagetec – WJHW
End users	– Final users of AV products and services	– May have in-house experts that design tender processes and/or specify particular solutions	– American Airlines Arena (Miami) – Microsoft – Sydney Trains

FIGURE 5: PROFESSIONAL AV INDUSTRY STRUCTURE



Source: Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017

Overview of OEMs

There are a number of OEMs that have multiple brands through which they sell audio equipment. Frost & Sullivan estimates there are over 2,000 OEM brands in the professional AV industry. While it is difficult to obtain an exact number, Frost & Sullivan notes that the estimated number of OEM brands is supported by the number of exhibitors attending industry trade shows. In this regard Frost & Sullivan note there were over 1,000 exhibitors at the North America InfoComm 2016 conference, 1,100 exhibitors at the Integrated Systems Europe 2017 conference, 1,874 exhibitors at the National Association of Broadcasters show, and 1,779 exhibitors at the National Association of Music Merchants show.[4] Profiles of some of the leading OEMs and their estimated audio equipment sales are set out below.

FIGURE 6: EXAMPLE OEM PROFILES

OEM	Description	Estimated audio equipment sales (A$)
Bose Corporation	– Headquartered in Framingham, Massachusetts, USA – Manufacturer of consumer and professional audio systems	c. $4.6 billion[5]
Harman International	– Headquartered in Stamford, CT, USA – Brands include JBL, AKG, Harman Kardon, Infinity, Lexicon, Mark Levinson, Crown and Revel	$1.3 billion in FY2016 (14% of group sales)[6]
MUSIC Group	– Headquartered in Manila, Philippines – Brands include Midas, Behringer, Tannoy, Klark Technik, Lake, Lab.gruppen, Bugera, Turbosound, TC Electronic, TC Helicon	$552.6 million[7]
Sennheiser	– Headquartered in Wedemark, Germany – Manufactures microphones, headphones, monitoring systems, conference and information technology	$977.5 million[7]
Shure	– Headquartered in Niles, Illinois, USA – Manufacturer of microphones, wireless systems, mixers, digital signal processors and headphones	$677.6 million in FY2016[7]
Sony Corporation	– Headquartered in Tokyo, Japan – Manufacturer of cameras, microphones, recorders, mixers, amps and headphones	$13.2 billion sales from Home Entertainment, and Sound segment in FY2015[8]
Yamaha Commercial Audio	– Headquartered in Shizuoka, Japan – A division of Yamaha Corporation, a global market leader in musical instruments	$1.3 billion in FY2016 (27% of global group sales)[9]

Source: Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017

4. Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017
5. Bose Corporation To Extend Strategic Partnership With Flex, 16 Jun 2016
6. Samsung Electronics to Acquire HARMAN Investor Presentation 14 Nov 2016
7. Global Music Industry 225 Report, The Music Trades, 2017
8. Sony Corporation, Sony IR Day 2016
9. Yamaha Corporation, 2017

2.3 Overview of the sound reinforcement segment

Sound reinforcement

The sound reinforcement segment includes products that receive, amplify, enhance or reproduce live or pre-recorded sound. Products within this segment include microphones, mixers, processors, amplifiers and speakers.

These products are used in conference rooms, campuses, broadcast studios, stadiums, live music and concert venues and across public transport networks.

In deciding on what sound reinforcement equipment an AV installation will require, AV consultants, integrators and end users typically consider the following:

- **Scale** – the size of the audience and the area, or number of areas that need to receive the audio;
- **Sources** – the number and type of sound sources (both live and/or pre-recorded, sound effects, background music etc.); and
- **Location** – indoor and outdoor settings involve different requirements, with the latter having an additional level of complexity due to uncontrolled sound sources and weather conditions.

Sound reinforcement – products

The key sound reinforcement product categories are set out in Figure 7.

FIGURE 7: SOUND REINFORCEMENT PRODUCT CATEGORIES

Product category	Description	Example products
Microphones	– Microphones capture and transmit audio signals	
Mixers	– Mixers are used to combine two or more audio signals and transmit a single or multiple output signals	
Processors	– Processors are used to control or modify audio signals within an audio system	
Amplifiers	– Amplifiers are used to enhance audio signals	
Speakers	– Speakers are used for the playback of processed or amplified audio signals	
Other Products	– Other products include recording hardware and software, audio network hardware and software, cables, racks, stands etc.	

Sound reinforcement – market size and growth

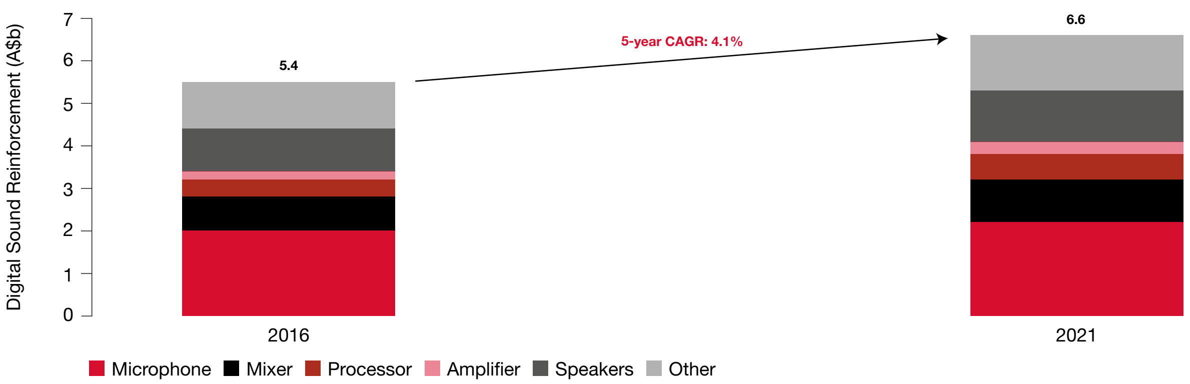
According to Stiernberg Consulting, the sound reinforcement segment is forecast to grow from A$9.3 billion (US$7.0 billion) in 2016 to A$10.7 billion (US$8.1 billion) in 2021, representing a 5-year CAGR of 2.9%.[10] Over this period sales of digital products within the sound reinforcement segment are forecast to grow at a CAGR of 4.1% from A$5.4 billion (US$4.1 billion) to A$6.6 billion (US$5.0 billion), exceeding the growth of non-digital (or analogue) components of 1.0%.

FIGURE 8: SOUND REINFORCEMENT INDUSTRY BY VALUE

Source: Stiernberg Consulting, Pro Audio Unit Forecast 2016-2021, 2017

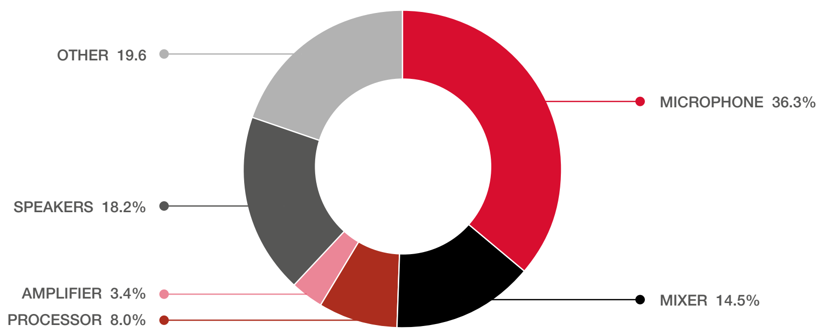
Microphones and speakers accounted for 54.5% of the value of digital sound reinforcement products sold in 2016 (microphone 36.3%, speaker products 18.2%).[10] The other key product categories, including mixers, processors and amplifiers, accounted for 14.5%, 8.0% and 3.4% of digital sound reinforcement products, respectively.[10]

FIGURE 9: SOUND REINFORCEMENT PRO AUDIO EQUIPMENT (DIGITAL)



Source: Stiernberg Consulting, Pro Audio Unit Forecast 2016-2021, 2017

FIGURE 10: SOUND REINFORCEMENT PRO AUDIO EQUIPMENT SPLIT (DIGITAL) 2016



Source: Stiernberg Consulting, Pro Audio Unit Forecast 2016-2021, 2017

10. Stiernberg Consulting, Pro Audio Unit Forecast 2016-2021, 2017

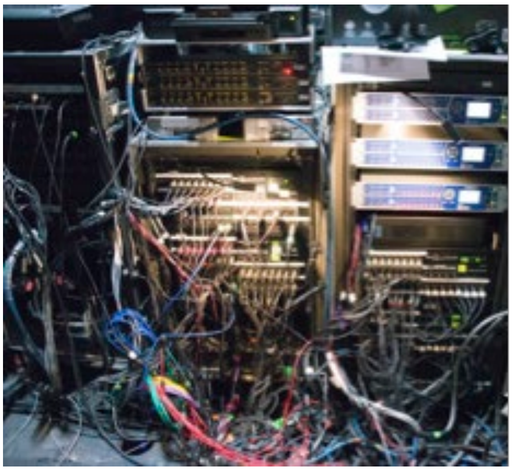
2.4 Overview of audio networking

Overview of the incumbent analogue technology

Analogue audio installations involve fixed point-to-point wiring between audio devices, so each individual signal (or channel) requires its own physical copper cable to distribute a low voltage electrical signal. This means implementing an audio system with a degree of complexity (e.g. multiple rooms with multiple microphones, mixers, amplifiers and speakers etc.) through analogue distribution requires significant planning, resources and technical expertise. The point-to-point wiring also means that making changes to an installed system requires the physical modification of connections, which can be costly and time consuming. Other challenges of analogue audio distribution include: difficultly in troubleshooting connection issues; loss of signal quality or degradation of the signal over longer distances causing signal 'hum'; and susceptibility to electrical or radio interference.

What is audio networking?

By comparison to analogue, audio networking is a form of digital audio distribution using computer networks. Audio networking technologies convert the audio signal into digital data, which enables the use of low cost, readily available Ethernet or fibre optic cables to connect audio devices and carry multiple signals (e.g. multiple audio sources, voice, data, audio etc.) over the same cable. Additionally, the configuration of an audio system is established independently of the physical cabling. This means that once devices are connected to the network, changes in an audio system (e.g. changing the inputs and outputs) do not require physical modification of the connections.



Benefits of audio networking versus analogue

Audio networking delivers significant benefits compared to analogue systems, including:

Improved audio quality

Audio networking solutions provide higher audio quality than analogue audio installations. Analogue sound quality issues may result from poor cable connections resulting in ground loops, interference from various power sources, or signal degradation from longer cable runs. Audio transmitted digitally via audio networking can be reproduced perfectly at its destination, avoiding the challenges that are common in analogue audio systems.

Reduced cabling and installation

With an analogue system, individual copper cable connections must be made for each individual signal path. Networked audio replaces expensive and heavy analogue cables with low cost, readily available Ethernet or fibre optic cables. Each cable can carry hundreds of channels simultaneously. Given the streamlining of cabling requirements, the installation process is significantly streamlined. As a result, audio networking can significantly decrease cabling and installation costs.

Improved flexibility

The physical point-to-point cabling of analogue installations makes it cumbersome to make changes or additions to an installed system. For commercial installations, bulky analogue cabling requires large conduits to be installed throughout a venue, which can be problematic in pre-existing venues and buildings (e.g. churches, concert halls, auditoriums etc.) where layouts can present physical limitations. Audio networking solutions, using lightweight Ethernet or fibre optic cables mean that maintaining, modifying and expanding a networked audio installation requires less time and less specialised labour compared to analogue installations. Any device in a network design may be easily rerouted via management software, without touching a single cable.

Convergence of voice, data and audio networks

Audio networks can leverage the voice and data networks already installed in a building to also transmit high quality, uncompressed audio and control information. IP based audio networks take advantage of the increased bandwidth available on standard network switches, allowing the audio to be easily integrated with existing IP infrastructure without the need for bespoke or "special" network hardware. Networked systems improve scalability at significantly lower costs.

2.5 OEM product development considerations

Key Considerations

When deciding which audio networking solution to select, key considerations for OEMs include:

- **Interoperability** – will the networked product only connect and operate effectively with other products manufactured by that OEM, or is it desirable for the product to connect and inter-operate with products manufactured by other OEMs;
- **Cost and time** – what is the cost of developing or implementing a solution to enable audio networking, together with any tools to manage the audio network, compared to the cost of utilising an off-the-shelf solution from another party;
- **Current level of adoption** – how widely adopted is a particular solution, and is it desirable to align with a solution that has high levels of adoption;
- **Management tools** – what other software tools and firmware are required to implement and manage the selected audio networking technology, and are they readily available or do they also need to be developed; and
- **Support** – will there be sufficient technical support to ensure the OEM can successfully incorporate the networking technology into its products, and for the end user to manage any issues following installation.

When selecting a solution OEMs may also consider the preferences of end-users. New Bay Media's Systems Contractor News (SCN) surveyed over 600 audio visual professionals to provide insight on why a specific solution is selected. Figure 11 shows the top three reasons for choosing an audio networking solution.

FIGURE 11: SCN SURVEY: REASONS WHY CUSTOMERS SELECT A SOLUTION

SCN's Annual Audio Networking Survey Results, Systems Contractor News, 2015

Standards and Interoperability

Interoperability refers to the ability of different OEM products to connect and operate effectively. Manufacturers desiring interoperability will select an audio networking solution used by other manufacturers.

A standard can be described as a set of rules or specifications governing how a system or network operates, including interoperability of different devices on the network.

There are two broad categories of standards available to OEMs, namely prescribed standards and de-facto standards. A prescribed standard is typically developed by a committee composed of industry participants. Examples of prescribed standards include AVB, which is promoted by the Avnu alliance, and AES67, which is promoted by the Media Networking Alliance. Conversely, a de-facto standard is proprietary in nature and is established through widespread industry adoption, such as Dante. Examples of de-facto standards in other technology sub-sectors include Cisco (computer networking) and Dolby (surround sound solutions), whilst examples of prescribed standards include WiFi and Bluetooth.

Audio networking options

The options available to OEMs when developing products with audio networking capability broadly fall into the three categories below.

FIGURE 12: AUDIO NETWORKING OPTIONS

Build a proprietary solution	Build to a prescribed standard	Buy a commercial solution

Build a proprietary solution

This is a proprietary solution that is developed by an OEM to facilitate connectivity between its own products, meaning that all products on a network need to be supplied by a single OEM to guarantee interoperability. This form of networking allows the OEM to control whether and/or how other OEMs' products connect to its products. An OEM may expedite the development of a proprietary solution by taking an existing prescribed standard (e.g. AVB) and modifying it, which reduces interoperability with other devices built to that same prescribed standard.

Build to a prescribed standard

Adopting an existing prescribed standard reduces design decisions and is intended to enable interoperability with other users of the same standard. Prescribed standards typically provide specifications for important parts, but generally not all parts, of a networked audio system, which the OEM may need to add to in order to develop a complete product. The potential for OEMs to adapt or add to prescribed standards, together with practical challenges in testing for interoperability introduces a risk that different products built to the same prescribed standard may not be fully compatible.

Prescribed standards do not necessarily provide specifications for all elements of the networked audio system. For instance, the scope of AES67 does not cover how audio equipment is discovered and connected in a network, which means that OEMs developing AES67 compliant products must design and build discovery and connection capabilities so that their products can be integrated and managed within a network.

Buy a commercial solution

Buying an off-the-shelf commercial solution is attractive to OEMs whose core expertise is not audio networking. Commercial solutions typically offer standard components (e.g. chips and cards), with different features (e.g. channel count) at varying price points, and which may come with development tools and engineering support. Consequently, OEMs may reduce development costs, time-to-market and interoperability testing required by using a commercially supported solution. An OEM selecting a commercial solution can also have a high degree of confidence that its products will be interoperable with products from other OEMs using the same commercial solution. Commercial solutions may include software and support for end users to manage their networks, although this will vary between suppliers. For example, Audinate provides software to assist with audio system configuration and management.

Commercial solutions may also be compatible with a single or multiple prescribed standards. This enables an OEM's products to be interoperable with other products that follow the same prescribed standard, in addition to products using the same commercial solution. Audinate's Dante platform is an off-the-shelf solution for OEMs that is also compatible with the prescribed standard, AES67.

2.6 Competitive landscape

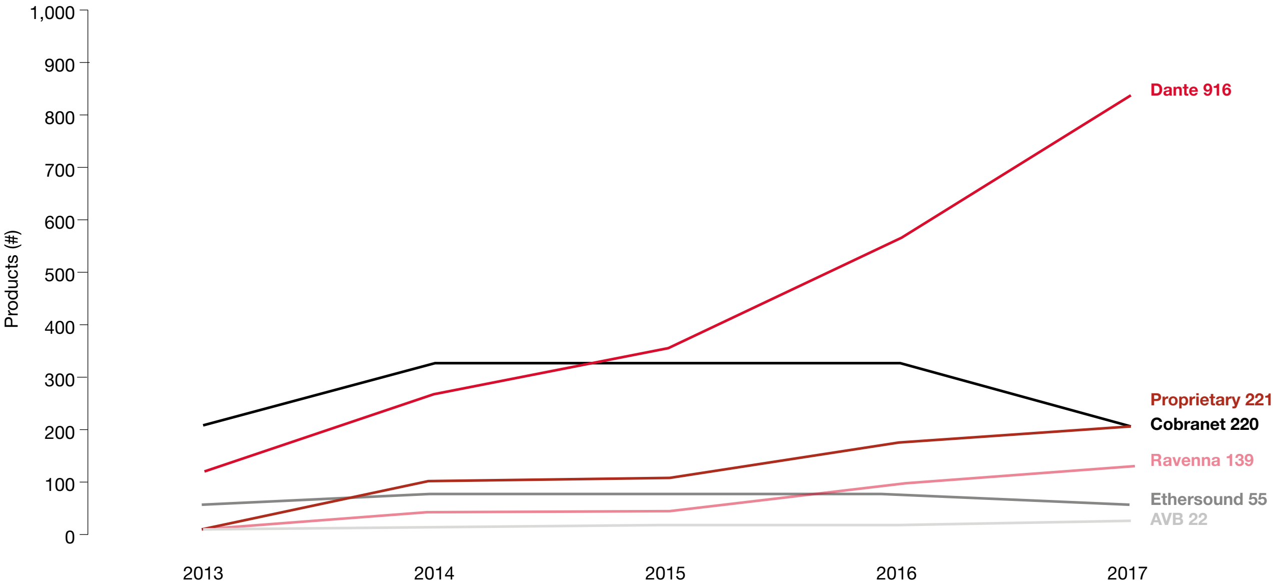
The key industry participants providing audio networking solutions are set out in Figure 13.

FIGURE 13: KEY AUDIO NETWORKING STANDARDS

Solution	Classification	Prescribed Standard Compatibility
Dante (Audinate)	Buy a commercial solution	AES67
AVB Certified	Build to a prescribed standard	AVB
CobraNet	Buy a commercial solution	N/A
Ethersound	Buy a commercial solution	N/A
Proprietary	Build a proprietary solution	N/A
Ravenna	Buy a commercial solution	AES67

According to RH Consulting, Audinate is the leading provider of audio networking solutions globally. In recent years this leadership position has become clear as the adoption of its Dante platform has grown rapidly, with the number of Dante-enabled products available in the market growing from 288 in 2014 to 916 in January 2017 (1,077 as at 31 March 2017 as per section 3.4). This growth compares favourably to its nearest competitors over the same period, with the number of CobraNet products decreasing from 351 to 220, and proprietary solution products (where a range of OEM Brands have pursued a “Build a proprietary solution” strategy) increasing from 104 to 221.

FIGURE 14: PROGRESSION OF PRODUCTS SUPPORTING AUDIO NETWORKING SOLUTIONS



Audio Networking 2017, RH Consulting

FIGURE 15 – CASE STUDY

Why Solid State Logic selected Dante as its preferred IP protocol

Solid State Logic is a manufacturer of audio products for studio, live and broadcast categories including consoles, controllers and signal processors. The company has adopted Audinate's Dante platform for a number of its products.

In its publication "Professional AoIP for Broadcast – The Way Forward" Solid State Logic discusses a number of reasons for it selecting the Dante platform. The full publication can be viewed at: http://www2.solidstatelogic.com/news/ssl-publishes-professional-aoip-broadcast

Professional AoIP for Broadcast – The Way Forward

Selecting an IP Protocol
Many of the Audio over Internet Protocol benefits discussed so far come with the structure and technology inherent in using mature solutions developed in the IT industry. For SSL a significant decision in the project to develop IP based solutions was selecting which IP protocol to adopt. All options were considered but in many ways, the decision was made easy by the well-established and complete solution presented in Audinate's Dante technology. The Dante Protocol brings some specific benefits that arise from their technology:

Auto Discovery and Plug & Play Device Connection – A significant benefit of the Dante IP solution is the ability of all Dante devices to support Auto Discovery and 'Plug & Play' operation. This means that devices which are plugged in to the Dante network announce their presence and can be 'found' by other Dante devices on the network. This makes it easy to move equipment from place to place and extends to Dante products from any manufacturer.

AES 67 Compatibility – Dante is compatible with the AES67 standard, a "standard for audio over IP interoperability" agreed in September 2013. AES67-2013 provides comprehensive interoperability recommendations in the areas of synchronisation, media clock identification and network transport.

Interoperability – With Dante, devices from all manufacturers are guaranteed to work together with a level of interoperability that goes much further than the audio stream compatibility of AES67 compliant products. As proven at interoperability demonstration events, multiple broadcast products all appear on the same routing matrix automatically.

Standard IT Network Infrastructure – Dante is able to use existing, off the shelf network switches, unlike AVB, which requires specialised, expensive, less readily available switch hardware. In addition, Dante uses established IEEE and IETF prescribed standards so its network data can mix with traffic on any standard IP infrastructure.

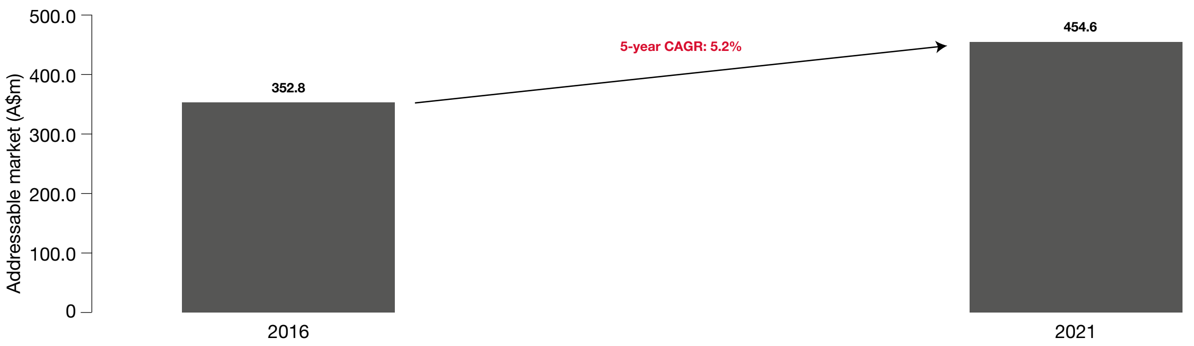
Rapid Cohesive Development – Although strict 'standards' based' technology has its merits, history demonstrates that it can take a long time to be fully interoperable. Examples of licensed technologies, such as products produced by Dolby Laboratories are evidence that proprietary solutions can foster rapid cohesive development. It means that manufacturers can develop a wide range of niche products with a high degree of confidence that they will integrate smoothly with products from other manufacturers. The result for System Engineers is a versatile, cost effective broadcast technology ecosystem that contains all of the elements they require.

2.7 Market size and growth drivers

The primary addressable market for Audinate is audio networking solutions for the Sound Reinforcement segment. Frost & Sullivan has derived the primary addressable market for Audinate based on the following Sound Reinforcement product categories: microphones, consoles, mixers, digital signal processors (DSPs), amplifiers, powered speakers, recording hardware and software and audio network hardware and software. For each product category, an estimated average selling price of Audinate's associated audio networking solution has been multiplied by the unit shipment forecast to determine a market value.

Using this methodology, Frost & Sullivan estimate that the primary addressable market for audio networking solutions in Sound Reinforcement products was A$352.8 million (US$268.1 million) in 2016. This is forecast by Frost & Sullivan to grow to A$454.6 million (US$345.5 million) in 2021, representing a 5-year CAGR of 5.2%[11], largely driven by underlying unit growth in the relevant Sound Reinforcement products.

FIGURE 16: AUDIO NETWORKING SOLUTIONS FOR THE SOUND REINFORCEMENT MARKET



Source: Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017

There are several key growth drivers of the professional AV market, which are outlined in Figure 16.

FIGURE 17: MARKET DRIVERS

Market driver	Overview
Collaboration in corporate, government and institutional workplaces	– Growing popularity of collaborative workspaces (to improve productivity and workforce morale) is driving adoption of professional AV in corporate, government and institutional workplaces, particularly for AV conferencing – Growth is aided by the expansion in unified communications and collaboration services and solutions that are optimised for work scenarios, as well as the growth in voice over IP (VoIP)
Strong pipeline of events and meetings	– Strong pipeline of large scale global and regional events, including the World Expo 2020 in Dubai, the FIFA World Cup in Russia in 2018 and Qatar in 2022 and the Olympics in Tokyo in 2020 – Steady overall expenditure on meetings, strong demand for mid-tier hotel venues and non-traditional venues and high attendee expectations in relation to the AV experience will continue to drive expenditure on professional AV. Meetings categories include sales/marketing meetings, training, internal team meetings, product launches, conferences/tradeshows, incentive/special events and senior leadership meetings
Growth in the live music market	– The growth in the live music market (both single act and music festivals) has evolved from being a niche segment to a large, sophisticated, mainstream market that is seeing increased consolidation amongst concert/festival promoter organisations – This market is being driven by increased corporate sponsorship of such events. Sponsorship of music tours, festivals and venues has risen 5.6% to reach A$1.93 billion (US$1.47 billion) in 2016 (a growth rate that is higher than that of sponsorship of sports (5%), causes (3.7%) and the overall sponsorship expenditure growth of 4.5%)

11. Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017

Market driver	Overview
Growth in the recording, post-production and broadcasting equipment market	– The recording, post-production and broadcast equipment market is being driven by the increase in global media content production – The trend of streaming media and video-on-demand service providers proactively creating, owning and monetising original content has fragmented television content production and distribution and spurred demand for recording, post-production and broadcast equipment
Smart campuses	– Increasing demand for AV-based learning experiences in universities and other education campuses. There is a push towards 'smart campuses' and the consequent need for more engaging, interactive and immersive learning
Growth in transport infrastructure investment	– Growth in global transport infrastructure is being driven by the use of public private partnerships (PPP) to fund complex construction projects using private sector investments, mega-projects for rail (including high-speed rail), and the growth of the middle class in developing regions.

Source: Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017

As Audinate is the market leader in audio networking solutions, with approximately $12 million in revenue in FY2016, and Frost & Sullivan estimates that Audinate's current addressable market of audio networking solutions in the Sound Reinforcement segment is A$353 million, the Company believes that there is well over A$300 million of unpenetrated potential in the market for audio networking solutions annually. The unpenetrated market potential for audio networking reflects the current use of analogue signal distribution for professional AV installations.

Audinate believes that the transition from analogue installations to networked audio installations is in its early stages and will continue to gain momentum. Supporting the Company's view is survey data published by RH Consulting, which shows that the proportion of respondents for whom audio networking made up at least half of their project work increased from 19% in 2014 to 69% in 2016.

FIGURE 18: AUDIO NETWORKING ADOPTION

Source: Audio Networking Survey Summer 2016, RH Consulting

Section three

Company overview

Dante in Transportation

Pictured: Sydney Trains

3.1 Introduction and history

Audinate is the leading provider of professional audio networking technologies globally. Its technology solutions are designed to bring the benefits of IT networking to the professional AV industry. The Company develops both software and hardware to facilitate the delivery and management of audio over IT networks, which improves audio quality, equipment interoperability and system flexibility, while reducing total cost of ownership to the end user.

The Company's core technology, Dante, was first developed in 2004 by co-founder and Chief Technology Officer, Aidan Williams. Initial funding and support was provided by National Information and Communications Technology of Australia (**NICTA**), a government Research Centre of Excellence and the nation's largest organisation dedicated to ICT research. NICTA has since merged with CSIRO's (the Commonwealth Scientific and Industrial Research Organisation) digital research unit to create Data61, Australia's largest data innovation group.

In 2006, the founding team established Audinate, raised seed venture funding from Starfish Ventures and led the spin-out of from NICTA to commercialise the Dante technology. NICTA assigned all intellectual property associated with the Dante technology to Audinate. Audinate gained its first customer in 2007, and in 2008 the Dolby Lake Processor became the first Dante-enabled professional audio device. Lee Ellison joined Audinate in 2008 as Chief Executive Officer to drive the commercialisation and adoption of Dante, and the company opened a US office in Portland, Oregon.

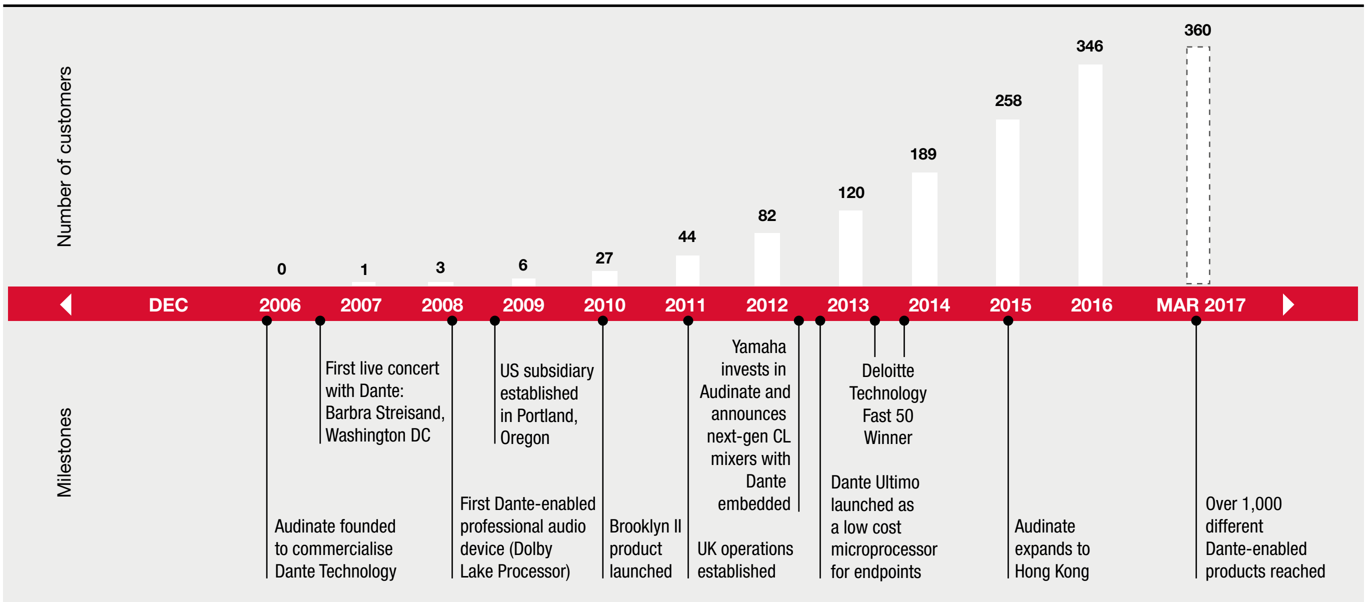
Starfish Ventures and Innovation Capital Partners provided additional venture capital to Audinate, participating in Series A and A2 funding rounds between 2007 and 2010.

Yamaha made a strategic investment in Audinate in 2012 by providing $5.0 million in expansion capital and shortly thereafter announced the release of its first products with Dante embedded inside[1]. Since the end of 2012, Audinate has organically grown its customer base from 82 OEM brands to 360 as at 31 March 2017, including many of the world's leading AV equipment manufacturers.

Some of the Series A investors also exercised preference share warrants in December 2013, providing Audinate with an additional $1.4 million of capital, bringing the total capital raised by Audinate to approximately $15.8 million.

The funds raised in the Offer will be used to further Audinate's product development initiatives and to increase its sales and marketing activities to OEMs, end-users, system integrators and designers. The Company believes that the industry is in the early stages of adoption and, as the clear global leader in the audio networking market, that it is best positioned to capitalise on the transition to audio networking.

FIGURE 19: AUDINATE TIMELINE AND CUSTOMERS



1. Yamaha released products in 2009 that had a slot for a Dante option card, which the end user could elect as an add-on

3 Company overview

3.2 Product overview

Dante platform
Dante is Audinate's technology platform that distributes digital audio signals over computer networks. Dante comprises software and hardware that primarily resides inside the audio products of its OEM customers and provides a complete audio networking solution. These Dante-enabled products enable end users to enjoy high quality, flexible audio solutions typically with a lower total cost of ownership compared to analogue installations.

Audinate's audio networking products include Chips, Modules and Cards, Adapter Products, Reference Designs and Software.

FIGURE 20: PRODUCT OVERVIEW

PRODUCT | OVERVIEW

Chips, Modules and Cards

Dante Ultimo (Chip)

- Used in low channel applications (e.g. speakers and microphones up to 4x4 channels)

Dante Brooklyn II (Module)

- Used in medium to high channel applications (e.g. mixers and amplifiers up to 64x64 channels)

Cards

- Peripheral soundcards and network option cards specifically designed for individual OEMs

Dante Broadway (Chip)

- Product launched in April 2017
- Used in medium channel count applications (e.g. speakers and microphones from 4x4 up to 16x16 channels)

Reference Designs

Including Dante HC/ Brooklyn II/Custom designs

- Enables OEMs to incorporate Dante software into their own chips for a range of products (up to 512x512 channels)

Adapter products

Dante Analog Output Module

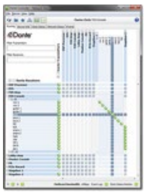
- Enables connection of analogue equipment to a Dante network

PRODUCT

OVERVIEW

Software

Dante Controller



– Software to enable the configuration and setup of Dante enabled networks

Dante Virtual Soundcard

– Software-only sound card enabling PC and Mac audio applications to connect to Dante-enabled devices on the network
– Robust, high channel count application that makes a PC or Mac an audio component in an audio network

Dante Via

– Software that turns audio applications and computer audio hardware into Dante channels, that can be connected to Dante-enabled devices on the network
– Enables computer-only Dante networks to be created

Dante Domain Manager

– Product launch expected in late CY2017
– Provides network administrators with the ability to secure their audio networks from unwanted changes and modifications
– Provides the ability to scale and segment audio networks regardless of the physical constraints of the network. For example, in a campus setting, different audio groupings can be managed and integrated by room, building and site

3 Company overview

Dante benefits

The Company considers that there are several key features and benefits of its Dante solution as outlined in the table below.

Dante feature/benefit	Description	Relevant to: OEMs	Relevant to: Installers/ End-users
Rapid product development	– Dante is an off-the-shelf commercial solution which allows its OEM customers to develop audio-networking-enabled products significantly quicker than if they were to either build a proprietary solution, or build to a prescribed standard. – Audinate provides support services to its OEM customers as they develop new products to make sure that Dante is integrated as intended within the OEM's product, and that there is no delay in the OEM's product development as a result of Dante integration. – Product Development Kits are provided to Audinate's new OEM customers and include the chip or card they wish to integrate, as well as software, documentation, and a technical support package. It is a tool to assist OEM customers with the design and testing of Dante integration projects.	✔	
Auto discovery – "Plug & Play"	– Dante-enabled devices automatically discover one another on an audio network. The auto discovery and connection management tools mean that specialised skills are not required to set-up and manage a network. – Network configuration is stored in the audio device once initially connected to an end user's network – routes are automatically re-established and there is no need to reprogram when moving equipment.	✔	✔
Simplified connection management	– Dante Controller uses a simple, logical user interface to connect devices and is freely available for Windows and Mac OS X. – Users can edit and customise device and channel labels for ease of reference (e.g. conference room mic 1; press room speaker 4). – Real-time network monitoring enables users to quickly identify and resolve any potential network issues.	✔	✔
Interoperability	– Any Dante-enabled device purchased off-the-shelf will be compatible with all other Dante-enabled devices, regardless of the manufacturer – no need to build bridges between devices which may be necessary for products designed using prescribed standards.	✔	✔
Ecosystem	– The availability of Dante-enabled devices from a range of manufacturers creates an "ecosystem" of products. – The more OEMs that become Audinate customers and the more Dante-enabled devices that these OEMs manufacture, the larger the Dante ecosystem becomes (see 3.7 for further details of the network effect). – Audinate also provides various support products and services to integrators, designers and end-users including management software and tools, support services, online training and tutorials, and technical documentation. All of these support products and services form a larger ecosystem.	✔	✔

3.3 Business model

Revenue model

Audinate primarily generates revenue from repeating unit sales of chips, modules and cards to its OEM customers. It also generates revenue from royalties on reference designs, software license fees and maintenance fees, and other revenue. Once the OEM has designed the Dante platform into one of its products, Audinate's revenue streams are repeating in nature as a result of Audinate's technology being embedded within an OEM's end product(s).

The Company believes that its high gross margins (FY16 average GM of ~74%) are reflective of the intellectual property that is embedded in its products.

FIGURE 21: AUDINATE REVENUE MODEL

Product Category	Primary Revenue Model	Distribution Channel	US$ Revenue Contribution FY16
Chips, Modules, Cards and Adapter Products	Repeat unit sales One-off sale of product development kits	OEMs OEMs	85.1%
Other	Existing: – Reference Designs: Repeat royalties and initial licensing fees – Dante Controller software: Free[2] – Dante Virtual Soundcard and Dante Via software: One-time license fees – Professional services: Engineering development fees New: – Dante Domain Manager[3]: One-time license fees, plus ongoing maintenance fees – Adapter Products: Repeat unit sales	 OEMs Online Online OEMs Resellers/Direct to end-users OEMs	14.9%

Further details regarding Audinate's sales strategies can be found in Section 3.7, and further details regarding integrators, wholesalers/distributors, retailers and end users can be found in Section 2.

3.4 Customers, end users and suppliers

Customers

The Company's primary customers are OEMs who design and manufacture professional audio equipment. While some OEMs operate a single brand, other OEMs operate a number of brands (OEM Brands). Audinate's customer base is expanding and includes large, leading global OEM Brands. Audinate has 360[4] OEM Brands that are customers, located across the Americas, EMEA and APAC regions (see Figure 23).

Once a customer adopts Dante, it designs and develops new products before it begins to manufacture and ship the products. In the Company's experience, this development cycle generally takes 12 to 24 months.

Once a customer develops and begins shipping a Dante-enabled product, it needs to reorder Dante chips, modules or cards each time it schedules a manufacturing run (or alternatively pay a reference design royalty on every product it produces). This provides a degree of predictability to Audinate's revenues.

Yamaha, one of the leading OEMs in professional AV, has been a customer since 2009. Yamaha now has over 40 different Dante-enabled products available on the market and is Audinate's largest customer, accounting for 22% of FY16 revenue.

2. Dante Via was launched in Q2 FY2016
3. Dante Domain Manager is expected to be launched in Q2 FY2018
4. As at 28 February 2017

3 Company overview

FIGURE 22: AUDINATE'S CUSTOMERS AND REVENUE BY REGION, FY2016

Region	OEM Customer account location	Percentage of Audinate's revenue	Examples of Audinate's customers
Asia	24.6%	31.5%	– Audio-Technica – Roland – Sony – Yamaha
EMEA	42.7%	31.5%	– Bosch – Focusrite – Sennheiser – Solid State Logic
Americas	32.7%	37.0%	– Bose – Harman – Shure – Symetrix

Audinate's customer base has grown steadily since Audinate was established 10 years ago, with substantial growth achieved over the last three years, from 120 customers at 31 December 2013 to 346 as at 31 December 2016 representing a CAGR of 42.3%. As at 31 March 2017, Audinate had 360 customers.

Of the 360 customers at 31 March 2017, Audinate had 171 customers with Dante-enabled products available on the market. The difference is primarily due to the product development cycle between adopting Dante as a solution and developing products that incorporate Dante. This base of 171 customers with Dante-enabled products available has grown from 44 customers at 31 March 2014 representing a CAGR of 57.2%.

In addition to the growth in Audinate's customer base, the number of Dante-enabled products available on the market has increased from 181 at the end of March 2014, to 1,077 as at 31 March 2017. Over this time, the average number of Dante-enabled products each customer has available has increased from 4.1 to 6.3, demonstrating an increasing penetration of the Dante platform within the product portfolio of its customers.

The Company expects that the number of customers with Dante-enabled products available, and the number of Dante-enabled products per customer, will continue to increase over time.

FIGURE 23: TOTAL CUSTOMERS AND CUSTOMERS WITH DANTE-ENABLED PRODUCTS AVAILABLE

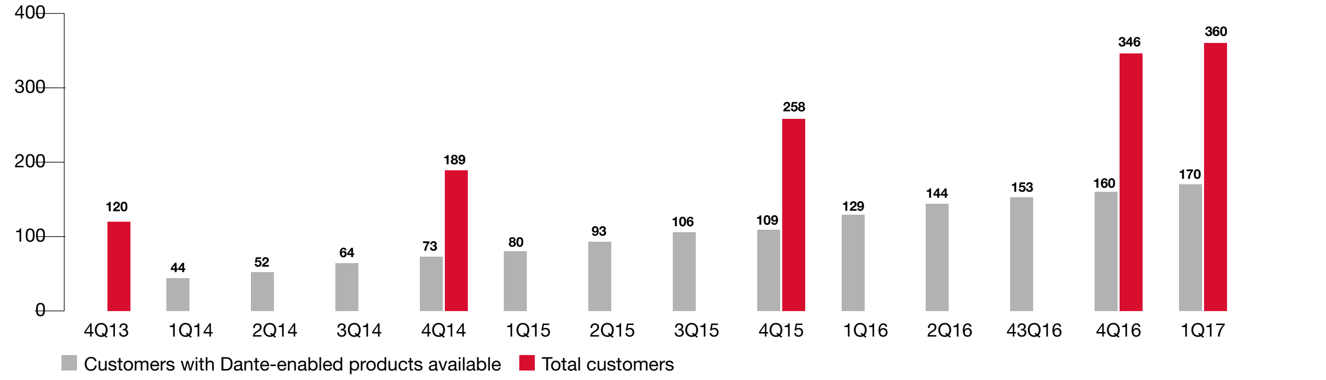


FIGURE 24: TOTAL DANTE-ENABLED PRODUCTS AVAILABLE

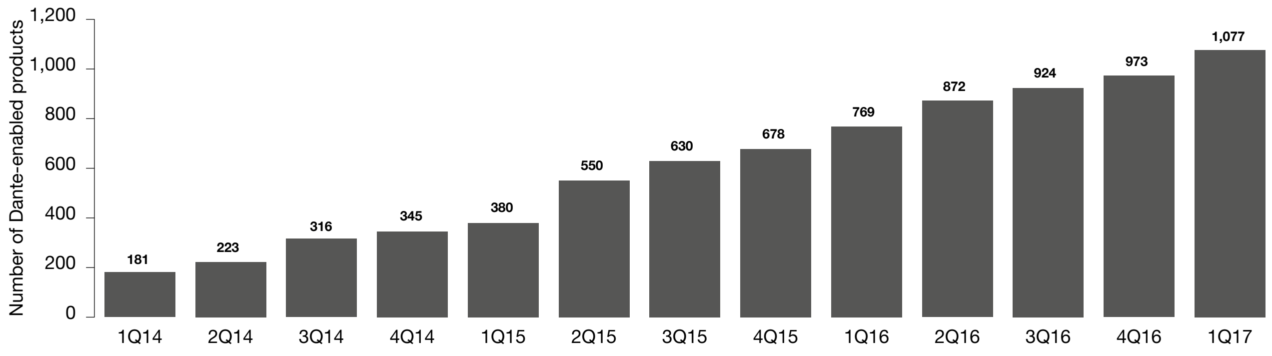
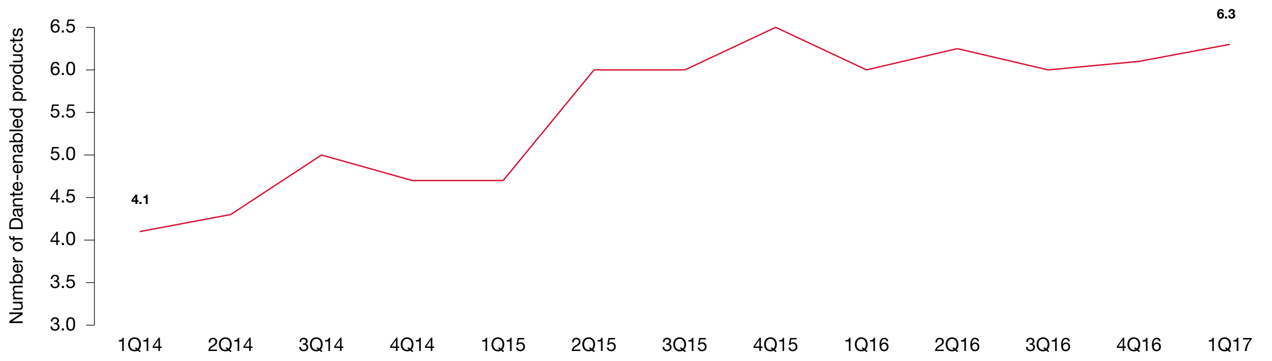
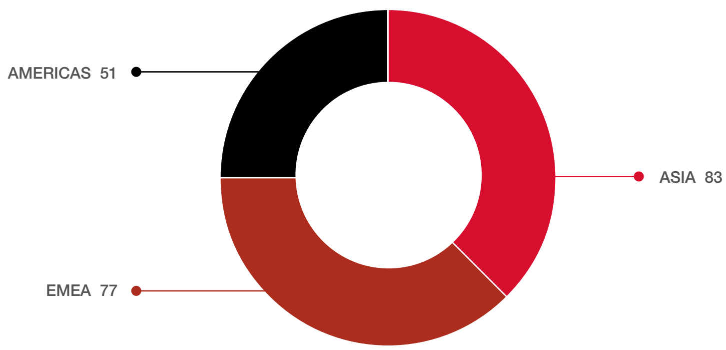


FIGURE 25: AVERAGE NUMBER OF DANTE-ENABLED PRODUCTS PER OEM CUSTOMER



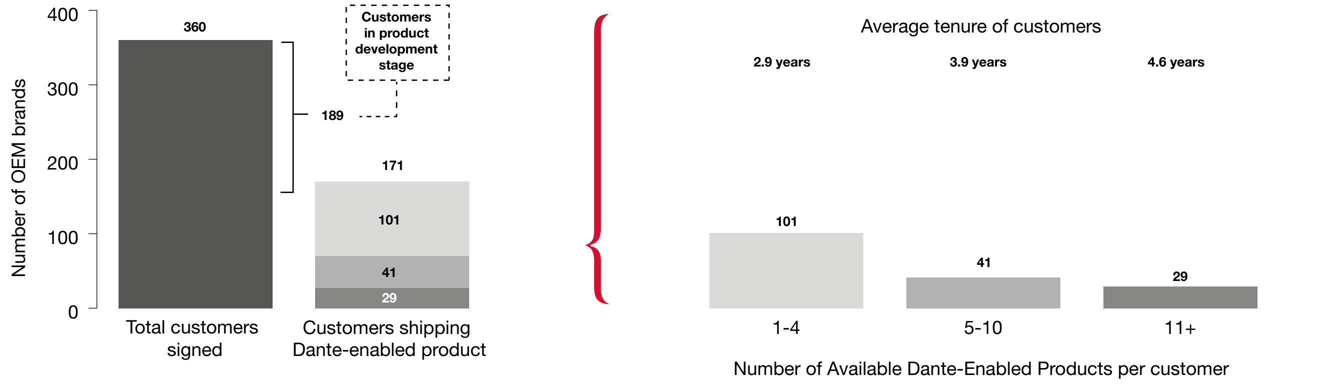
Within its current customer base Audinate is aware of 211 Dante-enabled products currently under development, which are expected to be launched into the market.

FIGURE 26: OEM PIPELINE OF DANTE-ENABLED PRODUCTS BY REGION



Approximately 53% (or 189) of Audinate's customers are still in the product development phase and 101 have fewer than 5 different Dante-enabled products available. One of Audinate's strategies is to increase the number of Dante-enabled products that each customer has available on the market over time.

FIGURE 27: AVAILABILITY OF DANTE-ENABLED PRODUCTS BY CUSTOMER



End users

End users of professional AV systems that utilise the Dante platform cover a wide range of market segments, as per Figure 29.

FIGURE 28: END USER MARKET SEGMENTS

Commercial Installation	Broadcast	Transport	Stadiums	Live Sound
– Conference rooms – Convention centres – Universities – Houses of worship – Hotels	– Broadcast studios – Sporting events – Recording studios	– Public transport facilities – Airports	– Outdoor Stadiums – Indoor arenas – Racetracks	– Concert Halls – Theatres – Night Clubs
Examples of Dante installations				
– Milano Congress Centre – Sydney University – North Texas College of Music – Marriott Edition Hotel – Planet Hollywood (Casino, Las Vegas)	– NBC USA – Microsoft Production Studios – World Youth Day, Randwick – Golden Globes – BBC	– Sydney Trains	– ANZ Stadium (Olympic park) – Randwick Racecourse – Singapore Sports Hub – Lords Cricket Ground BC Place (Olympics)	– Foo Fighters – The Killers – Elton John – Ministry of Sound – Landmark Theatre Des Sablons

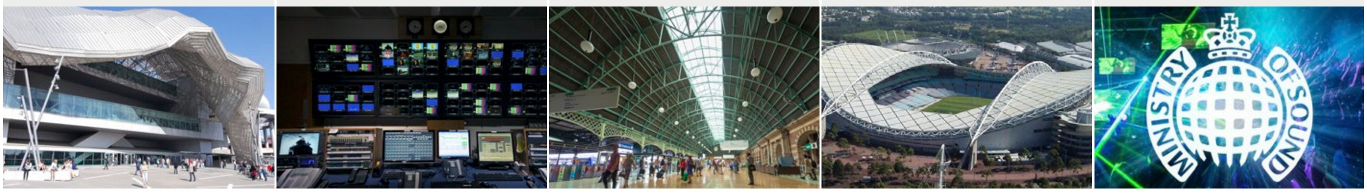


FIGURE 29 – CASE STUDY

Riding the Rails with Dante

Tens of millions of people worldwide travel airports and trains daily. Travellers have grown accustomed to public address announcements in terminals and on platforms that are difficult to comprehend. The unfortunate result for many is a feeling of apprehension that comes with a lack of speech intelligibility.

Sydney Trains in Australia has now solved that problem for the 322 million annual passengers riding their rails. Upon initiating the first major upgrade to its PA system in recent years, Sydney Trains at once improved voice intelligibility and enhanced the way it delivers targeted announcements across multiple train stations and platforms. In the process, Sydney Trains has created one of the world's most impressive examples of Audio over IP in action, with a Dante audio networking solution from Audinate delivering enormous value across the operation.

Expansive Networking

Sydney Trains contracted Stagetec Mediagroup Australia for the installation and commissioning of a "digital PA" system that specified Dante. As the de facto leader in digital audio networking, Dante provided the scalability, signal capacity, routing flexibility and exceptional audio quality that Stagetec required for the job – and significantly reduced the costs and labour associated with such a widespread installation. With 241 train stations included (178 on the Sydney Trains network, and 63 on an intercity and regional networks), the installation covers a geographical area the size of Texas.

"The underlying theme of the tender was about reaching a required speech intelligibility level, but we also wanted a highly scalable and cost-efficient platform that was distributable and addressable," said Treva Head, Stagetec Australia. "Sydney Trains prides itself on being the best in the world, so it set about creating a system that would support that impression. Dante was the only digital audio networking solution that could effectively meet all requirements."

The general system architecture leverages a centralised IP-based Delec communication system at each train station. As operators speak into the system using Dante-enabled paging panels, the Dante network streams announcements to loudspeaker clusters positioned throughout the station. Each cluster is equipped with a special Dante-enabled Delec network amplifier, which acts as the interface between Dante and the loudspeakers. Dante's low-latency delivery ensures that train arrival/departure information, and other important announcements, are delivered to the right loudspeakers clusters without delay. This includes pre-recorded, automated boarding announcements delivered to the network using Dante Virtual Soundcard.

Announcements are precisely targeted to all loudspeaker clusters on a specific platform, which typically represents a zone. Zone addressing is achieved by assigning an individual Dante audio channel to each platform. The Dante-enabled network amplifiers can address any of the of the Dante channels on the network. With a total of 745 network amplifiers installed at Sydney Central Station alone, one can only imagine the impressive expanse of this installation – which makes Dante's addressable features that much more significant.

"We can easily change zones as every network amplifier is Dante-addressable," said Mark Lownds, general manager, Stagetec Australia. "Train stations often have different audio zones with different announcements, and those zones change. With Dante, they don't have to go in and rewire the system. And if they want to add another four loudspeakers, they can just install another Dante-enabled network amplifier. It's that simple."

Exceptional value

That simplicity spans across every phase of the installation. Using standard network cable to carry Dante audio signals, the result is a very lean technical solution with minimal wiring and hardware overhead.

"Everything is a single network connection into the system no matter where the audio originates," said Head. "We saved weeks of installation time and a great deal of money by replacing analogue cables with network cable at every site. And Dante empowered us to employ more efficient cabling techniques at the larger sites through convergence with fibre. There is no limitation to the distance we can route audio with Dante."

In conclusion, Head emphasises the real-world benefits. "This is a very high-end audio system built on an open architecture, with Dante allowing us to connect all sites over a wide-area network," he said. "Sydney Trains can now address each channel independently and in real-time, with outstanding intelligibility. Dante simplified what on paper looked like a very complicated network, and ultimately provided Sydney Trains with a very valuable yet straightforward system architecture."

Suppliers

Audinate uses a small number of specialist suppliers to source components and circuit boards, and contracts with third party manufacturers to produce Dante cards, chip and modules.

Audinate has no contracts with its suppliers that commit the Company to making future purchases exceeding $0.3 million, beyond those where purchase orders have already been raised.

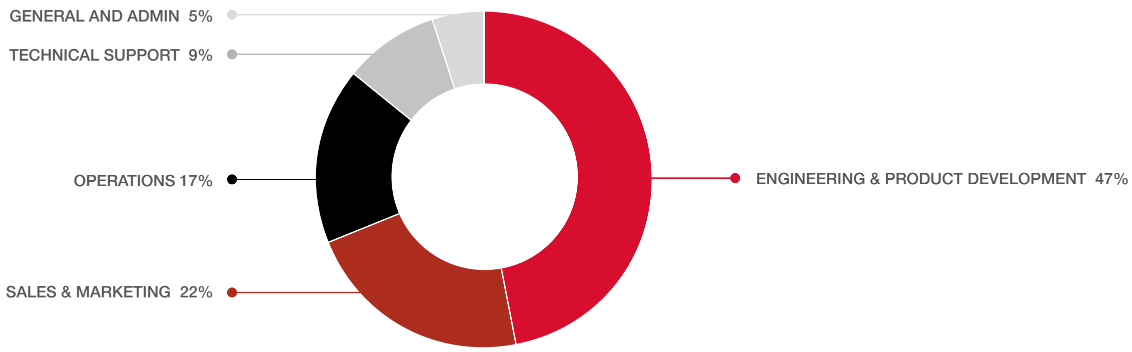
3.5 Group Structure, Geographic Footprint and Employees

Audinate has four offices located in Sydney Australia (headquarters), Portland Oregon (US headquarters), Brighton UK (EMEA headquarters), and Hong Kong (APAC headquarters). The Group structure is outlined in Section 9, Additional Information.

As at 30 April 2017, the Company had 58 full time employees with the majority situated in Sydney, in Engineering and Product Development. Figure 30 and 31 provide a breakdown of employees by region, and by function.

FIGURE 30: AUDINATE'S OFFICES

FIGURE 31: EMPLOYEES BY FUNCTION



3.6 Intellectual property

The initial intellectual property underpinning Dante was originally developed within NICTA from 2004 to 2006 and was assigned to Audinate following the spin-out of the business. Since that time Audinate has significantly extended its intellectual property portfolio. All of the intellectual property underlying the Dante technology is now wholly-owned by Audinate.

Audinate's strategy regarding intellectual property is to obtain patent protection in the major markets for its products (or major markets for OEMs' products that incorporate Dante solutions). Audinate currently has 25 patents, with a further 13 applications filed, in the key markets of USA, UK, Germany and China.

Intellectual property owned and developed by Audinate will be held in a separate legal entity within the Group following Listing.

The Group structure is outlined in Section 9, Additional Information.

Further details of the patents and status of the applications are outlined in Appendix II.

3.7 Sales strategy and Growth drivers

Growth Track Record

Revenue growth has been driven by growth in the number of customers and the number of Dante-enabled products available in the market. In addition, growth in the acceptance of utilising digital networking for connecting AV systems is increasing.

FIGURE 32: REVENUE (A$M)

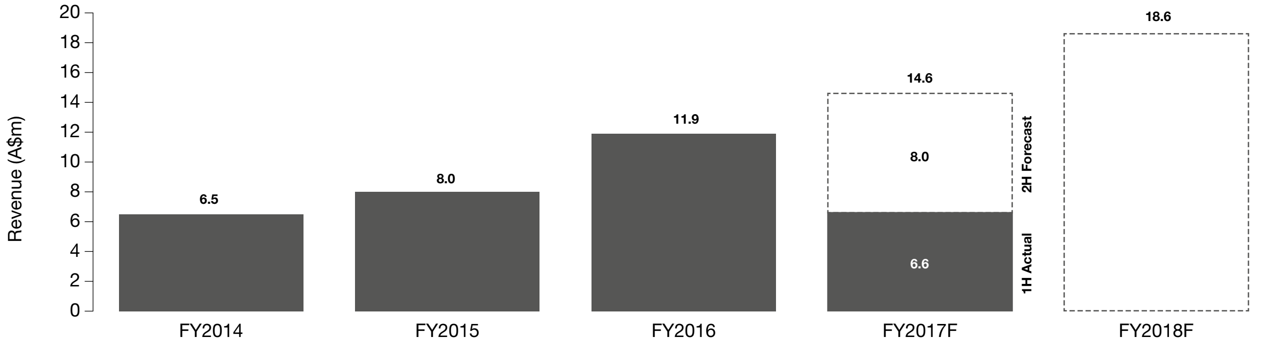
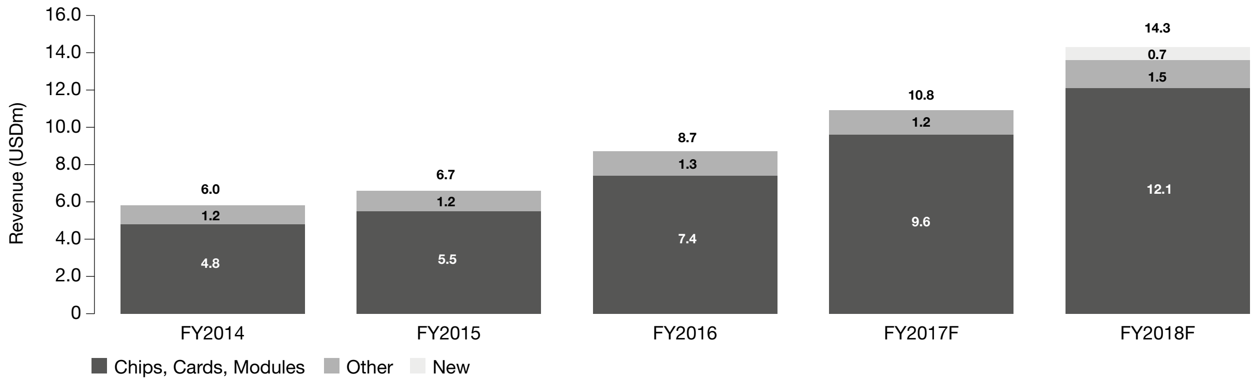


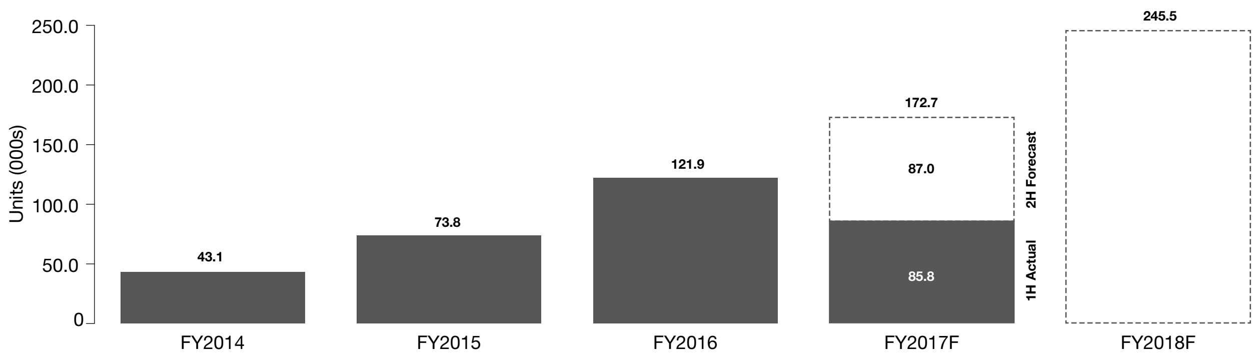
FIGURE 33: REVENUE (US$M)



Notes:

1. Chips, cards & modules revenue includes unit sales of chips, cards, modules and product development kits.
2. Other Fees includes licenses, royalties, software sales, maintenance revenue and professional services income.
3. New products include Dante Domain Manager and adaptor products.

FIGURE 34: UNIT SALES OF CHIPS, CARDS AND MODULES



Growth Strategy

Increase the number of OEMs adopting Dante

Audinate aims to continue to increase the number of OEMs adopting Dante. Audinate's strategy is to work closely with its OEM customer base to increase market penetration of Dante networked products. Audinate already has 360 customers[5] that have, or are in the process of designing Dante into their products, and the market potential is much larger. Frost & Sullivan estimates there are over 2,000 OEM Brands in the professional AV market.[6] As such, there is significant growth potential in the number of customers and the Company aims to continue to sign up new customers as industry penetration increases.

Dante is a commercially supported solution for audio networking which includes a portfolio of chips, modules, cards and software implementations for use in audio products with varying channel count requirements. Audinate also provides its customers with technical support and documentation to enable customers to accelerate their product development timeframe. This enables its customers to focus on their core competencies without the need to make investments in developing their own networking capability. With Dante, customers have the added benefit of interoperability with any other manufacturer's products that also use Dante. In addition, Audinate provides customers with training and support services to facilitate their second level product support to end users. Audinate is not aware of any competitor that provides the same level of overall support.

Increase adoption of Dante across a customer's product portfolio

A networking technology has a higher value if there are more customers using a particular technology and more choices of products. Audinate works closely with customers to expand their use of Dante across their product portfolio. Typically, once a customer is signed up and delivers its first Dante-enabled product, there is an opportunity to add audio networking to a significant portion of its existing product portfolio that is not Dante-enabled. It is also likely that the OEM will extend their portfolio with new products that are Dante enabled. Audinate will continue to develop the Dante platform to enable its customers to cost effectively implement audio networking in their products.

Drive other market participants' adoption of Dante

Audinate has been collaborating with its customers to promote the usefulness of audio networking, together with the benefits of the Dante solution. Through joint marketing efforts including events, seminars, webinars, case studies and industry articles, Audinate and its customers have combined their resources to promote the benefits of Dante compared to competing networking protocols and legacy analogue connections.

In addition to direct OEM customer sales strategies, Audinate engages regularly with other market participants, decision makers and influencers including design consultants, engineers, installers and integrators, distributors, and end users to drive adoption of Dante. The Company believes that these market participants, as the customers of OEMs, drive demand for Dante-enabled products, therefore the Company is involved in a number of initiatives to increase this demand.

- By offering Dante certification programs both online and in person, consultants, system designers, integrators, end users and others in the industry learn about Dante with in-depth training. Audinate believes that the training programs increase participants' awareness and knowledge of Dante audio networking solutions. This, in turn, is expected to increase the participants' confidence in recommending, designing, installing or using a Dante-enabled solution. The certification program currently has two levels, with the potential to add additional levels, as well as specialisations by industry role, in the future;
- Demonstrating its solutions at trade shows such as Integrated Systems Europe (ISE) and InfoComm International, National Association of Broadcasters (NAB), International Broadcasting Convention (IBC), and other events around the world. These events are aimed at key participants in the professional AV market and Audinate uses the events to drive awareness of Dante and any new products or solutions that the Company launches; and
- Providing support services; publishing white papers, industry blogs, and FAQs, together with in-depth technical documentation for each product (hardware and software); and a series of video tutorials. These support services and resources assist in driving market awareness of Dante, and provide reference materials to market participants who recommend, design, install or use Dante solutions.

Ongoing adoption/Network effect

The market position of Audinate is enhanced by a "network effect" where the value of Dante-enabled devices and Dante software is incrementally enhanced as more OEMs integrate Dante into their devices. As Audinate 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. 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.

5. As at 31 March 2017
6. Frost & Sullivan, The Professional AV Market, Independent Market Report, 2017

FIGURE 35: DRIVING MARKET ADOPTION

INSPIRE	Use reference material, case studies and end-user installations to inspire consultants, system designers and integrators about what is possible with Dante.
VALIDATE	Provide credible content to remove barriers to adoption (whitepapers, market research, authoured articles).
EDUCATE	Ensure target customers have access to comprehensive training and support (in-person and online).
BUY	Partner with OEMs, distributors consultants and integrators to drive direct connection to purchase.

New products and innovation

Audinate aims to continue to develop new products and applications to increase its sales and expand its market opportunity.

Some of the current product development initiatives that the Company is undertaking are outlined below:

FIGURE 36: PRODUCT DEVELOPMENT INITIATIVES

	1. Dante software & applications	2. Adapter products	3. Video products
STRATEGY	Provide Software to better manage and maintain Dante-enabled networks	Profilerate Dante by enabling connection of analogue end-points	Use Dante to transport video with audio (Add the "V" in "AV')
OVERVIEW	• Immediate opportunity with Dante Domain Manager - Establish a revenue channel from existing Dante end customers - Leverage installed base of Dante products	• Single customer product available today • Develop a family of adapter products and solutions	• Use cases displacing HDMI cables with IP networking infrastructure • Significant market potential of approximately A$400 million[7]

A few recent examples of product developments and software upgrades include:

1. Software – Audinate recently previewed Dante Domain Manager at the Integrated Systems Europe trade show (ISE 2017) in Amsterdam (February 2017), which is expected to become commercially available in late 2017. Dante Domain Manager is a server-based software that can manage a large Dante network by bringing IT best practices to AV, making audio networking more secure, more scalable and more controllable. Dante Domain Manager allows administrators to secure their audio networks from unwanted changes and modifications, and provides the ability to scale and segment audio networks regardless of the physical constraints of the network. For example, in a campus setting, different audio groupings can be managed and integrated by room, building and site, allowing for the creation of independent Dante Domains and enabling a single Dante Domain to administer the entire campus from a centralised location, on or off site. Dante Domain Manager is targeted to be sold through a reseller network, such as audio system integrators. It is Audinate's intent to continue to enhance this software application platform with new capabilities in the future.

2. Adapter products – As part of Audinate's strategy to drive the network effect, it intends to expand its range of adapter products which allow for retrofitting of existing analogue installations and the analogue devices to transmit/receive digital signals over an IP network. Audinate recently introduced the Dante Analogue Output Module which is an adapter featuring a high-quality digital-to-analogue converter. The adapter products will allow for existing analogue audio equipment in an installation to be connected to the data network thereby delivering the benefits of a networked system without the owner having to replace the existing analogue equipment. Audinate intends to introduce additional new model variants of adapter products in the future.

3. Video products – While Audinate has become the market leader for audio networked systems for AV systems, video represents a large potential future growth opportunity for Audinate. Today the distribution of video signals in commercial installations are primarily transmitted over point-to-point analogue and HDMI cables. Audinate aims to leverage its existing networking know-how to develop networking products for use in the video part of the professional AV market. Audinate believes that there is significant market potential and estimates the market to be approximately A$400 million today.

7. Management estimate

Section four

Financial Information

Dante in Houses of Worship

4.1 Introduction

Financial information for Audinate contained in this Section 4 is set out below for the historical financial years ended 30 June 2014 (**FY14**), 30 June 2015 (**FY15**) and 30 June 2016 (**FY16**) as well as for the half-years ended 31 December 2015 (**1H16**) and 31 December 2016 (**1H17**) together with the forecast financial years ending 30 June 2017 (**FY17**) and 30 June 2018 (**FY18**).

This section contains a summary of the statutory historical financial information, Pro forma historical financial information, statutory forecast financial information and Pro forma forecast financial information of Audinate as defined below.

The statutory historical financial information comprises:

- Statutory historical consolidated statements of profit or loss and other comprehensive income for FY14, FY15, FY16, 1H16 and 1H17 (**Statutory Historical Income Statements**);
- Statutory historical consolidated cash flows for FY14, FY15, FY16, 1H16 and 1H17 (**Statutory Historical Cash Flows**); and
- Statutory historical consolidated statement of financial position as at 31 December 2016 (**Statutory Historical Balance Sheet**),

(the **"Statutory Historical Financial Information"**).

The Pro forma historical financial information comprises:

- Pro forma historical consolidated statements of profit or loss and other comprehensive income for FY14, FY15 and FY16, 1H16 and 1H17 (**Pro forma Historical Income Statements**);
- Pro forma historical consolidated cash flows for FY14, FY15 and FY16, 1H16 and 1H17 (**Pro forma Historical Cash Flows**); and
- Pro forma historical consolidated statement of financial position as at 31 December 2016 (**Pro forma Historical Balance Sheet**),

(the **"Pro forma Historical Financial Information"**).

The forecast financial information comprises:

- Pro forma forecast consolidated statements of profit or loss and other comprehensive income (**Pro forma Forecast Income Statements**), and the Pro forma forecast consolidated cash flows (**Pro forma Forecast Cash Flows**) for FY17 and FY18 (together, the **Pro forma Forecast Financial Information**); and
- Statutory forecast consolidated statement of profit or loss and other comprehensive income (**Statutory Forecast Income Statements**), and the Statutory forecast consolidated cash flows (**Statutory Forecast Cash Flows**) for FY17 and FY18 (together, the **Statutory Forecast Financial Information**),

(the **"Forecast Financial Information"**)

The Statutory Historical Financial Information, the Pro forma Historical Financial Information and the Forecast Financial Information together form the "**Financial Information**".

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information, by Deloitte Corporate Finance Pty Limited (the **Investigating Accountant**) whose Investigating Accountant's Report is contained in Section 8. Investors should note the scope and limitations of the report. Also summarised in this Section are:

- the basis of preparation and presentation of the Financial Information (Section 4.2);
- key financial and operating metrics (Section 4.4);
- commentary on the liquidity of, and the sources of capital available to the Company (Sections 4.10);
- Management's discussion and analysis of the Pro forma Historical Income Statements and Pro forma Historical Cash Flows (Section 4.11);
- the Directors' assumptions underlying the Forecast Financial Information (Sections 4.12.1 and 4.12.2);
- Management's discussion and analysis of the Forecast Financial Information (Sections 4.12.3 and 4.12.4); and
- the analysis of the sensitivity of FY17 and FY18 Pro forma forecast consolidated EBITDA to changes in key assumptions (Section 4.14).

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

All amounts disclosed in the tables are presented in Australian dollars and unless otherwise noted, are rounded to the nearest $1,000. Rounding of figures provided in the Financial Information may result in some immaterial differences between the sum of components and the totals outlined within tables and percentage calculation.

4.2 Basis of preparation and presentation of the Financial Information

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of Audinate, together with its forecast financial performance and cash flows. The Directors are responsible for the preparation and presentation of the Financial Information.

4 Financial information

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards (AAS), which are consistent with the International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board. The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The significant accounting policies adopted in the preparation of the Financial Information are set out in Appendix I and have been consistently applied throughout the financial periods presented in this Prospectus.

The Company has one reporting segment under AASB 8 Operating Segments, being the development and commercialisation of audio visual (AV) software and hardware.

4.2.1 Preparation of the Statutory and Pro forma Historical Financial Information

There are no historical financial statements for the newly incorporated Audinate Group Limited, which will become the holding company of Audinate Pty Ltd immediately prior to Completion of the Offer.

The Statutory Historical Financial Information has therefore been extracted from the consolidated general purpose financial statements of Audinate Pty Ltd for FY14, FY15 and FY16 and the half-year financial statements for 1H17.

The financial statements for Audinate Pty Ltd for FY14, FY15, FY16 and 1H17 were audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards who issued an unmodified audit opinion on each financial report.

The Pro forma Historical Financial Information has been prepared for the purpose of this Prospectus and has been derived from the Statutory Historical Financial Information to illustrate the net income, assets, liabilities and cash flows of the consolidated group adjusted for certain Pro forma amounts.

The Pro forma Historical Financial Information has been presented on a comparable basis to the Forecast Financial Information and has been adjusted to reflect the impact of:

- incremental costs of being a publicly listed entity;
- the impact of the Offer including capital raised and offer costs, and the capital structure in place following the IPO;
- eliminating certain items inconsistent with the future operating structure of the Company; and
- the income tax effect of the above Pro forma adjustments and to record historical tax expense as if the post-Offer structure were in place from 1 July 2013.

4.2.2 Acquisition of Audinate Pty Ltd by Audinate Group Limited

Audinate Pty Ltd will report the financial results of the business until Completion of the Offer, when the Company will acquire Audinate Pty Ltd. Accounting for transactions similar to this and contemplated in connection with the Offer, is currently being reviewed by international accounting standard setters and is subject to alternative interpretations and may change. The outcome of these deliberations, the timing of any decisions and whether any potential changes are retrospective or only prospective could mean that the financial reporting outcome may be different to that reported in this Prospectus. In the event that the acquisition of all of the shares of Audinate Pty Ltd by the Company was required to be recorded at fair value:

- the net assets of the Company would be increased to reflect the market capitalisation upon Completion of the Offer (an increase of approximately $55 million based on the Offer Price);
- the consolidated reserves and retained earnings would be reset to nil as a result of the transaction;
- the Directors estimate that the excess of the fair value (based on the indicative market capitalisation) compared with the book value of net assets, if a purchase price allocation were required to be undertaken in the future, would primarily be allocated to software (estimated at approximately $21 million), customer relationships (estimate to be approximately $15 million) and trademarks and brand names (estimated to be approximately $5 million), with the balance of the excess of fair value over book value being allocated to goodwill;
- to the extent that any of the excess was allocated to finite life intangible assets (such as software and customer relationships), NPAT would be impacted by the annual amortisation of these intangible assets, which the Directors have estimated to be approximately $3 million per annum; and
- a deferred tax liability in respect of the intangible assets would be required to be recorded at the date of the Offer, which would be equivalent to 30% of the value of those assets.

The precise impact of any acquisition accounting, if it were required to be applied in the future, cannot be accurately determined at this time, as a formal purchase price allocation has not been carried out. Accordingly, the above estimates are preliminary indicative estimates only, which may change if a formal purchase price allocation is undertaken in the future.

The impact of acquisition accounting, should this subsequently be required, is non-cash in nature and will not impact future cash flows or the ability of Audinate to pay future dividends as the overall financial position of the parent entity, the Company, will be the determinant of whether or not dividends are able to be paid in future financial periods.

Investors should note that past results are not a guarantee of future performance.

4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared by Audinate based on an assessment of present economic and operating conditions and on a number of assumptions, including the general assumptions and the Directors' best estimate specific assumptions set out in Section 4.12.

The Directors have prepared the Forecast Financial Information with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned to not place undue reliance on the Forecast Financial Information.

This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on Audinate's actual financial performance or financial position. Investors are advised to review the assumptions set out in Sections 4.12 in conjunction with the sensitivity analysis set out in Section 4.14, the risk factors set out in Section 5 and other information set out in this Prospectus.

The Pro forma Forecast Income Statement and the Pro forma Forecast Cash Flows for Audinate have been derived from the Statutory Forecast Income Statements and the Statutory Forecast Cash Flow statements after adjusting for Pro forma adjustments to reflect Audinate's operations following Completion of the Offer as set out in Sections 4.5 and 4.7.

The Pro forma Forecast Income Statements, which are set out in Section 4.3, differ from the Statutory Forecast Income Statements because the Pro forma Forecast Income Statements reflect the full year effect of the operating and equity structure that will be in place on Completion of the Offer, but exclude costs directly attributable to the Offer and other non-operating items. Refer to Section 4.5 for reconciliations between the Statutory and Pro forma Forecast Income Statements.

The Directors have no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.2.4 Non IFRS financial measures

Audinate uses certain measures to manage and report on its business that are neither recognised under Australian Accounting Standards (AAS), nor under International Financial Reporting Standards (IFRS). These measures are collectively referred to as non-IFRS financial measures. These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS. Although Audinate believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non-IFRS financial measures included in the Prospectus.

In the disclosures in this Prospectus, Audinate uses the following non-IFRS financial measures:

- **EBITDA:** earnings before interest, tax, depreciation and amortisation. Management uses EBITDA to evaluate the operating performance of the business. EBITDA can be useful to help understand the cash generation potential of the business. EBITDA should not be considered as an alternative to measures of cash flow under IFRS and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of Audinate's operations;
- **EBIT:** earnings before interest and tax;
- **R&D Expenditure:** relates to costs as defined under AASB 138 Intangible Assets, which the Company claims for an incentive payment from the Australian Tax Office;
- **Other income:** R&D tax incentive, government grants and FX gains and losses;
- **Working Capital:** trade and other receivables, inventory and other currents assets less trade and other payables and other current liabilities;
- **Operating Free Cash Flow:** the operating cash flow generated by the business calculated as EBITDA after eliminating non-cash items included in EBITDA such as movements in provisions and changes in Working Capital; and
- **Free Cash Flow:** Operating Cash Flow less capitalised development costs and other capital expenditure.

4.2.5 Foreign currency

- Audinate transacts in currencies other than Audinate's reporting currency, the Australian Dollar, most notably the US Dollar. Audinate's sales are made, and its costs of goods sold are incurred, in US Dollars, while its operating expenses are incurred primarily in Australian Dollars. Audinate's directors have considered the currency exposure of the Company and are satisfied that the functional currency of the Company is the Australian Dollar.
- Audinate has not historically hedged its foreign currency exposure and as a result Audinate's earnings are exposed to the net impact of movements in foreign exchange rates on Audinate's sales, employee expenses and purchases in the foreign currencies in which the transactions occur, and realised and unrealised gains and losses on foreign currency movements. The potential impact on EBITDA of movements in the US Dollar over the forecast period is considered in Section 4.14.
- Audinate has foreign currency bank accounts, receivables and payables that are denominated in a currency other than Audinate's reporting currency, being the Australian Dollar. Any foreign exchange rate movements in respect to the transactional currency, in which the net investment in foreign subsidiaries are held, are recognised in the foreign currency translation reserve.

4.3 Pro forma Historical Income Statement, Pro forma Forecast Income Statements and Statutory Forecast Income Statement

Set out below in Table 1 is a summary of the Group's Pro forma Historical Income Statement for FY14, FY15, FY16, the Pro forma Forecast Income Statement for FY17, FY18 and the Statutory Forecast Income Statements for FY17 and FY18.

TABLE 1: SUMMARY OF PRO FORMA HISTORICAL INCOME STATEMENTS, PRO FORMA FORECAST INCOME STATEMENTS AND STATUTORY FORECAST INCOME STATEMENTS

A$('000)		Pro forma Historical			Pro forma Forecast		Statutory Forecast	
Year Ended 30 June	**Note**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY17**	**FY18**
Sales Revenue	1	**6,520**	**8,035**	**11,903**	**14,596**	**18,552**	**14,596**	**18,552**
COGS	2	(1,625)	(1,600)	(3,062)	(3,568)	(4,428)	(3,568)	(4,428)
Gross Profit	2	**4,895**	**6,435**	**8,841**	**11,028**	**14,125**	**11,028**	**14,125**
Employee related costs	3	(4,756)	(4,791)	(6,480)	(7,692)	(10,342)	(7,307)	(10,342)
Marketing expense		(545)	(1,035)	(1,659)	(1,619)	(2,006)	(1,599)	(2,006)
Administration and other operating expenses	4	(1,720)	(2,033)	(2,227)	(2,393)	(2,965)	(3,346)	(2,965)
Total operating expenses		**(7,022)**	**(7,859)**	**(10,366)**	**(11,704)**	**(15,313)**	**(12,252)**	**(15,313)**
EBITDA		**(2,127)**	**(1,424)**	**(1,525)**	**(676)**	**(1,188)**	**(1,224)**	**(1,188)**
Depreciation and amortisation expense	5	(567)	(615)	(720)	(920)	(1,195)	(920)	(1,195)
EBIT		**(2,694)**	**(2,039)**	**(2,245)**	**(1,596)**	**(2,383)**	**(2,144)**	**(2,383)**
Net interest income	6	345	302	273	257	236	21	236
Change in fair value of preference shares	7	–	–	–	–	–	(18,596)	–
Government grants	8	156	119	–	–	–	–	–
R&D tax incentive	8	663	284	574	318	576	318	576
FX gains and losses	8	(86)	384	146	(181)	–	(181)	–
Other Income		**733**	**788**	**720**	**136**	**576**	**136**	**576**
Profit before taxation		**(1,616)**	**(950)**	**(1,251)**	**(1,203)**	**(1,571)**	**(20,583)**	**(1,571)**
Income tax expense	9	(8)	(2)	(12)	(17)	(65)	(17)	(65)
NPAT		**(1,624)**	**(952)**	**(1,263)**	**(1,220)**	**(1,636)**	**(20,600)**	**(1,636)**
Foreign currency translation reserve		75	12	(25)	–	–	–	–
Total comprehensive income		**(1,549)**	**(940)**	**(1,288)**	**(1,220)**	**(1,636)**	**(20,600)**	**(1,636)**

Notes:
1. Revenue comprises unit sales of chips, modules, cards and adaptors; licence fees and royalties from reference designs, product development kits (PDKs) and software. All revenue is recorded in US Dollars and translated to Australian Dollars based on the foreign exchange rate prevailing at the date that revenue is recognised.
2. Gross Profit reflects the profit realised from sales, net of the cost of goods sold (COGS). COGS comprises the direct cost of materials and related services associated with product sales. COGS does not include other direct costs such as labour nor does it include an allocation of overheads.

3. Employee related costs excludes amounts related to development activities which are capitalised as intangible assets and amortised over three years (included within Depreciation and amortisation expense). An analysis of the capitalised development costs and related amortisation is included in Section 4.13. Most employee expenses are incurred in Australian Dollars with the remainder primarily in US Dollars.
4. Administration and other operating expenses include rent, accounting, audit and compliance, legal and other advisory fees, board fees and travel costs. Costs attributable to operating as a public company have been included in the Pro forma income statements as though Audinate was a public company in each of the reporting periods. These costs are primarily incurred in Australian Dollars.
5. Depreciation and amortisation in the Pro forma income statements includes the amortisation of capitalised development costs and assumes that Audinate had always capitalised development costs (as an intangible asset) and amortised them over three years. Refer to Section 4.13 for analysis of capitalisation and amortisation of development costs.
6. Net interest assumes that the net cash proceeds of the Offer will earn interest as if it was held in a cash deposit account. Further detail on Audinate's intended uses of cash raised in the Offer as a primary raising is outlined in Section 7.3.
7. Change in fair value of preference shares relates to certain convertible redeemable preference shares (CRPS) held by the Selling Shareholders and which are converted to Ordinary Shares as part of the transactions contemplated by the Offer. The accounting treatment of the CRPS at conversion requires the value of the instrument to be recorded at the market value of the Ordinary Shares received at the date of conversion, with the resulting change in the fair value of the CRPS recorded as an expense in the Statutory Forecast Income Statement.
8. Other Income primarily relates to the portion of the R&D incentive received that relates to research activities. Other components of other income include other government grants and foreign currency gains and losses.
9. Tax expense largely relates to the activities of overseas subsidiaries. Historically Audinate has generated tax losses in Australia and these tax losses have been offset against income tax payable in FY16. As at 31 December 2016, total unrecognised deferred tax assets in respect of carry forward tax losses of the Company were $0.6 million.
10. Refer to sections 4.2.4 for definitions of EBIT and EBITDA.
11. The Pro forma Historical Income Statements are reconciled to the Statutory Historical Income Statements and the Pro forma Forecast income statements are reconciled to the Statutory Forecast Income Statements in Section 4.5.

Set out in Table 2 is a summary of the Pro forma historical income statements for 1H16 and 1H17.

TABLE 2: PRO FORMA CONSOLIDATED INCOME STATEMENT FOR 1H16 AND 1H17

A$('000) Year Ended 30 June	Note	Pro forma Historical 1H16	Pro forma Historical 1H17
Sales Revenue	1	**5,333**	**6,594**
COGS	2	(1,360)	(1,648)
Gross Profit	2	**3,973**	**4,946**
Employee related costs	3	(3,329)	(3,583)
Marketing expense		(808)	(690)
Administration and other operating expenses	4	(1,055)	(1,168)
Total operational expenses		**(5,191)**	**(5,441)**
EBITDA		**(1,218)**	**(495)**
Depreciation and amortisation expense	5	(330)	(419)
EBIT		**(1,548)**	**(915)**
Net interest income	6	136	138
Government grants	8	–	–
R&D tax incentive	8	281	154
FX gains and losses	8	174	(127)
Other income		**455**	**27**
Profit before taxation		**(957)**	**(749)**
Income tax expense	9	(0)	(2)
NPAT		**(957)**	**(751)**

Notes: Refer to Table 1 for the notes relating to this table.

Sales Revenue for 1H16 and 1H17 represents approximately 45% of total Sales Revenue for FY16 and FY17 Forecast. This percentage reflects that from FY15 onwards the month of June has represented between 13% and 14% of annual revenue. This seasonality has been consistent over the historical period and is forecast to continue in FY18 Forecast.

4.4 Key financial and operating metrics

Table 3 presents a summary of Audinate's key Pro forma historical financial and operating metrics for FY14, FY15, FY16 and the key Pro forma and statutory forecast financial and operating metrics for FY17 and FY18.

TABLE 3: SUMMARY OF KEY PRO FORMA HISTORICAL AND FORECAST FINANCIAL AND OPERATING METRICS

		Pro forma Historical			Pro forma Forecast	
Year Ended 30 June	**Note**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Pro forma Revenue growth – AUD (%)	1		23.2%	48.1%	22.6%	27.1%
Pro forma Revenue growth – US Dollars (%)	2		12.2%	28.5%	24.8%	32.3%
Pro forma Revenue – US Dollars ('000)		5,999	6,732	8,651	10,801	14,285
Pro forma Gross Profit (%)		75.1%	80.1%	74.3%	75.6%	76.1%
R&D expenditure/Revenue (%)	3	33.5%	29.1%	23.5%	19.9%	20.3%
R&D expenditure capitalised (%)	4	32.5%	73.0%	51.3%	67.7%	66.0%
Employee related costs/Revenue (%)		72.9%	59.6%	54.4%	52.7%	55.7%
Total OEM customers signed	5	148	228	310	–	–
OEM customers shipping Dante enabled products	6	52	93	144	–	–
Total product units	7	43,145	73,814	121,896	172,739	245,531

Notes:
1. The percentage of growth in Pro forma Revenue, inclusive of the impact of translation into Australian Dollars
2. The percentage of growth in Pro forma Revenue in the invoicing currency of US Dollars, excluding any impact of translation into Australian Dollars
3. R&D Expenditure, inclusive of employee costs capitalised into the balance sheet, as a percentage of total Sales Revenue. Refer to Section 4.13 for further details of R&D expenditure.
4. Represents the percentage of R&D Expenditure that has been capitalised as developments costs.
5. The total number of OEM Brands to whom Audinate has sold a PDK, or with whom Audinate has signed contracts or license agreements, and which therefore represents the potential population of customers from which sales or fees can be generated.
6. The number of OEM Brands with Products available during each respective reporting period.
7. Reflects the volume of unit sales made by the Company in each reporting period, across all chips, modules, cards and manufactured products. Software sales are excluded.

Table 4 presents a summary of Audinate's key Pro forma historical financial and operating metrics for 1H16 and 1H17.

TABLE 4: SUMMARY OF KEY PRO FORMA HISTORICAL FINANCIAL AND OPERATING METRICS FOR 1H16 AND 1H17

		Pro forma Historical	
Year Ended 30 June	**Note**	**1H16**	**1H17**
Pro forma Revenue growth – AUD (%)	1		23.6%
Pro forma Revenue growth – US Dollars (%)	2		28.9%
Pro forma Revenue – US Dollars ('000)		3,848	4,961
Pro forma Gross Profit (%)		74.5%	75.0%
R&D expenditure/Revenue (%)	3	25.7%	22.0%
R&D expenditure capitalised (%)	4	51.3%	75.6%
Employee related costs/Revenue (%)		62.4%	54.3%
Total OEM customers signed	5	258	346
OEM customers shipping Dante enabled products	6	109	159
Total product units	7	48,887	85,922

Notes: Refer to Table 3 for the notes relating to this table.

4.5 Reconciliation of Statutory and Pro forma Historical and Forecast Income Statements

In presenting the Pro forma Historical Income Statements included in Section 4, certain adjustments to the audited statutory income statements have been made to reflect the changes made to the operating and financial structure of the Company as a listed entity. These Pro forma adjustments are summarised below in Table 5 for the Historical Income Statements for FY14, FY15, FY16 and the Forecast Income Statements for FY17 and FY18.

TABLE 5: RECONCILIATION OF STATUTORY AND PRO FORMA HISTORICAL AND FORECAST INCOME STATEMENTS

A$('000)		Historical			Forecast	
Year Ended 30 June	**Note**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Statutory EBITDA		**(817)**	**26**	**(64)**	**(1,695)**	**(1,188)**
Offer Costs	1	–	–	–	1,598	–
Listed company costs	2	(1,203)	(1,203)	(1,203)	(943)	–
LTI expense	3	(108)	(248)	(258)	(204)	–
Pro forma EBITDA		**(2,127)**	**(1,424)**	**(1,525)**	**(579)**	**(1,188)**

A$('000)		Historical			Forecast	
Year Ended 30 June	**Note**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Statutory NPAT		**(102)**	**516**	**54**	**(20,600)**	**(1,636)**
Offer Costs	1	–	–	–	1,598	–
Listed company costs	2	(1,203)	(1,203)	(1,203)	(1,695)	–
LTI expense	3	(108)	(248)	(258)	(204)	
Development cost amortisation	4	(447)	(254)	(93)	–	–
Interest income	5	236	236	236	234	–
Change in fair value of preference shares	6	–	–	–	18,596	–
Pro forma NPAT		**(1,624)**	**(952)**	**(1,263)**	**(1,222)**	**(1,636)**

Notes:

1. Offer costs: the total costs of the Offer are estimated at $2.8 million, of which $1.7 million has been expensed in the FY17 Statutory Forecast Income Statement. The remaining $1.1 million is considered to be directly attributable to the issue of Shares under the Offer and hence will be offset against the equity raised at the completion of the Offer.
2. Listed company costs: Management has estimated the additional annual costs that will be incurred in operating Audinate as a publicly listed company. These costs include ASX fees, additional board and director fees, anticipated additional legal, tax and accounting compliance costs as well as the creation of a Chief Financial Officer role from January 2017.
3. Long Term Incentive: a grant of performance rights under the new LTI scheme (summarised in Section 6.7.3) will be made to certain senior management and other employees representing 2% of the issued capital of the Company. The performance rights will vest over three to five years and so the expense is apportioned over the vesting period resulting in approximately a quarter of the total cost of the grant being included in the Statutory Forecast Income Statement for FY18. A Pro forma adjustment has been made to reflect this estimate of the recurring expense attributable to the LTI, net of the existing employee option expense in the historical financial statements. Any future grants of performance rights will be considered annually subject to the discretion of the Board of Directors and accordingly an incremental expense is not included in the Pro forma adjustment.
4. Development cost amortisation: the Company adopted AASB 138 Intangible Assets with effect from 1 July 2013 and commenced capitalising development costs. As development costs are amortised over three years the full run rate of amortisation expense for these activities is not reflected in the statutory income statement until FY17. Consequently a Pro forma adjustment has been made for FY14, FY15 and FY16 to reflect the estimated expense that would have been incurred had the Company capitalised development expenditure under the same methodology in FY11, FY12 and FY13.
5. Interest income: Incremental full year impact of interest income on cash held from the Offer proceeds from 1 July 2017.
6. Change in fair value of preference shares: reflects the change in valuation to the CRPS, which is described in Note 7 to Table 1 under the accounting policy set out in Appendix I. The CRPS are expected to be converted into ordinary shares in Audinate Pty Ltd (and exchanged for shares in the Company) on the Allotment Date. This is an equity-settled obligation and the Company will not outlay any cash to extinguish this liability. The Preference Shares will be revalued at the date of conversion based on the value of the ordinary shares received and will result in a charge of $18.6 million in the FY17 Statutory Forecast Income Statement. A charge of $15.9 million was recorded in the Statutory Income Statement for 1H17.
7. NPAT: There is no tax impact of these adjustments on tax expense, because the Company has sufficient tax losses available to set off against any taxable income. The tax losses have not been recognised as a deferred tax asset given the uncertainty in timing of recovering those losses against taxable income.

Set out in Table 6 below is a summary of the Pro forma historical income statement adjustments for 1H16 and 1H17.

TABLE 6: RECONCILIATION OF PRO FORMA HISTORICAL INCOME STATEMENTS FOR 1H16 AND 1H17

A$('000) Year Ended 30 June	Note	Historical 1H16	 1H17
Statutory NPAT		**(299)**	**(16,020)**
Listed company costs	2	(601)	(601)
LTI expense	3	(129)	(111)
Development cost amortisation	4	(46)	–
Interest income	5	118	118
Change in fair value of preference shares	6	–	15,863
Pro forma NPAT		**(957)**	**(751)**

Notes: Refer to Table 5 for the notes relating to this table.

4.6 Statutory Historical Income Statements

Set out in Table 7 is a summary of the Statutory Historical Income Statements for Audinate for FY14, FY15, and FY16 which has been extracted from the statutory financial statements of Audinate Pty Ltd.

Refer to Appendix I of the Prospectus for a summary of Audinate's statutory accounting policies.

TABLE 7: STATUTORY HISTORICAL INCOME STATEMENTS

A$('000) Year Ended 30 June	Note	Statutory Historical FY14	 FY15	 FY16
Sales Revenue	1	**6,520**	**8,035**	**11,903**
COGS	2	(1,625)	(1,600)	(3,062)
Gross Profit	2	**4,895**	**6,435**	**8,841**
Employee related costs	3	(4,311)	(4,206)	(5,885)
Marketing expense		(525)	(1,015)	(1,639)
Administration and other operating expenses	4	(875)	(1,188)	(1,382)
Total operating expenses		**(5,712)**	**(6,409)**	**(8,906)**
EBITDA		**(817)**	**26**	**(64)**
Depreciation and amortisation expense	5	(120)	(361)	(627)
EBIT		**(936)**	**(335)**	**(692)**
Net interest income	6	109	66	38
Government grants	8	156	119	–
R&D tax incentive	8	663	284	574
FX gains and losses	8	(86)	384	146
Other income		**733**	**788**	**720**
Profit before taxation		**(94)**	**519**	**66**
Income tax expense	9	(8)	(2)	(12)
NPAT		**(102)**	**516**	**54**
Foreign currency translation reserve		75	12	(25)
Total comprehensive income		**(27)**	**528**	**30**

Notes: Refer to Table 1 in Section 4.3 for notes relating to this table.

Set out in Table 8 is a summary of the Statutory Historical Income Statements for Audinate for 1H16, and 1H17 which have been extracted from the financial statements of Audinate Pty Ltd for the half-year ended 31 December 2016.

TABLE 8: STATUTORY HISTORICAL INCOME STATEMENTS FOR 1H16 AND 1H17

A$('000) Year Ended 30 June	**Note**	**Statutory Historical 1H16**	** 1H17**
Sales Revenue	1	**5,333**	**6,594**
COGS	2	(1,360)	(1,648)
Gross Profit	2	**3,973**	**4,946**
Employee related costs	3	(3,031)	(3,303)
Marketing expense		(798)	(680)
Administration and other operating expenses	4	(633)	(745)
Total Operating costs		**(4,461)**	**(4,729)**
EBITDA		**(488)**	**217**
Depreciation and amortisation expense	5	(283)	(419)
EBIT		**(772)**	**(202)**
Net interest income	6	18	20
Change in fair value of preference shares	7	–	(15,863)
Government grants	8	–	–
R&D tax incentive	8	281	154
FX gains and losses	8	174	(127)
Other income		**455**	**27**
Profit before taxation		**(298)**	**(16,018)**
Income tax expense	9	–	(2)
NPAT		**(299)**	**(16,020)**

Notes: Refer to Table 1 in Section 4.3 for notes relating to this table.

4.7 Pro forma Historical, Pro forma Forecast and Statutory Forecast Cash Flows

Set out in Table 9 is a summary of the Pro forma Historical Cash Flows for FY14, FY15, FY16 and the Pro forma Forecast Cash Flows for FY17, FY18 as well as the Statutory Forecast Cash Flows for FY17 and FY18.

TABLE 9: HISTORICAL AND FORECAST CASH FLOW STATEMENTS

		Pro forma Historical Cash Flows			Pro forma Forecast Cash Flows		Statutory Forecast Cash Flows	
A$('000) Year Ended 30 June	**Note**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY17**	**FY18**
EBITDA		**(2,127)**	**(1,424)**	**(1,525)**	**(676)**	**(1,188)**	**(1,224)**	**(1,188)**
Non-cash items in EBITDA	1	271	374	168	271	326	67	326
Changes in Working Capital	2	(553)	(41)	299	4	(672)	4	(672)
Operating Cash Flow		**(2,409)**	**(1,091)**	**(1,057)**	**(401)**	**(1,534)**	**(1,153)**	**(1,534)**
Capitalised development costs	3	(391)	(938)	(830)	(975)	(1,368)	(975)	(1,368)
Capital expenditure		(95)	(87)	(212)	(133)	(931)	(133)	(931)
Free Cash Flow		**(2,895)**	**(2,116)**	**(2,099)**	**(1,509)**	**(3,833)**	**(2,251)**	**(3,833)**
Net interest income/(expense)	4	343	300	271	255	236	21	236
Government grants		156	119	–	–	–	–	–
R&D tax incentive	5	575	215	447	193	185	193	185
Income tax paid		(8)	(2)	(12)	(27)	(64)	(27)	(64)
Proceeds from the issue of shares		1,449	2	3	2	–	21,032	–
Payments to existing shareholders	6	–	–	–	–	–	(7,030)	–
Offer transaction costs (capitalised to equity)	7	–	–	–	–	–	(1,064)	–
Net forex gains/losses		(86)	384	146	(181)	–	(181)	–
Net cash flow		**(465)**	**(1,078)**	**(1,243)**	**(1,268)**	**(3,476)**	**10,682**	**(3,476)**

Notes:
1. Non-cash items in EBITDA predominantly relates to the expense accrued for the LTI scheme.
2. Changes in working capital are impacted by changes in trade receivables, trade payables, inventory levels and provisions. This includes movement in the R&D incentive receivable.
3. Audinate capitalises certain employment costs spent on product development as intangible assets in accordance with AAS. Further details in relation to Audinate's development cost capitalisation accounting policies are outlined in Appendix I.
4. Net interest income relates to actual interest income received in addition to a Pro forma adjustment for the incremental full year impact of interest income on cash held from the Offer proceeds from 1 July 2017.
5. R&D tax incentive relates to the portion of the R&D incentive for research activities, and relating to costs which have been expensed within EBITDA.
6. $7.0 million reflects payments of sale proceeds made to Selling Shareholders from the proceeds of the Offer.
7. $1.1 million of Offer costs associated with issuing new Shares as part of the Offer have been capitalised against equity.

TABLE 10: PRO FORMA HISTORICAL CASH FLOW STATEMENTS FOR 1H16 AND 1H17

A$('000) Year Ended 30 June	Note	Pro forma Historical Cash Flow 1H16	 1H17
EBITDA		**(1,218)**	**(495)**
Non-cash items in EBITDA	1	137	135
Changes in Working Capital	2	(173)	224
Operating Cash Flow		**(1,254)**	**(135)**
Capitalised development costs	3	(703)	(618)
Capital expenditure		(37)	(82)
Free Cash Flow		**(1,994)**	**(836)**
Net interest income / (expense)	4	136	137
R&D tax incentive	5	–	701
Income tax paid		(2)	(1)
Proceeds from the issue of shares		3	1
Net forex gains / losses		174	(131)
Net cash flow		**(1,684)**	**(128)**

Notes: Refer to Table 9 for the notes relating to this table.

4.8 Reconciliation of Statutory and Pro forma Historical and Forecast Cash Flow Statements

Table 11 sets out the adjustments that have been made to the Statutory Historical Cash Flows for FY14, FY15 and FY16 and the Forecast Cash Flows for FY17 and FY18 to reflect certain items impacting the operations of the Group subsequent to the completion of the Offer.

TABLE 11: PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL CASH FLOWS AND THE PRO FORMA FORECAST STATUTORY CASH FLOWS

A$('000) Year Ended 30 June	Note	Historical FY14	 FY15	 FY16	Forecast FY17	 FY18
Statutory net cash flow		**504**	**(129)**	**(275)**	**10,682**	**(3,476)**
Expensed offer costs	1	–	–	–	1,695	–
Listed company costs	2	(1,203)	(1,203)	(1,203)	(943)	–
Interest income	3	236	236	236	236	–
Proceeds from issue of shares	4	–	–	–	(21,030)	–
Payments to existing shareholders	5	–	–	–	7,030	–
Offer costs capitalised to equity	6	–	–	–	1,064	–
Pro forma net cash flow		**(463)**	**(1,096)**	**(1,241)**	**(1,268)**	**(3,476)**

Notes:

1. Pro forma net cash flow excludes the impact of the cost of the Offer, $1.7 million of which have been expensed in the income statement and $1.1 million of which have been capitalised against equity which are not directly attributable to the issue of Shares under the Offer.
2. Listed company costs represent the estimated additional annual costs that will be incurred in operating the Company as a publicly listed company including ASX fees, additional board and director fees, anticipated additional legal, tax and accounting compliance costs as well as the creation of a Chief Financial Officer role from January 2017.
3. Interest income included in the Pro forma cash flow statements reflects the incremental full year impact of interest earned on the cash balance held immediately after the completion of the Offer from 1 July 2017.
4. Proceeds from the issue of Shares under the Offer is presented before Offer Costs and payments to Selling Shareholders, and represents the gross cash proceeds receivable by the Company.
5. $7.0 million reflects the collection of sale proceeds by the Company and the subsequent payments made to Selling Shareholders from the proceeds of the Offer.
6. Relates to the portion of offer costs which are directly attributable to the issue of Shares under the Offer whose proceeds are used to pay the Selling Shareholders Section 7.3.

Table 12 sets out the adjustments that have been made to the Statutory Historical Cash Flows for 1H16 and 1H17 to eliminate items appropriately reflect the ongoing operating and capital structure of the Company.

TABLE 12: PRO FORMA ADJUSTMENTS TO THE STATUTORY OPERATING CASH FLOWS FOR 1H16 AND 1H17

A$('000) Year Ended 30 June	Note	Historical 1H16	Historical 1H17
Statutory net cash flow		**(1,200)**	**356**
Expensed offer costs	1	–	–
Listed company costs	2	(601)	(601)
Interest income	3	118	118
Pro Forma net cash flow		**(1,683)**	**(127)**

Notes: Refer to Table 11 for the notes relating to this table.

4.9 Pro forma Historical Consolidated Balance Sheet

4.9.1 Balance sheet overview

The statutory historical balance sheet at 31 December 2016 shows that the Company had a net liability position, which is primarily due to the accounting treatment of the CRPS. Whilst the CRPS exhibit some characteristics of equity, under AAS they are classified as debt instruments and recorded at fair value through profit and loss.

As outlined in Section 4.5 the change in the fair value of the CRPS is a non-cash item. The CRPS will be revalued and converted into ordinary shares in Audinate Pty Ltd (and exchanged for Shares in the Company) on the Allotment Date. This is an equity-settled obligation and the Company will not outlay any cash to extinguish this liability. Following Completion of the Offer the Pro forma Historical Consolidated Balance Sheet shows a net asset position of $17.5 million, including cash of approximately $14.8 million.

The Pro forma adjustments made to the statutory historical balance sheet of Audinate Limited as at 31 December 2016 reflect the assumed events that will occur immediately following Completion of the Offer as if they occurred or were in place as at 31 December 2016 and are described in detail in the notes below Table 13.

The Pro forma Historical Consolidated Balance Sheet is provided for illustrative purposes and is not represented as being indicative of Audinate's view of its potential future financial position.

TABLE 13: PRO FORMA HISTORICAL CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016

A$('000) Year Ended 30 June	Note	Statutory 31 December 2016	Cash Proceeds	Payments to existing shareholders	Transaction costs	Conversion of preference shares	Pro forma 31 December 2016
Assets							
Current assets							
Cash & cash equivalents	2,3	3,465	21,032	(7,030)	(2,758)	–	14,708
Receivables		1,309	–	–	–	–	1,309
Inventory		864	–	–	–	–	864
R&D incentive		603	–	–	–	–	603
Other current assets		146	–	–	–	–	146
Total current assets		**6,387**	**21,032**	**(7,030)**	**(2,758)**	**–**	**17,631**
Non-current assets							
Property, plant and equipment		357	–	–	–	–	357
Intangibles		1,516	–	–	–	–	1,516
Total non-current assets		**1,873**	**–**	**–**	**–**	**–**	**1,873**
Total assets		**8,260**	**21,032**	**(7,030)**	**(2,758)**	**–**	**19,504**
Liabilities							
Current liabilities							
Payables		768	–	–	–	–	768
Income tax payable		17	–	–	–	–	17
Provisions		886	–	–	–	–	886
Preference shares	1	47,414	–	–	–	(47,414)	(0)
Other current liabilities		134	–	–	–	–	134
Total current liabilities		**49,219**	**–**	**–**	**–**	**(47,414)**	**1,805**
Non-current liabilities							
Provisions		313	–	–	–	–	313
Total non-current liabilities		**313**	**–**	**–**	**–**	**–**	**313**
Total liabilities		**49,532**	**–**	**–**	**–**	**(47,414)**	**2,118**
Net assets		**(41,272)**	**21,032**	**(7,030)**	**(2,758)**	**47,414**	**17,385**
Equity							
Issued capital	1,2,3	31	21,032	(7,030)	(1,064)	50,147	63,116
Reserves		253	–	–	–	–	253
Retained earnings	3	(41,556)	–	–	(1,695)	(2,733)	(45,984)
Total equity		**(41,272)**	**21,032**	**(7,030)**	**(2,758)**	**47,414**	**17,385**

Notes:

1. CRPS will be revalued upwards by $2.8 million to their expected fair value based on the Offer price and converted into shares in Audinate Pty Ltd then exchanged for Shares on the Allotment Date, which increases Issued Capital by $50.1 million.
2. Cash proceeds of the Offer are $21.0 million, of which $7.0 million will be paid to Selling Shareholders as described in Section 7.3, meaning that the Company will receive a net cash amount of $14.0 million, before Offer costs.
3. Costs associated with the Offer amount to $2.8 million. $1.1 million of costs are offset against equity as they are incremental costs directly attributable to the issue of new shares. The balance of $1.7 million of expected Offer-related costs have been expensed through the income statement and reduce retained earnings accordingly.

4.10 Liquidity and Capital Sources

Following Completion, Audinate's principal sources of funds will be cash flow from operations and cash held at Completion of the Offer.

Audinate expects that it will have sufficient cash flow from operations to meet its business needs during the forecast period and will have sufficient working capital to carry out its stated objectives.

4.11 MANAGEMENT DISCUSSION AND ANALYSIS OF PRO FORMA HISTORICAL INCOME STATEMENTS AND PRO FORMA HISTORICAL CASH FLOW

4.11.1 Key elements of the operating results and their drivers

Below is a discussion of the composition of Audinate's revenue and expenses and the main factors which affected Audinate's operating and financial performance during the period of the Historical Financial Information and which are expected to affect Audinate over the period of the Forecast Financial Information. The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected Audinate's historical operating performance or everything that may affect Audinate's operations and financial performance in the future. The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

Revenue

Audinate primarily generates revenue from the following four key sources:

1. Chips, modules, cards and adapter products: per unit revenue recognised at point of shipment.
2. Reference designs: fee recognised as revenue in full at point of completion. This may lead to ongoing royalties recognised per unit manufactured.
3. Software: revenue per license sold, recognised at point of sale (generally direct via Audinate website).
4. Other: recognised in full when the product is delivered or the service is provided.

Audinate's revenue is generally impacted by several factors discussed in Sections 2 and 3 of this Prospectus. These include:

- the growth of the audio networking solutions market for the Sound Reinforcement segment of the Professional AV market, discussed in Section 2;
- the relative attractiveness and cost of alternatives to Audinate's solutions, and the entry of new competitors, discussed in Sections 2 and 3;
- Audinate's business model and in particular the ability to drive increasing adoption of the Dante solution by OEMs, discussed in Section 3;
- Audinate's sales and marketing efforts, discussed in Section 3; and
- the success of Audinate's growth strategies, discussed in Section 3.

Operating expenses

Audinate presents expenses by type within the Statutory Historical Results, Pro forma Historical Results, Statutory Forecast and Pro forma Forecast. The expense categories used are outlined below:

- **Employee related costs**: primarily personnel and related costs including salaries, allowances, bonuses, leave provisions, health, workers compensation, payroll taxes, commission payments, superannuation and defined contribution plans, and share-based payments;
- **Marketing expense**: primarily advertising costs, marketing and public relations related advisory costs, trade & promotional expenses and travel costs related to marketing activities; and
- **Administration and other operating expenses**: general and administrative expenses including overheads, occupancy expenses, travel and accommodation, bad debts, insurance, professional fees, recruitment costs, computer, internet and networking expenses.

Employee related costs are the largest expense representing 62.5% of total pro-forma Operating Costs in FY16. Audinate capitalises certain product software development costs, as discussed in Section 4.13.

Audinate incurs expenses in several currencies as discussed in Section 4.2.5 although the majority of Audinate's expenses are incurred in Australian Dollars reflecting the location of a significant proportion of Audinate's operations and staff.

Depreciation and amortisation

Depreciation is a non-cash expense that predominantly relates to the ongoing use of Audinate's fixed asset base, including items such as IT equipment, furniture and leasehold improvements that have been capitalised. Depreciation expense is based on an existing useful life profile, with any new capital expenditure being depreciated over its useful life in accordance with Audinate's accounting policies.

Amortisation is a non-cash expense that relates to both internally generated and externally acquired intangible assets including the amortisation of development costs that have previously been capitalised.

Amortisation is calculated based on the cost of the intangible assets using the straight-line method of their estimated useful lives. The estimated useful life of intangible assets is three years.

Net interest income

Net interest income includes interest income generated on cash balances.

Capitalised software development costs and other capital expenditure

Audinate capitalises certain amounts of product development costs related to the development of new products or significant enhancements to existing products. Capitalised expenses are directly attributable to product development, can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable and Audinate intends to and has sufficient resources to complete the development and to sell the asset. With respect to the product development, costs capitalised include external direct costs of materials and services, direct payroll and the payroll-related costs.

Other capital expenditure primarily relates to plant and equipment investments including IT assets.

Working Capital

Working Capital includes trade and other receivables and other current assets less trade and other payables, deferred revenue and other current liabilities. Receivables are created by the invoicing of monthly fees and charges from usage and transactions to customers, who are given credit terms to settle their accounts. Payables are paid when due.

Taxation

Audinate has operations in Australia, which has a corporate tax rate of 30%. In addition, Audinate has subsidiaries in the US (federal corporate tax rate varies between 15% and 30%), Hong Kong (corporate tax rate of 16.5%), and the United Kingdom (corporate tax rate of 19%). Income tax expense included in the Financial Information has been based on the effective tax rates applicable to the relevant regions in which Audinate operates.

Foreign exchange

The Financial Information in this Prospectus is presented in Australian Dollars, Audinate's reporting currency. Net assets of each of Audinate's foreign wholly-owned subsidiaries have been translated for the purposes of the Historical Financial Information at the exchange rate applicable to each subsidiary on the relevant date.

Audinate invoices customers in US Dollars. Earnings of each of Audinate's foreign wholly-owned subsidiaries have been translated for the purposes of the Historical Financial Information at the exchange rates applicable to the relevant periods.

4.11.2 Management discussion and analysis: Pro forma Consolidated FY14 Income Statement compared to Pro forma Consolidated FY15 Income Statement

TABLE 14: SUMMARY PRO FORMA CONSOLIDATED INCOME STATEMENT FY14 COMPARED TO FY15

A$('000) Year Ended 30 June	Note	Pro forma Historical FY14	FY15	Percentage Change %	$ change $
Sales Revenue	1	**6,520**	**8,035**	**23.2%**	**1,516**
COGS	2	(1,625)	(1,600)	(1.5%)	24
Gross Profit	2	**4,895**	**6,435**	**31.5%**	**1,540**
Employee related costs	3	(4,756)	(4,791)	0.7%	(35)
Marketing expense		(545)	(1,035)	89.8%	(490)
Administration and other operating expenses	4	(1,720)	(2,033)	18.2%	(313)
Operating Costs		**(7,022)**	**(7,859)**	**11.9%**	**(837)**
EBITDA		**(2,127)**	**(1,424)**	**33.0%**	**703**
Depreciation and amortisation expense	5	(567)	(615)	8.3%	47
EBIT		**(2,694)**	**(2,039)**	**24.3%**	**655**
Net interest income	6	345	302	(12.6%)	(44)
Government grants	8	156	119	(23.9%)	(37)
R&D tax incentive	8	663	284	(57.1%)	(378)
FX gains and losses		(86)	384	(546.8%)	471
Other income		**733**	**788**	**7.5%**	**55**
Profit before taxation		**(1,616)**	**(950)**	**41.2%**	**667**
Income tax expense	9	(8)	(2)	(66.9%)	5
NPAT		**(1,624)**	**(952)**	**41.4%**	**672**
Foreign currency translation reserve		75	12	n.m.	(63)
Total comprehensive income		**(1,549)**	**(940)**	**39.3%**	**609**
Key Operational Metrics					
Pro forma Revenue growth – AUD (%)		–	23.2%		
Pro forma Revenue growth – US Dollars (%)		–	12.2%		
Pro forma Revenue – US Dollars ('000)		5,999	6,732		
Pro forma Gross Profit (%)		75.1%	80.1%		
R&D expense/Revenue (%)		33.5%	29.1%		
R&D expenditure capitalised (%)		32.5%	73.0%		
Total OEM customers signed		148	228		
OEM customers shipping Dante enabled products		52	93		
Total product units		43,145	73,814		

Notes:
Refer to Table 1 in Section 4.3 for the notes relating to this table.

Sales

In FY15 the Company recorded a 23% increase in revenues from $6.5 million in FY14 to $8.0 million in FY15. This increase was driven by:

- Chips, Modules and Cards
  - 71% increase in the volume of units shipped from approximately 43,000 units in FY14 to approximately 74,000 units in FY15.
  - Almost half of the increase in units shipped related to the relatively new Ultimo products (a low channel count low cost chip that was launched to proliferate Dante technology in lower cost OEM products).
  - Although Ultimo products contributed stronger volume growth, the higher value Brooklyn product contributed $1.1 million of revenue growth between FY14 and FY15.
  - The growth in the volume of units shipped was underpinned by the number of OEM customers with Dante enabled products available increasing from 52 at the end of FY14 to 93 at the end of FY15.
  - Revenue from the sale of PDKs increased by $0.4 million for the period.
- These above factors more than compensated for $0.7 million decline in revenue from a single major customer. This decrease is considered one-off as revenue from this customer has subsequently grown to above FY14 levels in the FY16 results.
- The average AUD/USD exchange rate weakened from 92.0c in FY14 to 85.0c in FY15 which had a favourable revenue translation impact in FY15 of $0.7 million.

Gross Profit

In FY15 the Company recorded COGS which were flat relative to FY14, resulting in an expansion of Gross Profit Margin from 75% in FY14 to 80% in FY15. The reason that COGS did not increase while revenue grew at 23% can be explained by a combination of factors:

- An increased proportion of high margin services and PDKs revenue together with the effect of foreign currency movements favourably impacted COGS by $0.3 million in FY15.

Operating Costs

In FY15 Pro forma operating costs increased by 12% from $7.0 million in FY14 to $7.9 million in FY15. An overview of the movement in each operating cost category is provided below:

- Employee related costs remained stable from FY14 to FY15. Headcount increased from 31 FTEs in July 2013 to 46 FTEs in July 2015 however the impact of increased headcount was compensated for by an increase in capitalised development costs of approximately $1.0 million.
- Marketing expenditure grew by almost 90% from $0.5 million in FY14 to $1.0 million in FY15. Expenditure grew to drive continued growth in OEMs and sales in the relatively new Ultimo products.
- Administration and Operating Costs grew from $1.7 million in FY14 to $2.0 million in FY15. The increase occurred across most cost categories to support the ongoing business growth, although it was most notable in accounting and legal related costs.

EBITDA

- EBITDA improved from a loss of $2.1 million in FY14 to a loss of $1.4 million in FY15. This was achieved as a 32% improvement in Gross Profit from FY14 to FY15, offset by a 12% increase in operating costs for the same period.

Depreciation and amortisation

- Depreciation and amortisation increased by 8% mainly reflecting increased development costs capitalised.

Other income

- Other income remained relatively stable from FY14 to FY15 although there were some significant movements within categories of other income. As a higher proportion of costs claimed for the R&D government incentive related to development costs in FY15, relative to FY14, this lead to a decrease in other income recognised of approximately $0.4 million. This is because a higher proportion of the incentive was capitalised in FY15 as an offset to development costs capitalised as an intangible asset. This adverse impact was offset by net foreign exchange gains of $0.5 million.

NPAT

- NPAT improved from a loss of $1.6 million in FY14 to a loss of $0.9 million in FY15.

TABLE 15: SUMMARY PRO FORMA CASH FLOW STATEMENT FY14 COMPARED TO FY15

A$('000) Year Ended 30 June	Note	Pro forma Historical Cash Flows FY14	 FY15	Percentage change %	$ change $
EBITDA		**(2,127)**	**(1,424)**	**33.0%**	**703**
Non-cash items in EBITDA	1	271	374	37.9%	103
Changes in Working Capital	2	(553)	(41)	(92.7%)	513
Operating Cash Flow		**(2,409)**	**(1,091)**	**54.7%**	**1,318**
Capitalised development costs	3	(391)	(938)	140.0%	(547)
Capital expenditure		(95)	(87)	(8.2%)	8
Free Cash Flow		**(2,895)**	**(2,116)**	**26.9%**	**779**
Net interest income/(expense)	4	345	302	(12.6%)	(44)
Government grants		156	119	(23.9%)	(37)
R&D tax incentive	5	575	215	(62.6%)	(360)
Income tax paid		(8)	(2)	(66.9%)	5
Proceeds from the issue of CRPS		1,449	2	(99.8%)	(1,447)
Net forex gains/losses		(86)	384	n.m.	471
Net cash flow		**(463)**	**(1,096)**	**(136.8%)**	**(633)**

Notes:
1. Non-cash items in EBITDA predominantly relates to the expense for the LTI scheme.
2. Changes in working capital are impacted by changes in trade receivables, trade payables, inventory levels and provisions. This includes movement in the R&D incentive receivable.
3. Audinate capitalises certain employment costs spent on product development as intangible assets in accordance with AAS. Further details in relation to Audinate's development cost capitalisation accounting policies are outlined in Appendix I.
4. Net interest income relates to actual interest income received in addition to a Pro forma adjustment for the incremental full year impact of interest income on cash held from the Offer proceeds from 1 July 2017.
5. Relates to the portion of the R&D incentive for research activities, and relating to costs which have been expensed within EBITDA.

In FY14 the change in working capital was primarily due to sales generated in the latter part of the year, which created a build-up in debtors less than 3 months' overdue which adversely impacted working capital by $0.7 million. In FY15 the main factor in the movement was a decrease in trade payables along with an increase in the R&D incentive receivable.

The increase in capitalised development costs of $0.5 million from FY14 to FY15 reflects a change in the split of R&D activities. Development costs capitalised as a percentage of R&D expenditure increased from 32.5% to 73.0%.

As the proportion of research costs decreased this resulted in a $0.4 million decrease in the value of the R&D incentive recognised as other income. Further detail on R&D expenditure and the related impacts on the accounting for the R&D incentive is set out in Section 4.13.

4.11.3 Management discussion and analysis: Pro forma Consolidated FY15 Income Statement compared to Pro forma Consolidated FY16 Income Statement

TABLE 16: SUMMARY PRO FORMA CONSOLIDATED INCOME STATEMENT FY15 COMPARED TO FY16

A$('000) Year Ended 30 June	Note	Pro forma Historical FY15	Pro forma Historical FY16	Percentage Change %	$ change $
Sales Revenue	1	**8,035**	**11,903**	**48.1%**	**3,868**
COGS	2	(1,600)	(3,062)	91.4%	(1,462)
Gross Profit	2	**6,435**	**8,841**	**37.4%**	**2,406**
Employee related costs	3	(4,791)	(6,480)	35.3%	(1,689)
Marketing expense		(1,035)	(1,659)	60.3%	(624)
Administration and other operating expenses	4	(2,033)	(2,227)	9.5%	(193)
Operating costs		**(7,859)**	**(10,366)**	**31.9%**	**(2,507)**
EBITDA		**(1,424)**	**(1,525)**	**(7.1%)**	**(101)**
Depreciation and amortisation expense	5	(615)	(720)	17.1%	(105)
EBIT		**(2,039)**	**(2,245)**	**(10.1%)**	**(206)**
Net interest income	6	302	273	(9.4%)	(28)
Government grants	8	119	–	(100.0%)	(119)
R&D tax incentive	8	284	574	101.8%	289
FX gains and losses	8	384	146	(61.9%)	(238)
Other income		**788**	**720**	**(8.6%)**	**(67)**
Profit before taxation		**(950)**	**(1,251)**	**(31.8%)**	**(301)**
Income tax expense	9	(2)	(12)	372.5%	(9)
NPAT		**(952)**	**(1,263)**	**(32.6%)**	**(311)**
Foreign currency translation reserve		12	(25)	(306.0%)	(37)
Total comprehensive income		**(940)**	**(1,288)**	**(37.0%)**	**(348)**
Key Operational Metrics					
Pro forma Revenue growth – AUD (%)		23.2%	48.1%		
Pro forma Revenue growth – US Dollars (%)		12.2%	28.5%		
Pro forma Revenue – US Dollars ('000)		6,732	8,651		
Pro forma Gross Profit (%)		80.1%	74.3%		
R&D expense/Revenue (%)		29.1%	23.5%		
R&D expenditure capitalised (%)		73.0%	51.3%		
Total OEM customers signed		228	310		
OEM customers shipping Dante enabled products		93	144		
Total product units		73,814	121,896		

Notes:
Refer to Table 1 in Section 4.3 for the notes relating to this table.

Sales

In FY16 the Company recorded a 48% increase in revenues from $8.0 million in FY15 to $11.9 million in FY16. Sales in US Dollars achieved revenue growth of approximately 29%. This increase was driven by:

- Chips, Modules and Cards
  - A 65% increase in the volume of units shipped from approximately 74,000 units in FY15 to approximately 122,000 units in FY16.
  - The volume of Brooklyn products shipped increased by more than 50% between FY15 and FY16 and Ultimo product volumes increased by greater than 100% over the period.
  - The majority of the revenue growth was attributable to an increase in revenue from Brooklyn products which increased almost 70% from FY15 to FY16, whilst revenue from Ultimo products more than doubled for the same period.
  - Revenue growth supported by an increase in the number of OEM customers with Dante enabled products available, which increased from 228 at the end of FY15 to 310 at the end of FY16.
- Other
  - Software revenue grew approximately $0.5 million from FY15 to FY16, primarily related to license fees for Dante Virtual Soundcard.
- The average AUD/USD exchange rate weakened from 85.0c in FY15 to 72.3c in FY16 which had a favourable impact in FY16 of $1.8 million.

Gross Profit

Gross Profit increased to $8.8 million in FY16 from $6.4 million in FY15. COGS also grew from $1.6 million in FY15 to $3.1 million in FY16. This can be explained by a combination of factors:

- The bulk of the increase in COGS ($0.8 million) is proportional to the revenue increase of 48.1% from FY15 to FY16.
- There was also a lower proportion of high margin revenue in FY16 and this change in revenue mix accounts for $0.2 million of the change in COGS.
- The impact of a weaker Australian Dollar also adversely impacted COGS by approximately $0.3 million based on FY15 COGS in US Dollars at the FY16 average rate, and a further $0.2 million based on incremental COGS in FY16 which were more expensive when translated to AUD.
- The result of these changes was that Gross Profit for FY16 was 74.3%, which was consistent with Gross Profit for FY14 after an increase in Gross Profit in FY15 due to some one-off factors described at Section 4.11.2.

Operating Costs

In FY16 Pro forma operating costs increased by 32% from $7.9 million in FY15 to $10.4 million in FY16. An overview of the movement in each operating cost category is provided below:

- Employee related costs increased by approximately $1.7 million from $4.8 million in FY15 to $6.5 million in FY16. Headcount increased from 46 FTEs in June 2015 to 53 FTEs in June 2016 and the average number of FTEs increased by approximately 20% in FY16. Development costs capitalised decreased $0.3 million from FY15 to FY16 as a greater proportion of R&D costs related to research, which is expensed. The weakening of the Australian Dollar also adversely impacted the US Dollar employment costs, representing an adverse impact $0.3 million in FY16.
- Marketing expenditure grew $0.6 million from $1.0 million in FY15 to $1.7 million in FY16. Expenditure grew to support ongoing business growth, including support for Dante Via and Dante Virtual SoundCard. Foreign exchange movements also contributed to the increase as most marketing costs are incurred in US Dollars.
- Administration and Operating Costs grew from $2.0 million in FY15 to $2.2 million in FY16. There were small cost increases in a range of categories.

EBITDA

- EBITDA declined slightly from an EBITDA loss of $1.4 million in FY15 to an EBITDA loss of $1.5 million in FY16. A 37% improvement in Gross Profit from FY15 to FY16 was offset by a 35% increase in employee related costs, including a $0.3 million reduction in development costs capitalised.

Depreciation and amortisation

- Depreciation and amortisation increased by 17% mainly reflecting increased development costs capitalised.

Other Income

- Other income remained relatively stable from FY15 ($0.8 million) to FY16 ($0.7 million) although there were some significant movements within categories of other income. As a lower proportion of costs claimed for the R&D government incentive related to development costs in FY16, relative to FY15, this lead to an increase in other income recognised of approximately $0.3 million. This is because a higher proportion of the incentive was capitalised in FY15 as an offset to development costs capitalised as an intangible asset. This impact was partially offset reduced FX gains in FY16, $0.2 million lower than prior year.

NPAT

- NPAT loss increased from $1.0 million in FY15 to a loss $1.3 million in FY16. The improvement in Gross Profit from FY15 to FY16 was outweighed by the growth in operating expenses ($0.1 million), higher depreciation and amortisation ($0.1 million) and adverse movements in other income ($0.1 million).

TABLE 17: SUMMARY PRO FORMA CASH FLOW STATEMENT FY15 COMPARED TO FY16

A$('000) Year Ended 30 June	Note	Pro forma Historical Cash Flows FY15	 FY16	Percentage change %	$ change $
EBITDA		**(1,424)**	**(1,525)**	**7.1%**	**(101)**
Non-cash items in EBITDA	1	374	168	(55.0%)	(206)
Changes in Working Capital	2	(41)	299	(838.9%)	340
Operating Cash Flow		**(1,091)**	**(1,057)**	**(3.1%)**	**34**
Capitalised development costs	3	(938)	(830)	(11.5%)	108
Capital expenditure		(87)	(212)	143.7%	(125)
Free Cash Flow		**(2,116)**	**(2,099)**	**(0.8%)**	**17**
Net interest income/(expense)	4	302	273	(9.4%)	(28)
Government grants		119	–	(100.0%)	(119)
R&D tax incentive	5	215	447	107.6%	231
Income tax paid		(2)	(12)	372.5%	(9)
Proceeds from the issue of shares		2	3	32.3%	1
Offer transaction costs (capitalised to equity)		–	–	n.m.	–
Net forex gains/losses		384	146	(61.9%)	(238)
Net cash flow		**(1,096)**	**(1,241)**	**13.2%**	**(145)**

Notes:
1. Non-cash items in EBITDA predominantly relates to the expense for the LTI scheme.
2. Changes in working capital are impacted by changes in trade receivables, trade payables, inventory levels and provisions. This includes movement in the R&D incentive receivable.
3. Audinate capitalises certain employment costs spent on product development as intangible assets in accordance with AAS. Further details in relation to Audinate's development cost capitalisation accounting policies are outlined in Appendix I.
4. Net interest income relates to actual interest income received in addition to a Pro forma adjustment for the incremental full year impact of interest income on cash held from the Offer proceeds from 1 July 2017.
5. Relates to the portion of the R&D incentive for research activities, and relating to costs which have been expensed within EBITDA.

In FY15 the main reason for the movement in working capital was a decrease in trade payables along with an increase in the R&D incentive receivable. In FY16 movements in trade receivables and trade payables largely offset whilst growth in employee provisions positively impacted working capital by $0.2 million.

From FY15 to FY16 there was an increase in research costs which resulted in a $0.2 million increase in the value of the R&D incentive recognised as other income. Further detail on R&D expenditure and the related impacts on the accounting for the R&D incentive is set out in Section 4.13.

4.12 FORECAST FINANCIAL INFORMATION

The basis of preparation for the Forecast Financial Information is detailed in this Section 4.12. Section 4.12.1 includes the Directors' best estimate general assumptions adopted in preparing the Forecast Financial Information. In addition to these general assumptions, assumptions specific to the Forecast are detailed in Section 4.12.2.

4.12.1 General assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- there are no material changes in the competitive and operating environment in which Audinate operates;
- there are no significant deviations from current market expectations of economic and market conditions under which Audinate operates;
- there are no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures of Audinate;

- there are no changes in applicable AAS, IFRS, other mandatory professional reporting requirements or the Corporations Act which could have a material impact on Audinate's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures in FY18;
- no material changes in foreign currency exchange rates, particularly as they relate to the Australian Dollar and the US Dollar;
- there are no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of Audinate;
- there are no material changes in key personnel, including key management personnel, noting the planned retirement of Mr. David Myers towards the end of 2017. It is also assumed that Audinate will maintain its ability to recruit and retain the personnel required to support future growth;
- there are no material changes to Audinate's corporate and funding structure;
- there are no significant disruptions to the continuity of operations of Audinate or other material changes in the business; there are no material amendments to any material contract, agreement or arrangement relating to Audinate's business or intellectual property;
- none of the risks listed in Section 5 has a material adverse impact on the operations of Audinate; and
- the Offer proceeds are received in accordance with the timetable set out in the Key dates section of this Prospectus.

4.12.2 Specific material assumptions affecting the Forecast Financial Information and management discussion

The Forecast Financial Information is based on various specific assumptions, of which the key assumptions are set out below. The assumptions below are a summary only and do not represent all factors that will affect Audinate's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The assumptions apply to 2H17 and FY18.

Revenue assumptions

The Forecast Financial Information is based on the following key revenue assumptions:

- retention of existing OEM customer, with no material revenue from new OEM customers assumed;
- revenue growth from core business, including extension products is consistent with recent growth rates achieved;
- revenue growth incorporates the historical growth rate in the top ten customers from FY14 to 1H17 and a bottom up estimation of revenue growth in the top twenty customers by region (60 customer in total) for 2H17 and 1H18;
- revenue growth reflects a forecast increase in the volume of chips, modules and cards sold, from approximately 173,000 units in FY17 to approximately 246,000 units in FY18;
- average selling prices (ASPs) are consistent with existing volume-based pricing agreements/arrangements;
- revenue growth from new products amounts to $0.7 million, assuming Dante Domain Manager is released by January 2018;
- no additional material revenue from products in development but not yet commercialised;
- seasonality of revenue is in line with historical trends as described in Section 4.3; and
- no significant financial impact from changes in the mix of currencies in which Audinate invoiced its customers during FY16.

Operating Costs assumptions

The Forecast Financial Information is based on the following key operational expense assumptions:

- employee related costs are assumed to be driven by a net increase in employee headcount equivalent to an additional 29 FTEs during FY18. It is assumed the headcount increases are primarily in sales & marketing (10), engineering & technology (8), and product support and delivery (6);
- marketing expenses are assumed to increase approximately $0.4 million to support the launch of new products during the forecast period;
- administration and Operating Costs are assumed to grow in line with recent experience, except for an additional $0.3 million which has been set aside for process and system initiatives (including capital expenditure of an additional $0.7 million) to put in place the infrastructure to support the continued growth of the business;
- incremental public company costs have been forecast reflecting Audinate's estimate of the incremental annual costs that Audinate will incur as a listed public entity including Non-Executive Director remuneration, adjustments to the remuneration of the Key Management Personnel, additional compliance and finance resources, additional audit and legal costs, listing fees, share registry costs, Directors' and officers' insurance premiums as well as investor relations, annual general meeting and annual reporting costs;
- Offer Costs of $2.8 million are assumed to be incurred, of which $1.1 million (before tax) are directly attributable to the issue of new Shares by the Company and are offset against equity raised in the Offer. The remaining $1.7 million (before tax) relates to the sale of existing Shares by the Selling Shareholders and are expensed in the Statutory Forecast;
- amortisation is based on existing intangible assets and forecast capitalisation of the incremental product development costs that are assumed to be incurred in FY18. No impairments are expected;
- Audinate has not assumed any gains or losses from the disposal of assets; and
- income tax expense is based on the corporate tax rate of 30% in Australia and the relevant tax rate in each of the jurisdictions in which Audinate operates. Income tax expense also accounts for the expectation that Audinate will be able to continue to claim R&D tax incentives for certain development expenditures.

Other assumptions

The Forecast Financial Information is based on the following other assumptions:

- changes in Working Capital assumes the timing of receipts from customers and expense payments to be consistent with historical trends;
- capitalised product development increase reflects the hiring in FY17 and FY18 of additional product development staff that are expected to be specifically focused on product enhancements and/or innovations;
- capital expenditure reflects assumed investment in property, plant and equipment expected to support the growth of Audinate's business throughout the forecast period; and
- exchange rates are assumed to remain constant with rates as at March 2017. The forecast assumes one Australian Dollar is equivalent to 0.77 US Dollars.

4.12.3 Management discussion and analysis of Forecast Financial Information

TABLE 18: PRO FORMA CONSOLIDATED INCOME STATEMENT – FY16 COMPARED TO FY17

		Pro forma Historical	Pro forma Forecast	Percentage Change	$ change
A$('000) Year Ended 30 June	**Notes**	**FY16**	**FY17**	**%**	**$**
Sales Revenue	1	**11,903**	**14,596**	**22.6%**	**2,693**
COGS	2	(3,062)	(3,568)	16.5%	(506)
Gross Profit	2	**8,841**	**11,028**	**24.7%**	**2,187**
Employee related costs	3	(6,480)	(7,692)	18.7%	(1,212)
Marketing expense		(1,659)	(1,619)	(2.4%)	40
Administration and other operating expenses	4	(2,227)	(2,393)	7.5%	(166)
Operating costs		**(10,366)**	**(11,704)**	**12.9%**	**(1,338)**
EBITDA		**(1,525)**	**(676)**	**55.7%**	**849**
Depreciation and amortisation expense	5	(720)	(920)	27.8%	(200)
EBIT		**(2,245)**	**(1,596)**	**28.9%**	**648**
Net interest income	6	273	257	(6.1%)	(17)
Government grants	8	–	–	n.m.	–
R&D tax incentive	8	574	318	(44.6%)	(256)
FX gains and losses	8	146	(181)	(224.0%)	(328)
Other income		**720**	**136**	**(81.1%)**	**(584)**
Profit before taxation		**(1,251)**	**(1,203)**	**3.8%**	**48**
Income tax expense	9	(12)	(17)	45.6%	(5)
NPAT		**(1,263)**	**(1,220)**	**3.4%**	**43**
Foreign currency translation reserve		(25)	–	(100.0%)	25
Total comprehensive income		**(1,288)**	**(1,220)**	**5.3%**	**68**
Key Operational Metrics					
Pro forma Revenue growth – AUD (%)		48.1%	22.6%		
Pro forma Revenue growth – US Dollars (%)		28.5%	24.8%		
Pro forma Revenue – US Dollars ('000)		8,651	10,801		
Pro forma Gross Profit (%)		74.3%	75.6%		
R&D expense/Revenue (%)		23.5%	19.9%		
R&D expenditure capitalised (%)		51.3%	67.7%		
Total OEM customers signed		310	–		
OEM customers shipping Dante enabled products		144	–		
Total product units		121,896	172,739		

Notes: Refer to Table 1 in Section 4.3 for the notes relating to this table.

Sales
Sales revenue is forecast to increase from $11.9 million in FY16 to $14.6 million in FY17. Sales are all invoiced in US Dollars and this increase represents revenue growth of approximately 25% measured in US Dollars. The increase in revenue is attributable to:

- Chips, Modules and Cards
  - A 42% increase in the volume of chips & modules shipped: from approximately 122,000 units in FY16 to approximately 173,000 units in FY17. The volume of Ultimo products shipped is expected to increase by more than 50% from FY16, combined with continued strong growth in Brooklyn products.
  - The majority of the revenue growth in chips, modules and cards is expected to be generated from Brooklyn products (approximately $0.8 million) and Ultimo products (approximately $0.6 million). Other product categories are expected to exhibit further revenue growth, collectively expected to generate an additional $0.8 million in revenue compared to FY16.
- Other
  - Licensing fees from software are expected to contribute an additional $0.2 million, compared to FY16.
- The average AUD/USD exchange rate (based on actuals FX rates to 31 March 2017 plus a forecast FX rate of AUD 77c) represents a decline of 5% from FY16. This adversely impacts sales revenue by $0.7 million.

Gross Profit
Gross Profit is expected to increase to $11.0 million in FY17 from $8.8 million in FY16. COGS is also expected to increase from $3.1 million in FY16 to $3.6 million in FY17. This can be explained by a combination of factors:

- The increase in COGS is proportional to the expected revenue increase from FY16 to FY17, offset by slightly stronger AUD/USD exchange rate.
- Overall there is expected to be an increase in Gross Profit to 75.6%, up from 74.3% in FY16.

Operating Costs
In FY17 Pro forma operating costs are forecast to increase by 13% from $10.4 million in FY16 to $11.7 million in FY17. An overview of the movement in each operating cost category is provided below:

- Employee related costs are forecast to increase approximately $1.2 million from $6.5 million in FY16 to $7.7 million in FY17. Headcount is expected to increase from 53 FTEs in June 2016 to 63 FTEs in June 2017, together with an increase in variable remuneration of approximately $0.4 million. The additional headcount is mainly related to engineering, product management and customer support necessary to support the Group's growth initiatives.
- The average cost per FTE, including variable remuneration, is forecast to increase by approximately 7% in Australia due to a combination of adding senior staff and wage rises for existing employees. The impact of this factor is expected to be an additional $0.2 million in employment costs in FY17.
- Development costs capitalised are expected to increase by $0.5 million from FY16 to FY17 as a greater proportion of R&D costs related to development costs which are capitalised.
- Marketing expenditure is expected to remain at approximately $1.6 million.
- Administration and other operating expenses are expected to grow from $2.2 million in FY16 to $2.4 million in FY17. This includes an uplift in rent and recruitment costs reflecting an expanded headcount to support growth.

EBITDA
- EBITDA is expected to improve from a loss of $1.5 million in FY16 to a loss of $0.7 million in FY17. A 25% improvement in Gross Profit from FY16 to FY17 is expected to exceed growth in operating costs of 13%.

Depreciation and Amortisation
- Depreciation and amortisation is forecast to increase by 28% mainly reflecting increased development costs capitalised.

Other Income
- Other income is expected to decrease from $0.7 million in FY16 to $0.1 million in FY17. This is because a higher proportion of costs claimed for the R&D government incentive are expected to relate to development costs in FY17, relative to FY16, this is forecast to lead to a decrease in other income recognised of approximately $0.3 million. This is because a higher proportion of the incentive is expected to be capitalised in FY17 as an offset to development costs capitalised as an intangible asset. Movements in FX gains and losses is forecast to be $0.3 million adverse from FY16 to FY17.

NPAT
- NPAT is forecast to improve from a loss of $1.3 million to a loss of $1.2 million.

TABLE 19: SUMMARY PRO FORMA CASH FLOW STATEMENT FY16 COMPARED TO FY17

A$('000) Year Ended 30 June	Note	Pro forma Cash Flows FY16	 FY17	Percentage change %	$ change $
EBITDA		**(1,525)**	**(676)**	**(55.7%)**	**849**
Non-cash items in EBITDA	1	168	271	61.1%	103
Changes in Working Capital	2	299	4	(98.6%)	(295)
Operating Cash Flow		**(1,057)**	**(401)**	**(62.1%)**	**656**
Capitalised development costs	3	(830)	(975)	17.5%	(145)
Capital expenditure		(212)	(133)	(37.2%)	79
Free Cash Flow		**(2,099)**	**(1,509)**	**(28.1%)**	**590**
Net interest income/(expense)	4	273	257	(6.1%)	(17)
Government grants		–	–	n.m.	–
R&D tax incentive	5	447	193	(56.9%)	(254)
Income tax paid		(12)	(27)	132.1%	(16)
Proceeds from the issue of shares		3	2	n.m.	(1)
Net forex gains/losses		146	(181)	(224.0%)	(328)
Net cash flow		**(1,241)**	**(1,266)**	**n.m.**	**(25)**

1. Non-cash items in EBITDA predominantly relates to the expense for the LTI scheme.
2. Changes in working capital are impacted by changes in trade receivables, trade payables, inventory levels and provisions. This includes movement in the R&D incentive receivable.
3. Audinate capitalises certain employment costs spent on product development as intangible assets in accordance with AAS. Further details in relation to Audinate's development cost capitalisation accounting policies are outlined in Appendix I.
4. Net interest income relates to actual interest income received in addition to a Pro forma adjustment for the incremental full year impact of interest income on cash held from the Offer proceeds from 1 July 2017.
5. Relates to the portion of the R&D incentive for research activities, and relating to costs which have been expensed within EBITDA.

In FY16 movements in trade receivables and trade payables largely offset whilst growth in employee provisions positively impacted working capital by $0.2 million. In FY17 an increase in trade payables is forecast at $0.9 million but is forecast to be partially offset by compensating changes in other parts of working capital.

Research costs are forecast to decrease and this will result in a $0.3 million decrease in the value of the R&D incentive recognised as other income. Further detail on R&D expenditure and the related impacts on the accounting for the R&D incentive is set out in Section 4.13.

TABLE 20: PRO FORMA CONSOLIDATED INCOME STATEMENT – 1H16 COMPARED TO 1H17

A$('000) Year Ended 30 June	Note	Pro forma Historical 1H16	1H17	Percentage change %	$ change $
Sales Revenue	1	**5,333**	**6,594**	**23.6%**	**1,261**
COGS	2	(1,360)	(1,648)	21.2%	(288)
Gross Profit	2	**3,973**	**4,946**	**24.5%**	**973**
Employee related costs	3	(3,329)	(3,583)	7.6%	(254)
Marketing expense		(808)	(690)	(14.5%)	117
Administration and other operating expenses	4	(1,055)	(1,168)	10.7%	(113)
Operating Costs		**(5,191)**	**(5,441)**	**4.8%**	**(250)**
EBITDA		**(1,218)**	**(495)**	**59.4%**	**723**
Depreciation and amortisation expense	5	(330)	(419)	27.2%	(90)
EBIT		**(1,548)**	**(915)**	**40.9%**	**634**
Net interest income	6	136	138	1.3%	2
Government grants	8	–	–	n.a.	–
R&D tax incentive	8	281	154	(45.2%)	(127)
FX gains and losses	8	174	(127)	(173.0%)	(301)
Other income		**455**	**27**	**(216.9%)**	**(426)**
Profit before taxation		**(957)**	**(749)**	**21.7%**	**208**
Income tax expense	9	(0)	(2)	438.3%	(2)
NPAT		**(957)**	**(751)**	**21.5%**	**206**

Key Operational Metrics		
Pro forma Revenue growth – AUD (%)	–	23.6%
Pro forma Revenue growth – US Dollars (%)	–	28.9%
Pro forma Revenue – US Dollars ('000)	3,848	4,961
Pro forma Gross Profit (%)	74.5%	75.0%
R&D expenditure/Revenue (%)	25.7%	22.0%
R&D expenditure capitalised (%)	51.3%	75.6%
Employee related costs/Revenue (%)	62.4%	54.3%
Total OEM customers signed	258	346
OEM customers shipping Dante enabled products	109	159
Total product units	48,887	85,922

Notes: Refer to Table 1 in Section 4.3 for the notes relating to this table.

Sales

In 1H17 the Company recorded a 24% increase in revenues from $5.3 million in 1H16 to $6.6 million in 1H17. Sales are all invoiced in US Dollars and this increase represents revenue growth of approximately 30% measured in US Dollars. This increase was driven by:

- Chips, Modules and Cards
  - A 76% increase in the volume of units shipped: from approximately 49,000 units in 1H16 to approximately 86,000 units in 1H17.
  - Revenue growth was consistent with an increase in the number of OEM customers with Dante enabled products available, which increased from 109 at the end of 1H16 to 159 at the end of 1H17.
- The average AUD/USD exchange rate strengthened from 72.2c in 1H16 to 75.7c in 1H17 which had an adverse impact in 1H17 of $0.3 million.

Gross Profit

- Gross Profit increased to $5.0 million in 1H17 from $4.0 million in 1H16. COGS is also expected to increase to $1.6 million in 1H17 from $1.4 million in 1H16. The increase in both Gross Profit and COGS is proportional to the increase in revenue.

Operating Costs

In 1H17 Pro forma operating costs are forecast to increase by 5% from $5.2 million in 1H16 to $5.4 million in 1H17. An overview of the movement in each operating cost category is provided below:

- Employee related costs increased approximately $0.3 million from $3.3 million in 1H16 to $3.6 million in 1H17. Headcount increased from 49 FTEs in 1H16 to 57 FTEs at the end of 1H17. Development costs capitalised increased by $0.4 million from 1H16 to 1H17 as R&D expenditure continued to grow and a greater proportion of R&D costs related to development costs which are capitalised.
- Marketing expenditure declined slightly from $0.8 million in 1H16 to $0.7 million in 1H17.
- Administration and other operating expenses increased 11% from $1.1 million in 1H16 to $1.2 million in 1H17. These costs grew to support business growth, with more notable increases evident in rent and recruitment costs.

EBITDA

- EBITDA improved from a loss of $1.2 million in 1H16 to a loss of $0.5 million in 1H17. This is due to growth in Gross Profit of $1.0 million which was offset by operating cost growth of $0.3 million (inclusive of additional development costs capitalised of $0.4 million).

Depreciation and Amortisation

- Depreciation and amortisation increased by 27% mainly reflecting increased development costs capitalised.

Other Income

- Other income decreased from $0.4 million in 1H16 to $0.0 million in 1H17. This is because a higher proportion of costs claimed for the R&D government incentive are related to development costs in 1H17, relative to 1H16. This leads to a reduction in other income as a higher proportion of the R&D incentive is applied against capitalised development costs. FX impacts accounted for $0.3 million of the reduction in other income.

NPAT

- NPAT improved by $0.2 million from a loss in 1H16 of $1.0 million to a loss of $0.8 million in 1H17. This is due to $1.0 million increase in Gross Profit which was partially offset by an increase in operating costs ($0.3 million) and lower other income ($0.4 million).

TABLE 21: SUMMARY PRO FORMA CASH FLOW STATEMENT 1H16 COMPARED TO 1H17

		Pro forma Historical Cash Flows		Percentage change	$ change
A$('000) Year Ended 30 June	**Note**	**1H16**	**1H17**	**%**	**$ change**
EBITDA		**(1,218)**	**(495)**	**(59.4%)**	**723**
Non-cash items in EBITDA	1	137	135	(1.2%)	(2)
Changes in Working Capital	2	(173)	224	(229.8%)	397
Operating Cash Flow		**(1,254)**	**(135)**	**(89.2%)**	**1,119**
Capitalised development costs	3	(703)	(618)	(12.1%)	85
Capital expenditure		(37)	(82)	120.8%	(45)
Free Cash Flow		**(1,994)**	**(836)**	**(58.1%)**	**1,159**
Net interest income/(expense)	4	137	138	1.2%	2
Government grants		–	–	n.m.	–
R&D tax incentive	5	–	701	–	701
Income tax paid		(2)	(1)	(63.2%)	1
Proceeds from the issue of shares		3	1	n.m.	(2)
Net forex gains/losses		174	(131)	(175.4%)	(305)
Net cash flow		**(1,683)**	**(127)**	**n.m.**	**1,556**

Notes:
1. Non-cash items in EBITDA predominantly relates to the expense for the LTI scheme.
2. Changes in working capital are impacted by changes in trade receivables, trade payables, inventory levels and provisions. This includes movement in the R&D incentive receivable.
3. Audinate capitalises certain employment costs spent on product development as intangible assets in accordance with AAS. Further details in relation to Audinate's development cost capitalisation accounting policies are outlined in Appendix I.
4. Net interest income relates to actual interest income received in addition to a Pro forma adjustment for the incremental full year impact of interest income on cash held from the Offer proceeds from 1 July 2017.
5. Relates to the portion of the R&D incentive for research activities, and relating to costs which have been expensed within EBITDA.

In 1H16 the movement in working capital was driven by timing of the receipt of the R&D incentive and a slight improvement in trade debtors. In 1H17 the receipt of the R&D incentive reduced working capital but this was out-weighed by increases in inventory levels and trade debtors' growth.

The R&D incentive was not received until the second half of FY16, compared to FY17 when the incentive was received in the first half.

4.12.4 Management discussion and analysis of Forecast Financial Information

TABLE 22: PRO FORMA CONSOLIDATED INCOME STATEMENT – FY17 COMPARED TO FY18

A$('000) Year Ended 30 June	Note	Pro forma Forecast FY17	 FY18	Percentage Change %	$ change $
Sales revenue	1	**14,596**	**18,552**	**27.1%**	**3,956**
COGS	2	(3,568)	(4,428)	24.1%	(860)
Gross Profit	2	**11,028**	**14,125**	**28.1%**	**3,096**
Employee benefits expenses	3	(7,692)	(10,342)	34.5%	(2,650)
Marketing expense		(1,619)	(2,006)	23.9%	(387)
Administration and other operating expenses	4	(2,393)	(2,965)	23.9%	(572)
Operating Costs		**(11,704)**	**(15,313)**	**30.8%**	**(3,609)**
EBITDA		**(676)**	**(1,188)**	**75.8%**	**(513)**
Depreciation and amortisation expense	5	(920)	(1,195)	29.8%	(275)
EBIT		**(1,596)**	**(2,383)**	**49.3%**	**(787)**
Net interest income	6	257	236	(8.2%)	(21)
Government grants	8	–	–	n.m.	–
R&D tax incentive	8	318	576	81.3%	259
FX gains and losses	8	(181)	–	n.m.	181
Other income		**136**	**576**	**422.5%**	**440**
Profit before taxation		**(1,203)**	**(1,571)**	**n.m.**	**(368)**
Income tax expense	9	(17)	(65)	282.8%	(48)
NPAT		**(1,220)**	**(1,636)**	**n.m.**	**(416)**
Foreign currency translation reserve		–	–	–	–
Total comprehensive income		**(1,220)**	**(1,636)**	**n.m.**	**(416)**
Key Operational Metrics					
Pro forma Revenue growth – AUD (%)		22.6%	27.1%		
Pro forma Revenue growth – US Dollars (%)		24.8%	32.3%		
Pro forma Revenue – US Dollars ('000)		10,801	14,258		
Pro forma Gross Profit (%)		75.6%	76.1%		
R&D expense/Revenue (%)		19.9%	20.3%		
R&D expenditure capitalised (%)		67.7%	66.0%		
Total product units		172,739	245,531		

Notes: Refer to Table 1 in Section 4.3 for the notes relating to this table.

4 Financial information

Sales

In FY18 revenue is forecast to increase from $14.6 million in FY17 to $18.6 million in FY18. Sales are all invoiced in US Dollars and this increase represents revenue growth of 32% measured in US Dollars. The forecast increase in revenue is expected to be attributable to:

- Chips, Modules and Cards
  - A 42% increase in the volume of units shipped from around 173,000 units for FY17 to approximately 246,000 units in FY18. Growth in Ultimo products is expected to be around 50%, with continued strong growth in Brooklyn products consistent with FY17 experience. This will be supplemented by revenue from the Broadway product launched at the end of FY17.
  - OEMs with Dante enabled products available are expected to increase to at least 223 by the end of FY18 compared to 168 OEMs at the end of FY17.
- Other
  - There is approximately $0.7 million of revenue forecast in FY18 collectively from Dante Domain Manager and the new series of adaptor products. There is also expected to be additional revenue from existing software products amounting to $0.2 million, for FY18 relative to FY17.
- The forecast impact of movement in foreign exchange rates is expected to adversely impact FY18 revenue by $0.3 million.

Gross Profit

Gross Profit is forecast to increase by $3.1 million from $11.0 million in FY17 to $14.1 million in FY18. COGS are expected to increase from $3.6 million to $4.4 million for the same period. As a result, the Gross Profit percentage is expected to remain stable at 76%.

Operating Costs

Operating costs are forecast to increase from $11.7 million in FY17 to $15.3 million in FY18. The majority of the increase in employment costs and marketing costs is directly attributable to the Group's growth initiatives which are forecast to contribute $0.7 million in FY18 and expected to drive significant revenue growth beyond the forecast period. An overview of the movement in each operating cost category is provided below:

- Employee related costs are forecast to increase from $7.7 million in FY17 to $10.3 million in FY18. The main reason for the forecast growth is due to an increase in headcount from 63 FTEs at the end of FY17 to 92 FTEs at the end of FY18. The impact is an increase in employee related costs of $1.3 million in FY18.
- During FY18 the Company expects that 36 FTEs will be primarily (> 50%) focused on new products and innovation, as described in Section 3.7. This includes 17 new FTEs to be added during FY18. The total estimated cost (salary, on-costs & bonuses) of these employees in the FY18 forecast is $4.2 million out of total forecast salary, on-costs & bonuses in the FY18 forecast of $11.8 million. This is prior to the impact of capitalised development costs which are forecast to be $2.5 million in FY18.
- The other factor contributing to growth in employee related costs in FY18 is the full year impact of staff added during FY17, together with routine payrises for the existing workforce, which together amounts to an incremental $1.4 million.
- The foreign exchange impact on employee related costs is not forecast to be significant based on the US Dollar exchange rate used in the forecast.
- Marketing costs are forecast to increase from $1.6 million in FY17 to $2.0 million in FY18. This is due to increased spend to support the launch of new products, particularly Dante Domain Manager and Adapter Products, which is expected to amount to $0.8 million.
- Administration and other operating expenses are forecast to increase from $2.4 million in FY17 to $3.0 million in FY18m. The main reason for the increase is that $0.3m has been set aside for process and system initiatives (together with capital expenditure of a further $0.7 million) to put in place infrastructure to support the business.

EBITDA

- EBITDA loss is forecast to increase from a loss of $0.7 million in FY17 to a loss of $1.2 million in FY18. The forecast growth in Gross Profit of $3.1 million is exceeded by the growth in operating costs of $3.6 million as the Company invests in growth initiatives using the proceeds of the Offer. The increase in the EBITDA loss of $0.5 million is largely attributable to the one-time expenses of $0.3 million on system and process initiatives in FY18.

Depreciation and Amortisation

- Depreciation and amortisation is forecast to increase $0.3 million reflecting increased development costs capitalised.

Other Income

- Other income is forecast to increase by $0.4 million in FY18. This is because of an increasing value of costs are expected to be claimed for the R&D incentive in FY18. The proportion of development costs capitalised is expected to be similar to FY17 and the remaining portion of the incentive attributable to research activities will be recognised as other income.

NPAT

- NPAT is forecast to decrease from a loss of $1.2 million in FY17 to a loss of $1.6 million in FY18 as explained above.

TABLE 23: SUMMARY PRO FORMA CASH FLOW STATEMENT FY17 COMPARED TO FY18

A$('000) Year Ended 30 June	Note	Pro forma Forecast Cash Flows FY17	 FY18	Percentage change %	$ change $ change
EBITDA		**(676)**	**(1,188)**	**75.8%**	**(513)**
Non-cash items in EBITDA	1	271	326	20.5%	55
Changes in Working Capital	2	4	(672)	n.m.	(676)
Operating Cash Flow		**(401)**	**(1,534)**	**282.6%**	**(1,133)**
Capitalised development costs	3	(975)	(1,368)	40.3%	(393)
Capital expenditure		(133)	(931)	598.9%	(798)
Free Cash Flow		**(1,509)**	**(3,833)**	**154.0%**	**(2,324)**
Net interest income/(expense)	4	257	236	(8.2%)	(21)
Government grants		–	–	n.m.	–
R&D tax incentive	5	193	185	(3.8%)	(7)
Income tax paid		(27)	(64)	133.9%	(37)
Proceeds from the issue of shares		2	–	n.m.	(2)
Net forex gains/losses		(181)	–	n.m.	181
Net cash flow		**(1,266)**	**(3,476)**	**174.5%**	**(2,209)**

1. Non-cash items in EBITDA predominantly relates to the expense for the LTI scheme.
2. Changes in working capital are impacted by changes in trade receivables, trade payables, inventory levels and provisions. This includes movement in the R&D incentive receivable.
3. Audinate capitalises certain employment costs spent on product development as intangible assets in accordance with AAS. Further details in relation to Audinate's development cost capitalisation accounting policies are outlined in Appendix I.
4. Net interest income relates to actual interest income received in addition to a Pro forma adjustment for the incremental full year impact of interest income on cash held from the Offer proceeds from 1 July 2017.
5. Relates to the portion of the R&D incentive for research activities, and relating to costs which have been expensed within EBITDA.

In FY17 an increase in trade payables is forecast at $0.9 million but is offset by compensating changes in other parts of working capital. In FY18 the change in working capital is forecast to be primarily attributable to an increase in trade debtors $0.7 million.

The increase in capitalised development costs of $0.4 million from FY17 to FY18 reflects an increase in expenditure relating to growth initiatives. The proportion of research costs capitalised as a percentage of R&D expenditure is expected to remain relatively consistent from FY17 to FY18. Further detail on R&D expenditure and the related impacts on the accounting for the R&D incentive is set out in Section 4.13.

Capital expenditure includes $0.7 million which has been set aside for process and system initiatives to put in place the infrastructure to support the continued growth of the business. A further $0.2 million relates to video product development.

4.13 R&D Expenditure

The Group expenses research costs as incurred and capitalises development costs where they constitute an intangible asset. A R&D incentive is also received and this incentive is apportioned between other income and the development cost asset based on the split of expenditure in the claim. Further detail is contained in Appendix I which provides a Summary of Key Accounting policies.

Set out below in Table 25 is a breakdown of the Group's Pro forma historical R&D expenditure and the related cash incentive for FY14, FY15 and FY16. The amounts in respect of FY17 and FY18 are Pro forma forecast.

TABLE 24: SUMMARY OF PRO FORMA HISTORICAL AND FORECAST R&D EXPENDITURE, AMORTISATION AND R&D INCENTIVES

A$('000)	Note	FY14	FY15	FY16	FY17	FY18
Research costs expensed	1	1,473	632	1,361	937	1,281
Development costs capitalised	2	710	1,705	1,435	1,961	2,487
Total R&D expenditure		**2,183**	**2,337**	**2,796**	**2,898**	**3,767**
Research costs expensed		1,473	632	1,361	937	1,281
Development cost amortisation	3	65	287	542	817	986
Development Pro forma amortisation adjustment	4	447	264	93	–	–
Total Pro forma R&D expense		**1,986**	**1,183**	**1,995**	**1,754**	**2,267**
R&D incentive – research costs (other income)	5	663	284	574	318	576
R&D incentive – development costs	6	319	768	604	986	1,119
Total R&D incentive	7	**982**	**1,052**	**1,178**	**1,304**	**1,695**

Notes:
1. Research costs relate to expenditure that does not meet the requirements to be capitalised and is therefore expensed within EBITDA.
2. Development costs capitalised relates to expenditure which is capitalised as an intangible asset.
3. Development costs capitalised are amortised over three years.
4. The Company adopted AASB 138 Intangible Assets with effect from 1 July 2013 and commenced capitalising development costs. As development costs are amortised over three years the full run rate of amortisation expense for these activities is not reflected in the statutory income statement until FY17. Consequently a Pro forma adjustment has been made for FY14, FY15 and FY16 to reflect the estimated expense that would have been incurred had the Company capitalised development expenditure under the same methodology in FY11, FY12 and FY13.
5. Other income relates to the portion of the R&D incentive for research activities, and relating to costs which have been expensed within EBITDA.
6. The portion of the R&D incentive for development activities, and relating to costs which have been capitalised as an intangible asset. This amount is applied to the balance sheet as a reduction to the intangible assets to which it relates.
7. This represents the total amount of cash received for the R&D incentive.

4.14 Sensitivity Analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Group, the Directors and Management. These estimates are also based on assumptions with respect to future business decisions which are subject to change.

Set out below is a summary of the sensitivity of the impact on the Forecast Financial Information of changes in several key variables. The changes in the key variables as set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in the other assumptions and assumes a full year impact for FY18. In practice, changes in assumptions may offset each other or be additive and it is likely that the Group's Management would respond to any adverse changes in one item to seek to reduce the net effect on the Group's EBITDA and cash flow.

For the purpose of the analysis below, the effect of the changes in key assumptions on the FY18 Pro forma forecast EBITDA loss of $1.2 million and FY18 Pro forma forecast NPAT loss of $1.6 million is set out in Table 25 on the following page.

TABLE 25: SENSITIVITY ANALYSIS ON PRO FORMA FORECAST EBITDA AND NPAT FOR FY18

A$('000) Assumption	Variance	FY18 EBITDA		FY18 NPAT	
		Negative	**Positive**	**Negative**	**Positive**
Revenue growth rates	-/+ 1%	(107)	107	(107)	107
Gross Profit margin	-/+ 1%	(186)	186	(186)	186
Employment costs	-/+ 1%	(104)	104	(104)	104
R&D expenditure capitalisation %	-/+ 5%	(188)	188	(86)	86
Foreign exchange rate (AUD/USD)	-/+ 1c	105	(102)	104	(101)
Foreign exchange rate (AUD/USD)	-/+ 5c	554	(486)	549	(482)

4.15 Dividend Policy

The Company has no current intention to declare and pay a dividend in the forecast period. It is the Company's intention to retain future earnings to fund the development and growth of the business. The payment of a dividend by the Company is at the sole discretion of the Directors.

Section five

Risks

Dante in Broadcast

This Section describes some of the potential material risks associated with Audinate's business, the industry in which Audinate operates and the risks associated with an investment in Shares. Audinate is subject to a number of risks, both specific to the Company's business activities and of a general nature, which may either individually or in combination adversely impact Audinate's future operating and financial performance, investment returns and the value of Audinate's Shares. The occurrence or consequences of some of the risks described here are partially or completely outside of Audinate's control, or the control of Audinate's Directors and Management.

This Section does not purport to list every risk that may be associated with Audinate's business or the industry in which Audinate operates, or an investment in Shares, now or in the future. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. This assessment is based on the knowledge of the Directors as at the Prospectus Date, but there is no guarantee or assurance that the risks will not change or that other risks or matters that may adversely affect Audinate will not emerge.

Any of these risks, or any other risks or other matters, may emerge and may have a material adverse effect on the business and its financial position and performance. There can be no guarantee that Audinate will achieve its stated objectives, deliver on its business strategy, or that the Forecast Financial Information or any forward looking statement contained in this Prospectus will be achieved or realised. You should note that past performance may not be a reliable indicator of future performance.

Before applying for Shares you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in the Company and whether it is a suitable investment for you, having regard to your investment objectives, financial circumstances and taxation position. You should seek advice from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before investing in the Company.

5.1 Risks specific to an investment in Audinate

5.1.1 Competition risk

Audinate competes against other audio networking companies. Some of Audinate's existing and potential competitors may have significantly more resources than Audinate does. Audinate faces the risk that:

- OEMs who purchase Audinate products today may, as they continue to grow, decide to invest in or develop their own networking technology solutions rather than purchasing them from specialist providers such as Audinate;
- Existing competitors could increase their market share through aggressive marketing campaigns, product R&D, strategic alliances with OEMs or industry bodies, price discounting or acquisitions;
- Audinate may fail to increase adoption and usage of its products or introduce new products to its platform;
- Audinate may fail to anticipate and respond to changing opportunities, technology, standards or customer requirements as quickly as Audinate's competitors;
- Audinate's competitors may enhance their product offering to improve their competitive positioning relative to Audinate; and
- New market entrants into the Audio Visual Industry could develop networking products which compete with Audinate's products.

If any of these risks arise, Audinate may compete less effectively and Audinate's market share and ability to secure existing or new business could be reduced, which would have an adverse impact on Audinate's operating and financial performance.

5.1.2 Industry Standardisation

There is currently a minimal level of industry standardisation across the professional AV market. There is a risk that future industry standardisation could disrupt and adversely affect Audinate's business. If Audinate does not continue to innovate, such standardisation has the potential to commoditise Audinate's products and could result in reduced margins and have an adverse effect on Audinate's operations and financial performance.

5.1.3 Protection of intellectual property

The value of Audinate's products is dependent on Audinate's ability to protect its intellectual property, including business processes and know-how, copyrights and trademarks. There is a risk that Audinate may be unable to detect the unauthorised use of its intellectual property rights in all instances. Further, actions Audinate takes to protect its intellectual property may not be adequate or enforceable and thus may not prevent the misappropriation of its intellectual property and proprietary information. Breach of Audinate's intellectual property may result in the need for Audinate to commence legal action, such as infringement or administrative proceedings, which could be costly, time consuming and potentially difficult to enforce in certain jurisdictions and may ultimately prove unfavourable to Audinate. Audinate's failure to protect its intellectual property rights could have an adverse impact on Audinate's operations and financial performance.

5.1.4 Reliance on key customers

A significant proportion of Audinate's revenue (over 20% in FY2016) is currently derived from Audinate's largest customer, Yamaha Corporation which is also a significant shareholder. On completion of the Offer Yamaha will own approximately 10.6% of the Company's issued capital. The material terms and conditions of the arrangements with Yamaha Corporation are described in Section 9.9.

If Audinate's relationship with Yamaha or any of its other major customers deteriorates, or should any of these major customers default or terminate their agreements with Audinate, or merely not order products from Audinate, then Audinate's business and financial condition could be adversely impacted.

5.1.5 Launch of new products
The development schedule for new products (e.g. Dante Domain Manager, Adapters, Video products) may take longer than forecast, delaying the development of new revenue streams. New third party technologies could prove more advanced and be developed in less time than Audinate's new products.

Audinate expects that over time, software revenue will contribute a greater proportion of Audinate's total revenue. There is a risk that Audinate's software and services may not be well received by its customers or Audinate may not be able to generate sufficient adoption of its software by end users.

5.1.6 Ability to attract and retain key personnel
The nature of the Group's business requires its employees in the technical and development teams to be highly skilled and experienced in their respective fields. The Group's continued success depends on being able to hire and retain such individuals. Failure to do so may adversely affect Audinate's ability to develop products or implement its business strategies, which may adversely affect its future financial performance.

5.1.7 Supply chain disruption risk
Audinate sells chips and printed circuit board modules which incorporate its software. These devices are manufactured or supplied by third parties which also manufacture devices for other companies. In particular, Audinate relies on certain manufacturers including VTech to manufacture modules and cards relating to its Brooklyn product and Avnet for etching and programming its Ultimo chips. The agreement with VTech is past its fixed term and is on rolling 12 month terms that can be terminated by either party with 120 days' notice while Audinate does not have any written arrangements with Avnet. Refer to Section 9.9 for further details of these arrangements.

These devices contain electronic components that are used in other devices manufactured for other businesses that may have more purchasing power than Audinate. The global supply of these components is limited and demand for these components may sometimes outstrip supply. Additionally, from time to time the suppliers of some components may decide to discontinue manufacturing these products ("End-of-Life"), requiring Audinate to find an alternative component or even to redesign its products to use an alternative component.

Further to this, Audinate does not have formal contracts in place with component suppliers for the direct supply of these products to Audinate or to Audinate's manufacturer. As is standard practice in the industry, Audinate or Audinate's manufacturer sources these products through distributors on an ad hoc basis by submitting orders with the distributor who supplies the components and issues Audinate or Audinate's manufacturer with invoices. For key components pricing may be based on annual target volumes agreed between Audinate and the component supplier.

A disruption to supply of these components or the manufacturing of these devices could have a material adverse effect on the Company's ability to generate revenue while the disruption or delays remain in place. If the disruptions were prolonged and another third party supplier or manufacturer could not be sourced, this could have a material adverse effect on Audinate's ability to continue to grow the business.

5.1.8 Failure to realise benefits from product development costs
Developing technology is expensive and the investment in the development of these product offerings often involves an extended period of time to achieve a return on investment. An important element of Audinate's business strategy is to continue to make investments in innovation and related product opportunities. Audinate believes that it must continue to dedicate resources to Audinate's innovation efforts to develop software and technology product offerings in order to maintain Audinate's competitive position. Audinate may not, however receive significant revenues from these investments for several years, or may not realise such benefits at all.

5.1.9 Failure to retain existing customers and attract new customers
The success of Audinate's business relies on its ability to retain existing customers, attract new business from existing customers and attract new customers.

5.1.10 Reliance on OEMs
Audinate primarily generates revenue by selling audio networking solutions to OEMs who then embed that technology into their products. Consequently, Audinate's revenue is largely contingent upon a consistent level of demand for the OEM's products as well as a reliance on OEMs to embed Audinate's technology into their future products. A reduction in the demand for OEMs' products, for example due to delays in key customer product development initiatives or due to loss of product attractiveness could have an adverse effect on Audinate's operations and financial performance.

In addition, the failure of OEMs to build and design products that effectively incorporate Audinate's hardware could result in reduced demand for Audinate's products and have an adverse effect on Audinate's operations and financial performance.

5.1.11 Quality of service offering
The ongoing success of Audinate's business is dependent on the perceived reputation of Audinate's product and service offerings. Reputational damage could arise due to a number of circumstances, including product defaults, quality issues due to failure in manufacturing quality control or failure to comply with legislation or regulations applicable to the business.

5.1.12 Product concentration
A significant proportion of Audinate's historical revenue was generated by sales of the Brooklyn II family of modules. If sales of these products grow at a slower rate than other products in Audinate's portfolio, or even decline, it may negatively impact on financial performance.

5.1.13 Margin erosion
Audinate's pricing of its existing module and chip products includes progressive discounts to individual customers as they achieve annual volume targets. This adversely affects the Gross Profit ratio. In addition, Audinate plans to introduce new products which include high margin software products and lower margin adaptor products. If the actual sales mix of these new products differs from the forecast mix, it may negatively impact on financial performance.

5.1.14 Failure to effectively manage growth
The Group needs to continue to invest in systems and processes to support the development of the business. If this is not done in a robust and efficient way to handle projected growth it may negatively impact on financial performance.

5.1.15 Breach of third party intellectual property rights
There is a risk that third parties may allege that Audinate's products use intellectual property derived by them or from their products without their consent or permission. Audinate may be the subject of claims which could result in disputes or litigation, which could result in the payment of monetary damages, cause delays and increase costs, which in turn could have an adverse impact on Audinate's operations, reputation and financial performance.

Some licence agreements under which Audinate licences its intellectual property and technologies to licensees for subsequent incorporation into those licensees' products, and which are not on Audinate's current standard terms, include obligations for Audinate to indemnify the licensees against intellectual property infringement claims. In some instances, Audinate's potential liability under these indemnities is not capped or limited. The risk associated with these indemnification obligations is that Audinate may be obliged to pay amounts on behalf of its licensees in connection with the defence and settlement of allegations, demands, claims or legal proceedings made or brought by a third party against Audinate and which alleges that Audinate's software, hardware or other technology infringes the intellectual property rights (including copyright or patents) of that third party. Audinate may be liable for potentially significant and unquantifiable liability under these indemnification provisions contained in some of its licence agreements which may materially adversely affect Audinate's financial position.

5.1.16 Country/region specific risks in new and/or unfamiliar markets
Audinate has operations in a number of overseas jurisdictions and is exposed to a range of different legal and regulatory regimes, including in new jurisdictions in which Audinate may acquire businesses and/or in geographies which Audinate is expanding its operations. As Audinate expands its presence in new international jurisdictions, it is subject to the risks associated with doing business in regions that may have political, legal and economic instability or less sophisticated legal and regulatory systems and frameworks, including:

- Unexpected changes in, or inconsistent application of, applicable foreign laws and regulatory requirements;
- Less sophisticated technology standards;
- Difficulties engaging local resources; and
- Potential for political upheaval or civil unrest.

As Audinate enters newer and less familiar regions there is a risk that Audinate fails to understand the laws, regulations and business customs of these regions. This gives rise to risks relating to labour practices, foreign ownership restrictions, tax regulation, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regimes and other issues in foreign jurisdictions in which Audinate may operate. This could interrupt or adversely affect parts of Audinate's business and may have an adverse effect on Audinate's operations and financial performance.

5.1.17 Success of sales and marketing strategy
Audinate's future success is partly dependent on the realisation of benefits from investment spent on Sales and Marketing campaigns and initiatives. Promoting awareness of Audinate's products is critical to Audinate's success as an audio networking solution provider.

Audinate expects that Sales and Marketing investment will continue to increase as the business grows. Audinate may not however receive benefits from these investments for several years or may not receive benefits from these investments at all. Failure to realise benefits from Sales and Marketing investment could negatively impact Audinate's ability to attract new customers and adversely impact Audinate's operational and financial performance.

5.1.18 Trademarks

Audinate does not currently have all its trademarks registered with the relevant trademark authorities in all key jurisdictions in which it operates. While Audinate has registered its trademark “Audinate” in certain jurisdictions in which it operates, it has applied for but not yet obtained registration of the trademark “Dante” in the United States and has not applied for registration of this trademark in any other jurisdiction in which it operates. The trademark “Dante” is already registered to another entity in Australia and may also be registered to other registered owners in other jurisdictions in which Audinate operates. There is a risk that the registered owners of the “Dante” trademark may assert rights against Audinate in relation to the use of the mark “Dante” by Audinate in Australia or other relevant jurisdictions and/or oppose the trade mark applications made by Audinate in relation to this mark.

5.1.19 Potential acquisitions

As part of Audinate’s business strategy, Audinate may make acquisitions of, or significant investments in, complementary companies, services, technologies and/or products. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, such as integrating cultures and systems of operation, relocation of operations, short-term strain on working capital requirements, achieving the sales and margins anticipated, retaining key staff and customer and supplier relationships and lower than expected cost synergies.

5.1.20 Loss making operation and sufficiency of funding

At the current time the Company is loss making and is not cash flow positive, meaning it is reliant on raising funds from investors to continue to fund its operations and product development. Although the Directors consider that the Company will, on Completion, have enough working capital to carry out its stated objectives, there can be no assurance that such objectives can continue to be met in the future without securing further funding. The Company has limited financial resources and may need to raise additional funds from time to time to finance the ongoing development and commercialisation of its technology and meet its other longer term objectives. The Company may never achieve profitability. The Company’s ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and the share markets generally. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all. If further funds are required but cannot be raised, this may force curtailment of product development initiatives, operations, or both to remain solvent and at some point the Company may be forced to either dispose of operating assets or close down entirely.

5.2 General risks of an investment in the Company

5.2.1 Foreign exchange risk

The structure of the Group’s operations means that all revenue, cost of sales and a material part of the cost base are denominated in US Dollars. There are also other overseas operations in UK and Hong Kong. Accordingly, it is exposed to currency and exchange rate fluctuations which may affect the Group’s revenue and costs when reported in Australian dollars.

5.2.2 Price of Shares

Once the Company becomes a publicly listed company on the ASX, the Company will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in the Company’s share price that are not explained by Audinate’s fundamental operations and activities.

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of the Shares will increase following the quotation on the ASX, even if the Company’s earnings increase.

Some of the factors which may adversely impact the price of the Shares include, but are not limited to, the number of potential buyers or sellers of Shares on the ASX at any given time, fluctuations in the domestic and international markets for listed securities, general economic conditions including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies and settings, changes in legislation or regulation, inclusion in or removal from market indices, recommendations by brokers or analysts, global hostilities, tensions and acts of terrorism, the nature of the markets in which Audinate operates and general operational and business risks.

Deterioration of general economic conditions may also affect Audinate’s business operations, and the consequent returns from an investment in Shares.

5.2.3 Liquidity of Shares

There has been no public market in the Shares prior to the Offer. Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will arise or that the price of the Shares will increase. There may be relatively few prospective buyers or sellers of the Shares on the ASX at any given time.

In accordance with the escrow requirements in Chapter 9 of the ASX Listing Rules, at completion of the Offer certain Existing Shareholders will be required to enter into escrow deeds and the Company will enter into voluntary escrow arrangements with all certain Existing Shareholders. Accordingly, at completion of the Offer, approximately 69.8% of the Shares on issue will not be able to be traded for a period after listing (see Section 7.7). Given the number of Shares restricted from trading, there will only be liquidity with respect to approximately 30.2% of the Shares on issue at Completion of the Offer until such time as applicable escrow periods end. The absence of any sale of Shares by the escrowed shareholders during this period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could impact the prevailing market price at which Shareholders are able to sell their Shares. It is important to recognise that, on a disposal, Shareholders may receive a market price for their Shares that is less than the price that they paid under the Offer.

Following release from escrow, Shares held by the Existing Shareholders will be able to be freely traded on the ASX. A significant sale of Shares by the Existing Shareholders, or the perception that such sales have occurred or might occur, could adversely impact the price of Shares. The interests of the Existing Shareholders may be different from the interests of investors who acquire Shares in the Offer.

5.2.4 General economic conditions

The general economic climate in which Audinate operates may experience changes, which adversely affect Audinate's financial performance. Factors that may influence the general economic climate include but are not limited to:

- changes in Government policies, taxation and other laws;
- future demand for audio networking technologies, software or products;
- the strength of the equity and share markets in Australia and throughout the world;
- changes in investor sentiment toward particular market sectors;
- movement in, or outlook on, exchange rates, interest rates and inflation rates;
- industrial disputes in Australia and overseas;
- financial failure or default by an entity with which the Company may become involved in a contractual relationship; and
- natural disasters, social upheaval or war.

5.2.5 Inability to pay dividends or make other distributions

The ability for future dividends or other distributions to be paid by the Company will be contingent on its ability to generate profits.

Furthermore, to the extent that the Company pays any dividends, the ability to offer fully franked dividends is contingent on making taxable profits. Taxable profits may be volatile, making the payment of fully franked dividends unpredictable.

The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

5.2.6 Risk of Shareholder dilution

Audinate in the future, may wish to elect to issue Shares or engage in capital raisings to fund ongoing working capital requirements of the Company or acquisitions that the Company may decide to make (although none are contemplated in the short term). While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period (other than where exceptions apply), Shareholders at the time may be diluted as a result of such issues of Shares and capital raisings.

5.2.7 Taxation changes

An investment in Shares involves tax considerations which differ for each Shareholder dependent on their individual financial affairs. Each prospective Shareholder is encouraged to seek independent financial advice about the consequences of acquiring shares, pursuant to the offer, from a taxation viewpoint and generally.

Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws, are interpreted may impact the Company's tax liabilities or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change.

To the maximum degree permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for shares under this Prospectus.

5.2.8 Australian Accounting Standards

Australian Accounting Standards are set by the Australian Accounting Standards Board (AASB) and are outside the Company's control and the control of its Directors. The AASB is due to introduce new or refined Australian Accounting Standards during the period from 2017 to 2018, which may affect future measurement and recognition of profit or loss and other comprehensive income, and statement of financial position items, including revenue and receivables. There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statement of profit or loss and other comprehensive income, and statement of financial position items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in our consolidated financial statements.

5.2.9 Government and regulatory factors

Laws and regulations may be adopted with respect to the Company's products in relation to issues such as user privacy, intellectual property, information security, the content and quality of products and services, which could limit Audinate's proposed scope of activity.

5.2.10 Litigation risk

In the ordinary course of business, Audinate may be involved in litigation disputes from time to time. Litigation disputes brought by third parties including, but not limited to customers, suppliers, business partners, employees and government bodies may adversely impact the financial performance and industry standing of the business, in the case where the impact of legal proceedings is greater than or outside the scope of Audinate's insurance. Such litigation could negatively impact the industry standing of Audinate, cause Audinate to incur unforeseen expenses, occupy a significant amount of Management's time and attention and could negatively affect the Company's business operations and financial position.

As at the date of the Prospectus, the Directors are not aware of any legal proceedings pending or threatened against or no material legal proceedings affecting the Company.

5.2.11 Force majeure events

Events may occur within or outside Australia that could impact upon the Australian economy, the Company and the price of shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Audinate's products and its ability to conduct business. Audinate only has a limited ability to insure against some of these risks.

Section six

Key people, interests and benefits

Dante in Education

6 Key people, interests and benefits

6.1 Board of Directors

The Board comprises six members; one Executive Director and five Non-Executive Directors. The Board has a broad range of experience in developing and commercialising media networking technologies and managing technology companies as well as financial and listed company experience.

6.2 Experience and background

A biography of each of the Directors is set out below.

Director	Experience
David Krall **Chairman of the Board and Non-Executive Director** **Independent**	David Krall is Chairman of the Board of the Company. David serves as a director and/or strategic advisor to a several technology companies, combining a strong educational background in engineering and business with 30 years of professional experience. David Krall also sits on the Board of Directors for Progress Software Corporation (NASDAQ: PRGS), a leading provider of application infrastructure software for business applications. David also currently acts as Strategic Advisor for Universal Audio and Roku. David is the former President and COO of Roku Inc., a market leader in TV streaming. David also formerly was President and CEO of Avid Technology Inc. (NASDAQ: AVID). David received his MBA from Harvard University and his B.S. and Masters degrees in engineering from M.I.T.
Lee Ellison **Chief Executive Officer and Executive Director** **Not independent**	Lee Ellison is the Chief Executive Officer of the Company. Lee has held a series of senior management roles in both startup and publicly listed companies in the telecom and computer technology industries. Lee has held various senior executive and leadership roles over the last 30 years. Lee formerly served as founding Senior Vice President of Worldwide Sales at Dilithium Networks. Previously, Lee served as Vice President of Global Sales and International Operations for Tektronix, Inc. During his 16-year tenure with Glenayre Electronics, Lee held various executive management positions. Lee attended University of North Carolina at Chapel Hill, and received his BS degree from The Ohio State University. Lee also completed an executive management program at the University of Virginia's Darden Business School.
John Dyson **Non-Executive Director** **Not independent**	John Dyson is a Non-Executive Director of the Company. John is a Director and one of the founders of Starfish Ventures. John has played a crucial role in the establishment of Starfish and has personally overseen and managed investments across a range of technologies and industries. John is also currently a Director of Atmail Pty Ltd., Myriax Pty Ltd., and Swinburne Ventures Pty Ltd. 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. John holds a Bachelor of Science from Monash University, a Graduate Diploma in Finance and Investment from the Securities Institute of Australia, Masters of Business Administration from RMIT University and is a Member of the Australian Institute of Company Directors.
Roger Price **Non-Executive Director** **Not independent**	Roger Price is a Non-Executive Director of the Company. Roger is also a General Partner at Innovation Capital, a venture capital firm in Sydney, one of the early investors in Audinate. Roger is currently the Chairman and CEO of Windlab Limited, a wind energy company. Roger has a depth of operational experience including senior engineering, manufacturing, IT service and international business development roles for a number of technology based companies. Prior to joining Innovation Capital, Roger was the CEO 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. Roger holds a degree in Engineering from the University of Technology, Sydney.
Alison Ledger **Non-Executive Director** **Independent**	Alison Ledger is a Non-Executive Director of the Company. Alison has more than 30 years of experience and has held various leadership roles in Australia, the United Kingdom, and the USA. Alison is currently a Non-Executive Director of Countplus Limited (ASX:CUP) and Latitude Financial Services. Alison held various senior management and strategic roles while at Insurance Australia Group (IAG) for eight years, including Head of Group Strategy and Executive General Manager, Product, Pricing and eBusiness. During her tenure as a Partner with McKinsey and Company she advised some of the leading global and Australian banks on strategy and organisational change. Alison began her professional career in the banking industry working with leading financial institutions. Alison received her MBA from Harvard Business School and graduated magna cum laude, with a BA degree in Economics from Boston College. She is a Graduate and Member of the Australian Institute of Company Directors.

Director	Experience
Tim Finlayson **Non-Executive Director Independent**	Tim Finlayson is a Non-Executive Director of the Company. Tim is a chartered accountant with 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. Prior to this role, Tim was CFO for ASX-listed companies Sydney Airport Corporation (ASX: SYD) and Hutchison Telecommunications (Australia) Limited (ASX: HTA). During his time at PricewaterhouseCoopers, Tim was a partner and leader 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 holds degrees in Economics and Laws from Macquarie University, is a Member of Chartered Accountants ANZ and is admitted as a Solicitor of the Supreme Court of New South Wales.

Each Director has confirmed to the Company that they anticipate being available to perform their duties as Non-Executive or Executive Director, as the case may be, without constraints from other commitments.

The Board considers that each of David Krall, Alison Ledger and Tim Finlayson are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of a Director's judgement and is able to fulfil the role of an Independent Director. The Board has adopted a definition of independence that is based on the definition set out in the ASX Corporate Governance Principles.

The following Directors are not currently considered by the Board to be independent for the reasons set out below:

- Lee Ellison, due to his executive role as Chief Executive Officer with the Company;
- Roger Price, due to his position as General Partner of Innovation Capital, which manages investment funds which are substantial Shareholders of the Company; and
- John Dyson, Director and principal of Starfish Ventures, which manages investment funds which are substantial Shareholders of the Company.

6.3 Senior Management

The Company has a highly experienced senior management team as set out below:

Director	Experience
Lee Ellison **Chief Executive Officer**	See Section 6.2.
Aidan Williams **Chief Technology Officer**	Aidan Williams is co-founder and CTO of the Company. 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 twenty patents related to IP networking. Aidan participates in several standards bodies and industry alliances, including the Internet Engineering Task Force (IETF). In the IETF he has authored IETF documents on zero-configuration networking and the interaction between the IETF Real-time Transport Protocol (RTP), time synchronisation and QoS services. 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. 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.
Rob Goss **Chief Financial Officer and Company Secretary**	Rob Goss is the Chief Financial Officer and Company Secretary, responsible for finance and accounting operations and administration at Audinate. Rob has extensive experience in finance of publicly listed companies. Before joining Audinate in 2017, Rob served as Chief Financial Officer for Building IQ (ASX:BIQ), a commercial energy platform to manage building heating & cooling via the cloud to save on energy costs. Prior to Building IQ, Rob was CFO at iProperty (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 Allco Finance Group after commencing his career as and a chartered accountant at KPMG. Rob is a member of the Australian Institute of Chartered Accountants, and received his Bachelor of Business degree majoring in Accounting from University of Technology Sydney.

Director	Experience
David Myers **Chief Operating Officer (Intends to retire from the Company in November 2017)**	David Myers is the Chief Operating Officer of the Company. David was the co-founder of Audinate in 2006, spearheading the spinout from National ICT Australia (NICTA). David has a broad range of experience in management and product delivery for high quality multi-media and internet products and services. David is responsible for Audinate's operations, manufacturing and product delivery. Prior to joining Audinate, David was co-founder and VP of Engineering at Dilithium Networks, a platform supplier of multimedia communication over fixed and mobile networks. Earlier in his career, David held various roles in British Telecommunications (BT), including managing the commercial launch of broadband internet products in the UK. David earned an MA degree in Natural and Electrical Sciences from Cambridge University, UK and an MSc in Microelectronics from Edinburgh University, UK. David is a Member of the Australian Institute of Company Directors.
Chris Ware **Senior Vice President of Engineering**	Chris Ware is the Senior Vice President of Engineering for Audinate, joining in 2007. Previously, Chris worked at Motorola Advanced Technology and Strategy Group in Chicago, IL USA. While at Motorola Chris lead a team piloting the development of advanced Cognitive Radio Systems for high reliability applications in broadband public safety, and other wireless markets. Chris has strong experience leading R&D teams from initial architecture and definition phases throughout the product development process. Chris also represented Motorola in the IEEE 802.11 (WLAN) Standards Organization. Chris received his PhD in Telecommunications Engineering from the University of Wollongong.
Josh Rush **Vice President of Marketing and Product Development**	Josh Rush is the Vice President of Marketing and Product Management. Josh has over 20 years of experience in business, consumer and channel marketing in a variety of industries, including computer hardware, networking and telecommunications. Prior to joining Audinate, Josh held the position as Vice President of Marketing and Product at Vesta, a provider in client branded electronic payment solutions. Josh formerly served as the Digital Home Marketing Manager at HP, where his responsibilities spanned market intelligence, product definition, channel development and marketing launch plans. Josh received his Masters in Business Administration degree in Marketing from the University of Southern California, and his Bachelor of Administration undergraduate degree in marketing communications at Boston University.
John Rechsteiner **Vice President of Sales and Support**	John Rechsteiner has been Vice President of Sales and Global Support for Audinate since 2014. John has over 20-years experience in the enterprise software industry. Since joining Audinate, John has been instrumental in Audinate's growth to become the market leader for professional AV networking. Prior to joining Audinate, John spent 15 years leading Avid Technology business teams and creating a performance based organisational culture. Under John's leadership at Avid, John helped build their media software brand to a dominant market share position. John received his Masters in Business Administration degree from University of California, Berkeley and a Bachelor of Arts degree from Michigan State University.

6.4 Directors' disclosures

No Director of the Company has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director of the Company or which is relevant to an investor's decision as to whether to subscribe for Shares.

Except as set out below, no Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

John Dyson was a director of NewZoom, Inc which filed for Chapter 11 bankruptcy protection in October 2015. The US Bankruptcy Court approved the company's reorganisation plan and NewZoom, Inc emerged from Chapter 11 bankruptcy in or around December 2015. No claims have been made against any director of NewZoom, Inc in relation to the bankruptcy proceedings.

6.5 Directors' interests and remuneration

6.5.1 Chief Executive Officer

Lee Ellison is employed in the position of Chief Executive Officer of the Company. Audinate, Inc has entered into an employment contract with Lee Ellison to govern his employment. See section 6.5.7 below.

6.5.2 Non-Executive Director remuneration

Under the Constitution, the Directors decide the total amount paid to each Non-Executive Director as remuneration for their services. However, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors must not exceed in any financial year the amount fixed in a general meeting of the Company. This amount is capped under the Constitution at $750,000 per annum. Any increase to the aggregate amount needs to be approved by Shareholders. Directors will seek approval of the Shareholders 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 Company, which may be made in addition to or in substitution for the Director's fees.

The Company has entered into an appointment letter with each of its Non-Executive Directors. The annual Directors' fees currently agreed to be paid by the Company under the appointment letters are as set out below:

Director	Annual director's fees (excluding GST and including superannuation in each case where applicable)
David Krall	$120,000
John Dyson	$65,000
Roger Price	$65,000
Alison Ledger	$65,000
Tim Finlayson	$65,000

In addition, the following annual fees are payable to Directors for chairing Board committees:

Committee	Chair	Member
Remuneration and Nomination Committee	$15,000	NA
Audit and Risk Management Committee	$15,000	NA

6.5.3 Interest in Securities

The Directors are not required to hold any Shares under the Constitution. Details of the relevant interests of the Directors in Securities are set out in the table below.

Director (including associates)	Shares as at the Prospectus Date[1]	Incentives held as at the Prospectus Date	Shares after Completion of the Offer[2]	Incentives held as of Completion of the Offer	Percentage holding of Shares immediately following Completion (undiluted)[3]	Percentage holding of Shares immediately following Completion (fully diluted)[3]
Lee Ellison	–	320,000 Options	820	320,000 Options 2,262,811 Performance Rights	0.0%	3.9%
David Krall	293,958	186,042 Options	293,958	186,042 Options	0.5%	0.7%
John Dyson[4]	–	–	–	–	–	–
Roger Price[5]	–	–	–	–	–	–
Alison Ledger	–	–	–	–	–	–
Tim Finlayson	–	–	–	–	–	–

1. Assuming that the Restructure had completed immediately prior to the Prospectus Date.
2. Excluding any Shares the Directors acquire under the Offer.
3. Refer to Section 9.6 for details of the total number of Shares immediately following Completion on an undiluted and fully diluted basis.
4. John Dyson is associated with Starfish Ventures. For information regarding Starfish Ventures and related entities' shareholdings in the Company refer to Section 7.5.
5. Roger Price is associated with Innovation Capital Partners. For information regarding Innovation Capital Partners and related entities' shareholdings in the Company refer to Section 7.5.

6.5.4 Related party transactions
Other than the agreements with Directors set out in this section 6.5 and section 6.7.2, there are no agreements between the Company and its related parties.

6.5.5 Indemnification and directors and officers insurance
The Company has entered into standard deeds of indemnity, access and insurance with the Directors. Pursuant to those deeds, the Company has undertaken, consistent with the Corporations Act, to indemnify each Director in certain circumstances and to maintain directors' and officers' insurance cover in favour of the Director during the period of their appointment and for seven years after the Director has ceased to be a Director. The Company has further undertaken to each Director to maintain a complete set of the Company's board papers and to make them available to the Director for seven years after the Director has ceased to be a Director.

6.5.6 Other interests and payments
Directors may also be reimbursed for travel and other expenses reasonably incurred in connection with the performance of their duties as Directors. Directors may be paid such special remuneration as the Directors decide is appropriate where a Director performs extra work or services for or at the request of the Company. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

6.5.7 Executive remuneration
The Company has established a number of incentive arrangements to enable the attraction, motivation and retention of management and employees of Audinate.

For the executive team, the remuneration packages consist of:

- Fixed remuneration;
- Existing Employee Share Option Plan (ESOP) (as summarised in section 6.7.2);
- Cash-based Short Term Incentives (as summarised in section 6.7.1); and
- New Long Term Incentive Plan (LTI Plan) (as summarised in section 6.7.3).

6.5.8 Executive Remuneration Summary
The employment contracts for senior management are summarised below:

Lee Ellison – Chief Executive Officer
Lee Ellison is employed by Audinate, Inc in the position of Chief Executive Officer. Mr. Ellison resides in Portland, Oregon in the USA and receives a fixed remuneration package US$283,000 (A$375,000). Mr. Ellison is also eligible to participate in various employee benefit programs maintained by Audinate Inc., which includes 80% Company sponsored payment of health and dental insurance coverage, as well as other employee related benefits.

As part of his overall remuneration package, Mr. Ellison is also eligible to receive an annual short term incentive (STI) of up to 50% of his fixed remuneration package for the fiscal year, subject to achieving the annual targets against Company key performance indicators and personal objectives as agreed with the Board for that year. For over achievement of annual targets, it will be at the Board discretion to determine any additional STI payment.

Mr. Ellison has participated in the Company's Existing ESOP Plan and may exercise his vested options under the plan. Mr. Ellison is also eligible to participate in the Company's new Long Term Incentive Plan and will be issued an initial grant of 267,811 Performance Rights for nil consideration under the Employee Incentive Offer on Listing. For further details about the LTI Plan, refer to Section 6.7.3 and for details of the Performance Rights to be issued under the Employee Incentive Offer, see Section 9.8.

In addition, subject to the Company being listed on ASX, the Company has agreed to grant Mr Ellison 1,995,000 Performance Rights under the LTI Plan which will be automatically exercised into Shares on 15 September 2019 provided that Mr Ellison does not resign from his employment with the Group for the period of nine months from the date of grant.

Under the terms of Mr. Ellison's employment contract, Audinate has the right to terminate Mr. Ellison's employment by giving 6 months' written notice. Mr. Ellison can also resign from his employment on 6 months' written notice. In either case, Audinate can also elect in its discretion to make a payment in lieu of that notice to Mr. Ellison or to place Mr. Ellison on garden leave for all or part of that notice period.

After termination of employment, the employment contract provides that Mr. Ellison will be subject to non-competition, non-solicitation of client and non-poaching of employees' restrictions, within the USA and Australia and for a maximum period of 6 months.

Mr. Ellison's employment contract acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, and all similar or related information which relates to Audinate's actual or anticipated business, R&D, which are conceived, developed or made by him while employed are the property of Audinate.

Rob Goss – Chief Financial Officer and Company Secretary
Rob Goss is employed by the Company in the position of Chief Financial Officer. Mr. Goss receives a fixed remuneration package A$257,000 including mandatory superannuation contributions by the Company. Mr. Goss will receive a $15,000 bonus upon successful completion of the Listing.

As part of his overall remuneration package, Mr. Goss is also eligible to receive an annual short term incentive (STI) up to 25% of his fixed remuneration package for the fiscal year, subject to achieving the annual targets against Company key performance indicators and personal objectives as agreed with the Board for that year. For over achievement of annual targets, it will be at the Board discretion to determine any additional STI payment.

Mr. Goss has participated in the Company's existing ESOP Plan and may exercise his vested options under the plan. Mr. Goss is also eligible to participate in the Company's new Long Term Incentive Plan.

Under the terms of Mr. Goss's employment contract, the Company has the right to terminate Mr. Goss's employment by giving 3 months' written notice. Mr. Goss's can also resign from his employment on 3 months' written notice. In either case, the Company can also elect in its discretion to make a payment in lieu of that notice to Mr. Goss or to place Mr. Goss on garden leave for all or part of that notice period.

After termination of employment, the employment contract provides that Mr. Goss will be subject to non-competition, non-solicitation of clients, and non-poaching of employees restrictions, within the USA, Australia and the UK and for a maximum period of 12 months.

Mr. Goss's employment contract acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, and all similar or related information which relates to Audinate's actual or anticipated business, R&D, which are conceived, developed or made by him while employed are the property of Audinate.

Aidan Williams – Chief Technology Officer
Aidan Williams is employed by the Company in the position of Chief Technology Officer. Mr. Williams receives a fixed remuneration package $235,000 including mandatory superannuation contributions by the Company.

As part of his overall remuneration package, Mr. Williams is also eligible to receive an annual short term incentive (STI) up to 25% of his fixed remuneration package for the fiscal year, subject to achieving the annual targets against Company key performance indicators and personal objectives as agreed with the Board for that year. For over achievement of annual targets, it will be at the Board discretion to determine any additional STI payment.

Mr. Williams has participated in the Company's existing ESOP Plan and may exercise his vested options under the plan. Mr. Williams is also eligible to participate in the Company's new Long Term Incentive Plan.

Under the terms of Mr. Williams' employment contract, either party has the right to terminate employment by giving 6 months' written notice. In either case, the Company can also elect in its discretion to make a payment in lieu of that notice to Mr. Williams or to place Mr. Williams on garden leave for all or part of that notice period.

After termination of employment, the employment contract provides that Mr. Williams will be subject to non-competition, non-solicitation of clients and non-poaching of employees restrictions within the USA, Australia and the UK and for a maximum period of 12 months.

Mr. Williams' employment contract acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, and all similar or related information which relates to Audinate's actual or anticipated business, R&D, which are conceived, developed or made by him while employed are the property of Audinate.

David Myers – Chief Operating Officer
David Myers intends to retire from the Company by November, 2017 and the Company will transition his responsibilities over this term.

Other Senior Management
All other senior management are employed under written terms of employment with Audinate.

The key terms and conditions of their employment include:

- remuneration packages;
- eligibility to participate in the Company's STI Plan and LTI Plan (as summarised in Sections 6.7.1 and 6.7.3);
- express provisions protecting the Company's confidential information and intellectual property;
- 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 and non-poaching of employees, within the countries in which the Company primarily operates and for a maximum duration of up to 3 months.

The employment agreements contain additional provisions considered standard for agreements of this nature including in relation to protection of confidential information and intellectual property.

6.6 Interests and benefits of Directors, advisers and promoters

Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer,

holds at the Prospectus Date, or held at any time during the two years before the Prospectus Date, an interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of the Company.

6.7 Employee incentive arrangements

6.7.1 Short Term Incentive Plan

The Audinate Short Term Incentive Plan, (STI Plan) is designed to reward eligible employees for their efforts toward the accomplishment of Audinate's goals during the plan year. Under the STI Plan, the decision to pay any bonus under the STI Plan remains in the full discretion of the Remuneration Committee of Audinate's Board of Directors. The Remuneration Committee also recommends to the Board the fixed remuneration packages for the executive team. It is intended that these will be reviewed annually. The Remuneration Committee may seek external advice to determine the appropriate level and structure of the remuneration packages from time to time.

The cash-based short term incentives payments are subject to achievement of performance criteria set and assessed by the Board. The key components of the cash-based STI Plan are:

- Participants are entitled to receive a percentage of their fixed remuneration as an annual cash bonus;
- Payments of an annual cash bonus based on individual key performance targets and objectives and Company performance against key performance indicators; and
- Key performance indicators are set every year and may include measures such as revenue, EBITDA and growth targets, or other targets as considered appropriate and set by the Board.

6.7.2 Existing Employee Share Option Plan

As at Completion, the Company will have on issue 3,275,042 Options held by eligible participants under its existing Employee Share Option Plan. Details of these Options are included in the Company's capital structure as set out in section 9.6. As at the Prospectus Date, these options are held over shares in Audinate Pty Ltd but these will be exchanged for Options in the Company under the Restructure (see Section 9.5).

Going forward, the Company intends to use the new LTI Plan (described in Section 6.7.3 below) in place of this existing Employee Share Option Plan as a means to reward, retain and motivate its Directors, senior management, and any other key employees.

Audinate Pty Ltd previously issued 2,887,741 Audinate Options with an exercise price of 7.2 cents to certain directors and senior management of Audinate Pty Ltd, including David Krall, David Myers, Aidan Williams and Chris Ware (**Loan Funded Options**) under the terms of its Employee Share Option Plan. Rather than these Audinate Options being cancelled and the optionholders being issued new Options on the same terms pursuant to the Restructure, Audinate Pty Ltd offered to each of these optionholders an interest bearing, limited recourse loan in order to fund the exercise price of the Loan Funded Options under the terms of standard loan agreements (**Loan Agreements**), and a number of the holders, elected to take up the loan. As at the date of this Prospectus, all Loan Funded Options have been exercised and the ordinary shares in Audinate Pty Ltd issued on exercise of the Loan Funded Options will be exchanged for Shares under the Restructure which is described in further detail in Section 9.5. As at the Prospectus Date, the total loan amount of $117,953 remains outstanding.

The Company has directed the Share Registry to apply a holding lock on these Shares, which will not be removed until the applicable loans have been repaid. Whilst the holding lock remains in place, these Shares cannot be transferred without the consent of the Company. Once the applicable loans have been repaid and the holding lock removed, these Shares will be freely tradeable on ASX (subject to any applicable escrow restrictions as described in Section 7.12).

6.7.3 New Long Term Incentive Plan

The Company has recently adopted an employee incentive plan known as the Audinate Long Term Incentive Plan (**LTI Plan**), to assist in the reward, retention and motivation of the Company's Directors, senior management, and other key employees.

Under the rules of the LTI Plan, the Board has a discretion to offer any of the following awards to senior management, directors or other nominated key employees:

- options to acquire Shares;
- performance rights to acquire Shares; and/or
- Shares, including to be acquired under a limited recourse loan funded arrangement,

In each case subject to service-based conditions and/or performance hurdles (collectively, the "**Awards**").

The terms and conditions of the LTI Plan are set out in comprehensive rules. A summary of the rules of the LTI Plan is set out below:

- The LTI Plan is open to Directors, senior management, and any other employees of the Company, as determined by the Board. Participation is voluntary.
- The Board may determine the type and number of Awards to be issued under the LTI Plan to each participant and other terms of issue of the Awards, including:
  - what service-based conditions and/or performance hurdles must be met by a participant in order for an Award to vest (if any);
  - the fee payable (if any) to be paid by a participant on the grant of Awards;
  - the exercise price of any option granted to a participant;
  - 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 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 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 commencement of the LTI Plan.
- 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 any one or more persons selected by them as the Board thinks fit.

The Company is offering 1,190,270 performance rights to eligible participants under the LTI Plan, of which 1,048,237 will be pursuant to the Employee Incentive Offer, and 142,033 will be reserved for issue to employees during FY2018. Details of these performance rights are included in Section 9.8. In addition, the Company has agreed to issue 1,995,000 Performance Rights to Lee Ellison under the LTI Plan as described in Section 6.5.8.

6.7.4 New All Employee Plan

In connection with the Company's admission to the official list of the ASX, the Company also intends on introducing a broad-based employee share plan, the Audinate All Employee Share Plan (**All Employee Plan**).

It is intended that all Eligible Employees of the Company and its subsidiaries will be offered participation in the All Employee Plan and the right to be issued up to $1,000 worth of fully paid ordinary shares for no payment.

The All Employee Plan has been structured so as to enable qualifying Australian based employees to receive Shares free of income tax provided conditions in the current Australian tax legislation are satisfied. In accordance with those requirements, Shares acquired under the All Employee Plan cannot be disposed of or sold until the earlier of three years after the date on which they are issued and the date on which the holder ceases to be an employee of the Company or one of its subsidiary companies.

For employees based outside of Australia who may be subject to tax on the receipt of the Employee Gift Offer Shares, the Company will also offer them A$1,000 of Shares and will seek to replicate the economic value of those Shares as if those employees were qualifying employees based in Australia.

6.8 Corporate governance

The Board is committed to best practice corporate governance and compliance arrangements for the Company to the extent appropriate given the Company's size and circumstances. The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations for Australian listed entities ("**ASX Corporate Governance Principles**") to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Corporate Governance Principles are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report or on its website disclosing the extent to which it has followed the ASX Corporate Governance Principles in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and provide reasons for not following it. Section 6.8.4 sets out a brief summary of the approach currently adopted by the Company in relation to the ASX Corporate Governance Principles.

More broadly, this section 6.8 summarises the key aspects of the Company's corporate governance framework.

6.8.1 Board appointment and composition

Composition of the Board

The Company's Constitution provides that the maximum number of Directors is eight and the minimum number of Directors is three. As at the Prospectus Date, the Company has six Directors serving on the Board, and will continue to have the same six Directors serving on the Board following the Listing. Detailed biographies of these Directors are provided in Section 6.2.

Independence of the Board

The Board is responsible for the overall governance of the Company. Issues of substance affecting the Company are considered by the Board, with advice from external advisors as required. Each Director must bring an independent view and judgment to the Board and must declare all actual or potential conflicts of interest on an ongoing basis. Any issue concerning a Director's ability to properly act as a Director must be discussed at a Board meeting as soon as practicable, and a Director may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

The Company considers that a Director is an independent Director where that Director is free from any business or other relationship that could materially interfere, or be perceived to interfere with, the independent exercise of the Director's judgement. The Company has also assessed the independence of its Directors having regard to the requirements for independence which are set out in Principle 2 of the ASX Corporate Governance Principles.

Board Charter

The responsibilities of the Board are set down in the Company's Board Charter, which has been prepared having regard to the ASX Corporate Governance Principles. A copy of the Company's Board Charter is available on the Company's website at www.audinate.com. The Company will also send you a copy of its Board Charter, at no cost to you, should you request a copy during the Offer Period.

Board's role in risk oversight

The Board's role in risk oversight includes receiving reports from management and the Audit and Risk Management Committee on a regular basis regarding material risks faced by the Company and applicable mitigation strategies and activities. Those reports detail the effectiveness of the risk management program and identify and address material business risks such as risks relating to conduct of business, regulatory and compliance risks, reputational risks, reporting and IT systems as they relate to business continuity. The Board and its committees consider these reports, discuss matters with management and identify and evaluate any potential strategic or operational risks including appropriate activity to address those risks.

6.8.2 Board committees

As set out in the following table, the Board has established two standing committees to facilitate and assist the Board in fulfilling its responsibilities. The Board may also establish other committees from time-to-time to assist in the discharge of its responsibilities.

Each committee has the responsibilities described in the relevant committee charter adopted by the Company (which have been prepared having regard to the ASX Corporate Governance Principles). A copy of the charters for the below committees are available on the Company's website at www.audinate.com. The Company will also send you a copy of the committee charters, at no cost to you, should you request a copy during the Offer Period.

Board committee	Overview	Initial composition
Audit and Risk Management Committee	Responsible for monitoring and advising the Board on the Company's audit and regulatory compliance policies and procedures. Oversees the Company's corporate accounting and financial reporting, including auditing of the Company's financial statements and the qualifications, independence, performance and terms of engagement of the Company's external auditor. Monitors and develops the Company's risk strategy, including assessing the effectiveness of the Company's internal controls and risk management framework and making recommendations for improvement.	Tim Finlayson – Chair John Dyson Roger Price
Remuneration and Nomination Committee	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. Establishes, amends, reviews and approves the compensation and equity incentive plans with respect to senior management and employees of the Company including determining individual elements of total compensation of the Chief Executive Officer, and other members of senior management.	Alison Ledger – Chair David Krall John Dyson

6.8.3 Corporate governance policies

The Company has adopted the following policies, each of which has been prepared having regard to the ASX Corporate Governance Principles and are available on the Company's website at www.audinate.com.

- **Code of Conduct** – This policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers and employees.
- **Continuous Disclosure Policy** – Once listed on ASX, the Company will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act to ensure the Company discloses to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations.
- **Risk Management Policy** – This policy is designed to assist the Company to identify, assess, monitor and manage risks affecting the Company's business.
- **Securities Trading Policy** – This policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws.
- **Shareholder Communications Policy** – This policy sets out practices which the Company will implement to ensure effective communication with its Shareholders.
- **Diversity Policy** – This policy sets out the Company's objectives for achieving diversity amongst its Board, management and employees.

The Company will send you a copy of any of the above policies, at no cost to you, should you request a copy during the Offer Period.

6.8.4 ASX Corporate Governance Principles and Recommendations

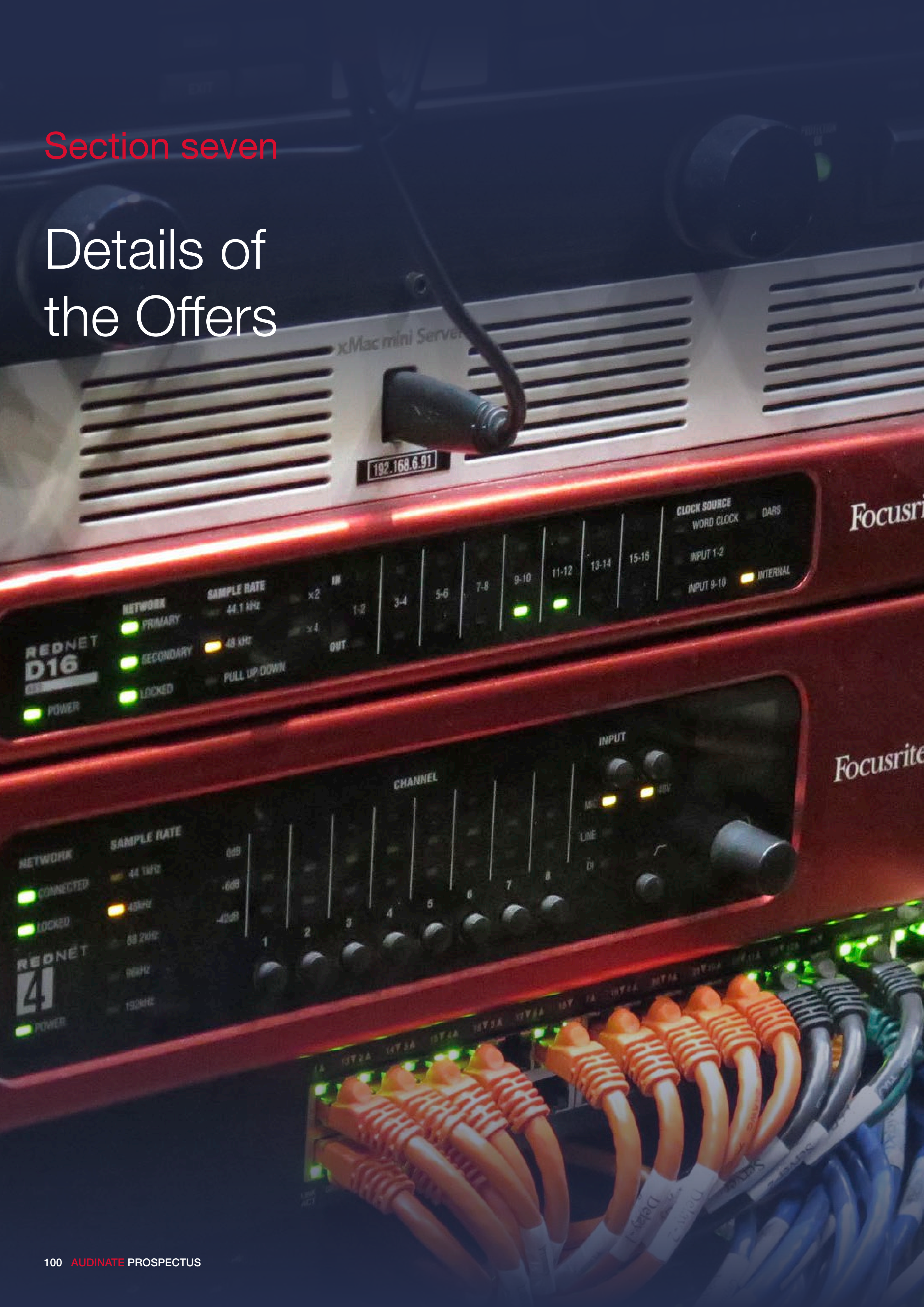
The Board has evaluated the Company's current corporate governance policies and practices in light of the ASX Corporate Governance Principles. A brief summary of the approach currently adopted by the Company is set out below.

Principle 1	
Lay solid foundations for management and oversight	The respective roles and responsibilities of the Board and executives are defined in the Board Charter, a copy of which is available on the Company's website at www.audinate.com. There is a clear delineation between the Chairman's responsibility for the Company and the day-to-day management of operations conferred upon the Chief Executive Officer and certain other officers of the Company. The process for selection, appointment, and re-appointment of Directors is detailed in the Remuneration and Nomination Committee Charter, a copy of which is available on the Company's website at www.audinate.com. Under the Remuneration and Nomination Committee Charter, Shareholders are required to be provided with all material information relevant to making an informed decision on whether or not to elect or re-elect a Director. The Board is responsible for self-evaluating the performance of the Board and evaluating the performance of individual Directors and executives of the Company. The Company has adopted a Diversity Policy, a copy of which is available on the Company's website at www.audinate.com. The Diversity Policy requires the Board to establish measurable objectives to assist the Company in achieving gender diversity and to review the Company's progress in meeting these objectives.
Principle 2	
Structure the Board to add value	The Board is comprised of one Executive and five Non-Executive Directors and the roles of Chairman and Chief Executive Officer are exercised by two separate individuals. The majority of Directors are not considered independent based on the independence requirements in the ASX Corporate Governance Principles. Whilst only three of the six Directors are considered independent, the Board believes that the size, composition and skills of the Board are appropriate for the Company's business and circumstances, and are in the best interests of Shareholders as a whole. The Company's Remuneration and Nomination Committee is responsible for regularly reviewing the size, composition and skills of the Board to ensure that the Board is able to discharge its duties and responsibilities effectively, and to identify any gaps in the skills or experience of the Board. The Board Charter provides for an annual self-assessment of the Board's performance.
Principle 3	
Act ethically and responsibly	The Company has adopted a Code of Conduct which applies to all Directors, officers, employees, contractors or consultants of the Company as well as a Securities Trading Policy. Each of these has been prepared having regard to the ASX Corporate Governance Principles and is available on the Company's website at www.audinate.com.
Principle 4	
Safeguard integrity in financial reporting	The Company has established an Audit and Risk Management Committee to oversee the management of financial and internal risks and the Company's risk strategy and to assess the effectiveness of the Company's risk management framework. The Audit and Risk Management Committee is comprised of three Directors. Whilst a majority of the members are not independent Directors for ASX purposes, the Board believes that the composition and skills of the members of the Audit and Risk Management Committee are appropriate for the Company. This committee is governed by a charter, a copy of which is available on the Company's website at www.audinate.com.
Principle 5	
Make timely and balanced disclosure	The Company is committed to providing timely and balanced disclosure to the market in accordance with its Continuous Disclosure Policy, a copy of which is available on the Company's website at www.audinate.com.

Principle 6	
Respect the rights of security holders	The Company has adopted a Shareholder Communications Policy for promoting two way communication between the Company and its Shareholders, a copy of which is available on the Company's website at www.audinate.com. The Company seeks to recognise numerous modes of communication, including electronic communication, to ensure that its communication with Shareholders is frequent, clear and accessible. The Company provides investors with comprehensive and timely access to information about itself and its governance on its website at www.audinate.com.
Principle 7	
Recognise and manage risk	In conjunction with the Company's other corporate governance policies, the Company has adopted a Risk Management Policy, which is designed to assist the Company to identify, evaluate and mitigate risks affecting the Company. Regular internal communication between the Company's management and Board supplements the Company's quality system, complaint handling processes, employee policies and standard operating procedures which are all designed to address various forms of risks. The Company regularly evaluates the effectiveness of its risk management framework to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. Under the Audit and Risk Management Committee Charter, the Audit and Risk Management Committee is responsible for providing an independent and objective assessment to the Board regarding the adequacy, effectiveness and efficiency of the Company's risk management and internal control process. A copy of the Company's Risk Management policy is available on the Company's website at www.audinate.com.
Principle 8	
Remunerate fairly and responsibly	The Company has a Remuneration and Nomination Committee to oversee the level and composition of remuneration of the Company's Directors and executives. This committee is governed by its charter, a copy of which is available on the Company's website at www.audinate.com. The Company's Remuneration and Nomination Committee is comprised of three Directors, the majority of whom are independent Directors for ASX purposes. The Company will provide disclosure of its Directors' and executives' remuneration in its annual report.

Section seven

Details of the Offers



7.1 The Offers

This Prospectus relates to an initial public offering of 17.3 million Shares at an Offer Price of $1.22 per Share, raising gross proceeds of $21.0 million.

In addition, the Company is offering under this Prospectus:

- A$1,000 of Shares to Eligible Employees under the All Employee Plan pursuant to the Employee Gift Offer; and
- Performance Rights to certain Audinate employees under the LTI Plan pursuant to the Employee Incentive Offer,

in each case for no subscription price.

The total number of Shares on issue at the Completion of the Offers will be 59.5 million Shares and all Shares will rank equally with each other. There will also be 3.3 million Options on issue (all of which are vested) and 3.0 million Performance Rights at Completion of the Offer. A summary of the rights attaching to the Shares is set out in Section 7.16 and summaries of the terms of the Options and Performance Rights are set out in Sections 9.7 and 9.8.

On Completion, 41.5 million Shares will be subject to certain escrow arrangements described in Section 7.12.

The Offers are made on the terms, and are subject to the conditions, set out in this Prospectus.

7.2 Structure of the Offers

The Offers comprise:

- the Offer, which consists of the:
  - Retail Offer, including:
    - the Broker Firm Offer – open to Retail Investors in Australia who have received a firm allocation from their Broker (see Section 7.8); and
    - the Priority Offer – open to selected investors (as agreed between the Company and the Lead Manager) who receive a Priority Offer Invitation (see Section 7.9);
  - the Institutional Offer – an invitation to bid for Shares made to Institutional Investors in Australia and certain other eligible jurisdictions (see Section 7.10.);
- the Employee Gift Offer – open to Eligible Employees that receive an invitation from the Company to apply for Shares (see Section 7.11); and
- the Employee Incentive Offer – open to certain Audinate employees that receive an invitation from the Company to apply for Performance Rights under the LTI Plan (see Section 7.11).

No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker. The Offer has been fully underwritten by the Lead Manager pursuant to an Underwriting Agreement under which the Lead Manager has been appointed to arrange and manage the Offer and act as lead manager, bookrunner and underwriter of the Offer. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 9.9.

7.3 Purpose of the Offer and use of proceeds

The purpose of the Offer is to provide:

- Audinate with funding to advance its business objectives as outlined in Section 3;
- a suitable level of working capital to fund the expenditure described in Section 4;
- the Selling Shareholders an opportunity to realise part of their investment in Audinate;
- access to capital markets to improve financial flexibility for growth; and
- a liquid market for Shares and an opportunity for others to invest in the Company.

The proceeds of the Offer will be applied to:

- expand the global sales force and associated marketing initiatives as described in Section 3;
- expand the engineering and product development teams and associated expenditure necessary to develop the new products and applications as described in Section 3;
- invest in systems, processes and infrastructure necessary to support the ongoing growth in the business;
- pay the Selling Shareholders the cash proceeds under the Restructure (see Sections 7.4 and 9.5);
- working capital to fund the expenditures described in Section 4; and
- pay the costs associated with the Offer.

The Company expects to receive $21.0 million of gross proceeds under the Offer which will be applied in accordance with the sources and use of funds table below.

7 Details of the Offers

Sources	$ millions	%
Offer proceeds from the issue of Shares under the Offer	21.0	100.0%
Total sources	**21.0**	**100.0%**

Uses	$ millions	%
Payment of proceeds to Selling Shareholders	7.0	33.4%
Expansion capital to invest in additional sales force and marketing initiatives	2.4	11.4%
Expansion capital to invest in additional R&D initiatives	3.6	17.1%
Investment in systems, processes and infrastructure	2.0	9.5%
Working capital and corporate development purposes	3.2	15.7%
Payment of costs of the Offer	2.8	12.8%
Total uses	**21.0**	**100.0%**

The table above sets out the proposed use of proceeds from the Offer and represents the Company's current intentions based on its plans and the present business conditions in each of its markets. The amounts and timing of the actual expenditures and investments may vary significantly and will depend on numerous factors including revenues from the existing business and any changes in the business and economic environment.

The Directors believe that on Completion, the Company will have sufficient funds available from the proceeds of the Offer and its ongoing operations to fulfil the purposes of the Offer and to meet the Company's stated objectives as described in this Section 7.3.

7.4 Partial sell down by the Selling Shareholders

Pursuant to the Restructure, each of the Selling Shareholders and the Company has irrevocably agreed to exchange some of their existing Audinate Shares for cash rather than exchanging those Audinate Shares for new Shares. The Selling Shareholders have agreed to exchange an aggregate of 5.8 million existing Audinate Shares for cash pursuant to the Restructure, which amounts to approximately 10.0% of Starfish Ventures' and Innovation Capital Partners' existing Audinate Shares and approximately 70.0% of NICTA's existing Audinate Shares (**Sale Shares**).

The Company will pay the Selling Shareholders cash for their Sale Shares which will be paid out of the proceeds of the Offer. The price payable by the Company for each such existing Audinate Share is equal to 2x the Offer Price to reflect that two Shares in the Company are exchanged for each Audinate Share under the Restructure. Please refer to the use of funds table above which shows the amount payable by the Company to the Selling Shareholders for the Sale Shares on Completion.

7.5 Shareholding structure

The details of the ownership of Shares at the Prospectus Date and on Completion are set out below.

	Shares held at the Prospectus Date[1]		Shares held on Completion		Options plus Performance Rights held on Completion[2]	Shares held on Completion (fully diluted basis)[2]	
	(m)	(%)	(m)	(%)	(m)	(m)	(%)
Starfish Ventures[3]	17.4	41.2%	17.4	29.2%	–	17.4	26.4%
Innovation Capital Partners	10.9	25.7%	10.9	18.3%	–	10.9	16.5%
Yamaha Corporation	6.3	14.9%	6.3	10.6%	–	6.3	9.6%
NICTA	1.1	2.7%	1.1	1.9%	–	1.1	1.7%
Lee Ellison and associates	–	0.0%	0.0	0.0%	2.6	2.6	3.9%
Aidan Williams and associates	1.7	4.1%	1.7	2.9%	0.4	2.1	3.2%
David Myers and associates	1.5	3.5%	1.5	2.5%	0.2	1.7	2.6%
Rob Goss and associates	–	0.0%	0.0	0.0%	0.8	0.8	1.2%
Other Directors and Senior Executives	0.9	2.2%	0.9	1.5%	1.1	2.0	3.1%
Other Employees[4]	1.7	4.1%	1.8	3.0%	1.2	3.0	4.6%
Other Existing Shareholders	0.7	1.7%	0.7	1.2%	–	0.7	1.1%
New investors in the Offer	–	0.0%	17.2	29.0%	–	17.2	26.2%
Total Shares	**42.2**	**100.0%**	**59.5**	**100.0%**	**6.3**	**65.8**	**100.0%**

1. Assuming the Restructure has completed immediately prior to the Prospectus Date, including the partial sell-down by the Selling Shareholders as per section 7.4.
2. This assumes that all Options in the Company are fully converted to Shares. Options were issued under the Existing Employee Share Option Plan (see Section 6.7.2). Performance rights will be issued on Completion under the New Long Term Incentive Plan (see Section 6.7.3).
3. Starfish Ventures manages and acts as the responsible entity and trustee for a number of funds, as defined in section 10.
4. The Company will reserve 142,033 performance rights for issue to employees during FY2018.

7.6 Control implications of the Offer

The Existing Shareholders will cease to control the Company as a result of the Offer (assuming they do not subscribe for any Shares). It is not expected that any one Shareholder or group of Shareholders will control the Company as a result of allocations under the Offer.

7.7 Terms and conditions of the Offers

Topic	Summary
What types of security are being offered?	Shares (being fully paid ordinary shares in the Company) are being offered under the Offer and the Employee Gift Offer. Performance Rights are being offered under the Employee Incentive Offer.
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.16 and a description of the Performance Rights is set out in Section 9.8.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being $1.22 per Share. There is no payment required by Successful Applicants under the Employee Offers (i.e. there is no purchase price for the Shares or Performance Rights issued to Successful Applicants under the Employee Offers).
What is the Offer period?	The key dates, including details of the Offer Period relating to each component of the Offers, are set out on page 4. The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time.

7 Details of the Offers

Topic	Summary
Acceptance of Applications	An Application under the Offer is an offer by an Applicant to the Company to apply for Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus and the Application Form (including the conditions regarding quotation on ASX and the acknowledgements). An Application under the Employee Gift Offer and Employee Incentive Offer is an offer by an Applicant to the Company to apply for Shares or Performance Rights (as applicable) in the amount specified on the Application Form for no subscription price on the terms and conditions set out in this Prospectus, the Employee Gift Offer Invitation or Employee Incentive Offer Invitation (as applicable) and the Application Form (including the conditions regarding quotation on ASX and the acknowledgements). To the extent permitted by law, an Application by an Applicant under the Offers is irrevocable. An Application may be accepted by the Company and the Underwriter in respect of the full number of Shares or Performance Rights (as applicable) specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract. The Company reserves the right to close any part of the Offer early.
Who can apply?	The Broker Firm Offer is open to persons who have received a firm allocation from their Brokers and who have a registered address in Australia. You should contact your Broker to determine whether you can receive a firm allocation from them under the Broker Firm Offer. The Priority Offer is open to selected investors who have a registered address in Australia and who have received an invitation to participate from the Company. If you are a Priority Offer Applicant, you should have received a personalised invitation to apply for Shares in the Priority Offer. The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares under the Offer. The Lead Manager separately advised Institutional Investors of the application procedures for the Institutional Offer. The Employee Gift Offer is an invitation to Eligible Employees to apply for Shares under this Prospectus. Only those Eligible Employees who have received an Employee Gift Offer Invitation Letter may apply for Shares under the Employee Gift Offer. The Employee Incentive Offer is an invitation to certain Audinate employees to apply for Performance Rights. Only those Employees who have received an Employee Incentive Offer Invitation Letter may apply for Performance Rights under the Employee Incentive Offer.
What are the cash proceeds to be raised?	$21.0 million is expected to be raised by the Company under the Offer based on the Offer Price.
Is the Offer underwritten?	Yes, the Offer is fully underwritten by the Lead Manager. See Section 9.9 for further details of the Underwriting Agreement between the Company and the Lead Manager.
What is the minimum and maximum Application size under the Retail Offer (i.e. the Broker Firm Offer and the Priority Offer) and Employee Offers?	The minimum Application under the Broker Firm Offer and the Priority Offer is $2,000 worth of Shares (1,640 Shares) and there is no maximum value of Shares that may be applied for under the Broker Firm Offer or the Priority Offer. The Company and the Lead Manager reserve the right to not accept Applications, to reject any Application, or to scale back any Application. The Company and the Lead Manager reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person. Each Eligible Employee will receive an allocation of $1,000 worth of Shares under the Employee Gift Offer for no subscription price. Eligible Employees will not be entitled to apply for any additional Shares in excess of their allocation of $1,000 worth of Shares at the Offer Price under the Employee Gift Offer. Applicants under the Employee Incentive Offer will be entitled to apply for that number of Performance Rights offered by the Company under the Employee Incentive Offer Invitation.
Will oversubscriptions be accepted?	The Board will not accept any oversubscriptions.

Topic	Summary
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer was determined by the Lead Manager and the Company having regard to the allocation policies outlined below. With respect to the Broker Firm Offer, the relevant Broker will decide how it allocates Shares among its eligible retail clients, and they (and not the Company or the Lead Manager) will be responsible for ensuring that eligible retail clients who have received an allocation from it receive the relevant Shares. The allocation of Shares among Applicants in the Institutional Offer was agreed by the Lead Manager and the Company. The allocation of Shares among Applicants in the Priority Offer was agreed by the Lead Manager and the Company. The Company and the Lead Manager have absolute discretion regarding the allocation of Shares to applicants under the Offer and may reject any Application, or scale back any Application, in their absolute discretion. The Company has determined that each Eligible Employee who receives an Employee Gift Offer Invitation Letter will receive an allocation of $1,000 worth of Shares at the Offer Price under the Employee Gift Offer. The allocation of Performance Rights under the Employee Incentive Offer has been determined by the Company.
Payment methods	Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by their Broker. If you are an Applicant under the Priority Offer, you must pay for Shares applied for following the instructions on your personalised invitation. If you are an Applicant under the Employee Offers, no payment is required for Shares issued to Eligible Employees under the Employee Gift Offer or Performance Rights issued to Applicants under the Employee Incentive Offer.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched to successful Applicants by post on or about 3 July 2017. Refunds (without interest) to Applicants who make an Application and receive a lesser value of Shares than the amount of the Application Monies (including where no Shares are allocated), will be made as soon as practicable after Completion of the Offer.
Will the Shares be listed?	The Company will apply to ASX for admission to the official list of the ASX and quotation of Shares on the ASX (which is expected to be under the code "AD8" within seven days of the Prospectus Date. Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on ASX will commence on or about 30 June 2017, initially on a normal deferred settlement basis. Normal settlement trading is expected to commence on or about 4 July 2017. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by a Broker, or otherwise.
Are there any escrow arrangements?	Yes. Details are provided in Section 7.12.
Has an ASIC relief or ASX waiver been obtained or applied for?	Yes. Details are provided in Section 9.15.
Are there any tax considerations?	Yes. The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. Refer to Section 9.11.

7 Details of the Offers

Topic	Summary
Is there any brokerage, commission, or stamp duty payable?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 9.12 for details of various fees payable by the Company to the Lead Manager and by the Lead Manager to brokers.
What should I do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Offer Information Line on 1300 551 242 (toll free within Australia) or +61 1300 551 242 (outside Australia) between 8.30am and 5.30pm (AEST) Monday to Friday (excluding public holidays). If you are unclear in relation to any matter or are uncertain as to whether Audinate is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.8 The Broker Firm Offer

How to apply

If you have received a firm allocation from your Broker and wish to apply for Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Registry.

Applicants under the Broker Firm Offer should contact their Broker or the Audinate Information Line on 1300 551 242 (toll free within Australia) or +61 1300 551 242 (outside Australia) between 8.30am and 5.30pm (AEST) Monday to Friday (business days only) to request a Prospectus and Application Form, or download a copy at www.investor.audinate.com. The Broker will act as your agent and it is the Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm (Sydney Time) on the Closing Time or any earlier closing date as determined by the Lead Manager and the Company.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Company and the Lead Manager reserve the right to aggregate any applications which they believe may be multiple applications from the same person or reject or scale back any applications in the Broker Firm Offer. The Company and the Lead Manager may determine whether a person is eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in their discretion, in compliance with applicable laws.

The Company, the Lead Manager and the Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9.00am (Sydney Time) on 21 June 2017 and is expected to close at 5.00pm (Sydney Time) on 28 June 2017. The Company and the Lead Manager may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

Application Monies

Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued to Successful Applicants.

Applicants whose applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be determined by the Lead Manager.

Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable.

7.9 The Priority Offer

How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for all or some of those Shares, you should follow the instructions on your personalised invitation to apply.

You may apply for an amount up to and including the amount indicated on your personalised invitation. Applications under the Priority Offer must be for a minimum of $2,000 worth of Shares (1,640 Shares).

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

An Application in the Priority Offer is an offer by an Applicant to the Company to apply for Shares in the amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by the Company and the Lead Manager in respect of the full number of Shares specified in the Application Form, or any of them, without further notice to the Applicant. The Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer who are allocated a lesser number of Shares than the amount applied for will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price.

If the amount of your Application Monies that you pay is less than the amount specified on your Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your online Application Form) or your Application may be rejected.

Acceptance of an Application will give rise to a binding contract.

7.10 Institutional Offer

Allocation policy under the Institutional Offer
The allocation of Shares among Applicants in the Institutional Offer was determined by the Lead Manager in consultation with the Company. The Lead Manager and the Company had absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Listing;
- the Company's desire to establish a spread of institutional Shareholders;
- overall level of demand under the Broker Firm Offer and the Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long term Shareholders; and
- any other factors that the Company and the Lead Manager considered appropriate.

7.11 The Employee Offers

Who may apply under the Employee Gift Offer
All Eligible Employees who have received an Employee Gift Offer Invitation Letter are entitled to participate in the Employee Gift Offer. Eligible Employees are all permanent full time employees of Audinate resident in Australia, United Kingdom, United States and Hong Kong who are employed by Audinate as at 30 April, 2017 provided that they remain so employed and have not served, or been served, notice of termination of their employment at the Closing Date. The Employee Gift Offer Invitation Letter will detail the terms of the Employee Gift Offer, including your allocation of Shares, together with a copy of the Prospectus and a personalised Application Form.

Who may apply under the Employee Incentive Offer
All Audinate employees who have received an Employee Incentive Offer Invitation Letter are entitled to participate in the Employee Incentive Offer. The Employee Incentive Offer Invitation Letter will detail the terms of the Employee Incentive Offer, including your allocation of Performance Rights, together with a copy of the Prospectus and a personalised Application Form.

How to apply
No payment is required for Shares issued to Eligible Employees under the Employee Gift Offer or for Performance Rights issued to Applicants under the Employee Incentive Offer.

If you have received an:

- Employee Gift Offer Invitation Letter from the Company inviting you to acquire Shares under the Employee Gift Offer and wish to apply for those Shares; or
- Employee Incentive Offer Invitation Letter from the Company inviting you to acquire Performance Rights under the Employee Incentive Offer and wish to apply for those Performance Rights,

you should complete the personalised Application Form accompanying the letter and submit this to the Share Registry by 5.00pm (AEST) on the Employee Offer Closing Date or any earlier closing date as determined by the Company.

The Employee Offers open at 9.00am (AEST) on 21 June 2017 and are expected to close at 5.00pm (AEST) on 28 June 2017. The Company and the Lead Manager may elect to close the Employee Offers or extend the Employee Offers, or accept late Applications either generally or in particular cases. The Employee Offers may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

The Company reserves the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Employee Offers, or to waive or correct any errors made by an Applicant in completing their Application.

7.12 Escrow arrangements

The following table summarises the escrow arrangements that will apply to the Securities held by Escrowed Shareholders immediately following Completion:

	Shares held on Completion		Options + Perf. Rights held on Completion	Shares held on Completion (fully diluted basis)		Escrow Period	Mandatory (M) or voluntary (V) escrow or both
	(m)	(%)	(m)	(m)	(%)		
Starfish Ventures	17.4	29.2%	–	17.4	26.4%	1,2	V
Innovation Capital Partners	10.9	18.3%	–	10.9	16.5%	1,2	V
Yamaha Corporation	6.3	10.6%	–	6.3	9.6%	1,4	V and M
NICTA	1.1	1.9%	–	1.1	1.7%	1	V
Lee Ellison and associates	0.0	0.0%	2.6	2.6	3.9%	4	M
Aidan Williams and associates	1.7	2.9%	0.4	2.1	3.2%	1	V
David Myers and associates	1.5	2.5%	0.2	1.7	2.6%	1,4	V and M
Rob Goss and associates	0.0	0.0%	0.8	0.8	1.2%	1	V
Other Directors and Senior Executives	0.9	1.5%	1.1	2.0	3.1%	1,4	V and M
Other Employees	1.8	3.0%	1.2	3.0	4.6%	3	V
Total Escrowed Shareholders	**41.5**	**69.8%**	**6.3**	**47.9**	**72.7%**		

1. Voluntary escrow period is through to release of FY2018 results.
2. Voluntary escrow period for 11.1% of Starfish Ventures' and Innovation Capital Partners' Shares held on Completion though to release of 1H FY2018 results.
3. Voluntary escrow period is through to release of 1H FY2018 results.
4. ASX escrow period is for Lee Ellison, David Krall and David Myers and their associates and Yamaha Corporation: until two years following Listing.

Voluntary escrow arrangements

The Securities held by certain Escrowed Shareholders at Completion of the Offer (other than any purchase by them under the Offer) will be subject to voluntary escrow arrangements, as set out in the table above. Under the terms of these arrangements, subject to certain exceptions (described below), Shares held by the Escrowed Shareholders may only be sold after either (a) the date that is three Business Days after the date the audited financial accounts of the Company for the financial year ended 30 June 2018 are released to ASX, or, (b) 3 Business Days after the date the audited financial accounts of the Company for the financial half year ended 31 December 2017, as noted in the table above.

Each of the Escrowed Shareholders whose Shares are noted in the table above as being subject to voluntary escrow, has agreed to enter into a voluntary escrow deed with the Company in respect of their Escrowed Shares. This deed will prevent them from disposing of their Escrowed Shares for the applicable escrow period referred to above, subject to certain exceptions (described below).

The restriction on "disposing" is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest (including an economic interest) in the Escrowed Shares, encumbering or granting a security interest over the Escrowed Shares (except to the extent permitted by the escrow deed), granting or exercising an option over the Escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Escrowed Shares, or agreeing to do any of those things. Nothing in the deed affects or in any way restricts any right in respect of voting attached to the Escrowed Shares.

All of the Escrowed Shareholders may be released early from these escrow obligations to enable:

- the Escrowed Shareholders to accept an offer under a takeover bid in relation to their Escrowed Shares, or to tender its Shares into a bid acceptance facility established in connection with a takeover bid, if holders of at least half of the Shares the subject of the bid that are not held by the Escrowed Shareholders (or any other agreement between the Company and its Shareholders which imposes similar restrictions) have accepted the takeover bid or tendered (and not withdrawn) their Shares into the bid acceptance facility and, in relation to accepting an offer under a takeover bid only, the takeover bid is unconditional or all conditions have been waived;
- the Escrowed Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act which has received all necessary approvals;
- Escrowed Shareholders to participate in an equal access buy-back or equal return of capital or other similar pro rata reorganisation which has received all necessary approvals; or
- a dealing in Escrowed Shares following the death, serious disability or permanent incapacity of the Escrowed Shareholder (if a natural person).

During the relevant escrow period, the Escrowed Shareholders whose Shares are subject to escrow may deal in any of their Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction) or to the extent that the disposal is to an entity that controls, is controlled by, or is under common control with, the Escrowed Shareholder, provided that the transferee enters into a deed with the Company on the same terms as the voluntary escrow deed for the remainder of the escrow period.

Escrowed Shareholders will continue to maintain and control all voting rights applicable to their Shares that are subject to escrow.

The number of Shares in respect of which the Escrowed Shareholders have agreed to enter into voluntary escrow arrangements with the Company are set out in the table above.

Mandatory escrow restrictions
Certain Securities held by Escrowed Shareholders following Completion of the Offer will be subject to mandatory restrictions in accordance with Chapter 9 of the ASX Listing Rules, as set out in the table above.

Chapter 9 of the ASX Listing Rules requires that any such Escrowed Shareholders whose Securities are subject to mandatory escrow, must enter into restrictions agreements in the form required by the ASX Listing Rules which preclude holders of such restricted securities from dealing in or disposing of those securities or an interest in those securities or agreeing to deal in or dispose of those securities or an interest in those securities for the relevant restriction periods. The holder of such securities will be precluded from granting a security interest over those securities. However, ASX may consent to those Shares being sold in certain circumstances such as under a takeover bid or under a merger by way of a scheme of arrangement under the Corporations Act.

7.13 Restrictions on distribution

No action has been taken to register or qualify the offer of Shares under this Prospectus, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia.

Offer only made where lawful to do so
The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. This Prospectus does not constitute an offer in any place in which, or to whom, it would not be lawful to make such an offer. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the acquisition or distribution of this Prospectus. Any failure to comply with these restrictions may constitute a violation of securities laws.

United States residents
The Shares being offered pursuant to this Prospectus have not been registered under the US Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Shares in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving the Shares may not be conducted unless in compliance with the US Securities Act.

Overseas ownership and resale representation
It is your responsibility to ensure compliance with all laws of any country relevant to your Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by you to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

7 Details of the Offers

Selling restrictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

New Zealand

The offer made to New Zealand investors is available only to, and may only be accepted by, a Wholesale Investor (in terms of clause 3(2) and 3(3) of Schedule 1 of the Financial Markets Conduct Act 2013) who has completed a Wholesale Investor Certification or an Eligible Investor Certification or who invests a minimum amount of NZ$750,000 in Shares and who has completed a Minimum Investment Acknowledgement.

This document does not constitute and should not be construed as an offer, invitation, proposal or recommendation to apply for Shares by investors in New Zealand who are not Wholesale Investors. Applications or any requests for information from investors in New Zealand who are not Wholesale Investors will not be accepted. This document has not been, and will not be, lodged with the Registrar of Financial Service Providers in New Zealand and is not a product disclosure statement under the Financial Markets Conduct Act 2013. New Zealand Wholesale Investors wishing to invest in the Company should be aware that there may be different tax implications of investing in Shares and should seek their own tax advice as necessary.

Each New Zealand investor acknowledges and agrees that he, she or it:

1. has not offered or sold, and will not offer or sell, directly or indirectly, any Shares in the Company; and
2. has not distributed and will not distribute, directly or indirectly, this document or any other offering materials or advertisement in relation to any offer of any Shares in the Company,

   in each case in New Zealand other than to a person who is a Wholesale Investor (in terms of clause 3 of Schedule 1 of the Financial Markets Conduct Act 2013); and
3. will notify the Company if they cease to be a Wholesale Investor (in terms of clause 3(2) and 3(3) of Schedule 1 of the Financial Markets Conduct Act 2013).

The following warning statement applies in relation to those New Zealand investors who are Wholesale Investors solely by reason of the minimum amount payable by them on acceptance of the Offer being at least NZ$750,000.

WARNING: New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision.

The usual rules do not apply to this Offer because there is an exclusion for offers where the amount invested upfront by the investor (plus any other investments the investor has already made in the financial products) is NZ$750,000 or more. As a result of this exclusion, you may not receive a complete and balanced set of information. You will also have fewer other legal protections for this investment.

Investments of this kind are not suitable for retail investors.

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

Hong Kong

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong ("**Companies (MISC) Ordinance**"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong ("**SFO**"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under the SFO) or in other circumstances which do not result in this document being a "prospectus" as defined in the Companies (MISC) Ordinance or which do not constitute an offer to the public within the meaning of the Companies (MISC) Ordinance or the Companies Ordinance (Cap. 622) of Hong Kong.

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" (as defined in the SFO and any rules made under the SFO). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

By accepting receipt of this document, each Hong Kong recipient is deemed to confirm, represent and warrant to the Company that it is a professional investor within the meaning of section 1 of Part 1 of Schedule 1 to the SFO.

Singapore
This Prospectus or any other offering material relating to the Shares has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Shares may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than to an “institutional investor”, as defined in Section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore (“SFA”), in accordance with and pursuant to Section 274 of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. Investors should note there are certain on-sale restrictions (set out in, among others, Section 257 and Section 276 of the SFA) applicable to all investors who acquire the Shares pursuant to the exemptions in Section 274 of the SFA. As such, investors are advised to acquaint themselves with the SFA provisions relating to on-sale restrictions in Singapore or to consult their own professional advisers as to such on-sale restrictions, and to comply accordingly.

The contents of this Prospectus have not been reviewed by any regulatory authority in Singapore. This Prospectus may not contain all the information that a Singapore registered prospectus is required to contain. In the event of any doubt about any of the contents of this Prospectus or as to your legal rights and obligations in connection with the Offer, please obtain appropriate professional advice.

United Kingdom
This Prospectus does not constitute a prospectus for the purpose of the prospectus rules issued by the “Financial Conduct Authority” (“**FCA**”) pursuant to Section 84 of the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”) and has not been approved by or filed with the FCA. The information contained in this Prospectus is only being made, supplied or directed at:

a. persons in the United Kingdom who are qualified investors within the meaning of Section 86(7) of the FSMA; or
b. no more than 150 persons in the United Kingdom (other than those qualified investors in paragraph (a) above) within the meaning of Section 86(1)(b) of the FSMA,

and the Shares are not otherwise being offered or sold and will not otherwise be offered or sold to the public in the United Kingdom (within the meaning of Section 102B of the FSMA), save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of Section 85 of FSMA) being made available to the public before the offer is made.

In addition, in the United Kingdom no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Shares except in circumstances in which Section 21(1) of the FSMA does not apply to the Company and this document is made, supplied or directed at qualified investors in the United Kingdom who are:

a. persons having professional experience in matters relating to investments who fall within the definition of investment professionals in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (as amended) (“FPO”);
b. high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in article 49 of the FPO;
c. persons whom are participating in one or more of the Company’s employee share schemes as described in article 60 of the FPO; or
d. persons who fall within another exemption to the FPO,

(all such persons being Relevant Persons). Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

By accepting receipt of this Prospectus, each United Kingdom recipient is deemed to confirm, represent and warrant to the Company that it is a Relevant Person.

7.14 Discretion regarding the Offer

The Company may withdraw the Offer at any time before Completion. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Lead Manager and the Company also reserve the right, subject to the Corporations Act, to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or (subject to the terms of any guaranteed allocations referred to in this Prospectus) allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.15 ASX listing, registers and holding statements

Application to the ASX for listing of the Company and quotation of Shares

The Company will apply for admission to the Official List and quotation of the Shares on the ASX within 7 days of the Prospectus Date. The Company's ASX code is expected to be AD8.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List and grant official quotation of the Shares is not to be taken as an indication of the merits of the Company or the Shares offered for subscription under the Offer.

If the Shares are not admitted to quotation on the ASX within three months after the Prospectus Date (or any later date permitted by law), the Offers will be withdrawn and all Application Monies received by the Company will be refunded (without interest) in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

Trading on ASX

Commencement of trading on ASX is expected to occur on 30 June 2017 initially on a deferred settlement basis. Trading on a normal settlement basis is expected to commence on or about 4 July 2017. Holding statements confirming Applicant's allocations under the Offer are expected to be sent to successful Applicants on or around 3 July 2017.

If you sell Shares before receiving an initial holding statement, you may contravene the ASX Listing Rules and do so at your own risk, even if you have obtained details of your holding from your broker or from the Company, Share Registry or Lead Manager or otherwise.

CHESS and issuer sponsored holdings

Audinate will apply to participate in ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. Audinate and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.16 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

Immediately after issue and allotment, the Shares will be fully paid Shares and the Shares will rank pari passu with the Shares currently on issue.

Detailed provisions relating to the rights attaching to the Shares are set out in the Company's Constitution and the Corporations Act. A copy of the Company's Constitution can be inspected during office hours at the registered office of the Company and Shareholders have the right to obtain a copy of the Company's Constitution free of charge.

The key provisions relating to the rights attaching to Shares under the Constitution and the Corporations Act are summarised below.

Each Share will confer on its holder:

- the right to receive notice of and to attend general meetings of the Company and to receive all financial statements, notices and documents required to be sent to them under the Company's Constitution and the Corporations Act;
- the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per Shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (as at Completion there will be none);
- the right to receive dividends, as determined by the Directors, according to the amount paid up on the Share;
- the right to receive, in kind, the whole or any part of the Company's property on a winding up, subject to the rights of a liquidator to distribute surplus assets of the Company with the consent of members by special resolution; and
- subject to the Corporations Act and ASX Listing Rules, the ability to transfer that Share.

The rights attaching to Shares may be varied with the approval of Shareholders in a general meeting by special resolution.

Section eight

Investigating Accountant's Report

Dante in Themed Entertainment

Deloitte.

Deloitte Corporate Finance Pty Limited
ACN 003 833 127
AFSL 241457

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Directors
Audinate Group Limited
Level 1
458-468 Wattle Street
Ultimo NSW 2007

13 June 2017

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the directors of Audinate Group Limited (ACN 618 616 916) (the Company) (the Directors) for inclusion in the prospectus to be issued by the Company (the Prospectus) in respect of the initial public offering of fully paid ordinary shares in the Company (the Offer) and listing of the Company on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 for the issue of this report.

Capitalised terms used in this report have the same meaning as defined in the glossary of the Prospectus.

Scope

Statutory Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the:

- Statutory historical consolidated statements of profit or loss and other comprehensive income for the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016 and the half-years ended 31 December 2015 and 31 December 2016;
- Statutory historical consolidated statement of financial position as at 31 December 2016; and
- Statutory historical consolidated cash flows for the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016 and the half-years ended 31 December 2015 and 31 December 2016,

as set out in Tables 7, 8, 13, 11 and 12 respectively of the Prospectus (together, the Statutory Historical Financial Information).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Statutory Historical Financial Information has been extracted from the audited financial statements of Audinate Pty Ltd covering the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016 and the half-years ended 31 December 2015 and 31 December 2016. The audits were undertaken by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified audit opinion on these financial statements.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

Pro forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the:

- Pro forma historical consolidated statements of profit or loss and other comprehensive income of the Company for the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016 and the half-years ended 31 December 2015 and 31 December 2016;
- Pro forma historical consolidated statement of financial position of the Company as at 31 December 2016; and
- Pro forma historical consolidated cash flows of the Company for the years ended 30 June 2014, 30 June 2015 and 30 June 2016 and the half-years ended 31 December 2015 and 31 December 2016,

as set out in Tables 1, 2, 13, 9 and 10 respectively of the Prospectus (together, the Pro forma Historical Financial Information).

The Pro forma Historical Financial Information has been derived from the Statutory Historical Financial Information, after adjusting for the effects of pro forma adjustments described in Tables 5, 6, 13, 11 and 12 of the Prospectus respectively (the Pro forma Adjustments).

The stated basis of preparation of the Pro forma Historical Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, or cash flows.

Forecast Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the:

- Statutory forecast consolidated statement of profit or loss and other comprehensive income and the statutory forecast consolidated cash flow of the Company for the financial years ending 30 June 2017 and 30 June 2018 as set out in Table 1 and Table 9 of the Prospectus (the Statutory Forecast Financial Information). The Directors' best estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4.12 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- Pro forma forecast consolidated statement of profit or loss and other comprehensive income and the pro forma forecast consolidated cash flow of the Company for the financial years ending 30 June 2017 and 30 June 2018 as set out in Table 1 and Table 9 of the Prospectus (the Pro forma Forecast Financial Information). The Pro forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the Pro forma Adjustments described in Tables 5 and 11 of the Prospectus. An audit/review has not been conducted on the source from which the unadjusted financial information was prepared. The stated basis of preparation used in the preparation of the Pro forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred prior to 1 July 2017. Due to its nature the Pro forma Forecast Financial Information does not represent the Company's actual prospective financial performance and/ or cash flows for the financial years ending 30 June 2017 and 30 June 2018,

(together, the Forecast Financial Information).

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the financial years ending 30 June 2017 and 30 June 2018. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variations may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take, and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in Section 5 of the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly prospective investors should have regard to the investment risks and sensitivity analysis set out in Section 5 and Section 4.14 of the Prospectus respectively.

The sensitivity analysis set out in Section 4.14 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro forma Historical Financial Information, including the selection and determination of the Pro forma Adjustments made to the Statutory Historical Financial Information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the Pro forma Adjustments made to the Statutory Forecast Financial Information and included in the Pro forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information, the Pro forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Australian Standard on Assurance Engagements (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

A review 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 reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

Statutory Historical Financial Information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of Statutory Historical Financial Information from the audited financial statements of the Company for the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016 and the half-years ended 31 December 2015 and 31 December 2016;
- analytical procedures on the Statutory Historical Financial Information;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Statutory Historical Financial Information;
- a review of the work papers, accounting records and other documents of the Company and its auditors; and
- enquiry of the Directors, management and others in relation to the Statutory Historical Financial Information.

Pro forma Historical Financial Information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of Statutory Historical Financial Information from the audited financial statements of the Company for the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016 and the half-years ended 31 December 2015 and 31 December 2016;
- consideration of the appropriateness of the Pro forma Adjustments described in Section 4.5 Section 4.8 of the Prospectus;
- enquiry of the Directors, management, personnel and advisors of the Company;
- the performance of analytical procedures applied to the Pro forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company and its auditors; and
- a review of the accounting policies for consistency of application.

Forecast Financial Information

- enquiries, including discussions with management and Directors of the factors considered in determining the best-estimate assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;
- review of the accounting policies adopted and used in the preparation of the Forecast Financial Information; and
- consideration of the Pro forma Adjustments applied to the Statutory Forecast Financial Information in preparing the Pro forma Forecast Financial Information.

Deloitte.

Page 5
13 June 2017

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information is not prepared or presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2 of the Prospectus.

Pro forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not prepared or presented fairly in all material respects, in accordance with the pro forma adjustments described in Section 4.5 of the Prospectus and in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions as described in Section 4.12 of the Prospectus and used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;

(ii) in all material respects, the Statutory Forecast Financial Information:

   a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.12 of the Prospectus;

   b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company as described in Section 4.2 of the Prospectus and the recognition and measurement principles contained in Australian Accounting Standards; and

(iii) the Statutory Forecast Financial Information itself is unreasonable.

Pro forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions as described in Section 4.12 of the Prospectus and used in the preparation of the Pro forma Forecast Financial Information do not provide reasonable grounds for the Pro forma Forecast Financial Information;

(ii) in all material respects, the Pro forma Forecast Financial Information:

   a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.12 of the Prospectus;

   b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company as described in Section 4.2 of the Prospectus and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro forma Adjustments as if those adjustments had occurred prior to 1 July 2016; and

(iii) the Pro forma Forecast Financial Information itself is unreasonable.

Restrictions on Use

Without modifying our conclusions, we draw attention to Section 4.2.1 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED

David Hagger
Authorised Representative of
Deloitte Corporate Finance Pty Limited
(AFSL Number 241457)
AR Number 461001

Deloitte.

August 2016

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu. We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Service
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	info@fos.org.au
complaints@deloitte.com.au	www.fos.org.au
Fax: +61 2 9255 8434	Tel: 1800 367 287
	Fax: +61 3 9613 6399

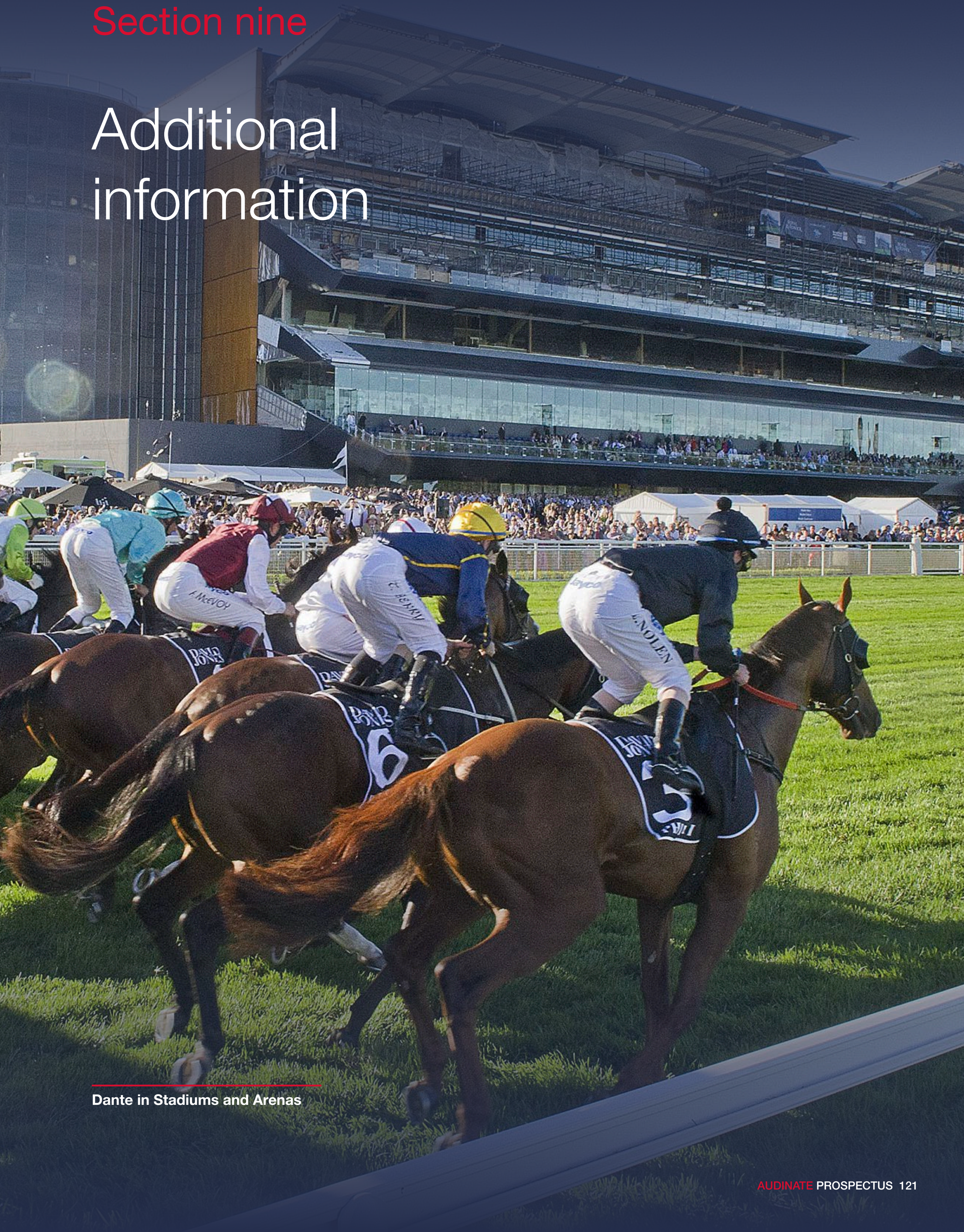
What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

Section nine

Additional information



Dante in Stadiums and Arenas

9 Additional information

9.1 Incorporation

The Company was incorporated in New South Wales on 19 April 2017 as a public company limited by shares.

9.2 Balance date

The accounts for the Company are made up to 30 June annually.

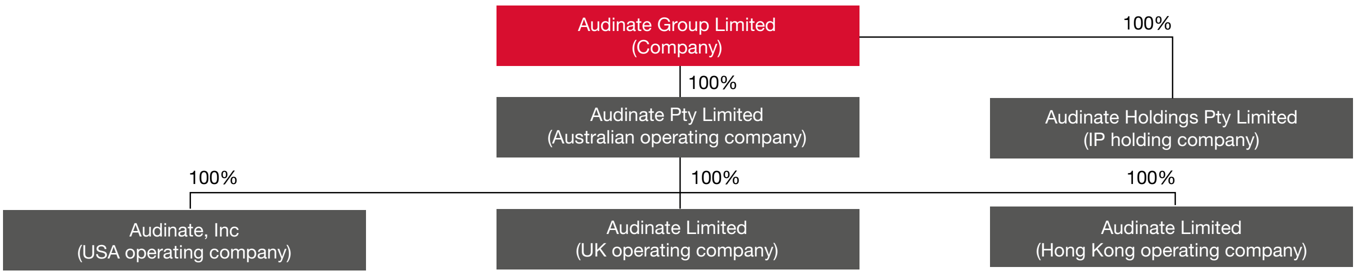
9.3 Company tax status

The Company will be taxed as an Australian tax resident public company in Australia for the purposes of Australian income tax law.

9.4 Corporate structure

The following diagram represents the structure of the Company on completion of the Offer.

FIGURE 38: GROUP STRUCTURE



9.5 Restructure

Under the Implementation Deed, the Audinate Shareholders have agreed to sell all of their Audinate Shares to the Company, free from encumbrances, in exchange for cash, Shares or a combination of cash and Shares and the Audinate Optionholders have agreed to cancel all of their Audinate Options in exchange for Options in the Company.

The issue of the Shares and Options and completion of the sale and purchase of the Audinate Shares and Audinate Options under the Implementation Deed is conditional on certain conditions including settlement of the Offer, following which the Company will wholly-own Audinate Pty Ltd, and Audinate Shareholders will become shareholders of the Company. As part of the Restructure under the Implementation Deed the existing preference shares held by Audinate Shareholders as at the date of this Prospectus, will automatically convert into ordinary shares which, along with all other Audinate Shares, will be exchanged for cash, Shares or a combination of cash and Shares under the terms of the Implementation Deed.

9.6 Capital structure

The capital structure of Audinate Pty Ltd as at the Prospectus Date and immediately following Completion, is set out below. Following Completion, the entire share capital of Audinate Pty Ltd will be held by the Company.

Class of Security	Prospectus Date	Immediately following Completion
Shares	3,462,607	23,994,859
Series A Preference Shares	10,464,520	–
Series A2 Preference Shares	6,923,078	–
Series B Preference Shares	3,144,654	–
Options	1,637,521	–

The Company's capital structure as at the Prospectus Date comprises two Shares, one of which is held by each of Lee Ellison and David Myers. The table below sets out the indicative capital structure of the Company as at the Prospectus Date on the assumption that the Restructure occurred immediately prior to the Prospectus Date and following Completion.

Class of Security	Prospectus Date	Immediately following Completion
Shares	47,989,723	59,513,513
Options	3,275,042	3,275,042
Performance Rights[1]	–	3,043,237

1. The Company will reserve a further 142,033 performance rights for issue to employees during FY2018

9.7 Options on issue

At Completion, the Company will have the following Options on issue under the Existing Employee Share Option Plan, with each Option entitling the holder to subscribe for one Share at the specified exercise price:

Expiry Date	Exercise Price	Number of Options
23/11/2018	$0.036	36,000
17/10/2019	$0.062	913,042
9/12/2019	$0.062	40,000
9/01/2020	$0.062	10,000
21/08/2020	$0.062	58,000
9/12/2020	$0.062	460,000
11/06/2022	$0.260	198,000
23/08/2022	$0.260	740,000
31/01/2023	$0.260	770,000
3/04/2023	$0.260	50,000
		3,275,042

Notes
1. All Options are issued under the Company's Existing Employee Share Option Plan. See section 6.7.2 for a summary of the Existing Employee Share Option Plan.
2. All of the Options vest in full upon the Company's application for Listing.

9.8 Performance Rights

The Board has determined that it will make initial offers under the LTI Plan in the form of Performance Rights to selected Audinate employees under the Employee Incentive Offer, with those offers being conditional upon the Company being admitted to the ASX. Performance Rights are an entitlement to receive a Share for no consideration upon satisfaction of applicable vesting conditions and performance hurdles.

At Completion, the Company will have 3,043,237 Performance Rights on issue to be allocated to the senior management team and other key employees on the terms below. The Company will also reserve a further 142,033 Performance Rights for issue to employees during FY2018.

A summary of the material terms and conditions of the Performance Rights is as follows:
- Performance Rights will be issued for nil consideration and will have a nil exercise price;
- Performance Rights will be issued in three equal tranches, subject to vesting conditions and performance hurdles;
- Performance Rights will vest and be automatically exercised upon a recipient meeting the vesting condition (as detailed below) and upon the Company meeting the relevant performance hurdles (also as detailed below) as set for each of the three tranches;
- the vesting condition is that a recipient must remain an employee or director of the Company or one of its related companies up to and including when the relevant performance hurdle is satisfied. The Performance Rights all vest in three tranches commencing three years after grant;
- the performance hurdles are aligned to the Company's share price growth as compared to a small caps index of ASX listed companies who are relevant peers (excluding companies in the materials, energy, utilities, industrials, and consumer discretionary sectors)

- any unvested Performance Rights will automatically lapse on the expiry date, 30 July 2022;
- a recipient will not receive voting or dividend rights until their Performance Rights are exercised and they hold ordinary shares in the Company;
- under the LTI Plan rules, where a change of control event occurs, Performance Rights may be subject to accelerated vesting in accordance with the LTI Plan rules and subject to the discretion of the Board; and
- in the event that a recipient ceases to be an employee and/or director, the treatment of their unvested Performance Rights will depend on whether they are considered to be a "good leaver" or a "bad leaver" and will occur in accordance with the LTI Plan rules, other than with respect to employees of Audinate resident in the United States who will forfeit Performance Rights irrespective of whether they are considered to be a good or bad leaver.

Further detailed terms of the Performance Rights to be granted to Audinate Employees will be set out in the Employee Incentive Offer Invitation Letter that accompanies this Prospectus.

The Company has also agreed to issue 1,995,000 Performance Rights to Lee Ellison under the LTI Plan pursuant to his executive services agreement as set out in Section 6.5.8.

9.9 Material contracts

The Directors consider that the agreements described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer.

This section contains a summary of the agreements and their substantive terms which are not otherwise disclosed elsewhere in this Prospectus.

Yamaha arrangements

Overview

Audinate has entered into the following key agreements with Yamaha Corporation (**Yamaha**). Yamaha is an audio manufacturer and a key customer of Audinate and is also a substantial holder of shares in the Company and will hold approximately 10.6% of the issued capital of the Company immediately following Completion.

Basic Agreement

Audinate entered into a 'master' agreement with Yamaha in or around June 2011, which governs the supply of Brooklyn modules from Audinate to Yamaha for incorporation into Yamaha's products (the **Basic Agreement**).

In August 2012, Audinate and Yamaha agreed to supply Dante cards on the terms of the Basic Agreement.

Under the Basic Agreement, Yamaha submits individual purchase orders, requesting the supply of certain products by Audinate. The individual purchase orders specify the details of the products to be supplied including the required quantity, delivery date and delivery location. The Basic Agreement sets out the processes for pricing and delivery of the products. Yamaha is not required to meet any minimum purchase requirements under the Basic Agreement. The fees payable by Yamaha in relation to the supply of certain products is agreed between the parties from time to time.

Yamaha must display Audinate's "Dante" trade mark on any of its Dante-enabled Yamaha products.

Term and termination

The fixed term of the Basic Agreement has expired. The agreement may be terminated by either party with at least 3 months' notice prior to the anniversary of the commencement of the Basic Agreement.

Either party also has the right to immediately terminate the Basic Agreement for various reasons, including if either party suffers an insolvency event, or breaches any provision of the Basic Agreement and fails to remedy the breach within the period specified in the notice.

Indemnity

Audinate indemnifies Yamaha against any intellectual property infringement claims in relation to the products supplied under the terms of the Basic Agreement.

Global Reseller Distribution Agreement

Audinate entered into a reseller and distribution agreement with Yamaha in or around August 2009 (as amended in or around June 2016) under which Yamaha has exclusive rights worldwide to purchase, market and resell, and distribute certain Dante cards (the **Global Reseller Distribution Agreement**). Yamaha has agreed to vigorously promote and market the Dante cards in order to maintain the exclusivity.

Under the Global Reseller Distribution Agreement, Yamaha submits written purchase orders which Audinate may accept or reject within 5 days of receipt. Audinate has agreed to offer Yamaha volume based discounts. Yamaha is not required to satisfy any ongoing minimum order commitments.

Audinate is entitled to alter or modify the price list with 90 days' notice to Yamaha and fees must be paid by Yamaha within 30 days of invoice. Yamaha may resell the products worldwide at any price determined by them.

Term and termination
The Global Reseller Distribution Agreement is ongoing until terminated. The fixed term of this agreement expired on 26 June 2012. The Global Reseller Distribution Agreement may be terminated by either party with at least 30 days' notice prior to the anniversary.

Either party also has the right to immediately terminate the Basic Agreement for various reasons, including if either party suffers an insolvency event, or breaches any provision of the Basic Agreement and fails to remedy the breach within the period specified in the notice.

Indemnity
The Company indemnifies Yamaha against intellectual property infringement claims relating to the Dante cards.

VTech manufacturing agreement
Audinate entered into an agreement with VTech Communications Ltd (VTech) on 8 October 2012 in respect of the manufacture and supply of Audinate's products (VTech Manufacturing Agreement). Under the VTech Manufacturing Agreement, VTech manufactures Brooklyn modules and cards with embedded software.

There are no fixed order commitments under the VTech Manufacturing Agreement. Audinate is required to provide VTech with expected forecasts and shall issue final purchase orders at least 3 months prior to the products required date of manufacture as specified in the relevant purchase order. VTech charges a fee for the manufacture of the products which is set out in the relevant purchase order. Both parties have agreed to conduct a pricing review each 6-month period.

Term and termination
The VTech Manufacturing Agreement is on-going until terminated. The fixed term of the agreement expired on 9 October 2015. Either party may terminate the agreement by 120 days' notice prior to the anniversary of the commencement of the VTech Manufacturing Agreement.

Either party also has the right to immediately terminate the VTech Manufacturing Agreement for various reasons, including if either party breaches any provision of the agreement and fails to remedy the breach within 30 days' notice or suffers an insolvency event.

Indemnity
Audinate has provided an indemnity under the VTech Manufacturing Agreement for any loss suffered by VTech resulting from VTech's compliance with the design or instruction of Audinate. Audinate's liability under the VTech Manufacturing Agreement is not capped.

Manufacturing arrangement with Avnet
Audinate has an arrangement with Avnet in relation to the etching and programming of its Ultimo chips. Third party manufacturers supply Avnet with electronic components which Avnet proceeds to etch and program the Ultimo chips to meet Audinate's specifications.

Underwriting Agreement
The Company has entered into an Underwriting Agreement with the Lead Manager, pursuant to which the Lead Manager has agreed to fully underwrite the Offer. The material terms of the Underwriting Agreement are as follows.

Lead Manager's obligations
The Lead Manager has agreed to underwrite the Offer.

Commission, fees and expenses
The Company has agreed to pay the Lead Manager fees equal to:

- 2.0% of the total proceeds raised under the Offer on account of an Underwriters' Fee; and
- 2.0% of the total proceeds raised under the Offer on account of a Management Fee.

The Management Fee excludes any proceeds raised by the Company under the Offer from existing holders of Series A Preference Shares and Series B Preference Shares.

The Company may also, in its reasonable discretion, pay the Lead Manager an Incentive Fee, being 0.5% of the total proceeds raised under the Offer.

In addition to the fees described above, the Company has agreed to reimburse the Lead Manager for certain agreed costs and expenses incurred by the Lead Manager in relation to the Offer.

Termination events

The Lead Manager may by written notice to the Company terminate the Underwriting Agreement if any of the following events occur prior to 5.00pm on the Settlement Date:

- approval for quotation is refused or not granted by ASX, other than subject to standard conditions customarily imposed by ASX or if approval is granted, such approval is subsequently withdrawn, qualified or withheld before Completion;
- the S&P ASX 300 Index is, at any time after the date of the Underwriting Agreement, 10% or more below the level of that index at the close of ASX trading on the trading day before the date of lodgement of the Prospectus;
- the Company withdraws the Prospectus or terminates the Offer;
- the Company does not provide a closing certificate when required under the Underwriting Agreement;
- any of the following insolvency related events occurs, (a) the Company suspends payment of its debts generally (b) the Company or a related body corporate of the Company is or becomes unable to pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act or is presumed to be insolvent under the Corporations Act (c) the Company or a related body corporate of the Company enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit or, its creditors or any class of them;
- other than as contemplated by the Prospectus, the Company or a related body corporate of the Company ceases to carry on the whole of its business or a material part of its business;
- ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act or gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or makes an application under section 1324 or 1324B of the Corporations Act, and any such order, hearing application or notice is not withdrawn or dismissed within 5 Business Days after it is commenced or if it is commenced less than 5 Business Days before the Settlement Date, it has not been withdrawn by the Settlement Date;
- a statement contained in the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive, or a matter required by the Corporations Act is omitted from the Prospectus (having regard to section 710, 711 and 716 of the Corporations Act);
- the Company lodges a supplementary prospectus without the consent of the Lead Manager or, in the Lead Manager's reasonable opinion, is required to lodge a supplementary prospectus because of a circumstance set out in section 719(1) of the Corporations Act and fails to issue a supplementary prospectus;
- ASIC gives notice of its intention to hold a hearing or issues an order under section 739(2) of the Corporations Act, ASIC makes an application for an order under Part 9.5 of the Corporations Act or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Prospectus, or any person who previously consented to inclusion of their name in the Prospectus, gives notice under section 733 of the Corporations Act that it withdraws its consent after lodgement, and any such order, hearing application, investigation or notice is not withdrawn or dismissed within 5 Business Days after it is commenced or if it is commenced less than 5 Business days before the Settlement Date, it has not been withdrawn by the Settlement;
- any material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and the Group from those disclosed in the Accounts, an Offer Document or the Public Information, including (a) any material adverse change in the reported earnings or future prospects of the Company or an entity in the Group (b) any material adverse change in the nature of the business conducted by the Company or an entity in the Group (c) the insolvency or voluntary winding up of the Company;
- any Director is disqualified from managing a corporation under section 206A of the Corporations Act;
- other than as disclosed in the Prospectus Documents or previously disclosed to the Lead Manager, the Company or a member of the Group charges or agrees to charge, the whole, or a substantial part of the business or property of the Company or the Group;
- any circumstance arises after lodgement of the Prospectus that results in the Company repaying the money received from Applicants (other than money received from an Applicant whose Application is not accepted in whole or part); or
- ASIC issues notice of commencement of proceedings in relation to the Offer and any such notice is not withdrawn or dismissed within 5 Business Days after it is issued or if it is issued less than 5 Business Days before the Settlement Date, it has not been withdrawn by the Settlement Date.

Termination events subject to materiality

If any of the following events occur, the Lead Manager may not terminate the Underwriting Agreement unless the Lead Manager reasonably believes that the event has or is likely to have a material adverse effect on the success, or will or is likely to, give rise to liability for the Lead Manager under any law or regulation, and the Lead Manager has afforded the Company a reasonable time (not exceeding 5 Business Days) to remedy the event if the event it is capable of being remedied:

- any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or any material adverse change occurs in national or international political, financial or economic conditions;
- any information supplied by or on behalf of the Company to the Lead Manager in relation to the Group or the Offer as part of the due diligence process becomes misleading or deceptive in a material respect;
- termination (other than those that terminate due to the effluxion of time) of a material contract listed in section 9.9 of this Prospectus (Material Contract) or a material amendment of any Material Contract in both cases which have a material adverse effect on the Company;

- hostilities or political or civil unrest not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities, political or civil unrest occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Japan, Singapore, Malaysia, Hong Kong, or China or a significant terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- trading in all securities on the New York Stock Exchange, the London Stock Exchange or the ASX has been suspended or materially limited, for at least one trading day;
- other than as contemplated in the Prospectus, a change in the board of Directors of the Company occurs without the written consent of the Lead Manager;
- other than as contemplated by the Prospectus or under the Restructure, a change to the constitution of the Company occurs without the prior written consent of the Lead Manager (such consent not to be unreasonably withheld);
- a contravention by the Company or any entity of in the Group of the Corporations Act, the ASX Listing Rules, its constitution or any other applicable law or regulation;
- the Company breaches any of its obligations under the Underwriting Agreement;
- any representation or warranty contained in the Underwriting Agreement on the part of the Company is breached or becomes false, misleading or incorrect;
- except as contemplated by the Prospectus or the Restructure, an event specified in section 652C(1) or section 652C(2) of the Corporations Act, but replacing 'target' with 'Company';
- any of the following occurs (a) the introduction of legislation into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia (b) the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory or the Reserve Bank of Australia (c) the adoption by ASX or their respective delegates of any regulations or policy;
- the Company or any related body corporate of the Company fails to comply with any of the following (a) a provision of its constitution (b) any statute (c) the ASX Listing Rules (d) a requirement, order or request made by or on behalf of ASIC, the ASX or any governmental authority;
- the Company or a related body corporate passes or takes any steps to pass a resolution under section 260B of the Corporations Act, without the prior written consent of the Lead Manager;
- material legal proceedings are commenced against the Company;
- the Prospectus or any aspect of the Offer does not comply with the Corporations Act, the ASX Listing Rules or any other applicable law or regulation;
- a judgement is obtained against the Company or a related body corporate of the Company and is not set aside or satisfied within 21 days;
- any distress, attachment, execution or other process of a governmental agency is issued against, levied or enforced upon any of the assets of the Company or a related body corporate of the Company and is not set aside or satisfied within 21 days;
- there is a material omission from the results of the due diligence investigations performed in respect of the Company or the verification materials relating to the Prospectus or the results of the due diligence investigation or the verification materials relating to the Prospectus, are false or misleading.

Conditions, warranties, undertakings and other terms
The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Lead Manager relating to matters such as conduct by the Company, power and authorisations, information provided by the Company in relation to the Offer, information in the Prospectus and compliance with laws and the ASX Listing Rules.

The Company's undertakings include that it will not, until the settlement of the Offer or the Underwriting Agreement is otherwise terminated, without the prior written consent of the Lead Manager offer, allot, sell or otherwise dispose of any Shares or other securities in the capital of the Company. This undertaking is subject to certain exceptions, such as any issue made pursuant to an employee incentive plan, an offer under this Prospectus or the Restructure, or an offer made pursuant to any options or convertible notes issued by the Company and existing at the date of this Agreement.

Indemnity
Subject to certain exclusions relating to, amongst other things, fraud, wilful misconduct, recklessness, negligence or material breach of the Underwriting Agreement by an indemnified party, the Company agrees to keep the Lead Manager and certain affiliated parties indemnified from losses suffered in connection with the Offer.

9.10 Ownership restrictions

The sale and purchase of shares in Australia are regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This section 9.10 contains a general description of these laws.

Foreign Acquisitions and Takeovers Act 1975 (Cth) and Federal Government Foreign Investment Policy
Generally, the Foreign Acquisitions and Takeovers Act 1975 (**FATA**) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates, or 40% or more by two or more unassociated foreign persons and their associates, where the acquisition meets a threshold value (which varies by investor type and industry). In addition, FATA applies

to acquisitions of a direct interest in an Australian company by foreign governments and their related entities irrespective of the acquisition value. A "direct interest" is an interest of 10% in the entity but may include an interest of less than 10% where the investor has entered into business arrangements with the entity or the investor in a position to influence or participate in the management and control or policy of the entity. There are exemptions which can apply to certain acquisitions.

Where FATA applies to the acquisition, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either notified that there is no objection to the proposed acquisition (with or without conditions) or a statutory period has expired without the Federal Treasurer objecting. An acquisition to which the FATA applies may be the subject of a divestment order by the Federal Treasurer unless the process of notification, and either a non-objection notification or expiry of a statutory period without objection, has occurred. Criminal offences and civil penalties can apply to failing to give notification of certain acquisitions, undertaking certain acquisitions without a no objection notification or contravening a condition in a no objection notification.

Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of relevant interests in issued voting shares in listed companies, and unlisted companies with more than 50 members, if, as a result of the acquisition, the acquirer's (or another party's) voting power in that company would increase from 20% or below to more than 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company either themselves or through an associate.

9.11 Australian taxation considerations

The following comments provide a general summary of the Australian income tax, capital gains tax (**CGT**), goods and services tax (**GST**) and stamp duty issues for Shareholders who acquire Shares under the Offer.

The categories of Shareholders considered in this summary are limited to individuals, complying superannuation entities and certain companies, trusts or partnerships, each of whom holds their Shares on capital account.

This summary does not consider the consequences for Shareholders who are insurance companies, banks, Shareholders that hold their shares on revenue account or carry on a business of trading in shares, Shareholders who acquired Shares in connection with an employee share scheme, or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Shareholders who are subject to Division 230 of the *Income Tax Assessment Act 1997* (Cth) (the Taxation of Financial Arrangements or TOFA regime).

This summary is based on the tax laws in Australia in force at the time of the Offer (together with established interpretations of those laws), which may change. This summary does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law.

Given that the precise implications of ownership or disposal of Shares will depend upon each Shareholder's specific circumstances, Shareholders should obtain independent advice on the taxation implications of owning or disposing of Shares, taking into account their specific circumstances (including whether they are Australian tax resident).

AUSTRALIAN TAX RESIDENT SHAREHOLDERS

Dividends

Individuals and complying superannuation entities

Individuals and complying superannuation entities who receive a dividend should include the dividend in their assessable income. If the Shareholder satisfies the "qualified person" rules (refer to further comments below), the Shareholder should also include any franking credit attached to the dividend in their assessable income. However, such Shareholder should be entitled to a tax offset equal to the franking credit. The tax offset can be applied to reduce the income tax payable on the Shareholder's taxable income. Where the tax offset exceeds the income tax payable on the Shareholder's taxable income in an income year, the Shareholder should be entitled to a tax refund equal to the amount of the excess.

Companies

Corporate Shareholders should include the dividend in their assessable income. Subject to satisfaction of the qualified person rules, corporate Shareholders should also include any franking credits attached to the dividend in their assessable income. A tax offset should then be allowed up to the amount of any franking credit attached to the dividend. In addition, the corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend. The corporate Shareholder can then pass on the benefit of the franking credit to its own Shareholder(s) on the payment of dividends by the corporate Shareholder.

Where franking credits received by a corporate Shareholder exceed the income tax payable by that Shareholder, the excess cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend in their assessable income in determining the net income of the trust or partnership. Subject to satisfaction of the qualified person rules, such Shareholders should also include any franking credit attached to the dividend in their net income. As a result, a relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the Shareholder.

Notably, as the qualified person rules can be complex in the context of distributions received indirectly via a trust or partnership, it is recommended that Shareholders seek independent advice on the tax consequences arising in these circumstances.

Qualified person rules
The benefit of franking credits can be denied where a Shareholder does not satisfy the qualified person rules, in which case the Shareholder should not be required to include an amount for the franking credits in their assessable income and should also not be entitled to a tax offset.

Broadly, to satisfy the qualified person rules, a Shareholder must satisfy the holding period rule or, if necessary, the related payment rule.

The holding period rule requires a Shareholder to hold the Shares continuously "at risk" for not less than 45 days in the period beginning the day after the day on which the Shareholder acquires the Shares, and ending on the 45th day after the day on which the Shares become ex-dividend. In the ordinary case, this means that the holding period rule should be satisfied provided that the Shares have been held "at risk" for a continuous period of 45 days (not including the date of acquisition or disposal) at some time during the period of ownership of the Shares. Very broadly, Shares should be held "at risk" to the extent that no material "positions" are adopted in relation to the Shares which have the effect of diminishing the economic exposure associated with holding the Shares (for example, certain option and derivative agreements, or agreements to sell the Shares).

Under the related payment rule, a different testing period applies where the Shareholder or an associate of the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where a Shareholder or their associate effectively passes on the benefit of the dividend to another person.

The related payment rule requires the Shareholder to have held the Shares at risk for a continuous period of 45 days (not including the date of acquisition or disposal) during the period which commences on the 45th day before, and ends on the 45th day after the day on which the Shares become ex-dividend. Practically, the related payment rule should not impact Shareholders who do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine if the related payment rule applies in the context of their particular circumstances.

In the event that no related payments are made with respect to a particular dividend, an individual Shareholder may satisfy the qualified person rules on an alternative basis, provided that the Shareholder satisfies the small holdings exemption. This exemption should generally be satisfied where the Shareholder is entitled to total franking credits (from all sources) of no more than $5,000 in the relevant year of income.

As indicated above, the qualified person rules can be particularly complex for distributions received by a Shareholder indirectly (for example, via an interposed trust). It is recommended that Shareholders in such situations seek independent tax advice.

Dividend washing rules
Dividend washing rules can apply in certain cases, such that no tax offset is available (nor is an amount required to be included in assessable income in relation to an attached franking credit) for a dividend received on Shares. Broadly, the rules can apply where Shareholders seek to obtain additional franking benefits by disposing of Shares ex-dividend and re-purchasing a substantially equivalent parcel of Shares cum-dividend on a special market.

Shareholders should seek independent tax advice regarding the dividend washing rules, and consider the impact of these rules, having regard to their own personal circumstances.

Disposal of Shares
The disposal of a Share by a Shareholder should constitute a CGT event. A capital gain should arise to the extent that the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus certain non-deductible transaction costs). In the case of an arm's length on-market sale, the capital proceeds should generally equal the cash proceeds from the sale. Where the Shareholder is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising any capital gain arising from the disposal (in their proportionate shares).

A CGT discount may be applied against any capital gain (after reduction of the capital gain by applicable capital losses) where the entity which realises the capital gain is an individual, complying superannuation entity or trustee. The CGT discount may be applied in these circumstances, provided that the Shares have been held for at least 12 months (not including the date of acquisition or disposal for CGT purposes) and certain other requirements have been satisfied. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than trustees of a complying superannuation entity) may be reduced by 50%, after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

If the Shareholder who realises the capital gain and is entitled to the CGT discount is the trustee of a trust (other than the trustee of a complying superannuation entity), the CGT discount may flow through to the beneficiaries of the trust, provided those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss should be realised to the extent that the reduced cost base of a Share (which should generally be calculated in a similar manner to the cost base) exceeds the capital proceeds from its disposal. Capital losses may only be offset against capital gains realised in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income. As with capital gains, where the Shareholder realising the capital loss is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising the capital loss (in their proportionate shares).

9 Additional information

NON-AUSTRALIAN TAX RESIDENT SHAREHOLDERS

Dividends

Shareholders who are not tax resident in Australia should generally be subject to Australian dividend withholding tax with respect to any unfranked dividends received. Australian dividend withholding tax should be imposed at a flat rate of 30% on the amount of the dividend that is unfranked unless the Shareholder is tax resident in a country that has concluded a double tax treaty with Australia. If that is the case, and the Shareholder is otherwise able to rely on the double tax treaty, the rate of Australian dividend withholding tax may be reduced (typically to 15%), depending on the terms of the double tax treaty.

Dividends received which are fully franked should not be subject to Australian dividend withholding tax.

Disposal of Shares

The disposal of a Share by a Shareholder who is not tax resident in Australia should constitute a CGT event. A capital gain may initially arise to the extent that the capital proceeds on disposal exceed the cost base of the Share.

However, any capital gain initially arising as a result of the CGT event should be disregarded unless the Share constitutes "taxable Australian property". Broadly, a Share should constitute taxable Australian property if both of the following requirements are satisfied:

- the Shareholder (together with any associates of the Shareholder) holds an interest of at least 10% in Audinate at the time of the disposal, or has held such an interest throughout a 12 month period in the 24 months preceding the disposal; and
- Audinate is land rich for Australian income tax purposes (broadly, because more than 50% of the value of Audinate's assets, including those of certain downstream subsidiaries, is comprised by Australian real property interests and/or certain interests in respect of Australian minerals).

A Share should also constitute taxable Australian property if it is used by a Shareholder in carrying on a business in Australia through a permanent establishment (for example, a fixed place of business, such as an office, which is located in Australia).

In the event that a Shareholder who is not tax resident in Australia realises a capital gain in connection with the disposal of a Share that constitutes taxable Australian property, the Shareholder should ordinarily be required to lodge an Australian income tax return including the capital gain. In such circumstances, the Shareholder should generally not be entitled to claim the benefit of the CGT discount to reduce the amount of the capital gain included, but may be able to offset the capital gain with any available capital losses, subject to certain loss recoupment tests being satisfied. The amount of the capital gain, after application of any available capital losses, should be subject to Australian income tax at the Shareholder's marginal tax rate.

A capital loss should initially be realised by a Shareholder who is not tax resident in Australia to the extent that the reduced cost base of a Share exceeds the capital proceeds from its disposal. However, as with capital gains, a capital loss should be disregarded by the Shareholder unless the Share being disposed of constitutes taxable Australian property. Capital losses which are not disregarded may only be offset against capital gains from the disposal of taxable Australian property in the same income year or future income years, subject to certain loss recoupment tests being satisfied.

Non-resident CGT withholding

New rules have recently been introduced which can apply to the disposal of certain taxable Australian property under contracts entered into on or after 1 July 2016. Pursuant to the new rules, a 10% non-final withholding tax may be applied to such transactions at settlement.

However, the new rules should not apply to the disposal of a Share on the ASX (in accordance with a specific exemption).

GST

Shareholders should not be liable for GST from acquiring or disposing of any Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition or disposal of Shares. Separate GST advice should be sought by Shareholders in this respect.

Stamp duty

Shareholders should not be liable for stamp duty in respect of their investment in Shares, unless they acquire, either alone or with an associated/related person, an interest of 90% or more in Audinate. Under current stamp duty legislation, no stamp duty should ordinarily be payable by Shareholders on any subsequent transfer of Shares whilst Audinate remains listed.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

Tax file number (TFN)

Australian tax resident Shareholders may, if they choose, notify Audinate of their TFN, Australian Business Number (**ABN**) or a relevant exemption from withholding tax with respect to dividends. In the event that Audinate is not so notified, pursuant to the TFN withholding rules, tax should be automatically be deducted at the highest marginal rate, including where relevant, the Medicare levy and Temporary Budget Repair Levy, from unfranked dividends and/or other applicable distributions. However, Australian tax resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of the tax deducted in their income tax returns.

Shareholders who are not tax resident in Australia should generally be entitled to an exemption from the TFN withholding rules. This means that mandatory withholding may not be required by Audinate with respect to unfranked dividends or other relevant distributions paid to such Shareholders, irrespective of whether those Shareholders have notified Audinate of their TFN or ABN.

9.12 Interests of experts and advisers

Other than as set out below, or as otherwise disclosed in this Prospectus, no person named in this Prospectus as providing professional or advisory services in connection with the preparation of this Prospectus or any firm in which any such person is a partner:

- has or had at any time during the two years preceding the date of the Prospectus, any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or the Offer; or
- has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Blackpeak Capital Pty Ltd has acted as financial advisor to the Offer. The Company has paid or agreed to pay an amount of approximately $368,000 (plus disbursements and GST) in respect of these services. Further amounts may be paid to Blackpeak Capital Pty Ltd in accordance with time-based charges.

Shaw and Partners Ltd has acted as Lead Manager and Underwriter to the Offer and the fees payable to the Lead Manager pursuant to the Lead Manager Agreement are described in section 9.9 and the fees payable to the Underwriter pursuant to the Underwriting Agreement are described in Section 9.9.

Deloitte Corporate Finance Pty Limited has acted as the Investigating Accountant, and performed work in relation to the Financial Information included in Section 4 and its Investigating Accountant's Report included in Section 8. The Company has paid or agreed to pay an amount of approximately $200,000 (plus disbursements and GST) in respect of these services. Further amounts may be paid to Deloitte Corporate Finance Pty Limited in accordance with time-based charges.

Deloitte Tax Services Pty Ltd has acted as tax adviser to the Company in relation to the Offer and provided the the tax summary in Section 9.11. The Company has paid or agreed to pay an amount of approximately $35,000 (plus disbursements and GST) in respect of these services. Further amounts may be paid to Deloitte Tax Services Pty Ltd in accordance with time-based charges.

DLA Piper Australia has acted as the Australian legal adviser to the Company in relation to the Offer. The Company has paid or agreed to pay an amount of approximately $288,000 (plus disbursements and GST) in respect of these services. Further amounts may be paid to DLA Piper Australia in accordance with its normal time-based charges.

Frost & Sullivan has prepared a Company Market Study for the Company in relation to the Offer. The Company has paid or agreed to pay an amount of approximately $17,500 (plus GST) in respect of these services.

The Company will pay these amounts, and other expenses of the Offer, out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.3.

9.13 Offer expenses

The Company has paid, or will pay, all of the costs associated with the Offer. If the Offer proceeds, the total estimated cash expenses in connection with the Offer (including underwriting, management, advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses) are estimated to be approximately $2.7 million of which approximately $0.7 has been paid at the Prospectus Date.

9.14 Consents

Each of the following parties has given and has not, before the issue of this Prospectus, withdrawn its written consent to being named in the Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent:

- Blackpeak Capital Pty Ltd has consented to being named in the Prospectus as financial advisor to the Offer;
- Shaw and Partners Ltd has consented to being named in the Prospectus as Lead Manager and Underwriter to the Offer;
- Deloitte Corporate Finance Pty Limited has consented to being named in the Prospectus as the Company's Investigating Accountant and to the inclusion of its Investigating Accountant's Report in section 8;
- Deloitte Tax Services Pty Ltd has consented to being named in the Prospectus as the Company's tax advisor and to the inclusion of the tax summary in section 9.11 of this Prospectus;
- Deloitte Touche Tohmatsu Ltd has consented to being named in this Prospectus as the auditor of the Company;
- DLA Piper Australia has consented to being named in the Corporate Directory of this Prospectus as the Australian legal adviser to the Company in relation to the Offer;
- Frost & Sullivan has consented to being named in the Prospectus as the provider of the Company Market Study and to the use of the Company Market Study and data therein in Section 2 of the Prospectus;
- Link Market Services Limited has consented to being named in the Corporate Directory and elsewhere in this Prospectus as the Share Registry for the Company;
- Stagetec Media Group Australia Pty Limited has consented to being named in the Prospectus and to the inclusion of its case study in Section 3.4 of the Prospectus;
- Microsoft Production has consented to being named in the Prospectus and to the inclusion of its case study in Section 3.2 of the Prospectus; and
- Solid State Logic has consented to being named in the Prospectus and to the inclusion of its case study in Section 2.6 of the Prospectus.

9 Additional information

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors of the Company, any underwriters, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

In light of the above, each of the parties referred to above, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described above.

9.15 ASX and ASIC waivers, exemptions, modifications and relief

The Company has applied for certain relief from, and modifications to, the following provisions of the Corporations Act:

- relief from section 606 of the Corporations Act so that the takeovers provisions of the Corporations Act will not apply to certain relevant interests that the Company would otherwise acquire in those Shares held by Escrowed Shareholders by reason of the voluntary escrow arrangements in relation to those Shares as described in Section 7.12; and
- modification of section 708A of the Corporations Act to the extent necessary to permit the Shares to be issued to Audinate Shareholders under the Implementation Deed, to be able to be sold on ASX within 12 months of their issue without the requirement for a future disclosure document being prepared in connection with that sale.

The Company has obtained in principle advice from ASX regarding the following waivers and confirmations:

- waiver of ASX Listing Rule 1.1 Condition 12 to permit the Company to have Options on issue with an exercise price of less than 20 cents;
- waiver of ASX Listing Rule 10.1 to permit the continuation of Audinate's agreements with Yamaha described in Section 9.9 without the requirement to obtain shareholder approval following listing; and
- customary confirmations relating to the Offer and the Company's listing on the ASX.

The Company has also applied for a waiver of ASX Listing Rule 10.14 to permit the Company to issue Performance Rights and Employee Gift Offer Shares to Lee Ellison upon Listing.

9.16 Legal proceedings

To the knowledge of the Directors, at the Prospectus Date, there is no current, pending or threatened litigation with which the Company is directly or indirectly involved which the Company believes is likely to have a material adverse impact on the business or the financial results of the Company.

9.17 Investor considerations

Before deciding to participate in this Offer, you should consider whether the Shares to be issued are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of Shares listed on ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser.

The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

9.18 Governing law

This Prospectus and the contracts that arise from the acceptance of Applications under this Prospectus are governed by the law applicable in New South Wales, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

9.19 Statement of Directors

Other than as set out in this Prospectus, the Directors report that after due enquiries by them there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company.

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Section ten

Glossary

10 Glossary

Term	Description
Applicant	A person who submits an Application
Application	An application made to subscribe for Shares or Performance Rights under this Prospectus
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Applicant Monies	The amount of money accompanying an Application Form submitted by an Applicant
AEST	Australian Eastern Standard Time
AES67	The standard developed by the Audio Engineering Society and published in September 2013 designed to allow interoperability between various IP-based audio networking systems
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ACN 008 624 691) or the Australian Securities Exchange that it operates as the context requires.
Audinate or **Group**	The Company and its subsidiaries or the business they operate as the context requires.
Audinate Share	A share in Audinate Pty Ltd ACN 120 828 006
Board	The board of directors of the Company
Broker	Any ASX participating organisation selected by the Lead Manager/ Underwriter and the Company to act as a broker to this Offer
Broker Firm Offer	The offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker
CAGR	Compound annual growth rate
Calendar year or **CY**	Year to 31 December
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Chairman	The chairman of the Company
CHESS	Clearing House Electronic Subregister System
Closing Date	The date on which the Retail Offer is expected to close, being 28 June 2017
Company	Audinate Group Limited (ACN 618 616 916)
Completion	The completion of the Offer, being the date upon which Shares are issued to Successful Applicants in accordance with the terms of the Offer
Constitution	The constitution of the Company
Directors	Each of the directors of the Company from time to time
EBITDA	Earnings before net interest and financing costs, tax, depreciation and amortisation expenses
Eligible Employees	All permanent full time employees of Audinate resident in Australia, United Kingdom, United States and Hong Kong who are employed by Audinate as at 30 April 2017 provided that they remain so employed and have not given, or been given, notice to terminate their employment as at the Closing Date.
Employee Gift Offer	The offer of Shares to Eligible Employees as described in Section 7.11
Employee Incentive Offer	The offer of Performance Rights to certain Audinate employees as described in Section 7.11
Employee Gift Offer Invitation Letter	An invitation to participate in the Employee Gift Offer
Employee Incentive Offer Invitation Letter	An invitation to participate in the Employee Incentive Offer
Employee Offers	The Employee Gift Offer and the Employee Incentive Offer
Escrowed Shareholders	Existing Shareholders who have or will enter into voluntary or mandatory escrow deeds as described in Section 7.12
Existing Shareholder	A person holding Existing Shares as at the Prospectus Date

Term	Description
Financial year or **FY**	Year to 30 June
Innovation Capital Partners	Innovation Capital II LP
Investigating Accountant's Report	The report prepared by Deloitte Corporate Finance Pty Limited referred to in Section 8
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.10
Lead Manager/Underwriter	Shaw and Partners
Management	The executives of the Company identified in Section 6.3
NPAT	Net profit after tax
OEM	Original equipment manufacturer
Offer	The offer under this Prospectus of Shares for issue by the Company.
Offers	The Offer and the Employee Offers
Offer period	The period from the Opening Date and ending on the Closing Date
Offer price	1.22 per Share
Opening date	The date on which the Retail Offer opens, being 21 June 2017
Performance Rights	The performance rights issued by the Company under the LTI Plan being rights to subscribe for Shares on the terms set out in Section 9.8
Priority Offer Invitation	The invitation under this Prospectus to selected investors as agreed between the Company and the Lead Manager to participate in the Priority Offer up to the allocation of Shares set out in the invitation
Priority Offer	A component of the Retail Offer under which investors who have received a Priority Offer Invitation are invited to apply for Shares
Prospectus	This document (including the electronic form of this Prospectus) dated 13 June 2017
Prospectus Date	The date on which a copy of this Prospectus was lodged with ASIC, being 13 June 2017
Retail Offer	The Broker Firm Offer and the Priority Offer
Selling Shareholders	Starfish Ventures, Innovation Capital Partners and NICTA who irrevocably offer to sell some of their shares in Audinate to the Company under the Restructure in exchange for cash with such cash proceeds coming from the proceeds raised by the Company under the Offer
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A holder of a Share
Starfish Ventures	Starfish Ventures Pty Ltd ACN 095 333 663 as trustee of the IIFF Trust and Starfish Ventures Pty Ltd ACN 095 333 663 as responsible entity of the Starfish Pre-Seed Fund and certain funds it manages being JP Morgan Nominees Australia Limited ABN 75 002 899 961 acting as nominee for the JP Morgan Chase Bank N.A. (Sydney Branch) ABN 43 074 112 011 (in its capacity as the custodian for AustralianSuper investments Pty Ltd as trustee for the AustralianSuper Private Equity Trust) and MTAA Superannuation Fund (Companion Funds) Private Equity Investments Pty Ltd as trustee of the MTAA Superannuation Fund
Successful Applicant	An Applicant who is issued Shares or Performance Rights under the Offers
Underwriting Agreement	The underwriting agreement between the Company and the Lead Manager/ Underwriter dated on or about the Prospectus Date

APPENDIX I

Summary of key accounting policies

Principles of consolidation

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.

Foreign currency translation

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

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars 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 of.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sales revenue

Sales revenue includes sale of goods and licence fee revenue.

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Revenue from licence fees, on software sales, is recognised on the transferring of significant risk and rewards of the software which normally incurs when the customer has access to the software.

Unearned revenue represents amounts received from customers in advance of the services to be provided. They are recognised as unearned revenue in the statement of financial position and transferred to profit or loss when the support and maintenance services have been provided.

Government grants including research and development incentives

Government grants and the research and development incentives are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

The total research and development tax incentive receivable is apportioned between other income and the development asset based on the split of expenditure in the claim.

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.

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.

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 provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

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

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

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

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 to 10 years
Computer and engineering equipment	1 to 10 years

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

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

Leases

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

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

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

Intangible assets

Intangible assets are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. 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 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 on a straight-line basis over the period of their expected benefit, being their finite useful life of three years.

Intellectual property

Significant costs associated with intellectual property are deferred and not amortised. Intellectual property has an indefinite life and is tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Impairment of non-financial assets

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

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

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.

Redeemable preference shares

Preference shares which are redeemable at the option of the noteholder are classified as a liability in the statement of financial position. Due to the operability of the anti-dilution clauses in the preference shareholder agreements, the preference shares are considered to include a derivative liability. As such the preference shares are considered to represent a liability with an equity conversion option derivative with the entire instrument being accounted for at fair value through profit or loss.

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 using the projected unit credit method. 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution plans

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

Share-based payments

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

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using an appropriate option pricing model 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.

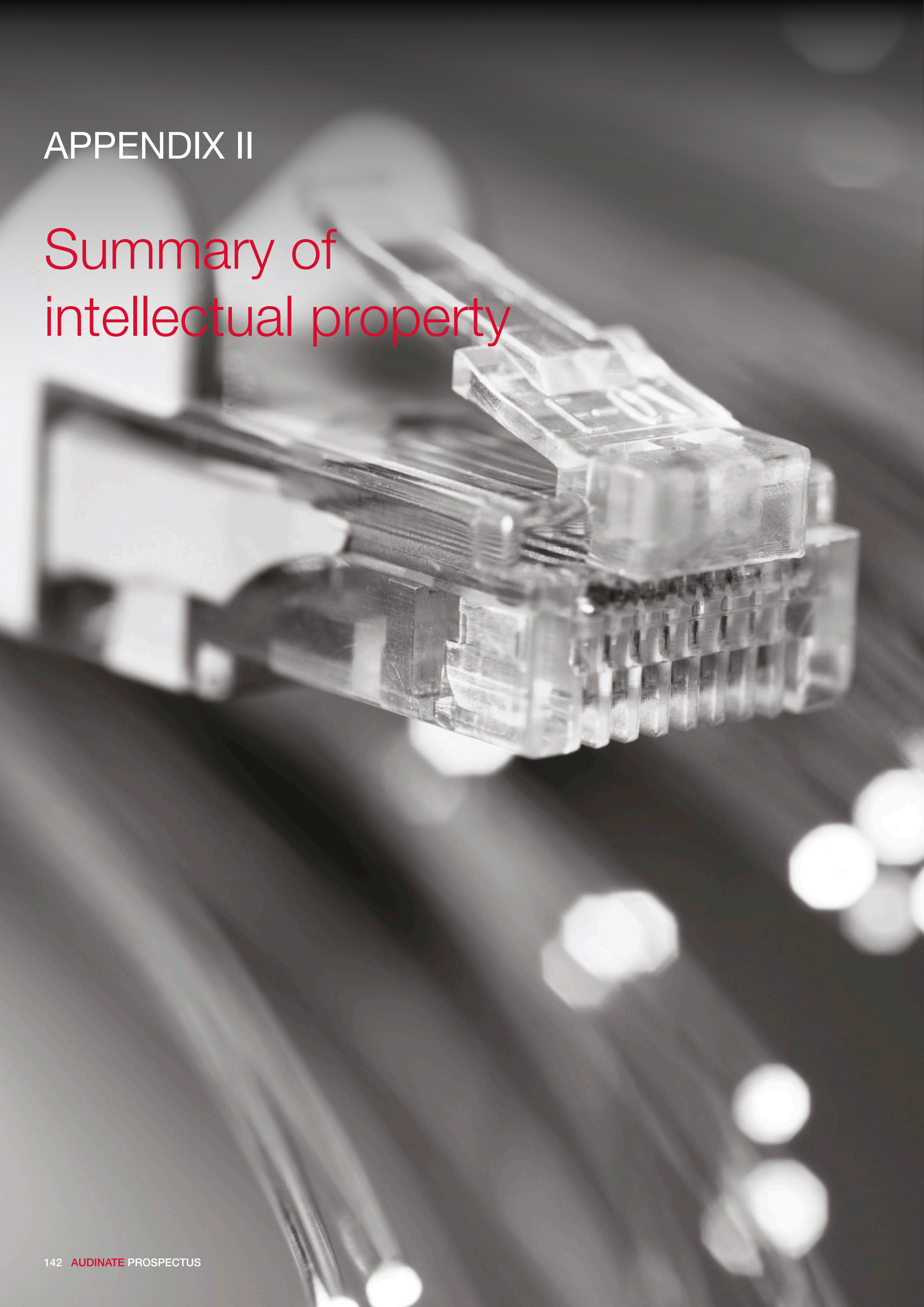
Fair value measurement

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 are 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.



APPENDIX II

Summary of intellectual property

Patents

Title of the Invention	Priority Date	Priority Applications (Prov and PCT)	US Patent/ Application No.	Status in US	Non-US Countries: Granted	Non US Countries: Filed and Pending
Method for Transporting Digital Media	Apr 22, 2005	AU 2005902065 AU 2005906272	7,747,725 8,005,939 8,478,856 9,003,009 9,398,091 15/187,309	5 Granted 1 Pending	TBD	EP
Redundant Media Packet Streams	May 17, 2006	AU 2006902741 AU 2006906015 PCT/AU2007/000667	7,978,696 8,411,679 8,913,612 14/539,575	3 Granted 1 Pending	CN, EP (GB, DE)	None
Transmitting and Receiving Media Packet Streams	May 17, 2006	AU 2006902741 AU 2006906015 PCT/AU2007/000668	9,178,927 14/858,893	1 Granted 1 Pending	CN, EP (GB, DE)	None
Systems, Methods and Computer-Readable Media For Configuring Receiver Latency	May 11, 2007	AU 2007902513 AU 2007902582 PCT/AU2008/000656	8,717,152 8,966,109 9,479,573 15/273,300	3 Granted 1 Pending	CN, EP (GB, DE)	None
Network Devices, Methods and/or Systems for use in a Media Network	Feb 28, 2008	2008901020 PCT/AU2009/000253	9,497,103 15/279,000	1 Granted 1 Pending	CN, EP (GB, DE)	None
Systems, Methods and Devices for Networking Over High Impedance Cabling	Oct 7, 2011	US 61/544810 PCT/AU2012/001216	14/349,546	Pending	TBD	CN, EP
Systems, Methods and Devices for Providing Networked Access to Media Signals	Jun 10, 2014	US 62/010,195 PCT/AU2015/000345	15/317,791	Pending	TBD	CN, EP
Systems, Methods, and Devices for Networked Media Distribution	Jan 18, 2017		62/447,722	Pending	TBD	Expected PCT filing before Jan 18, 2018

* Non-US countries are abbreviated as follows: AU – Australia, CN – China, EP – Europe (DE – Germany, GB – Great Britain, PCT – Patent Cooperation Treaty)

Appendix II

Trademarks

Trademark	Application No.	Registration No.	Granted Countries	Pending Countries	Earliest Filing Date	International Classes
Audinate	79/051,303 0957149 1188827	3,679,882 0957149 1188827	US EP AU	None	July 23, 2007	9, 38, 42
Dante	86/904,373		None	US	February 11, 2016	9

Audinate®

AUDINATE GROUP LIMITED
ACN 618 616 916

Broker Code

Adviser Code

Broker Firm Offer Application Form

This is an Application Form for Shares in Audinate Group Limited under the Broker Firm Offer on the terms set out in the Prospectus dated 13 June 2017. You may apply for a minimum of $2,000 worth of Shares (rounded up to the nearest whole Share, being 1,640 Shares). This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

A Shares applied for , , at Price per Share **A$1.22** **B** Application Monies **A$** , , .

(minimum $2,000 worth of Shares (rounded up to the nearest whole Share, being 1,640 Shares))

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C Applicant #1
Surname/Company Name

Title First Name Middle Name

Joint Applicant #2
Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

D TFN/ABN/Exemption Code
First Applicant Joint Applicant #2 Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box ☐ Company ☐ Partnership ☐ Trust ☐ Super Fund

E **PLEASE COMPLETE ADDRESS DETAILS**
PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level Street Number Street Name

Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of shareholder information)

F CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

X

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

G Telephone Number where you can be contacted during Business Hours ( ) Contact Name (PRINT)

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

H Cheque or Bank Draft Number BSB - Account Number

Total Amount **A$** , , .

LODGEMENT INSTRUCTIONS
You must return your application so it is received by your Broker by the deadline set out in their offer to you.

AD8 BRO001

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Audinate Group Limited ("Audinate") Shares. Further details about the Shares are contained in the Prospectus dated 13 June 2017 issued by Audinate Group Limited. The Prospectus will expire 13 months from the date of the Prospectus. While the Prospectus is current, Audinate Group Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of $2,000 worth of Shares (rounded up to the nearest whole Share, being 1,640 Shares). You may be issued all of the Shares applied for or a lesser number.

B Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.

C Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.

D Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Audinate Group Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

E Please enter your postal address for all correspondence. All communications to you from Audinate Group Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

F If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Audinate Group Limited's issuer sponsored subregister.

G Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

H Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.

If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

AUDINATE GROUP LIMITED
ACN 618 616 916

Broker Code

Adviser Code

Broker Firm Offer Application Form

This is an Application Form for Shares in Audinate Group Limited under the Broker Firm Offer on the terms set out in the Prospectus dated 13 June 2017. You may apply for a minimum of $2,000 worth of Shares (rounded up to the nearest whole Share, being 1,640 Shares). This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

A Shares applied for __,___,___ at Price per Share **A$1.22** **B** Application Monies **A$** _,___,___.__

(minimum $2,000 worth of Shares (rounded up to the nearest whole Share, being 1,640 Shares))

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C

Applicant #1
Surname/Company Name

Title | First Name | Middle Name

Joint Applicant #2
Surname

Title | First Name | Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

D

TFN/ABN/Exemption Code
First Applicant | Joint Applicant #2 | Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box ☐ Company ☐ Partnership ☐ Trust ☐ Super Fund

PLEASE COMPLETE ADDRESS DETAILS

E

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level | Street Number | Street Name

Suburb/City or Town | State | Postcode

Email address (only for purpose of electronic communication of shareholder information)

F

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

X

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

G

Telephone Number where you can be contacted during Business Hours ( ) | Contact Name (PRINT)

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

H

Cheque or Bank Draft Number | BSB ___ - ___ | Account Number

Total Amount **A$** _,___,___.__

LODGEMENT INSTRUCTIONS

You must return your application so it is received by your Broker by the deadline set out in their offer to you.

AD8 BRO001

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Audinate Group Limited ("Audinate") Shares. Further details about the Shares are contained in the Prospectus dated 13 June 2017 issued by Audinate Group Limited. The Prospectus will expire 13 months from the date of the Prospectus. While the Prospectus is current, Audinate Group Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of $2,000 worth of Shares (rounded up to the nearest whole Share, being 1,640 Shares). You may be issued all of the Shares applied for or a lesser number.

B Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.

C Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.

D Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Audinate Group Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

E Please enter your postal address for all correspondence. All communications to you from Audinate Group Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

F If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Audinate Group Limited's issuer sponsored subregister.

G Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

H Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.

If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Corporate directory

Audinate Group Limited registered office
Level 1, 458 Wattle Street
Ultimo, NSW, 2007 Australia

Financial Adviser
Blackpeak Capital Pty Ltd
Level 5, 55 Harrington Street
The Rocks, NSW, 2000 Australia

Lead Manager and Underwriter
Shaw and Partners
Level 15, 60 Castlereagh Street
Sydney, NSW, 2000 Australia

Legal Adviser
DLA Piper
Level 22, 1 Martin Place
Sydney, NSW, 2000 Australia

Investigating Accountant
Deloitte Corporate Finance Pty Limited
Grosvenor Place
225 George Street
Sydney, NSW 2000

Tax Adviser
Deloitte Tax Services Pty Ltd
Grosvenor Place
225 George Street
Sydney, NSW, 2000

Auditor
Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney, NSW 2000

Share Registry
Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000

Offer website
www.investor.audinate.com

Corporate website
www.audinate.com

RM-17055