Audinate Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Audinate Group Limited
ABN:	56 618 616 916
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

---

2. Results for announcement to the market

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for annual reporting periods commencing on or after 1 January 2018.

Refer to Note 2 for the impact of adoption of AASB 9 and AASB 15 on the Group.

The adoption of other revised standards and Interpretations has no material impact to the financial position or performance of the Group in either the current or prior period.

				$
Revenue from ordinary activities	up	59.9%	to	14,150,520
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)*	up	>100%	to	1,682,656
Profit/(loss) before income tax benefit	up	>100%	to	730,703
Profit from ordinary activities after tax attributable to the owners of Audinate Group Limited	down	61.4%	to	844,844
Profit for the half-year attributable to the owners of Audinate Group Limited	down	61.4%	to	844,844

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

Comments
Revenue growth of almost 60% in the current period resulted in an increase in EBITDA to $1,682,656 for the six months ended 31 December 2018 compared to $85,585 in the prior period.

In the prior period the profit for the Group after income tax amounted to $2,186,910 and was primarily due to the one-off impact of entering a tax consolidated group which amounted to $2.4 million. In the current period the profit for the Group after providing for income tax amounted to $844,844.

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

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

---

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	27.78	28.70

4. Dividend reinvestment plans

Not applicable.

5. Audit qualification or review

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

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

6. Attachments

Details of attachments (if any):

The Interim Report of Audinate Group Limited for the half-year ended 31 December 2018 is attached.

7. Signed

Signed ______________________ Date: 20 February 2019

David Krall
Chairman
Sydney

Audinate Group Limited

ABN 56 618 616 916

Interim Report - 31 December 2018

Directors	David Krall Lee Ellison John Dyson Roger Price Alison Ledger Tim Finlayson
Company secretary	Rob Goss
Registered office	Level 1 458 Wattle Street Ultimo NSW 2007 Tel: 02 8280 7100
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Tel: 1300 554 474
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Maddocks Level 27 123 Pitt Street Sydney NSW 2000
Stock exchange listing	Audinate Group Limited shares are listed on the Australian Securities Exchange (ASX code: AD8)
Website	www.audinate.com

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Audinate Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors

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

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

Principal activities

The Group's principal activity is the development and sale of digital Audio Visual ('AV') networking solutions. Dante is the Group's technology platform that distributes uncompressed digital audio signals over computer networks. Dante comprises software and hardware that is sold to and integrated inside the AV products of its Original Equipment Manufacturer ('OEM') customers. Audinate also sells application software through its own channel to provide management and control for these installations. In January 2019 the Group announced the preview of its first video products, the Dante AV Module and the Dante AV Product Design Suite.

Dividends

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

Review of operations

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

	Consolidated	
	31 Dec 2018	31 Dec 2017
	$	$
Profit after income tax expense for the half-year	844,844	2,186,910
Interest revenue	(103,006)	(113,113)
Other income	(93,747)	(29,686)
Income tax benefit	(114,141)	(2,643,918)
Depreciation and amortisation	1,148,706	685,392
EBITDA	1,682,656	85,585

For the half-year period ended 31 December 2018 the Group reported an increase in revenue of 60% to $14.2 million from $8.8 million in the previous comparable period. As the Group invoices its customers in US dollars, this currency is considered to be a more relevant measure of sales performance. In US dollars, revenue increased by 51% to US$10.3 million for the current period, compared to US$6.8 million for the half-year ended 31 December 2017.

The Group has grown its OEM base by 31 manufacturer brands over the six month period ended 31 December 2018 (31 added in the previous comparable period). Once an OEM has designed the Dante platform into one of its products, the Group will receive revenue at each production run in the form of sales of Dante chips, cards and modules or royalties. Dante enabled OEM products available for sale increased to 1,750 products, up 35% from 1,292 at 31 December 2017. Dante chips, cards and modules shipped in the period increased to approximately 181,000 units, approximately 59% up from the prior comparable period. Audinate revenue from software includes royalties, consumer software and Dante Domain Manager. During the period units of software sold increased to approximately 88,000 for the six month period, up by 22% from the same period in the prior year.

Operating expenses, which consist of employee expenses, marketing expenses and administration and other operating expenses increased by approximately 34% to $8.7 million in the current period from $6.5 million in the half-year ended 31 December 2017. The increase is primarily due to additional headcount, further LTI grants and consulting costs related to growth initiatives. The impact of revenue growth in excess of operating costs resulted in earnings before interest, tax, depreciation and amortisation ('EBITDA') increasing to approximately $1.7 million, up from $0.1 million for the six month period ended 31 December 2017.

In the prior period the Group entered into a tax consolidated group and the impact of this decision is recorded as an income tax benefit, amounting to approximately $2.4 million in the six month period ended 31 December 2017.

The Group recorded a profit after tax of $844,844 for the half-year ended 31 December 2018 compared to $2,186,910 for the previous comparable period, which included the non-recurring benefit of tax consolidation described above.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial half-year.

Matters subsequent to the end of the financial half-year
Subsequent to period end the Group signed an agreement for lease of a new head office in Sydney. The office move is likely to occur in the middle of 2019 and commits Audinate to rent of approximately $3.4 million over five years.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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

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

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

On behalf of the directors

David Krall
Chairman

20 February 2019
Sydney

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

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

The Board of Directors
Audinate Group Ltd
Level 1, 458 Wattle Street

19 February 2019

Dear Board Members

Auditor's Independence Declaration to Audinate Group Ltd

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

As lead audit partner for the review of the half year financial report of Audinate Group Ltd for the half year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants

Audinate Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Revenue			
Sales	4	14,150,520	8,847,991
Cost of goods sold		(3,773,120)	(2,244,857)
Gross margin		10,377,400	6,603,134
Expenses			
Employee expenses		(5,800,793)	(4,323,042)
Marketing expenses		(1,051,032)	(740,405)
Administration and other operating expenses		(1,842,919)	(1,454,102)
Depreciation and amortisation		(1,148,706)	(685,392)
Total expenses		(9,843,450)	(7,202,941)
Operating profit/(loss)		533,950	(599,807)
Interest revenue		103,006	113,113
Other income	5	93,747	29,686
Profit/(loss) before income tax benefit		730,703	(457,008)
Income tax benefit	6	114,141	2,643,918
Profit after income tax benefit for the half-year attributable to the owners of Audinate Group Limited		844,844	2,186,910
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(68,910)	293,571
Other comprehensive income for the half-year, net of tax		(68,910)	293,571
Total comprehensive income for the half-year attributable to the owners of Audinate Group Limited		775,934	2,480,481
		Cents	**Cents**
Basic earnings per share	13	1.38	3.62
Diluted earnings per share	13	1.31	3.49

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

Audinate Group Limited
Consolidated statement of financial position
As at 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Assets			
Current assets			
Cash and cash equivalents		12,175,755	13,631,026
Trade and other receivables	7	2,233,764	1,819,323
Current tax asset	6	1,253,151	1,344,029
Inventories		2,345,428	1,224,814
Other assets		468,862	276,247
Total current assets		18,476,960	18,295,439
Non-current assets			
Property, plant and equipment		776,470	691,011
Intangibles		4,546,897	3,879,196
Deferred tax	6	2,079,230	1,874,195
Total non-current assets		7,402,597	6,444,402
Total assets		25,879,557	24,739,841
Liabilities			
Current liabilities			
Trade and other payables		2,496,012	2,165,151
Contract liabilities/unearned revenue	8	171,323	133,689
Income tax payable	6	29,160	22,742
Employee benefits		1,241,758	1,662,980
Provisions		73,055	72,633
Total current liabilities		4,011,308	4,057,195
Non-current liabilities			
Employee benefits		343,200	308,836
Total non-current liabilities		343,200	308,836
Total liabilities		4,354,508	4,366,031
Net assets		21,525,049	20,373,810
Equity			
Contributed capital	9	63,287,617	63,287,617
Reserves	10	827,930	521,535
Accumulated losses		(42,590,498)	(43,435,342)
Total equity		21,525,049	20,373,810

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

Audinate Group Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Contributed capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2017	63,261,592	302,566	(45,979,681)	17,584,477
Profit after income tax benefit for the half-year	-	-	2,186,910	2,186,910
Other comprehensive income for the half-year, net of tax	-	293,571	-	293,571
Total comprehensive income for the half-year	-	293,571	2,186,910	2,480,481
Transactions with owners in their capacity as owners:				
Share-based payments	-	135,420	-	135,420
Issue of shares on exercise of options	21,109	-	-	21,109
Balance at 31 December 2017	63,282,701	731,557	(43,792,771)	20,221,487

Consolidated	Contributed capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2018	63,287,617	521,535	(43,435,342)	20,373,810
Profit after income tax benefit for the half-year	-	-	844,844	844,844
Other comprehensive income for the half-year, net of tax	-	(68,910)	-	(68,910)
Total comprehensive income for the half-year	-	(68,910)	844,844	775,934
Transactions with owners in their capacity as owners:				
Share-based payments	-	375,305	-	375,305
Balance at 31 December 2018	63,287,617	827,930	(42,590,498)	21,525,049

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

	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	13,950,045	9,304,018
Payments to suppliers and employees (inclusive of GST)	(13,470,407)	(9,947,011)
Interest received	102,198	142,063
Research and development incentive received for research activities	-	334,689
Income taxes paid	(30,913)	(45,438)
Net cash from/(used in) operating activities	550,923	(211,679)
Cash flows from investing activities		
Payments for property, plant and equipment	(228,924)	(197,732)
Payments for intangibles	(1,722,000)	(1,376,589)
Research and development incentive received for development activities	-	679,521
Net cash used in investing activities	(1,950,924)	(894,800)
Cash flows from financing activities		
Proceeds from issue of shares	-	4,083,463
Payments to selling shareholders	-	(7,029,899)
Share issue transaction costs	-	(115,226)
Net cash used in financing activities	-	(3,061,662)
Net decrease in cash and cash equivalents	(1,400,001)	(4,168,141)
Cash and cash equivalents at the beginning of the financial half-year	13,631,026	18,694,193
Effects of exchange rate changes on cash and cash equivalents	(55,270)	(70,825)
Cash and cash equivalents at the end of the financial half-year	12,175,755	14,455,227

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

Note 1. General information

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

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

Level 1, 458 Wattle Street
Ultimo NSW 2007

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 19 February 2019. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

Note 2. Significant accounting policies (continued)

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

- Chips, cards and modules (including adapters);
- Software and licence fees;
- Support and maintenance;
- Royalties; and
- Government grants, including research and development incentives.

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

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

Revenue Stream	Performance obligations	Timing of recognition
Chips, cards and modules (including adapters)	Goods dispatched from warehouse.	Recognised at point of dispatch from warehouse, when risk and rewards are transferred to the customer on basis of ex-works terms.
Software and licence fees	Provision of access to software and activation code.	Revenue from software is recognised at point of sale and access to software is granted.
Support and maintenance	As defined in contract.	Revenue is recognised over time as stipulated by terms in contract.
Royalties	Provision of financial information from OEM partners.	At point in time when OEM partners report on sales to end users.
Government grants, including research and development incentives	Compliance with conditions attached to grant.	Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses and related costs for which the grant is intended to compensate for.

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

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

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

Note 3. Operating segments

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

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

Note 4. Revenue

	Consolidated	
	31 Dec 2018 $	31 Dec 2017 $
Sales	14,150,520	8,847,991

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

	Consolidated 31 Dec 2018 $
Chips, cards and modules (including adapters)	11,821,852
Software revenue (including licence fees and royalties)	2,221,620
Other revenue (including support and maintenance)	107,048
	14,150,520

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

Note 5. Other income

	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Net foreign exchange gain/(loss)	93,747	(82,588)
Research and development incentive	-	112,274
	93,747	29,686

Note 6. Income tax

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

	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Income tax benefit		
Current tax	(350,601)	30,461
Deferred tax - origination and reversal of temporary differences	205,035	(231,198)
Adjustment recognised on tax consolidation	-	(2,443,181)
Adjustments in respect of current income tax of previous year	31,425	-
Aggregate income tax benefit	(114,141)	(2,643,918)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Profit/(loss) before income tax benefit	730,703	(457,008)
Tax at the statutory tax rate of 27.5% (2017: 30%)	200,943	(137,102)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of development costs (pre 30 June 2017)	-	121,544
Expenditure claimed for research and development incentive	1,097,850	527,504
Non-assessable income - research and development incentive	-	(33,682)
Other non-assessable items	86,099	(32,498)
Research and development incentive benefit	(1,536,990)	(676,964)
	(152,098)	(231,198)
Adjustment recognised on tax consolidation	-	(2,443,181)
Income tax payable in respect of foreign subsidiaries	6,532	30,461
Adjustments in respect of current income tax of previous year	31,425	-
Income tax benefit	(114,141)	(2,643,918)

Note 6. Income tax (continued)

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Intangible assets	1,655,188	1,693,897
Employee liabilities	351,050	395,233
Blackhole expenditure	219,550	258,966
Accrued expenses	58,382	73,724
Provisions	19,802	19,187
Other	19,148	27,283
Prepayments	-	(1,467)
Depreciation - ACA adjustment	(30,600)	(38,135)
Development costs	(732,505)	(554,493)
Research and development incentive benefit carry forward	519,215	-
Deferred tax asset	2,079,230	1,874,195

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Current tax asset		
Current tax asset	1,253,151	1,344,029

Current tax asset represents an estimate of the amount receivable from the Australian Tax Office inclusive of the research and development incentive.

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Income tax payable		
Income tax payable	29,160	22,742

Note 7. Current assets - trade and other receivables

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Trade receivables	2,044,612	1,738,464
Other receivables	189,152	80,859
	2,233,764	1,819,323

Note 8. Current liabilities - contract liabilities/unearned revenue

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Contract liabilities (30 June 2018: Unearned revenue)	171,323	133,689

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

	31 Dec 2018 $	30 Jun 2018 $
Opening balance	-	-
Transfer from unearned revenue on 1 July 2018	133,689	-
Billings in advance	399,463	-
Transfer to revenue - included in the opening balance	(98,215)	-
Transfer to revenue - relating to current period	(263,614)	-
Closing balance	171,323	-

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $171,323 as at 31 December 2018 and is expected to be recognised as revenue in future periods as follows:

	Consolidated 31 Dec 2018 $
Within 6 months	131,099
6 to 12 months	40,224
	171,323

Note 9. Equity - contributed capital

Fully paid ordinary shares

	Consolidated 31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $	30 Jun 2018 $
Ordinary shares - fully paid	61,115,265	60,936,358	63,287,617	63,287,617

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2018	60,936,358		63,287,617
Issue of shares - exercise of options	21 September 2018	10,000	$0.0360	-
Issue of shares - exercise of options	21 September 2018	100,000	$0.0620	-
Issue of shares - exercise of options	2 November 2018	49,109	$0.0620	-
Issue of shares - exercise of options	19 November 2018	19,798	$0.0360	-
Balance	31 December 2018	61,115,265		63,287,617

The table above reflects that all shares were issued to employees under a cashless exercise election.

Note 9. Equity - contributed capital (continued)

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

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

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

Note 10. Equity - reserves

	Consolidated	
	31 Dec 2018	**30 Jun 2018**
	$	**$**
Foreign currency reserve	(173,816)	(104,906)
Share-based payments reserve	1,001,746	626,441
	827,930	521,535

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

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

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

Consolidated	Foreign currency $	Share-based payments $	Total $
Balance at 1 July 2018	(104,906)	626,441	521,535
Foreign currency translation	(68,910)	-	(68,910)
Share-based payments	-	375,305	375,305
Balance at 31 December 2018	(173,816)	1,001,746	827,930

Note 11. Equity - dividends

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

Note 12. Contingent liabilities

The Group had no contingent liabilities at 31 December 2018 and 30 June 2018.

Note 13. Earnings per share

	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Profit after income tax attributable to the owners of Audinate Group Limited	844,844	2,186,910
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	61,017,977	60,343,994
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,470,655	2,353,994
Performance rights	1,995,000	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	64,483,632	62,697,988
	Cents	**Cents**
Basic earnings per share	1.38	3.62
Diluted earnings per share	1.31	3.49

Note 14. Events after the reporting period

Subsequent to period end the Group signed an agreement for lease of a new head office in Sydney. The office move is likely to occur in the middle of 2019 and commits Audinate to rent of approximately $3.4 million over five years.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

David Krall
Chairman

20 February 2019
Sydney

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

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

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

We have reviewed the accompanying half-year financial report of Audinate Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2018 and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Audinate Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Deloitte.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants
Sydney, 19 February 2019