

Audinate®

ANNUAL REPORT 2021





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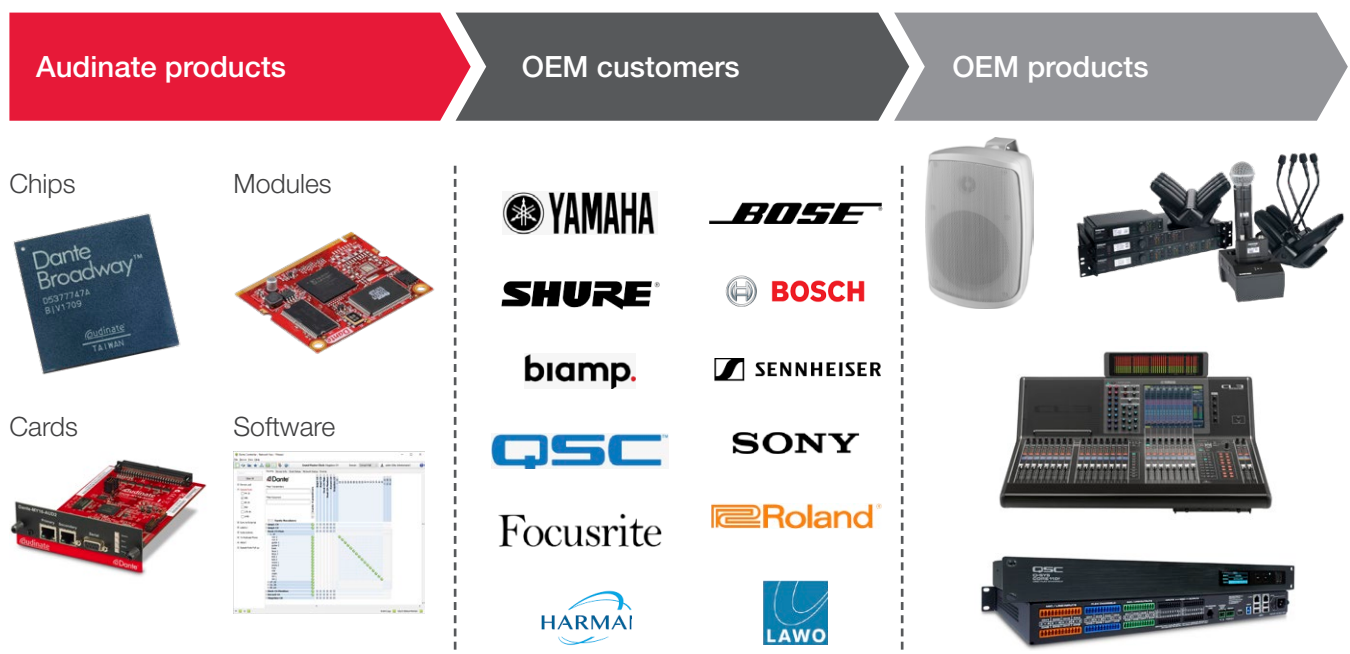
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Global leader in audio networking,
distributing high quality digital audio
signals over computer networks



Growing network effect of Dante enabled products in market – now 3,255



Business Overview

World-leading supplier of digital media networking for the Professional AV industry

Dante transforms audio and video connectivity

Audio systems ranging from small systems for a conference room or house of worship to massive systems found in a university campus or stadium all require connections between microphones, mixers, processors, amplifiers, and speakers.

Traditionally, this means long runs of specialized analog cables that are heavy, cumbersome to maneuver and dedicated to only a single type of signal going to a single device at a time. Changes are labor-intensive and expensive, and noise and hum are constant companions as distances grow. Adding video to the mix brings more of the same, with even more dedicated cable types to install, manage and maintain.

Dante replaces **all** of those connections with a computer network, effortlessly sending video or hundreds of channels of audio over slender Ethernet cables with perfect digital fidelity. All connections are now managed with software, making routes fast, readable, and reliable. Because all devices share the same network, signals can be sent between **any** devices no matter where they are located on a site, with no change to the wiring at all. Dante systems are easily expanded, exactly as one might add a printer to a network. Just connect additional devices to any available network jack and start using it.

Dante is the evolution of AV systems, converging all previous connection types into one. Dante delivers vastly superior performance while making these systems easier to use, easier to expand, and less expensive to deploy.

Products

Dante is available in over 3,000 products from more than 400 manufacturers, covering a diverse range of installations and applications across industries, including:

- Universities
- Conference Rooms
- Broadcast Studios
- Corporate Campuses
- Houses of Worship
- Arenas and Stadiums
- Recording Studios
- Conference Centers
- Transportation
- Amusement Parks
- Zoos
- Theaters.



FY21 Financials

Revenue

A\$33.4M

up 10.1%

Gross Margin

76.4%

down (0.2%)

EBITDA

A\$3.0m

up 50.1%

Cash and term deposits

A\$65.4m

up \$36.1m



>A\$1bn

Total addressable market¹

371

OEM brands shipping Dante enabled products

3,255

Dante enabled products available on the market

19x

Market adoption of closest competitor

33,000

Professionals trained on Dante in FY21

1. Management estimate of total addressable market of audio, video and Pro-AV software products

Chairman's Letter



Dear Shareholders,

On behalf of the Directors, it is my pleasure to present the Audinate Group Limited Annual Report for the financial year ended 30 June 2021 (FY21). We were delighted with the way Audinate emerged from the COVID uncertainty of 2020, exceeded our financial goals, and delivered on strategic product initiatives in FY21. All of this sets us up well for ongoing growth and an exciting year ahead.

Reflecting on FY21, we were pleased with the resilience of our business which recovered steadily as a result of diverse revenue streams, a broad customer base, and exposure to multiple geographies and a range of vertical markets. As we expected, the shift towards software revenue was evident, and this shift is likely to continue given the improved unit economics for customers adopting new software products such as the Dante Embedded Platform and IP Core. Despite the challenging operating environment, the business continued to produce strong operational metrics, including growth in design wins, customers, Dante-enabled products, market share and training numbers.

Launching the first Dante video products was a truly significant milestone for us and a great way to end the year. We expect the positive market reaction will provide us with good sales impetus for the year ahead. Please refer to the CEO Report for more detail on other current product initiatives.

In recognition of the increasing investor focus on environmental, social and governance (ESG) matters, we have provided additional disclosure in the Directors Report about how we manage supply chain risks, including Modern Slavery and Conflict Minerals considerations. There is also increased detail on our approach to diversity and inclusion at Audinate. We value the broad diversity we have within the existing team, which we seek to retain as we tackle some ambitious targets to improve our gender diversity.

In July and August of 2020, the company raised \$40 million of additional capital. I want to thank the institutional and retail shareholders who participated in the private placement and associated share purchase plan. It was a critical step to de-risk the business from the potential impacts of COVID and allowed us to resume our growth journey with a fortified balance sheet.

Whilst Aidan Williams is now comfortably established as CEO, it's worth recognising that COVID emerged relatively early in his tenure. The Board has been very impressed with his calm demeanour and rational decision making through what has of course been an extremely tumultuous period. In particular, Aidan's ability to act both tactically and strategically has been evident as we strive to "pioneer the future of AV". A part of this success is undoubtedly due to the contribution of the experienced and talented executive leadership team that he has fostered.

The strong financial performance in the current year made it possible to return to paying staff bonuses for FY21 and to award pay rises for the year ahead. We are grateful for the willingness staff demonstrated to accept the importance of financial restraint heading into FY21 and we were impressed by ongoing strong employee engagement results given the challenging circumstances. Given the strong returns for shareholders over the last twelve months, it is great to be able to share this upside with employees through our staff equity plan. We continue to see staff equity as promoting a shared sense of ownership and alignment between staff and shareholders.

Heading into the new financial year, we are conscious of the growth journey ahead and recognise the importance of having the people, processes, and systems in place to support the business. We expect that Audinate will double revenue in the medium term, and consequently, it is essential that the company has a scalable cost base to grow profitably. In FY22, this means targeting headcount of more than 170 staff (up from 135 in FY21) to support new product initiatives and build out a layer of management and expertise below the executive leadership team. In terms of systems and processes, it means investing in supply chain management, a new release management process, strengthening cyber security and implementing a range of new support processes in Operations and Finance.

COVID has impacted our staff in many ways over the last year. Some have contracted the virus themselves, or their loved ones have. There have been economic impacts to families through loss of employment or income. Extended lockdowns, remote working, and home-schooling have presented other challenges. These things all affect staff wellbeing and mental health. Given this environment, we are all the more grateful for all our employees' contribution, drive, and teamwork and recognise this as vital to our ongoing success at Audinate.

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

DAVID KRALL
Chairman



Dante audio and video showcase; Musicians in New York, Washington DC and Nashville appear together live on a single stage at a Blue Note concert



CEO's Report



FY21 was an exciting year for Audinate as the business recovered from COVID impacts to deliver strong revenue growth and make good progress on our medium-term objectives. Our focus going into the year was delivering design wins to drive future revenue growth, so it was particularly pleasing to see the change to a subscription pricing model drive record numbers of design wins in FY21. The launch of the first Dante video products from our manufacturing customers (OEMs) in June was another major milestone and provides us with strong momentum for our video offering heading into FY22.

Dante Video Product Launches

The successful June launch of the first Dante video products by Bolin Technology (Bolin) and Patton Electronics (Patton) was significant for the Company as we address a new market for Dante networking technologies. Bolin launched two camera models (4k and Full-HD with pan/tilt/zoom) and two video decoders (HDMI and SDI), while Patton launched an HDMI video encoder and decoder. For the first time, these six products enable a system integrator to design an AV installation using only Dante networking for both video and audio distribution.

In January, we boosted our video development capabilities by recruiting a team in Cambridge (UK) focused on video software and system products. This is our first substantial development team located outside the Sydney office, and establishing the group is a significant organisational milestone that will help us accelerate our video strategy. The Cambridge (UK) team has recently signed its first commercial technology agreement and will shortly release our first video software product.

Importance of Software

During FY21, software revenue grew 61.9% to US\$6.8 million. This was driven by greater than 50% growth in Dante software-based implementations (royalties for Dante Embedded Platform, IP Core, and reference designs) and by revenue growth in both retail software (>30%) and, to a lesser degree, Dante Domain Manager (>30%). Dante software-based implementations offer our OEM customers a lower-cost way to build Dante inside their products than our traditional chips, cards, and modules. This is because software implementations can share a chip with the customer and therefore save the COGS component of a chip, card or module.

We have successfully proven the concept of in-field enablement (IFE) with a flagship customer, and the technology infrastructure is largely in place to roll out more broadly in FY22. IFE is exciting because it enables an end-user to add more channels of Dante to an AV product in the field – either via Audinate.com or potentially an OEM's website. We expect this to further reduce cost barriers for OEMs wanting to deploy Dante widely across their product range whilst providing better economics for Audinate by transacting directly with an end-user, without the multiple margins of a typical OEM sales channel.

Operational Results

Over the last twelve months, the number of Dante-enabled products has increased to 3,255, which is now 19x the number of products of the next closest digital audio networking technology. Even though supply chain pressures slowed new product releases in the second half of the year, the number of OEMs shipping products increased to 371, up from 328 a year ago. The Company achieved a record 105 design wins, including an impressive 66 new OEMs facilitated by introducing an annual subscription (vs up-front technology access fee), new software options, and our first video products.

Dante certification and training continues to be an essential way to educate the market and drive end-user demand for Dante networking technologies. Our certification training courses play a critical role in teaching AV professionals the basics of networking, familiarising them with Dante, and credentialing them for their customers. The aim of these courses is to provide participants with the knowledge and confidence to specify, install and use Dante. In FY21, there were 112 webinars conducted, up from 82 in the prior year, which helped train approximately 33,000 professionals on Dante. This number includes about 13,000 people trained in languages other than English and 12,000 professionals who received training on Dante video.

Financial Results

Gross profit increased 23.1% to US\$19.2 million at a gross margin of 76.4% (FY20: 76.6%), primarily due to 43% growth in units shipped. Revenue increased 22.5% to US\$25.0 million, compared to US\$20.4 million in the prior year. AUD revenue grew 10.1% to A\$33.4 million and was adversely impacted by the AUD/USD exchange rate. Gross profit dollars is becoming a more meaningful measure of performance given the shift to software-based implementations, and hence our focus upon this measure in our financial commentary.

Operating expenses increased by 6.1% to A\$22.5 million during FY21 (up from A\$21.2 million in the prior year). The major change was a A\$2.0 million increase in employee costs, mainly from additional headcount, offset by A\$0.8 million saving arising from reduced travel and trade show expenses. The establishment of a video development team in Cambridge (UK) was the main driver of increased employment costs (A\$1.1 million). Consequently, FY21 EBITDA was A\$3.0 million compared to A\$2.0 million in the prior year.

Net loss after tax was A\$3.4 million compared to A\$4.1 million net loss after tax in FY20. The main components of the movement in the net loss after tax were a) increased revenue in FY21; b) a lower income tax expense in FY21 (income tax losses were written off in the prior year); and c) a A\$2.1 million increase in depreciation and amortisation in FY21.

Supply chain uncertainty impacting 1H22

The record backlog at 30 June 2021 has translated into strong trading performance in July, however some orders were deferred to later months due to the temporary shutdown of our manufacturing line in Malaysia caused by local COVID cases. August demand remained similarly strong; however, we are now allocating our Ultimo product to customers due to global chip supply constraints. Although there is currently record demand for our products, we expect chip shortages and COVID disruptions to manufacturing to continue to impact our ability to supply during 1H22.

Global supply chain pressures are causing our OEM customers to focus internal resources on product redesign to address part shortages, potentially deferring the launch of new Dante products. The diversion of engineering resources may also adversely impact new design wins for the next six months, including for Dante video. In the near term, we do not expect OEM new product delays or a slowdown in design wins to impact revenue given the ongoing strong demand from end-users and the high backlog of unfulfilled orders.

Priorities for FY22

Having successfully navigated a challenging operating environment over the last twelve months, we continue to take a long-term perspective on running and growing the business to deliver shareholder value. The key focus areas for the year ahead are:

- Driving further design wins for Dante video and next-generation software products
- Launching new Dante video software and cloud services products
- Pursuing initiatives to reduce adoption friction, including in-field activation
- Improving adoption of Dante by non-English speakers
- Strengthening our products, services, and systems against cyber risk
- Implementing business scalability initiatives

Conclusion

Lastly, I would like to thank the Board for their ongoing guidance and support through a very challenging operating environment over the last twelve months. Our staff also deserve recognition for their passion, dedication, and enthusiasm, particularly given the trying circumstances of the COVID pandemic. The resilience of the business over the last year continues to give me confidence for the future as we work to achieve Audinate's vision to "Pioneer the Future of AV".



AIDAN WILLIAMS

Chief Executive Officer



Audinate Group Limited

ABN 56 618 616 916

A photograph of a recording studio. In the foreground, a person is seated at a desk, operating a large digital mixing console. They are wearing a light-colored t-shirt and a headband. In the background, another person stands near a floor lamp, looking at a large computer monitor. The monitor displays a software interface with various tracks and waveforms. The room has soundproofing panels on the walls and a professional studio atmosphere.

Directors' Report and Financial Statements – 30 June 2021

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Audinate Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Directors

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

David Krall

Aidan Williams

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 high-quality digital audio and video signals over computer networks. Dante comprises software and hardware that is sold to and integrated inside the AV products of its Original Equipment Manufacturer ('OEM') customers. Audinate also sells application software through its own channel to provide management and control for AV installations.

Dividends

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

Review of operations

For the year ended 30 June 2021, the Group reported an increase in revenue of 10.1% to \$33.4 million from \$30.3 million in the prior year ended 30 June 2020. COVID-19 significantly impacted revenue in the final quarter of FY20 and the business has experienced a gradual recovery and return to revenue growth over the course of FY21. As the Group invoices its customers in US dollars, this currency is a more relevant measure of sales performance. In US dollars, revenue increased by 22.5% to US\$25.0 million in FY21 from US\$20.4 million in the prior year. Gross margin percent also remained relatively stable at 76.4% compared to 76.6% for the prior year ended 30 June 2020.

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

	Consolidated	
	2021 \$'000	2020 \$'000
Loss after income tax expense for the year	(3,441)	(4,138)
Interest revenue	(266)	(320)
Grant income	(828)	(503)
Net foreign exchange loss/(gain)	590	(11)
Interest expense	105	117
Income tax expense	355	2,465
Depreciation and amortisation	6,534	4,422
EBITDA	3,049	2,032

Directors' Report

The Group has grown the number of OEM customers shipping Dante enabled products to 371 OEMs at 30 June 2021, up 13.1% from 328 at 30 June 2020. Once the OEM has designed the Dante platform into one of its products, the Group will receive revenue at each production run in the form of sales of Dante chips, modules or cards or royalties. Dante enabled OEM products available for sale increased to 3,255 products, up 16.1% from 2,804 at 30 June 2020. The ongoing transition to software based Dante implementations drove software revenue growth of 61.9% to US\$6.8 million in FY21 from US\$4.2 million in the prior year.

Operating expenses, which consist of employee benefit expenses, sales and marketing expenses and administration and other operating expenses increased by approximately 6.1% to \$22.5 million in the year ended 30 June 2021 from \$21.2 million in the prior year. The key movements from prior year were due to a \$2.0 million increase in employee costs mainly from additional headcount, offset by \$0.8 million saving from sales and marketing expenses due to reduced spend on travel and trade shows. The establishment of a video development team in Cambridge (UK) amounted to \$1.1 million and was the main driver of the increase in employment costs. Consequently, EBITDA was \$3.0 million in the year ended 30 June 2021 compared to \$2.0 million in the prior year.

As a result of COVID-19 related stimulus initiatives the Group has received \$759,000 (2020: \$434,000) in JobKeeper support payments, and \$69,000 (2020: \$69,000) in other government COVID-19 grants, from various jurisdictions in the current year. These amounts were recorded in other income and are therefore excluded from the calculation of EBITDA.

Consistent with the prior financial year, the Group considered it prudent and appropriate to not recognise tax losses of approximately \$1.9 million (2020: \$3.6 million) generated in year ended 30 June 2021. These tax losses include the benefit of research and development tax offsets, which the Group expects to continue to receive in future years. The Group retains access to these tax losses to apply against taxable income in future years and may re-recognise them as an asset when greater certainty returns (subject to the satisfaction of the relevant tax laws).

Net loss after tax was \$3.4 million for the year ended 30 June 2021 compared to a \$4.1 million net loss after tax in the prior year. The movement is due to increased revenue and a lower income tax expense (income tax losses were written off in the prior year) in FY21, which was partially offset by a \$2.1 million increase in depreciation and amortisation.

Managing supply chain risks

Lead times for many electronic components have increased significantly over the last year due to a combination of the global shortage of chip manufacturing capacity and COVID-related events like factory shutdowns. Regulatory and compliance requirements have also increased due to changes in USA/China trade regulations and increased interest in the ESG credentials of suppliers. Consequently, the Company has strengthened processes to manage product manufacturing and the selection and management of our suppliers and contract manufacturing partners.

Supplier selection and management

When selecting suppliers and contract manufacturers we evaluate the quality of their products as well as related controls and processes. This includes an assessment of compliance with quality standards like ISO 9001, Modern Slavery Act requirements and Conflict Minerals regulations.

The Company has a long-standing practice of directly managing relationships with key component suppliers rather than relying on contract manufacturers to source all components for the following reasons:

- Direct evaluation of key component suppliers is part of our quality assurance process;
- Negotiating improved pricing or supply arrangements for both Audinate and our OEM customers;
- Managing lead-times and supply chain risk directly; and,
- Fostering direct relationships with key technology suppliers and partners.

Our contract manufacturer VTech Holdings Limited ('VTech') is listed on the Hong Kong Stock Exchange and operates manufacturing facilities in mainland China and Malaysia. VTech publishes an annual Sustainability Report, which includes statements on ISO 9001 accreditation and compliance with Modern Slavery and Conflict Minerals regulation (<https://www.vtech.com/en/sustainability/sustainability-reports/>). Our other key suppliers and partners are all leading global technology companies and publish similar annual reports.

Current supply chain pressures

Chip shortages are expected to continue into FY22, causing supply chain pressure for both Audinate and its OEM customers. Additional resources have been committed to proactively manage component supply and manufacturing in the coming year although risks associated with non-delivery of raw materials, COVID-related shutdowns of suppliers and the desire of OEMs to stockpile components remain.

There will continue to be related risks of sales orders being delayed or cancelled in the event that OEM customers supply chains are disrupted. In addition, there may also be temporary delays to new product launches by our customers because of the current part shortages.

The establishment of a second manufacturing line with VTech in Malaysia has been critical in achieving continuity of supply for our customers and a series of improvements made in the current year has strengthened our ability to manage and respond to supply chain risks in the year ahead.

Significant changes in the state of affairs

The Group completed an institutional placement on 22 July 2020 which raised \$28 million of cash and resulted in the issue of 5,436,894 ordinary shares on this date. In addition, a Share Purchase Plan was completed on 14 August 2020 which raised \$12 million of cash and resulted in the issue of 2,343,750 ordinary shares on this date.

During the year, Audinate continued to make good progress with Dante Video including the recruitment of an experienced video development team of 12 employees in Cambridge (UK) and the successful release of the first Dante Video OEM products in June 2021 by Bolin Technology and Patton Electronics.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2021 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.

Likely developments and expected results of operations

The Group's growth strategy is multi-faceted and seeks to:

- continue to grow the OEMs adopting Dante;
- increase the adoption of Dante across a customer's product portfolio to expand the ecosystem of available Dante enabled products;
- drive other market participants' adoption of Dante by working with consultants, integrators, and customers to create a 'network effect' as the adoption of Dante in partner products expands; and
- deliver new products and services to both OEMs and end-users.

As the Group increases its customer base, and the number of Dante-enabled devices within the ecosystem increases, more choices are available for consultants, system designers, integrators, and end users to design turnkey systems. This in turn, further entrenches Dante as the preferred networking technology for professional AV installations, and encourages OEMs to be part of the Dante ecosystem to ensure their products are considered for new installations as well as upgrades to existing installations.

In the coming year the Group will also continue to focus on the sale of Dante Video, Dante Embedded Platform and Dante Application Library products for incorporation into OEM's products. Over the next twelve months there will be a focus on broadening the Dante Video product offering and making initial steps into cloud-based software services.

Proceeds from the equity raising completed at the beginning of FY21 will be used to accelerate Audinate's growth opportunities, and strengthen its global leadership position in the AV-industry, while developing its video capabilities. The raising allows the Group to:

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

Environmental regulation

The Group is not directly subject to any significant environmental regulation under Australian Commonwealth or State law.

Directors' Report

Information on Directors

Name:	David Krall
Title:	Chairman and Non-Executive Director
Qualifications:	David has a Master of Business Administration from Harvard University and both a Bachelor of Science degree and Masters degree in Electrical Engineering from Massachusetts Institute of Technology.
Experience and expertise:	David serves as a director and/or strategic advisor to several technology companies, combining a strong educational background in engineering and business over 30 years of professional experience. David currently acts as Strategic Advisor for Roku Inc. He is the former President and Chief Operating Officer of Roku Inc., a market leader in television streaming. He was also formerly President and Chief Executive Officer of Avid Technology Inc. (NASDAQ: AVID)
Other current directorships:	Director of Progress Software Corporation (NASDAQ: PRGS); Director of Harmonic Inc. (NASDAQ: HLIT); Director of Universal Audio; and, Director of WeVideo Inc.
Former directorships (last 3 years):	Director of Quantum Corp. (NYSE: QTM)
Special responsibilities:	Member of the Remuneration and Nomination Committee
Interests in shares:	400,000 ordinary shares
Interests in options:	80,000 options over ordinary shares
Interests in rights:	None

Name:	Aidan Williams
Title:	Chief Executive Officer
Qualifications:	Aidan has a BSc in Computer Science, and a BEng (Hons I) in Electrical Engineering, both from the University of New South Wales (UNSW), Australia.
Experience and expertise:	Aidan Williams is co-founder and CEO of Audinate. While at the National ICT Australia (NICTA), he was the driving force behind the Digital Audio Networking project that developed the fundamental audio networking technology behind Dante. Prior to joining NICTA, Aidan was at Motorola Labs in Sydney where he worked on advanced networking technologies including zero-configuration IP networking, IPv6, reliable multicast, mobile adhoc networking and residential gateways. He is an inventor on more than twenty patents related to IP networking. Before embarking on an R&D career, Aidan developed extensive skills in networking, security, operating systems, and software development through several years of hands-on experience managing large networks, mission-critical systems and network security for a large university campus.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	1,970,421 ordinary shares
Interests in options:	None
Interests in rights:	268,700 performance rights over ordinary shares

Name:	John Dyson
Title:	Non-Executive Director
Qualifications:	John has a Master of Business Administration from RMIT University and a Bachelor of Science degree from Monash University. He has a Graduate Diploma in Finance and Investment from the Securities Institute of Australia and is a member of the Australian Institute of Company Directors.
Experience and expertise:	John is a director and one of the founders of Starfish Ventures. He played a crucial role in the establishment of Starfish Ventures and has personally overseen and managed investments across a range of technologies and industries. John is currently a director of Atmail Pty Ltd., Echoview Pty Ltd., Aktana Inc., Design Crowd Pty Ltd and Hearables 3D Pty Limited. John is also a director at the Walter and Eliza Hall Institute of Medical Research. Formerly, John was General Manager (Australia) of JAFCO Investment (Asia Pacific), a Singapore based private equity manager. Prior to joining JAFCO, John worked in the investment banking and stockbroking industries for Schroders, Nomura Securities, KPMG and ANZ McCaughan.
Other current directorships:	None
Former directorships (last 3 years):	Director of Nitro Software Ltd (ASX: NTO)
Special responsibilities:	Member of the Remuneration and Nomination Committee and the Audit and Risk Management Committee
Interests in shares:	190,289 ordinary shares
Interests in options:	None
Interests in rights:	None

Name:	Roger Price
Title:	Non-Executive Director
Qualifications:	Roger has an Engineering degree from the University of Technology, Sydney.
Experience and expertise:	Roger was formerly the Chief Executive Officer of Windlab Limited, a wind energy company (which was listed on the ASX until it was sold and delisted on 29 June 2020). Previously Roger was also a partner at Innovation Capital, a venture capital firm in Sydney, one of the early investors in the Group. Roger has a depth of operational experience including senior engineering, manufacturing, information technology service and international business development roles for a number of technology-based companies. Prior to joining Innovation Capital, Roger was the Chief Executive Officer of Reino Intl., a developer of advanced parking solutions. Roger commenced his career at Alcatel and has held senior positions with a number of Australian technology businesses and NASDAQ listed software companies.
Other current directorships:	None
Former directorships (last 3 years):	Executive Chairman of Windlab Limited (ASX: WND)
Special responsibilities:	Member of the Audit and Risk Management Committee
Interests in shares:	77,856 ordinary shares
Interests in options:	None
Interests in rights:	None

Directors' Report

Name:	Alison Ledger
Title:	Non-Executive Director
Qualifications:	Alison has a Master of Business Administration from Harvard University and a Bachelor of Arts degree in Economics from Boston College. She is a graduate and member of the Australian Institute of Company Directors.
Experience and expertise:	Alison is a company director with significant experience in banking, consulting and corporate P&L roles. She is currently a Non-Executive Director of ASX listed Latitude Financial Services, its subsidiary Hallmark Insurance and ASX listed Countplus. As a Partner with McKinsey & Company, Alison advised leading global and Australian financial institutions on strategy, performance improvement and organisational change. While Executive General Manager, Product, Pricing and eBusinesses at Insurance Australia Group (IAG), Alison led the digital transformation of the direct insurance business.
Other current directorships:	Director of Latitude Financial Services (ASX: LFS); Director of Countplus Limited (ASX: CUP)
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Remuneration and Nomination Committee
Interests in shares:	6,443 ordinary shares
Interests in options:	None
Interests in rights:	None

Name:	Tim Finlayson
Title:	Non-Executive Director
Qualifications:	Tim has degrees in Economics and Laws from Macquarie University. He is a member of Chartered Accountants Australia and New Zealand and is admitted as a Solicitor of the Supreme Court of New South Wales. He is a graduate and member of the Australian Institute of Company Directors.
Experience and expertise:	Tim is a chartered accountant with more than 25 years of experience in professional services, telecommunications and infrastructure industries and has held finance and operational leadership roles in Australia, Singapore and Vietnam. Tim is currently Chief Operating Officer with King & Wood Mallesons Australia, a leading international law firm. During his time at PricewaterhouseCoopers, Tim was a partner of Tax and Legal Services in Indochina advising foreign companies on setting up and operating in Vietnam, Cambodia and Laos, following tax advisory roles in Sydney and Singapore. Tim was previously Chief Financial Officer for Sydney Airport Corporation (ASX: SYD) and Hutchison Telecommunications (Australia) Limited (ASX: HTA).
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Management Committee
Interests in shares:	130,954 ordinary shares
Interests in options:	None
Interests in rights:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Rob Goss is the Chief Financial Officer and Company Secretary, responsible for finance, risk management and investor relations. He is a member of the Chartered Accountants Australia and New Zealand and has a Bachelor of Business degree, majoring in Accounting, from the University of Technology, Sydney.

Before joining the Group in 2017, Rob served as Chief Financial Officer for BuildingIQ, Inc. (ASX: BIQ), a commercial energy platform to manage building heating and cooling via the cloud to save on energy costs. Prior to BuildingIQ, Rob was Chief Financial Officer at iProperty Group Limited (ASX: IPP), an online property portal operating in Malaysia, Hong Kong, Indonesia, Singapore and Thailand. Previously, Rob held senior finance roles at ANZ Bank and Allco Finance Group after commencing his career as a chartered accountant at KPMG.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Management Committee	
	Attended	Held	Attended	Held	Attended	Held
David Krall	13	13	4	4	–	–
Aidan Williams	13	13	–	–	–	–
John Dyson	13	13	4	4	3	3
Roger Price	13	13	–	–	3	3
Alison Ledger	12	13	4	4	–	–
Tim Finlayson	13	13	–	–	3	3

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

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel ('KMP') are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

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

Directors' Report

Remuneration philosophy and governance

Remuneration philosophy

The Company's objective is to provide maximum benefit to shareholders while ensuring the long-term sustainability of the business. To achieve this the Company must attract, motivate and retain highly skilled directors and executives, and remunerate them fairly and appropriately. The Board of Directors ('the Board') has adopted a remuneration framework based on the following principles:

- Competitiveness and reasonableness;
- Linkage between executive rewards and shareholder value;
- Establishment of appropriately demanding performance hurdles for variable executive rewards; and
- Transparency.

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Remuneration governance

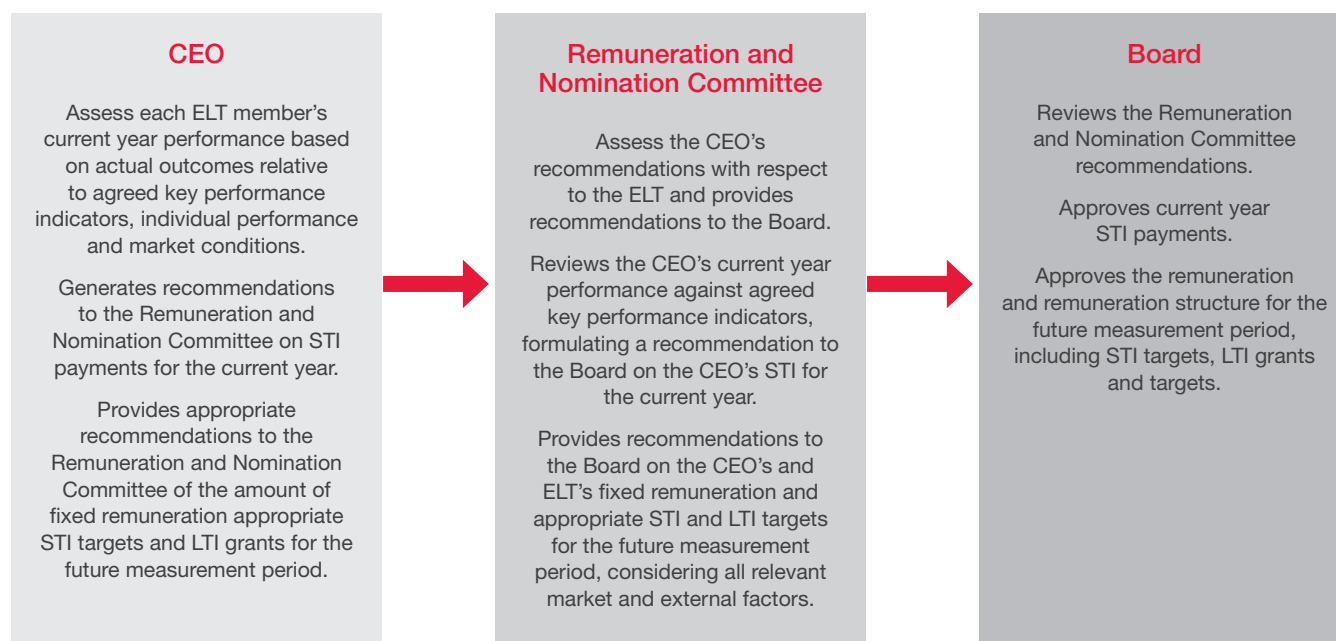
The Board has overall responsibility for the Group's remuneration principles, practices, strategy and approach to ensure they support the Company's business strategy and are appropriate for a listed Company given the size and nature of Audinate's business.

The Remuneration and Nomination Committee is responsible for advising the Board on the composition of the Board and its committees, evaluating potential Board candidates and advising on their suitability, and ensuring appropriate succession plans are in place. This Committee is currently comprised of three independent non-executive directors and the CEO and other directors attend at the invitation of the Committee Chair.

The Remuneration and Nomination Committee establishes, amends and reviews the compensation and equity incentive plans with respect to the Executive Leadership Team ('ELT') and employees of the Group including determining individual elements of the total compensation of the Chief Executive Officer, and other members of the ELT.

The Remuneration and Nomination Committee may seek external advice to determine the appropriate level and structure of the remuneration packages from time to time (refer to the section 'Independent advice' below).

A summary of the annual remuneration review process for the executive leadership team is set out below.



Independent advice

During the 2021 financial year the Group, through the Remuneration and Nomination Committee, engaged Mercer Consulting for independent advice. The work performed included an external benchmark of executive and non-executive director remuneration and advice on the structure of the long-term incentive plan. Mercer Consulting were paid \$76,200 for these services.

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

At the AGM more than 99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020.

Remuneration framework and structure

Non-executive director remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. This amount is currently capped under the Company's Constitution at \$750,000 per annum. Any increase to the aggregate amount needs to be approved by shareholders. Directors will seek approval from time to time, as appropriate. This aggregate annual sum does not include any special remuneration which the Board may grant to the directors for special exertions or additional services performed by a director for or at the request of the Group, which may be in addition to or in substitution of the director's fees.

The Company has entered into an appointment letter with each of its non-executive directors. Non-executive fees, inclusive of superannuation but exclusive of GST (where applicable), are currently as follows:

Name of Non-Executive Director	Fees per annum (\$)
David Krall	150,000
John Dyson	75,000
Roger Price	75,000
Alison Ledger*	75,000
Tim Finlayson**	75,000

* Chair of Remuneration and Nomination Committee

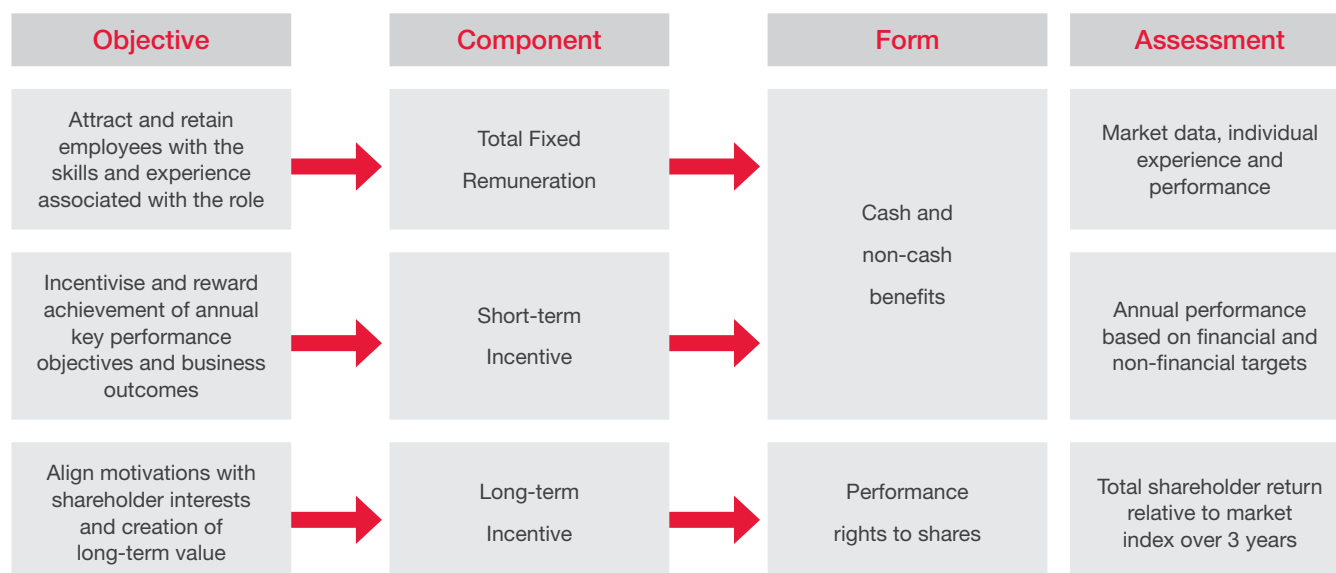
** Chair of Audit and Risk Committee

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

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

Directors' Report

Summary of executive remuneration structure



Total fixed remuneration ('TFR')

TFR includes base salary and superannuation contributions and may include, at the discretion of the Board, other benefits such as health insurance for US based employees. TFR is determined with reference to available market data, the scope of an individual's role and the qualifications and experience of the individual, as well as geographic location. TFR is reviewed annually to account for market movements and individual performance outcomes. See further details in the section headed Executive KMP contract details within the Remuneration Report.

Short-term incentive plan ('STI Plan')

The STI Plan is designed to reward eligible employees for their efforts toward the accomplishment of the Group's goals during the plan year. Under the STI Plan, the decision to pay any bonus remains at the full discretion of the Board, based on recommendations by the Remuneration and Nomination Committee.

The key components of the cash-based STI Plan are:

- participants may be entitled to receive a percentage of their fixed remuneration as an annual cash bonus;
- payment of an annual cash bonus is based on (i) overall company-wide achievement of corporate financial goals, and (ii) individual performance targets and objectives;
- corporate financial goals are set annually and may include measures such as USD revenue, cash burn and design wins, or other targets as considered appropriate and set by the Board; and
- a minimum threshold is set for the payout on the achievement of corporate financial goals and the maximum payout amount is generally capped at 125% in the event of outperformance (except the portion of the STI relating to USD revenue, which is uncapped).

In FY21 the STI for all KMP and the ELT was based on a linked plan for the achievement of corporate financial goals and individual key performance objectives. The corporate financial goals for FY21 were targets for USD revenue, cash burn, audio design wins and video design wins. In the current year the achievement of corporate financial goals was 89% of the target amount.

Long-term incentive plan ('LTI Plan')

The LTI Plan is designed to assist in the reward, retention and motivation of the ELT and other key employees ('participants'). Under the rules of the LTI Plan, the Board has the discretion to offer awards to nominated participants.

A summary of the rules of the LTI Plan is set out below:

- the LTI Plan is open to participants, as determined by the Board. Participation is voluntary;
- awards may be in the form of options to acquire shares; performance rights to acquire shares; and/or shares, including those acquired under a limited recourse loan funded arrangement;

- the Board may determine the type/number of awards to be issued under the LTI Plan to each participant and other terms of issue such as: service-based conditions and/or performance hurdles; any amount payable on the grant of the awards; the exercise price of any option granted; the period during which a vested option can be exercised; and any forfeiture conditions or disposal restrictions applying to the awards and any shares that a participant receives upon exercise of their options or performance rights;
- the Board may, in certain circumstances, impose a clawback, including the cancellation of unvested performance rights and forfeiture of shares allocated upon vesting of options or performance rights (e.g. in the event of fraud, dishonesty or serious breach of duty);
- the Board may, in its discretion, also determine that the Company will issue limited recourse loans to participants to use for the purchase of shares as part of a share award under the LTI Plan;
- when any service-based conditions and/or performance hurdles have been satisfied, participants will receive fully vested shares or their options/performance rights will become vested and will be exercisable over shares, as applicable;
- each vested option and performance right enables the participant to be issued or to be transferred one share upon exercise, subject to the rules governing the LTI Plan and the terms of any particular offer;
- participants holding options or performance rights are not permitted to participate in new issues of securities by the Company but adjustments may be made to the number of shares over which the options or performance rights are granted and/or the exercise price (if any) to take into account changes in the capital structure of the Company that occur by way of pro rata and bonus issues in accordance with the rules of the LTI Plan and the ASX Listing Rules.
- the LTI Plan limits the aggregate number of awards that the Company may grant without shareholder approval, such that the sum of all awards on issue (assuming all options and performance rights were exercised) do not at any time exceed in aggregate 10% of the total issued capital of the Company as at the date of any proposed new awards; and
- the Board may delegate management and administration of the LTI Plan, together with any of their powers or discretions under the LTI Plan, to a committee of the Board or to anyone or more persons selected by them as the Board thinks fit.

LTI grants – allocation methodology

During the current financial year, the Group issued performance rights to the ELT under the LTI Plan rules outlined above. The Remuneration and Nomination Committee used external benchmarking to determine a base allocation to each member of the leadership team in keeping with the Group's remuneration philosophy. The number of performance rights to be issued is calculated by dividing the target LTI amount by the 30-day volume weighted share price prior to the annual general meeting. The accounting valuation of performance rights is lower due to the inclusion of performance hurdles.

This approach resulted in an LTI grant to the CEO of 75% of his TFR. The Board, based on the input of the Remuneration and Nomination Committee and CEO, may vary the allocation to an individual member of the ELT based on the following factors:

- Additional recognition for recent out performance by an individual;
- Succession considerations around an individual assuming greater responsibilities in future years;
- Strategic importance of tasks and responsibilities assumed by an individual;
- Relative weighting of other elements of compensation, including commission plans;
- Retention purposes for key roles; and
- Non-compliance with the Group's values, Code of Conduct and other relevant employee policies.

In the current year the application of this approach resulted in LTI grants to the ELT of between 25% to 75% of their TFR.

None of the employment contracts of the KMP, or the ELT more broadly, contain any future contractual commitments about a specified level of participation in the LTI Plan and the Board retains complete discretion to determine the appropriate level of LTI grants in future periods, within the construct of the LTI Plan rules summarised above.

LTI grants – vesting conditions

The performance rights will vest over a period of three years subject to the satisfaction of both:

- 1) a service based vesting condition; and
- 2) the relevant performance hurdle.

The service based vesting condition for the performance rights is that the individual must remain an Employee (as defined in the Plan Rules) up to and including the vesting dates for the performance rights. The performance rights issued in FY21 vest at 30 June 2023 subject to achieving the performance hurdle.

Directors' Report

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

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

The Company's Total Shareholder Return performance compared to the relevant index

Percentage of performance rights to vest

<50th percentile	No vesting
≥50th percentile to 75th percentile	Pro-rata straight line vesting between 50% and 100%
≥75th percentile	100% vesting

In the event that the Company achieves a negative TSR that is better than the relevant index TSR the percentage of performance rights to vest is capped at 50%.

Other equity grants

The Group recognises the importance of all employees having an equity interest in the ongoing performance of Audinate and during FY19 extended the LTI Plan to other key employees outside of the ELT. Based on the successful achievement of the company financial objectives in FY19 the Group issued performance rights which will vest in two equal tranches over 12 and 24 months, providing that the staff member remains an employee at the time of vesting. Due to the impacts of COVID-19 no performance right grants were made in FY20, however the Group has made provision for the awarding of performance rights for FY21 that will be issued post the release of the financial statements.

Other employees received a grant of \$1,000 of shares based on the successful achievement of company financial objectives in FY21, receiving an acceptable performance appraisal, and remaining in employment at the date of issue, post the release of the FY21 financial statements.

Group performance and link to remuneration

Remuneration for all staff is directly linked to the performance of the Group. The overall level of reward is based on the achievement of USD revenue and other corporate objectives as well as the individual's performance assessment score. No bonus is payable unless the thresholds are met and the ultimate amount payable remains at the discretion of the Board. Refer to the section 'Additional information' below for details of the TSR and earnings. TSR is the key performance metric for the LTI plan.

Remuneration details

Amounts of remuneration

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

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

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

And the following persons:

- Rob Goss – Chief Financial Officer and Company Secretary

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2021	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:							
David Krall (Chairman)	138,923	–	–	–	–	–	138,923
John Dyson	77,626	–	–	7,374	–	–	85,000
Roger Price	55,249	–	–	24,751	–	–	80,000
Alison Ledger	82,192	–	–	7,808	–	–	90,000
Tim Finlayson	82,192	–	–	7,808	–	–	90,000
Executive Directors:							
Aidan Williams	365,782	226,025	–	21,694	6,939	211,261	831,701
Other KMP:							
Rob Goss	296,379	92,238	–	21,694	3,945	125,522	539,778
	1,098,343	318,263	–	91,129	10,884	336,783	1,855,402

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

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

Directors' Report

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

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	2021	2020	2021	2020	2021	2020
Executive Directors:						
Aidan Williams	48%	76%	27%	–	25%	24%
Lee Ellison	–	40%	–	–	–	60%
Other KMP:						
Rob Goss	60%	81%	17%	–	23%	19%

Non-executive directors did not receive share options or other performance linked incentives during the year ended 30 June 2021 and 30 June 2020.

Executive KMP contract details

Remuneration and other terms of employment for KMP are formalised in service agreement and the key details of these agreements are summarised below:

Component	Approach for CEO	Approach for Executive KMP
Total Fixed Remuneration:*	\$460,000	\$352,110
Contract Duration:	Ongoing	Ongoing
Target STI % of TFR:	50%	25%
Target LTI % of TFR:	75%	50%
Notice period by individual/company:	6 months	3 months
Restraint:	Post termination subject to non-competition and non-solicitation of customers within USA, Australia and UK for 12 months	Post termination subject to non-competition and non-solicitation of customers within USA, Australia and UK for 12 months

* Total fixed remuneration relates to the remuneration for the year ending 30 June 2022.

All other members of the executive leadership team are employed under written terms of employment with the Group. The key terms and conditions of their employment include:

- remuneration packages;
- eligibility to participate in the STI and LTI Plans;
- notice of termination of employment provisions, with the relevant notice period of up to 3 months; and
- for some of those executives, post-employment restrictions covering non-competition, non-solicitation of clients for a maximum duration of up to 12 months.

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

Equity-based compensation

Issue of shares

There were no shares issued to directors as part of compensation during the year ended 30 June 2021. The first tranche of the performance rights issued on 30 June 2017 vested in full on 31 August 2021 and Aidan Williams and Rob Goss received 59,514 shares and 29,757 shares respectively.

Options

There were no options over ordinary shares issued granted to or vested by directors and other KMP as part of compensation that were outstanding as at 30 June 2021.

Performance rights

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

Name	Number of rights granted	Grant date	Expiry date	Relevant Index	Share price hurdle for vesting	Fair value per right at grant date
Aidan Williams	59,514	30/06/2017	30/07/2022	ASX Emerging Companies	\$0.000	\$0.780
Aidan Williams	59,513	30/06/2017	30/07/2022	ASX Emerging Companies	\$0.000	\$0.780
Aidan Williams	57,857	26/03/2019	31/08/2021	ASX Emerging Companies	\$0.000	\$2.181
Aidan Williams	40,114	30/06/2020	31/08/2022	ASX 300	\$0.000	\$4.370
Aidan Williams	51,702	11/11/2020	31/08/2023	ASX 300	\$0.000	\$5.215
Rob Goss	29,757	30/06/2017	30/07/2022	ASX Emerging Companies	\$0.000	\$0.780
Rob Goss	29,756	30/06/2017	30/07/2022	ASX Emerging Companies	\$0.000	\$0.780
Rob Goss	42,857	26/03/2019	31/08/2021	ASX Emerging Companies	\$0.000	\$2.181
Rob Goss	21,401	30/06/2020	31/08/2022	ASX 300	\$0.000	\$4.370
Rob Goss	30,342	11/11/2020	31/08/2023	ASX 300	\$0.000	\$5.215

The first tranche of the performance rights issued on 30 June 2017 for Aidan Williams (59,514 performance rights) and Rob Goss (29,757 performance rights) vested in full on 31 August 2020. The remaining performance rights issued on 30 June 2017 vest in two tranches after the release of the annual results in 2021 and 2022. All other grants vest as a single tranche after three years.

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

Performance rights granted carry no dividend or voting rights.

Additional information

The earnings of the Group for the five years to 30 June 2021 are summarised below:

	2017* \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000
Sales revenue	15,063	19,653	28,313	30,317	33,369
EBITDA	784	559	2,765	2,032	3,049
Profit/(loss) after income tax	(20,443)	2,544	662	(4,138)	(3,441)

* EBITDA in the 2017 financial year is calculated excluding the one-off impacts of IPO expenses and the change in fair value of redeemable preference shares.

Directors' Report

The factors that are considered to affect TSR are summarised below:

	2018	2019	2020	2021
Share price at financial year end (\$)	3.92	7.99	5.40	8.13
Basic earnings per share (cents per share)	4.19	1.08	(6.17)	(4.56)
Diluted earnings per share (cents per share)	3.95	1.02	(6.17)	(4.56)

Additional disclosures relating to KMP

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
David Krall	400,000	–	–	–	400,000
Aidan Williams	1,910,907	59,514	–	–	1,970,421
John Dyson	184,429	–	5,860	–	190,289
Roger Price*	71,156	–	6,700	–	77,856
Alison Ledger	4,000	–	2,443	–	6,443
Tim Finlayson*	125,094	–	5,860	–	130,954
Rob Goss*	103,308	29,757	–	–	133,065
	2,798,894	89,271	20,863	–	2,909,028

* Includes indirect holdings.

Option holding

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

	Balance at the start of the year	Granted	Exercised	Other*	Balance at the end of the year
Options over ordinary shares					
David Krall	80,000	–	–	–	80,000
	80,000	–	–	–	80,000

All of the outstanding options at 30 June 2021 were fully vested and exercisable.

Performance rights holding

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

	Balance at the start of the year	Granted	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares				
Aidan Williams	276,512	51,702	(59,514)	268,700
Rob Goss	153,528	30,342	(29,757)	154,113
	430,040	82,044	(89,271)	422,813

	Vested	Unvested	Balance at the end of the year
Performance rights over ordinary shares			
Aidan Williams	–	268,700	268,700
Rob Goss	–	154,113	154,113
	–	422,813	422,813

The second tranche of the performance rights issued to Aidan Williams and Rob Goss on 30 June 2017 amounting to 59,514 and 29,757 performance rights respectively, and the performance rights issued to Aidan Williams and Rob Goss on 23 March 2019 amounting to 57,857 and 42,857 performance rights respectively are expected to vest in full by 31 August 2021.

Loans to directors and executives

There were no loans to directors or executives during the year ended 30 June 2021.

This concludes the remuneration report, which has been audited.

Audinate's values

Audinate's values are central to the Company's culture. They are a guide for Audinate's people as they pursue individual, team and corporate objectives, and inform how they work with others within, and outside the Company. Leaders are responsible for modelling the values and fostering them within their teams, and each employee is held accountable for operating in alignment with the values.

Audinate's values are:

Excellence – Whatever we do, we do it well

Courage – We are bold and brave

Innovation – We imagine the future and build it

Integrity – We say and do what is right

Teamwork – Together we achieve

Directors' Report

Diversity and inclusion at Audinate

Audinate has a strong commitment to diversity and recognises the value of attracting and retaining people with different backgrounds, knowledge, experiences, and abilities. The Company understands that diversity not only encompasses gender but extends to age, ethnicity, religious beliefs, cultural background, language, marital or family status, sexual orientation, gender identity, disability, socio-economic background, perspective, and experience. Audinate's ability to foster a diverse and inclusive workplace is essential to the Company's ability to attract, engage and retain the talent crucial for ongoing success. The policies, practices and values of the Company ensure an environment in which individual differences are valued and all employees can realise their potential and contribute to the Company's success.

Audinate is proud of the diversity of its people. Of the Company's approximately 130 people across 9 countries, there are 21 nationalities and 24 countries of birth represented. There is also a broad representation of age groups, with the age range spanning 5 decades. At the end of FY21 females represented 24% of Audinate's workforce and 29% of the Senior Executive Team (CEO and executive direct reports). The female representation on Audinate's board is 17%. Audinate is committed to supporting increased female employee representation and is mindful of several factors that influence this.

Low turnover of existing employees constrains the opportunity to address the current gender mix. The gender mix in relevant talent pools is also a strong influencing factor. In FY21 Audinate assessed that 79% of its roles required relevant engineering or related qualifications and/or AV industry experience. According to Engineers Australia report 'Australia's Next Generation of Engineers' (2020) only 15% of Engineering degrees (all disciplines) completed since 2001 were completed by females, and indicatively, in 2018 only 8% of Electrical and Electronics Engineering course completions were by females. Data on the AV industry is scarcer but one indicative data point is that 11% of attendees at the industry's largest tradeshow were female. The 24% female composition of the overall Audinate workforce is therefore more favourable than the gender mix in the available talent pools. Nonetheless, Audinate is committed to practices and an environment that provide increased opportunities for female representation.

More detail is contained in the Company's Diversity Policy published on the Company's website within the Corporate Governance Policies section of the Investor Centre.

Country of birth	%	Age	%
Australia	17%	21 – 24	4%
USA	14%	25 – 34	23%
UK	14%	35 – 44	32%
Philippines	7%	45 – 54	29%
India	7%	55 – 64	10%
China	6%	65+	1%
Sri Lanka	3%	Unspecified	1%
Various (17 countries)	18%		
Unspecified	14%		

Diversity and inclusion objectives

Audinate committed to achieve several objectives to support fostering a diverse and inclusive workplace over a two year period to 30 June 2022. Improvements were also identified to support the embedding of diversity and inclusion into recruitment strategy. Implementation of these initiatives will facilitate the attraction of diverse candidate pools and support unbiased selection decisions. A commitment to increasing support for employees with family and carer responsibilities was translated into practice via an Interim Flexible Work Location Policy. This policy will be refined over time as Audinate gains experience with remote working practices and develops further understanding of how best to support flexible working. Employees were also consulted on diversity via the annual employee engagement survey. Employee views were overwhelmingly positive regarding the treatment of men and women, and whether people from all backgrounds have equal opportunities to succeed at Audinate. During the past year an updated Appropriate Workplace Behaviour Policy was communicated across the Company, and Board reporting processes were strengthened to encompass matters relating to the Code of Conduct and Whistleblower Policy.

Audinate set an aspirational objective for 30% of people manager vacancies to be filled by females. The purpose of the objective is to build an environment that fosters female participation and to increase female candidate pools for future senior executive opportunities. In FY21 60% of these vacancies were filled by females.

Employee engagement and wellbeing

Employee engagement and wellbeing is important for Audinate's success. Feedback from the annual employee engagement survey and mid-year pulse survey was particularly important in a year of unprecedented challenges arising from COVID-19. The results of these surveys, including all employee comments, were shared with the Remuneration and Nomination Committee and the Board. Employee survey responses strongly indicated that they felt supported by Audinate during the pandemic and that the Company had adapted well under the circumstances. The engagement results compared favourably with the top 25th percentile of the global peer group of small technology companies, which was a particularly pleasing result in a year with pay freezes and no bonuses due to the impacts of COVID-19. Feedback on questions related to wellbeing was used to inform the development of Audinate's wellbeing strategy. Wellbeing initiatives include an Employee Assistance Program, monthly wellbeing themes, mental health first aiders and wellbeing training.

Shares under option

Unissued ordinary shares of Audinate Group Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30/06/2017	11/06/2022	\$0.2600	47,000
30/06/2017	23/08/2022	\$0.2600	167,200
30/06/2017	31/01/2023	\$0.2600	16,000
			230,200

Shares under performance rights

Unissued ordinary shares of Audinate Group Limited under performance rights* at the date of this report are as follows:

Grant date	Vesting date	Exercise price	Number under rights
30/06/2017	15/07/2021	\$0.0000	244,472
30/06/2017	15/07/2022	\$0.0000	234,964
29/06/2018	15/07/2021	\$0.0000	17,425
29/06/2018	15/07/2022	\$0.0000	17,421
26/03/2019	30/06/2022	\$0.0000	381,958
16/10/2019	31/08/2021	\$0.0000	15,167
30/06/2020	30/06/2022	\$0.0000	163,864
07/01/2020	06/01/2022	\$0.0000	10,792
07/01/2020	06/01/2023	\$0.0000	10,791
11/11/2020	31/08/2023	\$0.0000	235,725
23/12/2020	31/08/2023	\$0.0000	5,180
04/06/2021	31/08/2023	\$0.0000	4,739
			1,342,498

* ASX restricted quoted performance rights

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Directors' Report

Shares issued on the exercise of options

The following ordinary shares of Audinate Group Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted:

Date options exercised	Exercise price	Number of shares issued
10/08/2020	\$0.0260	40,000
10/08/2020	\$0.2600	8,000
24/08/2020	\$0.0620	10,000
24/08/2020	\$0.2600	7,613
19/10/2020	\$0.0260	3,826
30/10/2020	\$0.2600	60,000
30/10/2020	\$0.0260	4,819
24/11/2020	\$0.0620	110,000
04/12/2020	\$0.0620	10,000
09/04/2021	\$0.2600	21,000
		275,258

Shares issued on the exercise of performance rights

The following ordinary shares of Audinate Group Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of performance rights granted:

Date performance rights converted to shares	Exercise price	Number of shares issued
31/08/2020	\$0.7800	262,529
31/08/2020	\$7.2100	15,689
		278,218

Indemnity and insurance of officers

During the financial year, the Company had a policy in place in respect of directors' and officers' liability and legal expenses insurance contracts, for current directors, including senior executives, employees and officers and for former directors, officers and employees of the Company for a period of 12 months. The policy also covers directors, senior executives, secretaries and employees of its Group. The policy prohibits disclosure of the premiums paid.

The policy covers:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The Company has also entered into a Deed of Access ('Deed') and Indemnity with all past and present directors, which provides an indemnity to the directors for legal costs and any liability arising from negligence of the director, to the extent permitted by law. In addition, the Deed allows the Company to advance a director an interest free loan equal to any legal costs which, in the Company's opinion, are not permitted to be indemnified under the law. Any such advance is repayable by the director at the conclusion of the proceedings.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Rounding of amounts

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

Officers of the Company who are former partners of Deloitte Touche Tohmatsu

There are no officers of the Company who are former partners of Deloitte Touche Tohmatsu.

Auditor's independence declaration

A copy of the auditor's independence declaration is set out on the following page.

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

On behalf of the directors



David Krall
Chairman

23 August 2021
Sydney

Auditor's Independence Declaration



Deloitte Touche Tohmatsu
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Grosvenor Place
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Australia

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www.deloitte.com.au

23 August 2021

The Board of Directors
Audinate Group Limited
Level 7
64-76 Kippax Street
Surry Hills NSW

Dear Board Members

Audinate Group Limited

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

As lead audit partner for the audit of the financial statements of Audinate Group Limited for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

A handwritten signature in black ink, appearing to read "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Helen Hamilton-James".

Helen Hamilton-James
Partner
Chartered Accountant

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

		Consolidated	
	Note	2021 \$'000	2020 \$'000
Revenue			
Sales	5	33,369	30,317
Cost of goods sold		(7,865)	(7,109)
Gross margin		25,504	23,208
Expenses			
Employee expenses	6	(17,811)	(15,797)
Sales and marketing expenses		(1,688)	(2,484)
Administration and other operating expenses		(2,956)	(2,895)
Depreciation and amortisation	6	(6,534)	(4,422)
Total expenses		(28,989)	(25,598)
Operating loss		(3,485)	(2,390)
Net foreign exchange (loss)/gain		(590)	11
Finance costs	6	(105)	(117)
Other income	7	1,094	823
Loss before income tax expense		(3,086)	(1,673)
Income tax expense	8	(355)	(2,465)
Loss after income tax expense for the year attributable to the owners of Audinate Group Limited		(3,441)	(4,138)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(76)	1
Other comprehensive income for the year, net of tax		(76)	1
Total comprehensive income for the year attributable to the owners of Audinate Group Limited		(3,517)	(4,137)
		Cents	Cents
Basic earnings per share	9	(4.56)	(6.17)
Diluted earnings per share	9	(4.56)	(6.17)

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

Consolidated Statement of Financial Position

as at 30 June 2021

		Consolidated	
	Note	2021 \$'000	2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	10	38,429	29,286
Term deposits	11	27,000	–
Trade and other receivables	12	3,199	1,849
Current tax asset	8	41	–
Inventories	13	1,855	1,645
Other assets	17	1,275	993
Total current assets		71,799	33,773
Non-current assets			
Property, plant and equipment	14	1,482	1,455
Right-of-use assets	15	1,919	2,481
Intangibles	16	14,094	12,050
Deferred tax	8	68	100
Other assets	17	444	444
Total non-current assets		18,007	16,530
Total assets		89,806	50,303
LIABILITIES			
Current liabilities			
Trade and other payables	18	2,524	2,820
Contract liabilities	19	2,173	726
Lease liability		656	585
Income tax payable	8	–	258
Employee benefits		3,789	1,600
Other liabilities		102	108
Total current liabilities		9,244	6,097
Non-current liabilities			
Contract liabilities	19	106	–
Lease liability		1,432	2,003
Employee benefits		169	124
Other liabilities		–	112
Total non-current liabilities		1,707	2,239
Total liabilities		10,951	8,336
Net assets		78,855	41,967
Equity			
Contributed capital	20	126,947	87,526
Reserves	21	2,261	1,353
Accumulated losses		(50,353)	(46,912)
Total equity		78,855	41,967

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

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

Consolidated	Contributed capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020	87,526	1,353	(46,912)	41,967
Loss after income tax expense for the year	–	–	(3,441)	(3,441)
Other comprehensive income for the year, net of tax	–	(76)	–	(76)
Total comprehensive income for the year	–	(76)	(3,441)	(3,517)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 21)	–	1,302	–	1,302
Issue of shares – institutional placement	28,000	–	–	28,000
Issue of shares – share purchase plan	11,999	–	–	11,999
Issue of shares – exercise of options	34	–	–	34
Issue of shares – vesting of performance rights	318	(318)	–	–
Share issue costs, net of tax	(930)	–	–	(930)
Balance at 30 June 2021	126,947	2,261	(50,353)	78,855

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2021

		Consolidated	
	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		33,484	31,635
Payments to suppliers and employees (inclusive of GST)		(27,677)	(27,258)
Interest received		291	251
Interest and other finance costs paid		(105)	(117)
Government grants received		1,048	285
Income taxes refunded		–	85
Income taxes paid		(298)	(46)
Net cash from operating activities	32	6,743	4,835
Cash flows from investing activities			
Payments for property, plant and equipment	14	(552)	(914)
Payments for intangibles		(7,478)	(7,392)
Payments for long-term secured term deposits		–	(444)
Investment in term deposits		(27,000)	–
Net cash used in investing activities		(35,030)	(8,750)
Cash flows from financing activities			
Proceeds from issue of shares		40,032	4,074
Share issue transaction costs		(1,256)	(299)
Repayment of lease liability	32	(635)	(642)
Net cash from financing activities		38,141	3,133
Net increase/(decrease) in cash and cash equivalents		9,854	(782)
Cash and cash equivalents at the beginning of the financial year		29,286	30,069
Effects of exchange rate changes on cash and cash equivalents		(711)	(1)
Cash and cash equivalents at the end of the financial year	10	38,429	29,286

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

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 year. The financial statements are presented in Australian dollars, which is Audinate Group Limited's functional and presentation currency.

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

Level 7
64 Kippax Street
Surry Hills NSW 2010

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 20 August 2021. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

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

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Audinate Group Limited as at 30 June 2021 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed.

Revenue recognition

Audinate generates the following streams of revenue:

- Chips, cards and modules (including adapters);
- Software and licence fees;
- Subscription, support and maintenance; and
- Royalties.

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

Revenue recognition for each of the above is as follows:

Revenue stream	Performance obligations	Timing of recognition
Chips, cards and modules (including adapters)	Goods dispatched from warehouse.	Recognised at point of dispatch from warehouse, when control is transferred to the customer on basis of ex-works terms.
Software and licence fees	Provision of access to software and activation code.	Revenue from software is recognised at point of sale and access to software is granted.
Subscription, support and maintenance	As defined in contract.	Revenue is recognised over time as stipulated by terms in contract.
Royalties	Provision of financial information from OEM partners.	At point in time when OEM partners report on sales to end users.

Revenue from subscription and 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 is recognised. If the payments exceed the services rendered, a contract liability 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.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are recognised in profit or loss over the period necessary to match with the costs that they are intended to compensate. The Group received COVID-19 related government grants during the past two financial years. The grants are recognised as other income and are included in note 7.

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.

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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

The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Amounts on deposit with financial institutions with maturities of greater than three months are classified as term deposits.

Trade and other receivables

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

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

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

Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value on a First In, First Out basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	Lease term
Furniture and fittings	4 – 10 years
Computer and engineering equipment	1 – 10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

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

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

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

Intangible assets

Intangible assets are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method of amortisation and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised, commencing from the time the asset's development reaches the condition necessary for it to be capable of operating in the manner intended by management. Amortisation is calculated on a straight-line basis over the period of the expected benefit, being the finite useful life of three years.

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of three years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2-5 years.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

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

Lease liability

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

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

Finance costs

All finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee related cost in profit or loss when they are due.

Share-based payments

Equity-settled transactions are awards of shares, performance rights or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value, for equity-settled transactions with market conditions, is determined using the Monte Carlo simulation method that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. Fair value, for equity-settled transactions with no market conditions, is determined using volume weighted average share price at grant date. 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.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Audinate Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2021. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any other significant impact upon the financial statements or any other significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value, for equity-settled transactions with market conditions, is determined by using the Monte Carlo simulation method taking into account the terms and conditions upon which the instruments were granted. The fair value, for equity-settled transactions with no market conditions, is determined by using the volume weighted average share price at grant date.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the COVID-19 pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 12, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

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

Useful life of capitalised development costs

The Group regularly considers the useful life of development costs, which is currently estimated to be three years. In determining the appropriate useful life for these assets a range of factors are taken into account including the specific nature of the asset created, risk of technical obsolescence, business performance and market conditions. To the extent that there is a change to the useful life of these assets (not related to impairment) the amortisation charge is changed prospectively.

Note 4. Operating segments

Identification of reportable operating segments

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

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

Major customers

Most of the Group's major customers are multinational companies that Audinate may transact with in multiple countries. Due to the corporate structure of the Group this revenue is accounted for by Audinate Pty Limited in Australia. The top ten customers represent approximately 39% (2020: 43%) of the Group's revenue during the year ended 30 June 2021 and of that amount the largest customer represents approximately 7% (2020: 11%) of the Group's revenue.

Geographical information

The majority of the Group's revenue is generated from sales contracts between Audinate Pty Limited (an Australian domiciled operating subsidiary) and a range of international companies. The geographic split of this revenue is based on the location of the customer: a) Americas 44% (2020: 38%); b) Asia 25% (2020: 32%); and c) Europe and Middle East 30% (2020: 30%). Occasionally the international offices may generate some revenue related to marketing activities.

	Sales to external customers*		Geographical non-current assets	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Australia	33,369	30,317	17,709	16,253
United Kingdom	—	—	96	30
Hong Kong	—	—	2	3
United States of America	—	—	200	244
	33,369	30,317	18,007	16,530

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

Note 5. Revenue

	Consolidated	
	2021 \$'000	2020 \$'000
Sales	33,369	30,317

Disaggregation of revenue

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

	Consolidated	
	2021 \$'000	2020 \$'000
Chips, cards and modules (including adapters)	23,798	23,517
Software revenue (including licence fees and royalties)	9,167	6,123
Other revenue	404	677
	33,369	30,317

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Timing of revenue recognition

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

Note 6. Expenses

	Consolidated	
	2021 \$'000	2020 \$'000
Loss before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation of property, plant and equipment	520	474
Depreciation of office leases – right-of-use	697	682
Amortisation of intangibles	5,875	3,698
Depreciation and amortisation – capitalised	(558)	(432)
Total depreciation and amortisation	6,534	4,422
Finance costs		
Interest and finance charges paid/payable on lease liabilities	97	115
Interest paid/payable on liabilities at amortised cost	8	–
Interest – other	–	2
Total finance costs	105	117
Leases		
Short-term lease payments	88	79
Low-value assets lease payments	26	15
Total lease expense	114	94
Employee benefit expenses		
Salaries and wages	13,508	11,217
Post-employment benefits	1,054	1,000
Share-based payments	1,302	1,103
Other costs	1,947	2,477
Total employee benefit expenses	17,811	15,797

Note 7. Other income

	Consolidated	
	2021 \$'000	2020 \$'000
Interest revenue	266	320
Government grants	828	503
	1,094	823

Government grants

During the year ended 30 June 2021, the Group received \$759,000 (2020: \$434,000) from JobKeeper support payments from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the related employee benefits are recognised as an expense. In addition, the Group received \$50,000 (2020: \$50,000) from the Australian Government's Cash Flow Boost program, a \$19,000 (2020: \$nil) grant from the Hong Kong Government's Employment Support Scheme and \$nil (2020: \$19,000) small business grant from the UK Government.

Note 8. Income tax

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

	Consolidated	
	2021 \$'000	2020 \$'000
Income tax expense		
Current tax	(1,797)	(2,737)
Over provision prior year	(36)	(55)
Deferred tax – origination and reversal of temporary differences	316	1,627
Derecognition of tax losses	1,872	3,630
Aggregate income tax expense	355	2,465
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(3,086)	(1,673)
Tax at the statutory tax rate of 26% (2020: 27.5%)	(802)	(460)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of development costs (pre 30 June 2017)	–	74
Expenditure claimed for research and development incentive	2,007	2,552
Research and development incentive benefit	(2,972)	(3,573)
Derecognition of tax losses	1,872	3,630
Non-deductible expenses	304	241
	409	2,464
Over provision prior year	(36)	(55)
Other	(18)	56
Income tax expense	355	2,465

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

	Consolidated	
	2021 \$'000	2020 \$'000
Deferred tax asset		
Net deferred tax asset comprises temporary differences attributable to:		
Provisions	927	649
Lease liabilities	541	714
Carried forward tax losses	396	424
Capital blackhole expenditure	389	282
Contract liabilities	214	141
Trade and other payables	117	96
Intangible assets	(1,925)	(1,324)
Right-of-use assets	(498)	(684)
Property, plant and equipment	(126)	(70)
Other	33	(128)
Deferred tax asset	68	100

	Consolidated	
	2021 \$'000	2020 \$'000
Current tax asset		
Current tax asset	41	–

	Consolidated	
	2021 \$'000	2020 \$'000
Income tax payable		
Income tax payable	–	258

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

The income tax rate for the Australian tax consolidated group reduced from 27.5% to 26% with effect from 1 July 2020. The change in rate increased the unused tax losses for which no deferred tax asset is recognised by \$23,000.

The Group has \$5,525,000 (2020: \$3,630,000) of unused tax credits and offsets for which no deferred tax asset is recognised in the statement of financial position.

Note 9. Earnings per share

	Consolidated	
	2021 \$'000	2020 \$'000
Loss after income tax attributable to the owners of Audinate Group Limited	(3,441)	(4,138)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	75,444,031	67,057,118
Weighted average number of ordinary shares used in calculating diluted earnings per share	75,444,031	67,057,118
	Cents	Cents
Basic earnings per share	(4.56)	(6.17)
Diluted earnings per share	(4.56)	(6.17)

At 30 June 2021 and 30 June 2020, options and performance rights over ordinary shares were excluded from the calculation of the weighted average number of ordinary shares used in calculating diluted earnings per share due to being anti-dilutive, as the Group reported losses for the periods.

Note 10. Cash and cash equivalents

	Consolidated	
	2021 \$'000	2020 \$'000
Current assets		
Cash at bank	4,271	5,161
Cash on deposit	34,158	24,125
	38,429	29,286

Note 11. Term deposits

	Consolidated	
	2021 \$'000	2020 \$'000
Current assets		
Term deposits	27,000	—

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Note 12. Trade and other receivables

	Consolidated	
	2021 \$'000	2020 \$'000
Current assets		
Trade receivables	2,674	1,394
Less: Allowance for expected credit losses	(1)	(11)
	2,673	1,383
Other receivables	526	466
	3,199	1,849

Allowance for expected credit losses

The Group has recognised a gain of \$10,000 (2020: loss of \$22,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.

Consolidated	Expected credit loss rate		Carrying amount	
	2021 %	2020 %	2021 \$'000	2020 \$'000
Not overdue	0.047%	0.068%	2,435	1,250
0-30 days overdue	0.047%	0.068%	115	134
30-60 days overdue	0.047%	0.068%	124	–
>90 days overdue	–	100.000%	–	10
			2,674	1,394
Allowance for expected credit losses			(1)	(11)

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

	Consolidated	
	2021 \$'000	2020 \$'000
Opening balance	11	2
Additional provisions recognised	–	22
Provisions derecognised during the year	(10)	–
Receivables written off during the year as uncollectable	–	(13)
Closing balance	1	11

Note 13. Inventories

	Consolidated	
	2021 \$'000	2020 \$'000
Current assets		
Raw materials – at cost	902	395
Finished goods – at cost	953	1,250
	1,855	1,645

Note 14. Property, plant and equipment

	Consolidated	
	2021 \$'000	2020 \$'000
Non-current assets		
Leasehold improvements – at cost	847	792
Less: Accumulated depreciation	(303)	(134)
	544	658
Furniture and fittings – at cost	70	72
Less: Accumulated depreciation	(47)	(37)
	23	35
Computer and equipment – at cost	2,055	1,587
Less: Accumulated depreciation	(1,140)	(825)
	915	762
	1,482	1,455

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Reconciliations

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

Consolidated	Leasehold improvements \$'000	Furniture and fittings \$'000	Computer and equipment \$'000	Total \$'000
Balance at 1 July 2019	276	38	699	1,013
Additions	516	19	379	914
Exchange differences	–	1	1	2
Depreciation expense	(134)	(23)	(317)	(474)
Balance at 30 June 2020	658	35	762	1,455
Additions	55	2	495	552
Exchange differences	–	(1)	(4)	(5)
Depreciation expense	(169)	(13)	(338)	(520)
Balance at 30 June 2021	544	23	915	1,482

Note 15. Right-of-use assets

	Consolidated	
	2021 \$'000	2020 \$'000
Non-current assets		
Office leases – right-of-use	3,284	3,160
Less: Accumulated depreciation	(1,365)	(679)
	1,919	2,481

Additions to the right-of-use assets during the year were \$145,000 (2020: \$3,085,000).

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

For other AASB 16 and lease related disclosures refer to the following:

- Refer to note 6 for details of depreciation on right-of-use assets, interest on lease liabilities and other lease payments;
- Refer to note 23 for maturity analysis of lease liabilities; and
- Refer to consolidated statement of cash flow for repayment of lease liabilities.

Note 16. Intangibles

	Consolidated	
	2021 \$'000	2020 \$'000
Non-current assets		
Development costs	26,499	18,964
Less: Accumulated amortisation	(13,840)	(8,488)
	12,659	10,476
Intellectual property	623	518
Less: Accumulated amortisation	(426)	(284)
	197	234
Software – at cost	1,857	1,579
Less: Accumulated amortisation	(619)	(239)
	1,238	1,340
	14,094	12,050

Reconciliations

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

Consolidated	Development costs \$'000	Intellectual property \$'000	Software \$'000	Total \$'000
Balance at 1 July 2019	6,863	177	651	7,691
Additions	7,008	183	866	8,057
Amortisation expense	(3,395)	(126)	(177)	(3,698)
Balance at 30 June 2020	10,476	234	1,340	12,050
Additions	7,536	105	278	7,919
Amortisation expense	(5,353)	(142)	(380)	(5,875)
Balance at 30 June 2021	12,659	197	1,238	14,094

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Note 17. Other assets

	Consolidated	
	2021 \$'000	2020 \$'000
Current assets		
Prepayments	911	590
Deposits	364	403
	1,275	993
Non-current assets		
Security deposit*	444	444
	1,719	1,437

* Represents amount held as security for Sydney office lease.

Note 18. Trade and other payables

	Consolidated	
	2021 \$'000	2020 \$'000
Current liabilities		
Trade payables	1,342	1,541
Accrued expenses	562	385
Other payables	620	894
	2,524	2,820

Comparative information for other payables has been decreased by \$214,000 with a corresponding increase in contract liabilities with the current year presentation. There was no effect on loss, assets, liabilities or equity.

Refer to note 19 for further information on contract liabilities.

Refer to note 23 for further information on financial instruments.

Note 19. Contract liabilities

	Consolidated	
	2021 \$'000	2020 \$'000
Current liabilities		
Contract liabilities – customer prepayments	1,455	214
Contract liabilities – deferred revenue	718	512
	2,173	726
Non-current liabilities		
Contract liabilities – deferred revenue	106	–
	2,279	726

Reconciliation

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

	Consolidated	
	2021 \$'000	2020 \$'000
Opening balance	726	308
Billings in advance	2,279	1,640
Transfer to revenue – relating to current period	(726)	(1,436)
Transfer from other payables	–	214
Closing balance	2,279	726

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 \$2,279,000 as at 30 June 2021 (\$726,000 as at 30 June 2020) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2021 \$'000	2020 \$'000
Within 6 months	1,900	493
6 to 12 months	273	233
13 to 60 months	106	–
	2,279	726

Comparative information for prepaid customer deposits has been increased by \$214,000 with a corresponding decrease in trade and other payables with the current year presentation. There was no effect on loss, assets, liabilities or equity.

Refer to note 18 for further information on trade and other payables.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Note 20. Contributed capital

Fully paid ordinary shares

	Consolidated			
	2021 Shares	2020 Shares	2021 \$'000	2020 \$'000
Ordinary shares – fully paid	76,274,619	67,940,499	126,947	87,526

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Share buy-back

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

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2020 financial statements.

Movements in ordinary share capital

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Details	Date	Shares	Issue price	\$'000
Balance	30 June 2020	67,940,499		87,526
Issue of shares – institutional placement	27 July 2020	5,436,894	\$5.1500	28,000
Issue of shares – exercise of options	10 August 2020	40,000	\$0.0260	–
Issue of shares – exercise of options	10 August 2020	8,000	\$0.2600	2
Issue of shares – share purchase plan	17 August 2020	2,343,750	\$5.1200	11,999
Issue of shares – exercise of options	24 August 2020	10,000	\$0.0620	1
Issue of shares – exercise of options	24 August 2020	7,613	\$0.2600	2
Issue of shares – vesting of performance rights	31 August 2020	262,529	\$0.7800	205
Issue of shares – vesting of performance rights	31 August 2020	15,689	\$7.2100	113
Issue of shares – exercise of options	19 October 2020	3,826	\$0.0260	–
Issue of shares – exercise of options	30 October 2020	60,000	\$0.2600	16
Issue of shares – exercise of options	30 October 2020	4,819	\$0.0260	–
Issue of shares – exercise of options	24 November 2020	110,000	\$0.0620	7
Issue of shares – exercise of options	4 December 2020	10,000	\$0.0620	1
Issue of shares – exercise of options	9 April 2021	13,000	\$0.2600	3
Issue of shares – exercise of options	9 April 2021	8,000	\$0.2600	2
Share issue costs		–	\$0.0000	(1,256)
Deferred tax credit recognised directly in equity		–	\$0.0000	326
Balance	30 June 2021	76,274,619		126,947

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

Note 21. Reserves

	Consolidated	
	2021 \$'000	2020 \$'000
Foreign currency reserve	(221)	(145)
Share-based payments reserve	2,482	1,498
	2,261	1,353

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 as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency \$'000	Share-based payments \$'000	Total \$'000
Balance at 1 July 2019	(146)	921	775
Foreign currency translation	1	–	1
Share-based payments	–	1,103	1,103
Transfer to equity for issue of shares – vested performance rights	–	(490)	(490)
Transfer to equity for issue of shares – under long-term incentive plan	–	(36)	(36)
Balance at 30 June 2020	(145)	1,498	1,353
Foreign currency translation	(76)	–	(76)
Share-based payments	–	1,302	1,302
Transfer to equity for issue of shares – vested performance rights	–	(318)	(318)
Balance at 30 June 2021	(221)	2,482	2,261

Note 22. Dividends

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

Note 23. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group.

The Group's policy is not to trade in or use financial instruments to hedge its risks.

Risk management is carried out by the Board of Directors ('the Board'). The Board uses different methods to measure different types of risks to which the Group is exposed. These methods include ageing analysis for credit risk and sensitivity analysis in the case of foreign currency risk.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Market risk

Foreign currency risk

The Group's US dollar denominated revenue, on which the risk of foreign exchange movement, was partially offset against exchange rate movement of US dollar denominated for purchases which is set below:

	Consolidated	
	2021 \$'000	2020 \$'000
US dollar denominated – revenue	25,024	20,374
US dollar denominated – purchases	(13,183)	(13,141)

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Consolidated	
	2021 \$'000	2020 \$'000
Assets in US dollars	4,547	4,307
Liabilities in US dollars	(1,653)	(1,055)

The sensitivity of profit or loss changes in the exchange rates arises mainly for the US dollar denominated financial instruments as outlined in the table below:

	Consolidated	
	2021 \$'000	2020 \$'000
USD/AUD exchange rate – decreases 10% (2020: 10%)	273	474
USD/AUD exchange rate – increases 10% (2020: 10%)	(273)	(474)

Interest rate risk

At the reporting date, the Group had no variable rate borrowings. Cash at bank and term deposits earn interest at floating rates based on daily bank deposit rates.

As at the reporting date, the Group had the following variable rate cash and cash equivalents and term deposits:

	2021		2020	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash at bank	–	4,271	–	5,161
Cash on deposit	0.22%	34,158	0.65%	24,125
Term deposits	0.58%	27,000	–	–
Net exposure to cash flow interest rate risk		65,429		29,286

No sensitivity analysis has been performed for the exposure to interest rate risk on the Group's bank balance as the exposure is not significant.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group trades only with recognised and creditworthy independent third parties. The Group has a strict code of credit, including confirming references and setting appropriate credit limits. The Group monitors the receivables on an ongoing basis and its exposure to bad debts is not significant.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Liquidity risk

Prudent liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

Consolidated – 2021	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-interest bearing						
Trade payables	–	1,342	–	–	–	1,342
Accrued expenses	–	562	–	–	–	562
Other payables	–	620	–	–	–	620
Interest-bearing – fixed rate						
Lease liability	4.05%	729	707	789	–	2,225
Other liabilities	4.00%	107	–	–	–	107
Total non-derivatives		3,360	707	789	–	4,856

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Consolidated – 2020	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-interest bearing						
Trade payables	–	1,541	–	–	–	1,541
Accrued expenses	–	385	–	–	–	385
Other payables	–	894	–	–	–	894
Interest-bearing – fixed rate						
Lease liability	4.08%	679	665	1,472	–	2,816
Other liabilities	4.00%	117	117	–	–	234
Total non-derivatives		3,616	782	1,472	–	5,870

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

Note 24. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company, and unrelated firms:

	Consolidated	
	2021 \$	2020 \$
Audit services – Deloitte Touche Tohmatsu		
Audit or review of the Group financial statements	125,575	127,270
Audit of the controlled entities	5,963	23,145
	131,538	150,415
Audit services – other unrelated audit firms		
Audit of controlled entities	10,081	9,666

Note 26. Contingent liabilities

The Group had no contingent liabilities at 30 June 2021 or 30 June 2020.

Note 27. Commitments

The Group had no capital commitments at 30 June 2021 or 30 June 2020.

Note 28. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2021 \$	2020 \$
Short-term employee benefits	1,427,490	1,352,880
Post-employment benefits	91,129	89,502
Share-based payments	336,783	521,518
	1,855,402	1,963,900

Note 29. Related party transactions

Parent entity

Audinate Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business/ Country of incorporation	Ownership interest	
		2021 %	2020 %
Audinate Pty Limited	Australia	100%	100%
Audinate, Inc.	United States of America	100%	100%
Audinate Limited	United Kingdom	100%	100%
Audinate Limited	Hong Kong	100%	100%
Audinate Holdings Pty Limited	Australia	100%	100%
Audinate Group Limited Employee Share Plan Trust	Australia	100%	100%

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Note 31. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2021 \$'000	2020 \$'000
(Loss)/profit after income tax	(5,905)	61
Total comprehensive income	(5,905)	61

Statement of financial position

	Parent	
	2021 \$'000	2020 \$'000
Total current assets	71,118	36,569
Total assets	130,555	95,888
Total current liabilities	340	175
Total liabilities	340	175
Net assets	130,215	95,713
Equity		
Contributed capital	135,229	95,807
Reserves	2,483	1,498
Accumulated losses	(7,497)	(1,592)
Total equity	130,215	95,713

The contributed capital of the parent entity differs from the contributed capital of the Group, as Audinate Group Limited's acquisition of Audinate Pty Limited was accounted for on the basis that the transaction was a form of capital reconstruction and Group reorganisation, rather than a business combination.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 or 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 or 30 June 2020.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 or 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 32. Cash flow information

Reconciliation of loss after income tax to net cash from operating activities

	Consolidated	
	2021 \$'000	2020 \$'000
Loss after income tax expense for the year	(3,441)	(4,138)
Adjustments for:		
Depreciation and amortisation	6,534	4,422
Share-based payments	1,302	1,103
Net unrealised foreign exchange loss	540	10
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,283)	1,061
Decrease/(increase) in inventories	(210)	158
Decrease in income tax refund due	41	–
Decrease in deferred tax assets	349	2,269
Increase in other operating assets	(313)	(162)
Increase/(decrease) in trade and other payables	(218)	614
Increase in contract liabilities	1,518	230
Increase/(decrease) in employee benefits	2,257	(921)
Increase/(decrease) in income tax payable	(333)	235
Decrease in other operating liabilities	–	(46)
Net cash from operating activities	6,743	4,835

Non-cash investing and financing activities

	Consolidated	
	2021 \$'000	2020 \$'000
Additions to the right-of-use assets	145	3,085
Depreciation and amortisation capitalised to development costs	558	432
	703	3,517

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Changes in liabilities arising from financing activities

Consolidated	Lease liability \$'000
Balance at 1 July 2019	–
Net cash used in financing activities	(642)
Leases recognised on the adoption of AASB 16	318
Acquisition of leases	3,085
Modification of leases	(88)
Transfer from onerous lease accrual	269
Exit of lease	(361)
Foreign currency translation	7
Balance at 30 June 2020	2,588
Net cash used in financing activities	(635)
Acquisition of leases	145
Foreign currency translation	(10)
Balance at 30 June 2021	2,088

Note 33. Share-based payments

Options

Under the legacy Employee Share Option Plan ('ESOP'), the Company's Board of Directors ('Board'), or a committee of the Board, granted incentive and non-qualified stock options to employees, officers, directors, consultants, independent contractors, and advisors to the Company, or to any parent, subsidiary, or affiliate of the Company. The purpose of the legacy ESOP was to attract, retain, and motivate eligible persons whose present and potential contributions are important to the Group's success by offering them an opportunity to participate in the Company's future performance through equity awards of stock options and stock bonuses. The legacy ESOP has been superseded by the LTI plan which is explained in the remuneration report.

Set out below are summaries of options granted under the plan:

2021

Start date	End date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other*	Balance at the end of the year
30/06/2017	09/12/2020	\$0.0620	130,000	–	(130,000)	–	–
30/06/2017	11/06/2022	\$0.2600	105,000	–	(55,832)	(2,168)	47,000
30/06/2017	23/08/2022	\$0.2600	248,800	–	(81,426)	(174)	167,200
30/06/2017	31/01/2023	\$0.2600	24,000	–	(8,000)	–	16,000
			507,800	–	(275,258)	(2,342)	230,200

* Other includes the impact of cashless exercise of options.

2020

Start date	End date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other*	Balance at the end of the year
30/06/2017	17/10/2019	\$0.0620	370,042	–	(369,958)	(84)	–
30/06/2017	09/12/2019	\$0.0620	10,000	–	(10,000)	–	–
30/06/2017	09/01/2020	\$0.0620	10,000	–	(9,923)	(77)	–
30/06/2017	21/08/2020	\$0.0620	10,000	–	(10,000)	–	–
30/06/2017	09/12/2020	\$0.0620	260,000	–	(130,000)	–	130,000
30/06/2017	11/06/2022	\$0.2600	135,000	–	(29,901)	(99)	105,000
30/06/2017	23/08/2022	\$0.2600	372,800	–	(123,871)	(129)	248,800
30/06/2017	31/01/2023	\$0.2600	40,000	–	(16,000)	–	24,000
			1,207,842	–	(699,653)	(389)	507,800

* Other includes the impact of cashless exercise of options.

230,200 options were exercisable at the end of the financial year (2020: 507,800).

The weighted average share price of the Company during the financial year was \$6.52 (2020: \$6.46).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Share rights

Set out below are summaries of performance rights granted:

2021

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ lapsed/other	Balance at the end of the year
30/06/2017	15/07/2020	\$0.0000	245,104	–	(245,104)	–	–
30/06/2017	15/07/2021	\$0.0000	244,472	–	–	–	244,472
30/06/2017	15/07/2022	\$0.0000	239,179	–	–	(4,215)	234,964
29/06/2018	15/07/2020	\$0.0000	17,425	–	(17,425)	–	–
29/06/2018	15/07/2021	\$0.0000	17,425	–	–	–	17,425
29/06/2018	15/07/2022	\$0.0000	17,421	–	–	–	17,421
26/03/2019	30/06/2022	\$0.0000	381,958	–	–	–	381,958
16/10/2019	31/08/2020	\$0.0000	15,689	–	(15,689)	–	–
16/10/2019	31/08/2021	\$0.0000	15,689	–	–	(522)	15,167
30/06/2020	30/06/2022	\$0.0000	163,864	–	–	–	163,864
30/06/2020	06/01/2022	\$0.0000	10,792	–	–	–	10,792
30/06/2020	06/01/2023	\$0.0000	10,791	–	–	–	10,791
11/11/2020	31/08/2023	\$0.0000	–	235,725	–	–	235,725
23/12/2020	31/08/2023	\$0.0000	–	5,180	–	–	5,180
04/06/2021	31/08/2023	\$0.0000	–	4,739	–	–	4,739
			1,379,809	245,644	(278,218)	(4,737)	1,342,498

2020

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

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.0 year (2020: 1.1 year).

245,644 performance rights issued in the current year were externally valued based on a share price of \$6.94, an exercise price of zero, volatility of 35% – 45%, a risk-free interest rate of 0.12% and probability weighting reflecting the probability of meeting the vesting conditions. The fair value of the share rights based on these inputs is \$5.21 per share. These performance rights vest upon:

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

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

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

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

Shares issued

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

Note 34. Events after the reporting period

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Accounting Standards and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

On behalf of the directors



David Krall

Chairman

23 August 2021

Sydney

Independent Auditor's Report

to the members of Audinate Group Limited



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Independent Auditor's Report to the members of Audinate Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Audinate Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Independent Auditor's Report

to the members of Audinate Group Limited



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Capitalisation and carrying value of development costs	
As at 30 June 2021, the group has capitalised development costs totalling \$12.659 million as disclosed in Note 16. The group capitalises internal and external costs that are directly attributable to the development of intangible assets. As disclosed in Note 3, significant judgement is involved in assessing whether the criteria for capitalisation of such costs has been met per the relevant accounting standard, particularly in determining: • The appropriateness of the costs that can be capitalised and whether these costs were directly attributable to relevant products developed; and • The extent to which these capitalised development costs will generate sufficient economic benefit to support their carrying values.	Our procedures included, but were not limited to: • Discussed the products for which development costs have been capitalised with management to understand the nature and feasibility of the products at 30 June 2021, • Obtained an understanding of the key controls in place over the process for recording and identifying qualifying costs to be capitalised, • Assessed on a sample basis, the appropriateness of costs capitalised by agreeing the material costs, overheads and engineers' hours incurred to external invoices, internal timesheets and payroll records, and • Evaluated the appropriateness of the carrying value of the capitalised development costs by major product, with reference to historical and forecast cashflow and analysis of sale trends. We also assessed the appropriateness of the disclosures included in the Notes to the financial statements.

Other Information

- The directors are responsible for the other information. The other information comprises the Directors' Report and ASX Additional Information, which we obtained prior to the date of this auditor's report, and also includes the annual report (but does not include the financial report and our auditor's report thereon), which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.



Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report

to the members of Audinate Group Limited

Deloitte.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

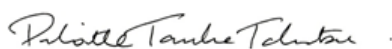
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 18 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Audinate Group Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James
Partner
Chartered Accountants
Sydney, 23 August 2021

Shareholder Information

as at 24 August 2021

Shareholder Information required by the Australian Securities Exchange Limited (ASX) Listing Rules and not disclosed elsewhere in the Report is set out below.

Substantial shareholders

The number of securities held by substantial shareholders and their associates, as advised to the Company and ASX, are set out below:

Name	Date of Notice	Number of Securities	%
Yamaha Corporation	10/07/2017	6,289,308	10.57
Smallco Investment Manager Limited	04/08/2021	5,034,217	6.60
Australian Super Pty Ltd	28/07/2020	4,359,029	6.42

Number of security holders and securities on issue

Audinate Group Limited has issued the following securities:

- 76,933,635 fully paid ordinary shares held by 13,278 shareholders;
- 222,200 unlisted options held by 11 option holders; and
- 683,482 unlisted performance rights held by 26 performance right holders.

Voting rights

The voting rights attached to ordinary shares are that on a show of hands, every member present, in person or proxy, has one vote and upon a poll, each share shall have one vote for each share held.

Option holders and performance right holders do not have any voting rights on the options and rights held by them.

Distribution of quoted security holders

Category	Fully Paid Ordinary shares		
	Holders	Shares	%
1 – 1,000	7,908	3,300,620	4.29
1,001 – 5,000	4,141	9,654,347	12.55
5,001 – 10,000	743	5,334,786	6.93
10,001 – 100,000	453	9,956,965	12.94
100,001 and over	33	48,686,917	63.28
Total	13,278	76,933,635	100.00

Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of ordinary shares is 135 based on Audinate Group Limited's closing share price of \$10.20 on 24 August 2021.

Shareholder Information

as at 24 August 2021

Twenty largest shareholders of quoted equity securities

	Name	No. of shares	%
1	J P Morgan Nominees Australia Pty Limited	19,150,892	24.89
2	Yamaha Corporation	6,289,308	8.17
3	HSBC Custody Nominees (Australia) Limited	5,855,579	7.61
4	Citicorp Nominees Pty Limited	4,179,513	5.43
5	National Nominees Limited	2,311,373	3.00
6	Mr Aidan Williams	2,087,792	2.71
7	Geetha Varuni Witana	966,458	1.26
8	BNP Paribas Nominees Pty Ltd <DRP>	933,936	1.21
9	BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	878,976	1.14
10	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	597,302	0.78
11	Mirrabooka Investments Limited	491,680	0.64
12	Mr David Krall	400,000	0.52
13	BP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	313,366	0.41
14	Mr Chris Ware	303,461	0.39
15	ITR Investments Pty Limited <Ian Reid No 2 Family A/C>	279,577	0.36
16	Bond Street Custodians Limited <Lwheat - F00450 A/C>	233,353	0.3
17	Mr David John Myers	225,000	0.29
18	Brispot Nominees Pty Ltd <House Head Nominee A/C>	217,663	0.28
19	Netwealth Investments Limited <Wrap Services A/C>	210,937	0.27
20	Fabemu No 2 Pty Ltd (Gibbon Superannuation Fund)	204,919	0.27
	Total	46,131,085	59.96
	Total on Register	76,933,635	100.00

Restricted securities and securities subject to voluntary escrow

There are no restricted securities or shares under voluntary escrow.

Unquoted securities

There are 222,200 unquoted options with varying exercise prices and expiry dates held by 11 options holders. All options are held under the Company's employee incentive scheme.

Category	Options (unquoted)		
	Holders	Options	%
1 – 1,000	–	–	–
1,001 – 5,000	3	11,000	4.95
5,001 – 10,000	4	36,000	16.20
10,001 – 100,000	4	175,200	78.85
100,001 and over	–	–	–
Total	11	222,200	100%

There are 683,482 unquoted Performance Rights held by 26 performance right holders. All Performance Rights are held under the Company's employee incentive scheme.

Category	Performance Rights (unquoted)		
	Holders	Performance Rights	%
1 – 1,000	–	–	–
1,001 – 5,000	7	26,340	3.85
5,001 – 10,000	9	55,078	8.06
10,001 – 100,000	9	450,735	65.95
100,001 and over	1	151,329	22.14
Total	26	683,482	100%

On market buy-back

There is no current on market buy-back.

Corporate Directory

Directors	David Krall Aidan Williams John Dyson Roger Price Alison Ledger Tim Finlayson
Company secretary	Rob Goss
Notice of annual general meeting	Audinate Group Limited advises in accordance with ASX Listing Rule 3.13.1 that its 2021 Annual General Meeting (AGM) will be held on Wednesday, 20 October 2021. In accordance with the Audinate Group Limited Constitution the closing date for the receipt of nominations from persons wishing to be considered for election as a director is 1 September 2021. Shareholders will be advised of further details regarding the AGM in a separate Notice of Meeting.
Registered office	Level 7 64 Kippax Street Surry Hills NSW 2010 Tel: 02 8280 7100
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Tel: 1300 554 474
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Maddocks Level 27 123 Pitt Street Sydney NSW 2000
Stock exchange listing	Audinate Group Limited shares are listed on the Australian Securities Exchange (ASX code: AD8)
Website	www.audinate.com
Corporate Governance Statement	The directors and management are committed to conducting the business of Audinate Group Limited in an ethical manner and in accordance with the highest standards of corporate governance. Audinate Group Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement can be found on the Company's website https://www.audinate.com/company/governance.



www.audinate.com
