Audinate Pty Ltd

ABN 41 120 828 006

Directors' report and financial statements - 30 June 2015

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Audinate Pty Ltd (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 2015.

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

David Krall	Chairman
Lee Ellison	Chief Executive Officer
David Myers	Executive Director (Resigned on 13 April 2017)
John Dyson	Non-Executive Director
Roger Price	Non-Executive Director

Principal activities
The Group's principal activity is the development and commercialisation of audio visual (AV) networking software and hardware.

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

Review of operations
The profit for the Group after providing for income tax amounted to $516,383 (30 June 2014: loss of $101,710).

The focus of the Group continued to be on the commercialisation of the its products and further extension of the its intellectual property assets and the pursuit of deeper strategic customer relationships that will enhance the market credibility and acceptance of the Group’s core products.

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2015 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 is advanced in its plans to raise additional capital to support its business plans, by undertaking an Initial Public Offering (‘IPO’) on the Australian Securities Exchange (‘ASX’). The IPO is scheduled to take place during 2017.

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

Shares under option
Unissued ordinary shares of Audinate Pty Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
23 November 2012	23 November 2018	$0.072	3,049,720
13 December 2012	13 December 2018	$0.072	30,000
17 October 2013	17 October 2019	$0.124	456,521
9 December 2013	9 December 2019	$0.124	20,000
9 January 2014	9 January 2020	$0.124	5,000
21 August 2014	21 August 2020	$0.124	29,000
9 December 2014	9 December 2020	$0.124	230,000
11 June 2016	11 June 2022	$0.520	99,000
23 August 2016	23 August 2022	$0.520	370,000
31 January 2017	31 January 2023	$0.520	385,000
			4,674,241

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

Shares issued on the exercise of options

The following ordinary shares of Audinate Pty Ltd were issued during the year ended 30 June 2015 and up to the date of this report on the exercise of options granted:

Date options exercised	Exercise price	Number of shares issued
13 March 2015	$0.072	32,500
24 July 2015	$0.072	12,500
8 September 2015	$0.072	18,750
9 September 2015	$0.124	3,958
1 June 2016	$0.072	5,000
29 November 2016	$0.072	5,000
29 November 2016	$0.124	7,083
		84,791

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 and directors, senior executives, secretaries and employees of its Group, excluding actions brought in a court in the United States of America or Canada. 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 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.

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

Lee Ellison
Chief Executive Officer

3 May 2017

Deloitte.

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3 May 2017

The Board of Directors
Audinate Pty Ltd
Level 1, Suite 2
458 – 468 Wattle Street
Ultimo NSW 2007

Dear Board Members

Audinate Pty Ltd

I am pleased to provide the following declaration of independence to the directors of Audinate Pty Ltd.

As lead audit partner for the audit of the financial statements of Audinate Pty Ltd for the financial year ended 30 June 2014 and 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Joshua Tanchel
Partner
Chartered Accountants

Audinate Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2015

	Note	Consolidated 2015 $	2014 $
Revenue			
Sales		8,035,464	6,519,830
Cost of goods sold		(1,600,201)	(1,624,635)
Gross margin		6,435,263	4,895,195
Expenses			
Employee benefit expenses	6	(4,206,157)	(4,310,858)
Marketing expenses		(1,015,049)	(525,411)
Administration and operation expenses		(1,188,113)	(875,442)
Depreciation and amortisation	6	(360,520)	(119,948)
Total expenses		(6,769,839)	(5,831,659)
Operating loss		(334,576)	(936,464)
Other income	7	853,446	842,275
Profit/(loss) before income tax expense		518,870	(94,189)
Income tax expense	8	(2,487)	(7,521)
Profit/(loss) after income tax expense for the year attributable to the owners of Audinate Pty Ltd		516,383	(101,710)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		12,069	74,893
Other comprehensive income for the year, net of tax		12,069	74,893
Total comprehensive income for the year attributable to the owners of Audinate Pty Ltd		528,452	(26,817)
		Cents	**Cents**
Basic earnings per share	32	34.74	(7.16)
Diluted earnings per share	32	2.05	(7.16)

Refer to note 4 for detailed information on First time adoption of IFRS.

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

Audinate Pty Ltd
Statement of financial position
As at 30 June 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Assets			
Current assets			
Cash and cash equivalents	9	3,382,949	3,512,306
Trade and other receivables	10	1,473,772	1,614,666
Inventories	11	447,649	480,507
Research and development incentive		1,022,594	953,358
Other assets	12	185,455	154,388
Total current assets		6,512,419	6,715,225
Non-current assets			
Property, plant and equipment	13	196,884	183,796
Intangibles	14	980,776	329,451
Total non-current assets		1,177,660	513,247
Total assets		7,690,079	7,228,472
Liabilities			
Current liabilities			
Trade and other payables	15	455,472	534,427
Income tax payable		7,642	5,434
Provisions	16	689,317	800,264
Other financial liabilities	17	31,550,905	31,550,905
Unearned revenue		87,723	30,662
Total current liabilities		32,791,059	32,921,692
Non-current liabilities			
Provisions	18	208,073	169,961
Total non-current liabilities		208,073	169,961
Total liabilities		32,999,132	33,091,653
Net liabilities		(25,309,053)	(25,863,181)
Equity			
Issued capital	19	26,297	23,957
Reserves	20	255,394	219,989
Accumulated losses		(25,590,744)	(26,107,127)
Total equity		(25,309,053)	(25,863,181)

Refer to note 4 for detailed information on First time adoption of IFRS.

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

Audinate Pty Ltd
Statement of changes in equity
For the year ended 30 June 2015

Consolidated	Issued capital $	Preference shares $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2013	18,542	14,400,000	(17,905)	(10,269,007)	4,131,630
Loss after income tax expense for the year	-	-	-	(101,710)	(101,710)
Other comprehensive income for the year, net of tax	-	-	74,893	-	74,893
Total comprehensive income for the year	-	-	74,893	(101,710)	(26,817)
First time adoption of IFRS (note 4)	-	(15,843,478)	-	(15,736,410)	(31,579,888)
Issue of preference shares	-	1,443,478	-	-	1,443,478
Transactions with owners in their capacity as owners:					
Share-based payments (note 33)	-	-	163,001	-	163,001
Issue of shares on exercise of options	5,415	-	-	-	5,415
Balance at 30 June 2014	23,957	-	219,989	(26,107,127)	(25,863,181)

Refer to note 4 for detailed information on First time adoption of IFRS.

Consolidated	Issued capital $	Preference shares $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2014	23,957	-	219,989	(26,107,127)	(25,863,181)
Profit after income tax expense for the year	-	-	-	516,383	516,383
Other comprehensive income for the year, net of tax	-	-	12,069	-	12,069
Total comprehensive income for the year	-	-	12,069	516,383	528,452
Transactions with owners in their capacity as owners:					
Share-based payments (note 33)	-	-	23,336	-	23,336
Issue of shares on exercise of options	2,340	-	-	-	2,340
Balance at 30 June 2015	26,297	-	255,394	(25,590,744)	(25,309,053)

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

Audinate Pty Ltd
Statement of cash flows
For the year ended 30 June 2015

	Note	Consolidated 2015 $	2014 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		8,567,893	5,848,115
Payments to suppliers and employees (inclusive of GST)		(7,953,141)	(6,984,934)
Interest received		65,829	109,403
Research and development incentive received for research activities		215,142	575,416
Income taxes paid		(2,487)	(7,521)
Net cash from/(used in) operating activities	31	893,236	(459,521)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(87,053)	(94,824)
Payments for intangibles	14	(1,705,254)	(710,413)
Research and development incentive received for development activities	14	767,374	319,687
Net cash used in investing activities		(1,024,933)	(485,550)
Cash flows from financing activities			
Proceeds from issue of shares	19	2,340	5,415
Proceeds from issue of preference shares		-	1,443,478
Net cash from financing activities		2,340	1,448,893
Net increase/(decrease) in cash and cash equivalents		(129,357)	503,822
Cash and cash equivalents at the beginning of the financial year		3,512,306	3,008,484
Cash and cash equivalents at the end of the financial year	9	3,382,949	3,512,306

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

Note 1. General information

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

Audinate Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1, Suite 2
458 - 468 Wattle Street
Ultimo NSW 2007

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 3 May 2017. The directors have the power to amend and reissue the financial statements.

These financial statements replace the financial statements previously issued on 17 December 2015.

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, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

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').

For all periods up to and including the year ended 30 June 2014, the Group prepared its financial statements as special purpose financial statements applying selected accounting policies as disclosed in its accounting policies ('pre-IFRS GAAP'). These financial statements for the year ended 30 June 2015 are the first the Group has prepared in accordance with IFRS. Refer to note 4 for information on how the Group has adopted IFRS for the first time.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for redeemable preference shares which are measured at fair value.

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.

Note 2. Significant accounting policies (continued)

Working capital deficiency
At 30 June 2015, the Group's statement of financial position reflected an excess of current liabilities over current assets of $26,278,640 (2014: $26,206,467). The working capital deficit was primarily caused by the classification of $31,550,905 (2014: $31,550,905) of preference shares within current liabilities which are redeemable at the option of the noteholder. Excluding the preference shares the Group had net working capital of $5,272,265 (2014: $5,344,438).

The Company expects that the preference shares will be converted into ordinary equity as a part of the Group's IPO. More detail on the term of the preference shares, including the scenarios under which they convert to equity, is included in note 17.

The directors are satisfied that the Group will be able to meet its working capital commitments through the normal cyclical nature of receipts and payments.

Parent entity information
These financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Audinate Pty Ltd as at 30 June 2015 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 is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Audinate Pty Ltd's functional and presentation currency.

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

Note 2. Significant accounting policies (continued)

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

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

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sales revenue
Sales revenue includes sale of goods and licence fee revenue.

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Revenue from licence fees, on software sales, is recognised on the transferring of significant risk and rewards of the software which normally incurs when the customer has access to the software.

Unearned revenue represents amounts received from customers in advance of the services to be provided. They are recognised as unearned revenue in the statement of financial position and transferred to profit or loss when the support and maintenance services have been provided.

Government grants including research and development incentives
Government grants and the research and development incentives are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

The total research and development tax incentive receivable is apportioned between other income and the development asset based on the split of expenditure in the claim.

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

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

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 2. Significant accounting policies (continued)

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

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

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

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.

Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

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

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

Note 2. Significant accounting policies (continued)

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

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

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

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.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets
Intangible assets are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Note 2. Significant accounting policies (continued)

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of three years.

Intellectual property
Significant costs associated with intellectual property are deferred and not amortised. Intellectual property has an indefinite life and is tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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

Redeemable preference shares
Preference shares which are redeemable at the option of the noteholder are classified as a liability in the statement of financial position. Due to the operability of the anti-dilution clauses in the preference shareholder agreements, the preference shares are considered to include a derivative liability. As such the preference shares are considered to represent a liability with an equity conversion option derivative with the entire instrument being accounted for at fair value through profit or loss.

Provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

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

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

Note 2. Significant accounting policies (continued)

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

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

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Note 2. Significant accounting policies (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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 Pty Ltd, 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.

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 2015. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 and the impact of its adoption will be minimal.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018 and the impact of its adoption is currently being assessed by the Group.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 and the impact of its adoption is currently being assessed by the Group.

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.

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 is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy and valuation
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

In determining the fair value of assets and liabilities classified as level 2 or 3, there are a number of assumptions and judgements used by management. These include the use of observable inputs that require significant adjustments based on unobservable inputs. In particular, redeemable preference shares were valued based on the most recent capital raising of $1.59 per preference share that occurred on 18 January 2012. The value of $1.59 per preference share as at 30 June 2015 and 30 June 2014 is supported by subsequent valuations of the Group provided by external valuers, using discounted cash flow modelling.

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. First time adoption of IFRS

These financial statements for the year ended 30 June 2015 are the first that the Group has prepared in accordance with IFRS. For periods up to and including the year ended 30 June 2014, the Group prepared special purpose financial statements applying selected accounting policies as disclosed in the notes to those financial statements ('pre-IFRS GAAP'). Accordingly, the Group has prepared financial statements which comply with IFRS applicable for the financial year ended 30 June 2015, together with the comparative period data as at, and for the year ended, 30 June 2014. The Group's date of transition to IFRS was 1 July 2013.

The principal adjustments made by the Group in restating its pre-IFRS GAAP financial statements as at, and for the year ended, 30 June 2014, are as follows:

Note 4. First time adoption of IFRS (continued)

a. Reclassification of research and development government incentive of $662,831 from income tax to other income in accordance with AASB 120 'Accounting for Government Grants and Disclosure of Government Assistance' and expense tax receivable balance of $29,145;
b. Capitalise development costs (employee benefit expense) incurred during the year ended 30 June 2014 of $710,411 in accordance with AASB 138 'Intangible assets', amortisation thereon of $65,179 and research and development government grant offset of $319,685, resulting in an increase in intangible assets of $325,605;
c. Recognise a share-based payment expense for the year ended 30 June 2014 of $163,001 in accordance with AASB 2 'Share-based payments'; and
d. Reclassify preference shares as a liability in accordance with AASB 132 'Financial Instruments: Presentation', resulting in recognising a liability of $31,550,905, reducing equity by $15,843,478 and resulting in an opening accumulated losses adjustment of $15,636,839 (inclusive of all items).

In addition there were some foreign currency impacts that resulted in an increase in expenses by $33,888, increase in the foreign currency reserve by $62,871 and opening reserves adjustment of $28,983.

The effect of the above adjustments on the statement of profit or loss and other comprehensive income for the year ended 30 June 2014 and statement of financial position as at 30 June 2014 is presented below.

Statement of profit or loss and other comprehensive income

		Consolidated	
	2014 $ Reported	 $ Adjustment	2014 $ Restated
Revenue			
Sales	6,519,830	-	6,519,830
Cost of goods sold	(1,624,635)	-	(1,624,635)
Gross margin	4,895,195	-	4,895,195
Expenses			
Employee benefit expenses	(4,835,381)	524,523	(4,310,858)
Marketing expenses	(517,485)	(7,926)	(525,411)
Administration and operation expenses	(872,307)	(3,135)	(875,442)
Depreciation and amortisation	(54,769)	(65,179)	(119,948)
Operating loss	(1,384,747)	448,283	(936,464)
Other income	179,444	662,831	842,275
Loss before income tax (expense)/benefit	(1,205,303)	1,111,114	(94,189)
Income tax (expense)/benefit	1,004,080	(1,011,601)	(7,521)
Loss after income tax expense for the year attributable to the owners of Audinate Pty Ltd	(201,223)	99,513	(101,710)
Other comprehensive income			
Foreign currency translation	41,005	33,888	74,893
Other comprehensive income for the year, net of tax	41,005	33,888	74,893
Total comprehensive income for the year attributable to the owners of Audinate Pty Ltd	(160,218)	133,401	(26,817)

Note 4. First time adoption of IFRS (continued)

Statement of financial position at the end of the earliest comparative period

	Consolidated		
	2014 $ Reported	$ Adjustment	2014 $ Restated
Assets			
Current assets			
Cash and cash equivalents	3,512,306	-	3,512,306
Trade and other receivables	1,614,666	-	1,614,666
Inventories	480,507	-	480,507
Research and development incentive	982,503	(29,145)	953,358
Other assets	154,388	-	154,388
Total current assets	6,744,370	(29,145)	6,715,225
Non-current assets			
Property, plant and equipment	183,796	-	183,796
Intangibles	3,846	325,605	329,451
Total non-current assets	187,642	325,605	513,247
Total assets	6,932,012	296,460	7,228,472
Liabilities			
Current liabilities			
Trade and other payables	534,427	-	534,427
Income tax payable	5,434	-	5,434
Provisions	800,264	-	800,264
Other financial liabilities	-	31,550,905	31,550,905
Unearned revenue	30,662	-	30,662
Total current liabilities	1,370,787	31,550,905	32,921,692
Non-current liabilities			
Provisions	169,961	-	169,961
Total non-current liabilities	169,961	-	169,961
Total liabilities	1,540,748	31,550,905	33,091,653
Net assets/(liabilities)	5,391,264	(31,254,445)	(25,863,181)
Equity			
Issued capital	23,957	-	23,957
Preference shares	15,843,478	(15,843,478)	-
Reserves	(5,883)	225,872	219,989
Accumulated losses	(10,470,288)	(15,636,839)	(26,107,127)
Total equity/(deficiency)	5,391,264	(31,254,445)	(25,863,181)

Note 5. Operating segments

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

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

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 the parent. The top ten customers represent approximately 51% of the Group’s revenue during the year ended 30 June 2015 (30 June 2014: 66%) and of that amount the largest customer represents approximately 17% (30 June 2014: 33%) of the Group’s revenue.

Geographical information

	Sales to external customers		Geographical non-current assets	
	2015 $	2014 $	2015 $	2014 $
Australia	7,963,554	6,519,830	1,126,767	493,546
United Kingdom	11,863	-	9,685	1,937
Hong Kong	-	-	5,588	-
United States of America	60,047	-	35,620	17,764
	8,035,464	6,519,830	1,177,660	513,247

The majority of the Group's revenue is generated from sales contracts between the Group and a range of international companies. Occasionally the international offices may generate some revenue related to marketing activities.

Note 6. Expenses

	Consolidated	
	2015 $	2014 $
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation of property, plant and equipment	73,965	54,827
Amortisation of intangibles	286,555	65,121
Total depreciation and amortisation	360,520	119,948
Rental expense relating to operating leases		
Minimum lease payments	163,300	149,776
Employee benefit expenses		
Salaries and wages	3,316,420	3,603,924
Superannuation	450,223	259,389
Share-based payments	23,336	163,001
Other costs	416,178	284,544
Total employee benefit expenses	4,206,157	4,310,858

Note 7. Other income

	Consolidated 2015 $	Consolidated 2014 $
Net foreign exchange gain/(loss)	384,480	(86,043)
Government grants	118,755	156,085
Research and development incentive	284,382	662,830
Interest revenue	65,829	109,403
	853,446	842,275

Note 8. Income tax expense/(benefit)

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

Individual items reconciling net loss before tax to taxable income and prima facie tax are not included within these financial statements as they are considered to be immaterial. The Group also has an immaterial amount of other deferred tax assets and liabilities which are offset by tax losses not recognised below.

	Consolidated 2015 $	Consolidated 2014 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	2,531,606	4,081,065
Potential tax benefit @ 30%	759,482	1,224,320

	Consolidated 2015 $	Consolidated 2014 $
Deferred tax assets not recognised		
Deferred tax assets not recognised attributable to temporary differences	352,241	290,117
Deferred tax liabilities not recognised attributable to temporary differences	(293,079)	(97,682)
Total deferred tax assets not recognised	59,162	192,435

The main temporary differences included in the table above relate to employee provisions and capitalised development costs.

Australian losses can be carried forward indefinitely. The benefit will only be obtained if: a) the Group derives future foreseeable income to utilise the losses; b) the Group continues to satisfy the conditions for deductibility impose by law; and c) there are no changes in tax legislation which adversely impact the Group's ability to realise the benefit from the deduction for the losses.

Note 9. Current assets - cash and cash equivalents

	Consolidated 2015 $	Consolidated 2014 $
Cash at bank	1,877,467	2,037,008
Cash on deposit	1,505,482	1,475,298
	3,382,949	3,512,306

Note 10. Current assets - trade and other receivables

	Consolidated 2015 $	Consolidated 2014 $
Trade receivables	1,536,886	1,566,079
Less: Provision for impairment of receivables	(102,763)	-
	1,434,123	1,566,079
Rental bonds	37,039	31,993
Goods and services tax receivable	2,610	16,594
	1,473,772	1,614,666

Impairment of receivables
The ageing of the impaired receivables provided for above are as follows:

	Consolidated 2015 $	Consolidated 2014 $
Over 6 months overdue	102,763	-

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2015 $	Consolidated 2014 $
Additional provisions recognised	102,763	-

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $47,303 as at 30 June 2015 ($78,666 as at 30 June 2014).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated 2015 $	Consolidated 2014 $
3 to 6 months overdue	47,303	72,013
Over 6 months overdue	-	6,653
	47,303	78,666

Note 11. Current assets - inventories

	Consolidated 2015 $	Consolidated 2014 $
Raw materials - at cost	263,331	190,994
Finished goods - at cost	184,318	289,513
	447,649	480,507

Note 12. Current assets - other assets

	Consolidated 2015 $	Consolidated 2014 $
Prepayments	75,750	41,332
Deposits	109,705	113,056
	185,455	154,388

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2015 $	Consolidated 2014 $
Furniture and fittings - at cost	31,095	27,467
Less: Accumulated depreciation	(13,019)	(10,138)
	18,076	17,329
Computer and engineering equipment - at cost	446,105	358,040
Less: Accumulated depreciation	(267,297)	(191,573)
	178,808	166,467
	196,884	183,796

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

Consolidated	Furniture and fittings $	Computer and engineering equipment $	Total $
Balance at 1 July 2013	19,760	124,039	143,799
Additions	-	94,824	94,824
Depreciation expense	(2,431)	(52,396)	(54,827)
Balance at 30 June 2014	17,329	166,467	183,796
Additions	3,166	83,887	87,053
Depreciation expense	(2,419)	(71,546)	(73,965)
Balance at 30 June 2015	18,076	178,808	196,884

Note 14. Non-current assets - intangibles

	Consolidated 2015 $	Consolidated 2014 $
Development costs	1,328,606	390,726
Less: Accumulated amortisation	(351,676)	(65,121)
	976,930	325,605
Intellectual property	3,846	3,846
	980,776	329,451

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 $	Intellectual property $	Total $
Balance at 1 July 2013	-	3,846	3,846
Additions*	390,726	-	390,726
Amortisation expense	(65,121)	-	(65,121)
Balance at 30 June 2014	325,605	3,846	329,451
Additions*	937,880	-	937,880
Amortisation expense	(286,555)	-	(286,555)
Balance at 30 June 2015	976,930	3,846	980,776

* Net of research and development incentive received for development activities.

Note 15. Current liabilities - trade and other payables

	Consolidated 2015 $	Consolidated 2014 $
Trade payables	324,469	415,829
Accrued expenses	49,345	29,400
Other payables	81,658	89,198
	455,472	534,427

Refer to note 22 for further information on financial instruments.

Note 16. Current liabilities - provisions

	Consolidated 2015 $	Consolidated 2014 $
Employee benefits	664,542	775,264
Warranties	24,775	25,000
	689,317	800,264

Warranties
The provision represents the estimated warranty claims in respect of products sold. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

Note 17. Current liabilities - other financial liabilities

	Consolidated 2015 $	Consolidated 2014 $
Redeemable preference shares	31,550,905	31,550,905

The Group has issued preference shares which convert into ordinary shares under a range of scenarios including a qualifying Initial Public Offer ('IPO') or a trade sale. In certain circumstances the preference shareholders are entitled a preferred return dividend depending on the valuation achieved in a liquidity event.

Preference shares which are redeemable at the option of the noteholder are classified as a liability in the statement of financial position. Due to the operability of the anti-dilution clauses in the preference shareholder agreements, the preference shares are considered to include a derivative liability. As such the preference shares are considered to represent a liability with an equity conversion option derivative with the entire instrument being accounted for at fair value through profit or loss.

Note 18. Non-current liabilities - provisions

	Consolidated 2015 $	Consolidated 2014 $
Employee benefits	208,073	169,961

Note 19. Equity - issued capital

Fully paid ordinary shares

	Consolidated 2015 Shares	2014 Shares	2015 $	2014 $
Ordinary shares - fully paid	1,509,095	1,476,595	26,297	23,957

Note 19. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2013	1,401,387		18,542
Issue of shares on the exercise of options	31 March 2014	75,208	$0.072	5,415
Balance	30 June 2014	1,476,595		23,957
Issue of shares on the exercise of options	13 March 2015	32,500	$0.072	2,340
Balance	30 June 2015	1,509,095		26,297

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

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

Redeemable preference shares
The redeemable preference shares issued by the Company have been classified as liabilities (see note 17).

The redeemable preference shares carry the same voting rights as the ordinary shares.

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.

Note 20. Equity - reserves

	Consolidated 2015 $	Consolidated 2014 $
Foreign currency reserve	69,057	56,988
Share-based payments reserve	186,337	163,001
	255,394	219,989

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

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

Note 20. Equity - reserves (continued)

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

Consolidated	Foreign currency $	Share-based payments $	Total $
Balance at 1 July 2013	(17,905)	-	(17,905)
Foreign currency translation	74,893	-	74,893
Share-based payments	-	163,001	163,001
Balance at 30 June 2014	56,988	163,001	219,989
Foreign currency translation	12,069	-	12,069
Share-based payments	-	23,336	23,336
Balance at 30 June 2015	69,057	186,337	255,394

Note 21. Equity - dividends

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

Note 22. 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 it's 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 interest rate risk.

Market risk

Foreign currency risk
The Group's US dollar denominated sales for the year ended 30 June 2015 was approximately USD 7.5 million (2014: USD 6.0 million) on which the risk of foreign exchange movement was partially offset against exchange rate movement of US dollar denominated for purchases of approximately USD 5.0 million (2014: USD 3.0 million).

Interest rate risk
At the reporting date, the Group had no variable rate borrowings. Cash at bank earns interest at floating rates based on daily bank deposit rates.

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 obtaining agency credit information, 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.

There is no significant concentration of credit risk as the Group’s trade receivables are spread over a number of diversified customers. The Group does not hold any collateral or other credit enhancements over these balances.

Note 22. Financial instruments (continued)

The Group's bank balance are deposited with creditworthy banks with no recent history of default.

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) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities 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 - 2015	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-interest bearing						
Trade payables	-	324,469	-	-	-	324,469
Other payables	-	81,658	-	-	-	81,658
Redeemable preference shares*	-	22,242,164	-	-	-	22,242,164
Total non-derivatives		22,648,291	-	-	-	22,648,291

Consolidated - 2014	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-interest bearing						
Trade payables	-	415,829	-	-	-	415,829
Other payables	-	89,198	-	-	-	89,198
Redeemable preference shares*	-	22,242,164	-	-	-	22,242,164
Total non-derivatives		22,747,191	-	-	-	22,747,191

* The amount included in the tables above for preference shares represents the amount the preference share-holders would receive if the preference shares were redeemed at their discretion. This is less than the amount on the statement of financial position which represents the amount payable in the event that the preference shares convert to ordinary equity, such as in the case of an IPO.

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

Note 23. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Redeemable preference shares	-	31,550,905	-	31,550,905
Total liabilities	-	31,550,905	-	31,550,905

Consolidated - 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Redeemable preference shares	-	31,550,905	-	31,550,905
Total liabilities	-	31,550,905	-	31,550,905

There were no transfers between levels during the financial year.

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.

Valuation techniques for fair value measurements categorised within level 2
Refer to note 3 for details for fair value measurement of redeemable preference shares.

Note 24. 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 2015 $	 2014 $
Short-term employee benefits	995,216	969,933
Post-employment benefits	44,874	36,077
Share-based payments	17,227	33,303
	1,057,317	1,039,313

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:

	Consolidated 2015 $	Consolidated 2014 $
Audit services - Deloitte Touche Tohmatsu		
Audit of the financial statements	27,500	25,000
Other services - Deloitte Touche Tohmatsu		
Other services	10,500	-
	38,000	25,000

Note 26. Contingent liabilities

The Group had no contingent liabilities at 30 June 2015 and 30 June 2014.

Note 27. Commitments

	Consolidated 2015 $	Consolidated 2014 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	77,998	66,974
One to five years	33,181	99,563
	111,179	166,537

Operating lease commitments includes contracted amounts for offices. The leases have various escalation clauses. On renewal, the terms of the leases may be renegotiated.

Note 28. Related party transactions

Parent entity
Audinate Pty Ltd 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 24.

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

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.

Note 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2015 $	Parent 2014 $
Profit after income tax	413,927	15,698
Total comprehensive income	413,927	15,698

Statement of financial position

	Parent 2015 $	Parent 2014 $
Total current assets	6,019,513	6,599,805
Total assets	7,410,864	6,982,070
Total current liabilities	32,524,533	32,556,758
Total liabilities	32,797,225	32,808,034
Equity		
Issued capital	26,297	23,957
Share-based payments reserve	186,337	163,001
Accumulated losses	(25,598,995)	(26,012,922)
Total equity	(25,386,361)	(25,825,964)

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 2015 and 30 June 2014.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2015 and 30 June 2014.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2015 and 30 June 2014.

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 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 2015 %	Ownership interest 2014 %
Audinate, Inc.	United States of America	100%	100%
Audinate Limited	United Kingdom	100%	100%
Audinate Limited	Hong Kong	100%	100%

Note 31. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	Consolidated 2015 $	Consolidated 2014 $
Profit/(loss) after income tax expense for the year	516,383	(101,710)
Adjustments for:		
Depreciation and amortisation	360,520	119,948
Share-based payments	23,336	163,001
Provision for impairment of receivables	102,763	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	38,132	(726,197)
Decrease/(increase) in inventories	32,858	(37,182)
Increase in research and development incentive	(69,236)	(87,415)
(Increase)/decrease in prepayments	(31,067)	172,701
Decrease in trade and other payables	(76,749)	(169,402)
(Decrease)/increase in provisions	(3,704)	206,735
Net cash from/(used in) operating activities	893,236	(459,521)

Note 32. Earnings per share

	Consolidated 2015 $	Consolidated 2014 $
Profit/(loss) after income tax attributable to the owners of Audinate Pty Ltd	516,383	(101,710)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,486,390	1,420,344
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	3,856,764	-
Redeemable preference shares	19,843,337	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	25,186,491	1,420,344

	Cents	Cents
Basic earnings per share	34.74	(7.16)
Diluted earnings per share	2.05	(7.16)

Note 32. Earnings per share (continued)

3,644,888 options over ordinary shares and 18,863,780 redeemable preference shares have be excluded from the 2014 calculation of the weighted average number of ordinary shares used in calculating diluted earnings per share as they are anti-dilutive.

Note 33. Share-based payments

Under the Employee Share Option Plan ('ESOP'), the Company's Board of Directors ('Board'), or a committee of the Board, may grant 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 ESOP is 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.

Under the terms of the ESOP, the exercise price of stock options may not be less than 100% of the fair market value on the date of grant. The majority of the options issued under the ESOP vest over a four year period: 25% vesting after twelve months; and, the remaining portion vesting progressively over the next 36 months.

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

2015

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
01/07/2014	30/06/2015	$0.072	3,245,720	-	(32,500)	(37,500)	3,175,720
01/07/2014	30/06/2015	$0.124	477,521	259,000	-	-	736,521
			3,723,241	259,000	(32,500)	(37,500)	3,912,241
Weighted average exercise price			$0.079	$0.124	$0.072	$0.072	$0.082

2014

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
01/07/2013	30/06/2014	$0.072	3,340,720	-	(75,208)	(19,792)	3,245,720
01/07/2013	30/06/2014	$0.124	-	481,521	-	(4,000)	477,521
			3,340,720	481,521	(75,208)	(23,792)	3,723,241
Weighted average exercise price			$0.072	$0.124	$0.072	$0.081	$0.079

1,994,861 options were exercisable at the end of the financial year (2014: 1,231,477). The remaining options vest over a period of up to four years.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
21/08/2014	21/08/2020	$0.074	$0.124	51.00%	4.15%	$0.043
09/12/2014	09/12/2020	$0.074	$0.124	51.00%	4.15%	$0.043

Note 34. Events after the reporting period

No matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the 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 2015 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.

On behalf of the directors

David Krall

David Krall
Chairman

Lee Ellison
Chief Executive Officer

3 May 2017

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Independent Auditor's Report to the Members of Audinate Pty Ltd

We have audited the accompanying consolidated financial statements of Audinate Pty Ltd, which comprises the statement of financial position as at 30 June 2014 and 30 June 2015, the statement of profit and loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the years then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the years ended or from time to time during the financial years as set out on pages 6 to 36.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Deloitte.

In our opinion:

(a) In our opinion, the financial statements of Audinate Pty Ltd presents fairly, in all material respects, the consolidated entity's financial position as at 30 June 2014 and 30 June 2015 and its financial performance for the years then ended in accordance with Australian Accounting Standards; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Joshua Tanchel
Partner
Chartered Accountants
Sydney, 9 May 2017