

1. Company details

Name of entity:	Audinate Group Limited
ABN:	56 618 616 916
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

					\$'000
Revenues from ordinary activities	up	31.6%	to	20,226	
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	11.0%	to	2,041	
Loss before income tax expense	up	130.2%	to	(2,012)	
Loss from ordinary activities after tax expense attributable to the owners of Audinate Group Limited	up	77.8%	to	(2,149)	
Loss for the half-year attributable to the owners of Audinate Group Limited	up	77.8%	to	(2,149)	

Dividends

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

Comments

Review of operations

For the half-year period ended 31 December 2021, the Group reported an increase in revenue of 31.6% to \$20.2 million from \$15.4 million in the previous corresponding period (six months ended 31 December 2020). 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 33.3% to US\$14.8 million in the current period from US\$11.1 million in the previous corresponding period. Gross margin percent was 75.6% compared to 76.9% for the previous corresponding period due to the impact of supply chain pressures on raw materials.

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

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Loss after income tax expense for the half-year	(2,149)	(1,209)
Interest income	(108)	(145)
Grant income	-	(828)
Other income	(2)	-
Net foreign exchange loss	78	535
Interest expense	42	55
Income tax expense	137	335
Depreciation and amortisation	4,043	3,095
EBITDA	<u>2,041</u>	<u>1,838</u>

Operating expenses, which consist of employee benefit expenses, sales and marketing expenses and administration and other operating expenses increased by approximately 33% to \$13.3 million in the half-year ended 31 December 2021 from \$10.0 million in the prior half-year. The key movement was a \$2.8 million increase in employee costs as headcount grew from 116 to 166 at 31 December 2021. Operating costs also include \$0.2 million incurred on transaction costs related to the acquisition of the Silex Insights business. Consequently, EBITDA was \$2.0 million in the half-year ended 31 December 2021 compared to \$1.8 million in the prior half-year.

During the half-year ended 31 December 2021, the Group received no government subsidies related to COVID-19 compared to \$0.8 million for the previous corresponding period. Depreciation and amortisation increased by \$1.0 million in the current period reflecting an increasing balance of capitalised development costs being expensed.

Consistent with the prior years, the Group considered it prudent and appropriate to not recognise tax losses of approximately \$1.25 million generated in the half-year period ended 31 December 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 periods and may re-recognise them as an asset.

Due to the movements described above the net loss after tax was \$2.2 million for the half-year ended 31 December 2021 compared to a \$1.2 million net loss after tax in the six-month period ended 31 December 2020. Refer to the 'Review of operations' section of the Directors' report accompanying this Appendix 4D for further commentary.

3. Net tangible assets

	31 Dec 2021 Cents	30 Jun 2021 Cents
Net tangible assets per ordinary security	<u>80.27</u>	<u>84.90</u>

4. Dividend reinvestment plans

Not applicable.

5. Audit qualification or review

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

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

6. Attachments

Details of attachments (if any):

The Interim Report of Audinate Group Limited for the half-year ended 31 December 2021 is attached.

7. Signed

Authorised by the Board of Directors.

Signed 

David Krall
Chairman
Sydney

Date: 14 February 2022

Audinate Group Limited

ABN 56 618 616 916

Interim Report - 31 December 2021

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Directors	David Krall Aidan Williams John Dyson Roger Price Alison Ledger Tim Finlayson
Company secretary	Rob Goss
Registered office	Level 7 64 Kippax Street Surry Hills NSW 2010 Tel: 02 8280 7100
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Tel: 1300 554 474
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Maddocks Level 27 123 Pitt Street Sydney NSW 2000
Stock exchange listing	Audinate Group Limited shares are listed on the Australian Securities Exchange (ASX code: AD8)
Website	www.audinate.com

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Audinate Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

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

David Krall
Aidan Williams
John Dyson
Roger Price
Alison Ledger
Tim Finlayson

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 half-year.

Review of operations

For the half-year period ended 31 December 2021, the Group reported an increase in revenue of 31.6% to \$20.2 million from \$15.4 million in the previous corresponding period (six months ended 31 December 2020). 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 33.3% to US\$14.8 million in the current period from US\$11.1 million in the previous corresponding period. Gross margin percent was 75.6% compared to 76.9% for the previous corresponding period due to the impact of supply chain pressures on raw materials.

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

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Loss after income tax expense for the half-year	(2,149)	(1,209)
Interest income	(108)	(145)
Grant income	-	(828)
Other income	(2)	-
Net foreign exchange loss	78	535
Interest expense	42	55
Income tax expense	137	335
Depreciation and amortisation	4,043	3,095
EBITDA	<u>2,041</u>	<u>1,838</u>

The Group has grown the number of OEM customers shipping Dante enabled products to 403 OEMs at 31 December 2021, up 12% from 360 at 31 December 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. During the half-year ended 31 December 2021 our OEM customers released another 211 Dante enabled products, which was consistent with 204 Dante enabled OEM products released in the previous corresponding period.

Consistent with previous commentary, chip shortages are expected to continue throughout FY22 causing supply chain pressure for both Audinate and its OEM customers. Risks around non-delivery of raw materials and COVID-related shutdowns of suppliers were experienced by the company in the first half and are expected to continue throughout the remainder of the financial year. There will continue to be related risks of sales-orders being delayed or cancelled in the event that OEM customer supply chains are disrupted. There may also be further temporary delays to new product launches by our customers because of current part shortages. Audinate is proactively managing the challenging operating environment through product redesign, sourcing of alternative parts and passing through price increases to compensate for supply chain challenges.

Operating expenses, which consist of employee benefit expenses, sales and marketing expenses and administration and other operating expenses increased by approximately 33% to \$13.3 million in the half-year ended 31 December 2021 from \$10.0 million in the prior half-year. The key movement was due to a \$2.8 million increase in employee costs as headcount grew from 116 to 166 at 31 December 2021. Operating costs also include \$0.2 million incurred on transaction costs related to the acquisition of the Silex Insights business. Consequently, EBITDA was \$2.0 million in the half-year ended 31 December 2021 compared to \$1.8 million in the prior half-year.

During the half-year ended 31 December 2021, the Group received no government subsidies related to COVID-19 compared to \$0.8 million for the previous corresponding period. Depreciation and amortisation increase by \$1.0 million in the current period reflecting an increasing balance of capitalised development costs being expensed.

Consistent with the prior years, the Group considered it prudent and appropriate to not recognise tax losses of approximately \$1.25 million generated in the half-year period ended 31 December 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 periods and may re-recognise them as an asset.

Net loss after tax was \$2.2 million for the half-year ended 31 December 2021 compared to a \$1.2 million net loss after tax in the six-month period ended 31 December 2020.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

Acquisition of Silex Insight video business

On 31 January 2022, Audinate acquired 100% interest in the Silex Insight video business for:

- an up-front cash payment of US\$6.5 million; and
- a revenue earn-out of up to US\$1.5 million, payable based on the uplift in revenue for the twelve-month period from acquisition date.

The acquisition of the Silex video business is strategically compelling because it complements Audinate's existing video capabilities in Cambridge UK and aligns with Audinate's strategic vision for video over IP. In particular, the transaction will increase video FPGA expertise, enable acceleration of the video product roadmap, and cement critical mass for video engineering in Europe.

The financial effects of this transaction have not been recognised at 31 December 2021, apart from \$0.2 million of transaction costs incurred during the period. The operating results and assets and liabilities of the acquired company will be consolidated from 1 February 2022.

No other matter or circumstance has arisen since 31 December 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.

Rounding of amounts

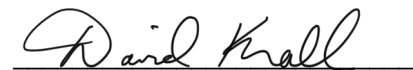
The Company is of a kind referred to in ASIC Corporations Instrument 2016/191, relating to 'rounding-off' of amounts. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

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

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

On behalf of the directors

A handwritten signature in black ink, appearing to read "David Krall", written over a horizontal line.

David Krall
Chairman

14 February 2022
Sydney

14 February 2022

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

Dear Board Members

Auditor's Independence Declaration to Audinate Group Limited

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

As lead audit partner for the review of half year financial report of Audinate Group Limited for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Pooja Patel

Pooja Patel
Partner
Chartered Accountant

Audinate Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021



		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$'000	\$'000
Revenue			
Sales	4	20,226	15,372
Cost of goods sold		(4,931)	(3,547)
Gross margin		15,295	11,825
Expenses			
Employee expenses		(10,589)	(7,831)
Sales and marketing expenses		(1,003)	(849)
Administration and other operating expenses		(1,662)	(1,307)
Depreciation and amortisation		(4,043)	(3,095)
Total expenses		(17,297)	(13,082)
Operating loss		(2,002)	(1,257)
Net foreign exchange loss		(78)	(535)
Finance costs		(42)	(55)
Other income	5	110	973
Loss before income tax expense		(2,012)	(874)
Income tax expense	6	(137)	(335)
Loss after income tax expense for the half-year attributable to the owners of Audinate Group Limited		(2,149)	(1,209)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(35)	(58)
Other comprehensive income for the half-year, net of tax		(35)	(58)
Total comprehensive income for the half-year attributable to the owners of Audinate Group Limited		(2,184)	(1,267)
		Cents	Cents
Basic earnings per share	7	(2.80)	(1.62)
Diluted earnings per share	7	(2.80)	(1.62)

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

		Consolidated	
	Note	31 Dec 2021	30 Jun 2021
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		33,335	38,429
Term deposits	8	27,000	27,000
Trade and other receivables	9	3,387	3,199
Current tax asset	6	22	41
Inventories		2,105	1,855
Other assets		1,336	1,275
Total current assets		<u>67,185</u>	<u>71,799</u>
Non-current assets			
Property, plant and equipment		1,660	1,482
Right-of-use assets		1,571	1,919
Intangibles	10	15,459	14,094
Deferred tax	6	79	68
Other assets		443	444
Total non-current assets		<u>19,212</u>	<u>18,007</u>
Total assets		<u>86,397</u>	<u>89,806</u>
Liabilities			
Current liabilities			
Trade and other payables		2,331	2,524
Contract liabilities		2,167	2,173
Lease liability		632	656
Employee benefits		2,512	3,789
Other liabilities		108	102
Total current liabilities		<u>7,750</u>	<u>9,244</u>
Non-current liabilities			
Contract liabilities		157	106
Lease liability		1,106	1,432
Employee benefits		163	169
Total non-current liabilities		<u>1,426</u>	<u>1,707</u>
Total liabilities		<u>9,176</u>	<u>10,951</u>
Net assets		<u>77,221</u>	<u>78,855</u>
Equity			
Contributed capital	11	128,128	126,947
Reserves		1,595	2,261
Accumulated losses		<u>(52,502)</u>	<u>(50,353)</u>
Total equity		<u>77,221</u>	<u>78,855</u>

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

Audinate Group Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2021



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 half-year	-	-	(1,209)	(1,209)
Other comprehensive income for the half-year, net of tax	-	(58)	-	(58)
Total comprehensive income for the half-year	-	(58)	(1,209)	(1,267)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares - institutional placement	28,000	-	-	28,000
Share-based payments	-	640	-	640
Issue of shares - share purchase plan	11,999	-	-	11,999
Issue of shares - exercise of options	29	-	-	29
Issue of shares - under long term incentive plan	318	(318)	-	-
Share issue transaction costs, net of tax	(929)	-	-	(929)
Balance at 31 December 2020	<u>126,943</u>	<u>1,617</u>	<u>(48,121)</u>	<u>80,439</u>
Consolidated	Contributed capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	126,947	2,261	(50,353)	78,855
Loss after income tax expense for the half-year	-	-	(2,149)	(2,149)
Other comprehensive income for the half-year, net of tax	-	(35)	-	(35)
Total comprehensive income for the half-year	-	(35)	(2,149)	(2,184)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	563	-	563
Issue of shares - vesting of performance rights	1,194	(1,194)	-	-
Share issue transaction costs, net of tax	(13)	-	-	(13)
Balance at 31 December 2021	<u>128,128</u>	<u>1,595</u>	<u>(52,502)</u>	<u>77,221</u>

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

Audinate Group Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2021



	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	20,081	14,918
Payments to suppliers and employees (inclusive of GST)	(19,449)	(12,473)
Interest received	81	127
Interest and other finance costs paid	(42)	(55)
Government grants received	-	1,048
Income taxes paid	(120)	(325)
Net cash from operating activities	551	3,240
Cash flows from investing activities		
Payments for property, plant and equipment	(480)	(269)
Payments for intangibles	(4,752)	(3,791)
Investment in term deposits	-	(27,000)
Net cash used in investing activities	(5,232)	(31,060)
Cash flows from financing activities		
Proceeds from issue of shares	-	40,028
Share issue transaction costs	(18)	(1,254)
Repayment of lease liability	(350)	(307)
Net cash (used in)/from financing activities	(368)	38,467
Net (decrease)/increase in cash and cash equivalents	(5,049)	10,647
Cash and cash equivalents at the beginning of the financial half-year	38,429	29,286
Effects of exchange rate changes on cash and cash equivalents	(45)	(607)
Cash and cash equivalents at the end of the financial half-year	33,335	39,326

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

Note 1. General information

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

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

Level 7
64 Kippax Street
Surry Hills NSW 2010

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 14 February 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

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

Note 3. Operating segments

Identification of reportable operating segments

The Group operates in one segment, based on the internal reports that are reviewed and used by the 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 financial statements and notes to the financial statements throughout the report.

Note 4. Revenue

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Sales	20,226	15,372

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Chips, cards and modules (including adapters)	14,731	10,477
Software revenue (including licence fees and royalties)	5,252	4,607
Other revenue	243	288
	20,226	15,372

Timing of revenue recognition

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

Note 5. Other income

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Interest income	108	145
Government grants	-	828
Other income	2	-
	110	973

Government grants

During the half-year ended 31 December 2020, the Group received \$759,000 from JobKeeper support payments from the Australian Government which were passed on to eligible employees and \$79,000 from other COVID-19 related support payments. During the half-year ended 31 December 2021, the Group did not receive subsidies related to COVID-19.

Note 6. Income tax

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

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
<i>Income tax expense</i>		
Current tax	(1,359)	(872)
Deferred tax - origination and reversal of temporary differences	236	286
Derecognition of tax losses	1,251	890
Adjustments in respect of current income tax of previous year	9	31
Aggregate income tax expense	<u>137</u>	<u>335</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	<u>(2,012)</u>	<u>(874)</u>
Tax at the statutory tax rate of 25% (2021: 26%)	(503)	(227)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenditure claimed for research and development incentive	1,154	1,083
Research and development incentive benefit	(1,878)	(1,604)
Derecognition of tax losses	1,251	890
Non-deductible expenses	119	173
Difference in overseas tax rates	(15)	(11)
Adjustments in respect of current income tax of previous year	9	31
Income tax expense	<u>137</u>	<u>335</u>

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Deferred tax asset</i>		
Net deferred tax asset comprises temporary differences attributable to:		
Provisions	713	927
Lease liabilities	435	541
Carried forward tax losses	638	396
Capital blackhole expenditure	320	389
Contract liabilities	246	214
Trade and other payables	96	117
Intangible assets	(1,862)	(1,925)
Right-of-use assets	(393)	(498)
Property, plant and equipment	(194)	(126)
Other	80	33
Deferred tax asset	<u>79</u>	<u>68</u>

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Current tax asset</i>		
Current tax asset	<u>22</u>	<u>41</u>

Note 6. Income tax (continued)

The income tax rate for the Australian tax consolidated group reduced from 26% to 25% with effect from 1 July 2021. The change in rate increased the unused tax losses for which no deferred tax asset is recognised by \$15,000.

The Group has \$6,762,000 (30 June 2021: \$5,525,000) of unused tax losses for which no deferred tax asset is recognised in the statement of financial position.

Note 7. Earnings per share

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Loss after income tax attributable to the owners of Audinate Group Limited	(2,149)	(1,209)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	76,752,543	74,592,994
Weighted average number of ordinary shares used in calculating diluted earnings per share	76,752,543	74,592,994
	Cents	Cents
Basic earnings per share	(2.80)	(1.62)
Diluted earnings per share	(2.80)	(1.62)

At 31 December 2021 and 31 December 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 a loss for the period.

Note 8. Term deposits

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Current assets</i>		
Term deposits	27,000	27,000

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

Note 9. Trade and other receivables

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	2,867	2,674
Less: Allowance for expected credit losses	(1)	(1)
	2,866	2,673
Other receivables	521	526
	3,387	3,199

Note 9. Trade and other receivables (continued)

Allowance for expected credit losses

The Group has recognised \$nil (31 December 2020: gain of \$10,000) in profit or loss in respect of the expected credit losses for the half-year ended 31 December 2021.

Note 10. Intangibles

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Development costs	31,420	26,499
Less: Accumulated amortisation	(17,189)	(13,840)
	<u>14,231</u>	<u>12,659</u>
Intellectual property	672	623
Less: Accumulated amortisation	(493)	(426)
	<u>179</u>	<u>197</u>
Software - at cost	1,892	1,857
Less: Accumulated amortisation	(843)	(619)
	<u>1,049</u>	<u>1,238</u>
	<u><u>15,459</u></u>	<u><u>14,094</u></u>

Reconciliations

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

Consolidated	Development costs \$'000	Intellectual property \$'000	Software \$'000	Total \$'000
Balance at 1 July 2021	12,659	197	1,238	14,094
Additions	4,921	49	61	5,031
Amortisation expense	(3,349)	(67)	(250)	(3,666)
Balance at 31 December 2021	<u><u>14,231</u></u>	<u><u>179</u></u>	<u><u>1,049</u></u>	<u><u>15,459</u></u>

Note 11. Contributed capital

Fully paid ordinary shares

	Consolidated			
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u><u>76,946,232</u></u>	<u><u>76,274,619</u></u>	<u><u>128,128</u></u>	<u><u>126,947</u></u>

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.

Note 11. Contributed capital (continued)

Share buy-back

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

Movements in ordinary share capital

Details	Date	Shares	Price	\$'000
Balance	1 July 2021	76,274,619		126,947
Issue of shares - exercise of options	23 August 2021	7,795	\$0.0000	-
Issue of shares - vesting of performance rights	23 August 2021	15,167	\$7.2150	109
Issue of shares - vesting of performance rights	23 August 2021	261,891	\$0.7800	204
Issue of shares - vesting of performance rights	23 August 2021	381,958	\$2.1810	833
Issue of shares - vesting of performance rights	1 September 2021	4,802	\$9.9590	48
Share issue transaction costs				(18)
Deferred tax credit recognised directly in equity				5
Balance	31 December 2021	<u>76,946,232</u>		<u>128,128</u>

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

Note 12. Dividends

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

Note 13. Contingent liabilities

The Group had no contingent liabilities at 31 December 2021 and 31 December 2020.

Note 14. Events after the reporting period

Acquisition of Silex Insight video business

On 31 January 2022, Audinate acquired 100% interest in the Silex Insight video business for:

- an up-front cash payment of US\$6.5 million; and
- a revenue earn-out of up to US\$1.5 million, payable based on the uplift in revenue for the twelve-month period from acquisition date.

The acquisition of the Silex video business is strategically compelling because it complements Audinate's existing video capabilities in Cambridge UK and aligns with Audinate's strategic vision for video over IP. In particular, the transaction will increase video FPGA expertise, enable acceleration of the video product roadmap, and cement critical mass for video engineering in Europe.

The financial effects of this transaction have not been recognised at 31 December 2021, apart from \$0.2 million of transaction costs incurred during the period. The operating results and assets and liabilities of the acquired company will be consolidated from 1 February 2022.

The directors believe that given the timing of the acquisition being close to the date of this report it is impracticable to disclose any further information required by AASB 3 'Business Combinations'.

No other matter or circumstance has arisen since 31 December 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.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

A handwritten signature in black ink, reading "David Krall", written over a horizontal line.

David Krall
Chairman

14 February 2022
Sydney

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

We have reviewed the accompanying half-year financial report of Audinate Group Limited (the "Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 7- 17.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Pooja Patel

Pooja Patel
Partner
Chartered Accountants
Sydney, 14 February 2022