



Audinate®

ANNUAL REPORT
2023



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A GLOBAL LEADER IN AUDIO
AND VIDEO NETWORKING,
DISTRIBUTING HIGH QUALITY
DIGITAL MEDIA SIGNALS
OVER COMPUTER NETWORKS.



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BUSINESS OVERVIEW

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

Dante transforms audio and video connectivity

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

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

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

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

Growing network effect of Dante enabled products in market – 3,853

Products

Dante is available in over 3,800 products from more than 400 manufacturers, covering a diverse range of installations and applications across industries, including:

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

Audinate has a global presence in 13 locations worldwide.



Audinate products

Chips



Modules



Cards



Software



Example OEM customers

biamp.

BOLIN
TECHNOLOGY

BOSCH

BOSE

Focusrite

HARMAN

LAWO

QSC

SENNHEISER

SHURE

SONY

Roland

YAMAHA

AJA

OEM products





FY23 FINANCIALS

Revenue

A\$69.7m

Up 50.6%

Gross Margin

72.1%

Down 2.7%

NPBT

A\$1.4m

Up \$5.8m

Revenue

US\$46.7m

Up 40.0%

Cash and Term Deposits

A\$40.0m

Down \$4.4m

EBITDA

A\$11.0m

Up 156.4%



>A\$1bn

Total addressable market¹

400

OEM brands shipping
Dante enabled products

3,853

Dante enabled products
available on the market

12x

Market adoption
of closest audio competitor

39,500

Professionals trained
on Dante in FY23

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



CHAIRMAN'S LETTER

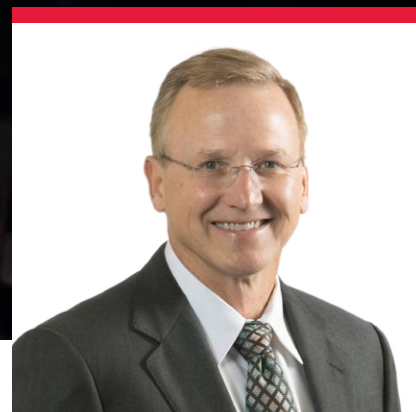
“We had a breakout year in video... with 34 OEM brands signed up for Dante video and nearly 50 video products launched by customers”

Dear Shareholders,

On behalf of the Directors, it is my pleasure to present the Audinate Group Limited Annual Report for the financial year ended 30 June 2023 (FY23). We are relieved to put a three-year period of COVID related supply chain disruption behind us and pleased with the resilience that both the team and the business have demonstrated. FY23 was particularly notable for the progress we made in video technology, and we look forward to another exciting year of growth in FY24.

As our memories of the worst of the COVID impacts fade and life returns to normal, I think it is worth recognising the impact to the business and what we had to deal with over the last three years. At first there was demand side shock as our customers pushed out orders, our monthly revenue halved and we experienced factory shutdowns. Following this initial period there was a second phase of impacts for Audinate, including chip shortages, spot inventory purchases, supplier price increases, variable delivery dates and Dante product redesigns.

As a result of the sudden and unexpected lack of chip supplies for Brooklyn in FY22, the team worked tirelessly to redesign and release to market the next generation Brooklyn III, thereby preserving the company's major revenue stream. We have witnessed over the last few years some drop off in the rate of new product introductions by OEMs (Original Engineering Manufacturers) as they dealt with many of the same supply chain challenges as Audinate. It is a pleasure to see this chapter close and be able to move forward to business-as-usual.



FY23 was a year of financial milestones for Audinate, and whilst they do not represent an end in themselves, they are valuable markers of our ongoing success and progress. US\$ revenue growth of 40% was a fantastic achievement, demonstrating that Dante demand remained high, with revenue being constrained by chip supply. Profitability grew significantly with EBITDA increasing 156% to \$11 million as our focus on operating leverage became evident. Our confidence in the business outlook reflected in the recognition of an asset for \$12.3 million of tax losses contributing to Audinate generating a net profit for the year of \$10.6 million. In the year ahead we will continue to focus on improving operating leverage, profitability and cashflow.

We had a breakout year in video, building on our early momentum in FY22 with the release of Dante AV-H. FY23 finished with 34 OEM brands signed up for Dante video and nearly 50 video products launched by customers (up from seven a year ago). This highlights that there is strong market demand for our Dante video offering. I believe the combined capability of our Cambridge UK team and the newly acquired Silex Brussels team provides us with the competency to drive ongoing success in our vision for Dante in video.

I was excited with the launch of our first cloud offering Dante Connect, described in more detail in the CEO Report. To have major broadcasters recognise the quality of the Dante technology and approach us about an economical solution

for their needs was very encouraging. It is a strong validation of our strategic vision, where we see processing of audio and video signals in the cloud becoming increasingly commonplace, much like voice over IP (VOIP) is today.

On behalf of the Board of Directors of Audinate, we express our sincere thanks to all the employees at Audinate. Their enthusiasm, commitment, and teamwork were paramount to us achieving our exceptional results in FY23. My thanks also to Aidan for another outstanding year as CEO, and to the Executive Leadership Team for their valuable contribution to our achievements.

David Krall

David Krall
Chairman

CEO'S LETTER



“Dante Connect delivers in-sync audio directly from Dante networks and is our first cloud product aimed at the broadcast and corporate production market”

Dear Shareholders,

It is my pleasure to share our financial results for FY23, with record revenue growth delivering significant profit and 2H positive free cashflow for the Company. FY23 closes the chapter on a challenging 3-year period in which we delivered USD revenue growth CAGR over 31% despite COVID induced downturns and chip shortages.

Success in Video

Audinate had an exceptional year in video and established the foundation for ongoing success in the year ahead, with new product releases, design wins, endpoint sales and revenue. Notable achievements in FY23 included:

- Release of Dante AV-H (software for chips using the H.264 video codec)
- Launch and release of Dante AV-A (software for ASPEED video chips)
- Release of Dante Studio software for AV professionals
- 26 design wins for Dante video products
- 34 OEM brands have now licensed Dante video products
- 48 Dante video products launched by customers (up from seven products at 30 June 2022)
- >10,000 video endpoints shipped and >USD\$3 million in revenue from video products

Continued focus on Innovation

In FY23, Audinate delivered several product updates, new features for customers and launched Dante Connect and Dante Professional Services. Dante Connect is our first cloud product and is aimed at the broadcast and corporate production market. Dante Connect delivers in-sync audio directly from Dante networks to cloud services for seamless online production anywhere, reducing the need for mobile studios and trucks full of broadcast equipment. The Dante Professional Services team provides design consulting, design review, advanced troubleshooting, deployment support and training to integrators, AV professionals and end users. The Professional Services business has developed a strong pipeline of customers since launching in June 2023.

Operational Results

During the year, Audinate achieved a record 142 design wins with OEMs, up 12.7% from FY22. The total number of OEM brands shipping and developing Dante-enabled products grew to 538 after accounting for some rationalisation in OEM numbers associated with chip shortages & supply chain challenges. Overall, our OEM customers released another 261 Dante-enabled products taking the total to 3,853. The business metrics for FY23 are particularly pleasing in the context of significant supply chain headwinds (including 1H23 Ultimo chip shortages) and indicate returning confidence.

Our Dante certification training programs continue to be an important way to introduce AV professionals to our technology, and in particular the advantages of using our video offerings together with Dante audio. We have now trained over 220,000 AV professionals over the life of the program, lately driven by broadening courses to eight languages and incorporating video material across all levels. I am excited that with the launch of our professional services business we can now satisfy the demand for more advanced hands-on training.

Financial Results

The Company recorded positive operating cashflows of \$12.4 million for the year ended 30 June 2023 compared to \$1.0 million for the previous corresponding period. Audinate utilised a net \$4.3 million of cash for FY23 compared to \$11.7 million used in FY22. Notably, Audinate generated positive free cashflow of \$2.5 million in the second half.

Growth in US\$ revenue (40%) outstripped growth in Dante units shipped (30%), reflecting the impact of FY22 price increases, strong growth in Brooklyn and Viper boards and first-half supply chain impacts on Ultimo and Reference Designs. The overall gross margin % increased to 72.1% for FY23, improving from 71.2% in a first half affected by supply chain impacts.

Both main revenue categories (Chips, cards & modules (CCM) and Software) experienced strong growth throughout FY23, and several factors drove higher revenue:

- 42% growth in sales of CCM primarily driven by strong growth in Brooklyn modules (>30%), Viper boards and a recovery in Ultimo (>50%) in the second half; and
- 24% software revenue growth driven by Reference Designs (>50%), Dante Embedded Platform (DEP) (>30%) and Dante IP Core (>45%).

Operating expenses increased by 29% to \$39.2 million in the year ended 30 June 2023. The key movement was a \$5.6 million increase in employment costs as headcount grew from 178 to 197 at 30 June 2023. As COVID impacts eased, sales and marketing expenses increased to \$4.4 million from the year ended 30 June 2022 due to increased spending on trade shows, customer training and travel. Administration and other expenses increased by 42% to \$5.4 million from the year ended 30 June 2022 due to increased spend on software subscriptions and travel. EBITDA was \$11.0 million in the year ended 30 June 2023 compared to \$4.3 million in the prior year ended 30 June 2022.

Depreciation and amortisation increased by \$1.9 million in the current year, reflecting an increase in the total value of capitalised development costs being expensed. The Group now expects sufficient Australian taxable profits in future years to use \$12.3 million of tax losses generated to date. Therefore, Audinate has recognised prior year tax losses resulting in a \$9.3 million income tax benefit in FY23. Due to the movements described above, the net profit after tax was \$10.6 million for the year ended 30 June 2023, compared to a \$4.5 million net loss after tax in the prior year.

Priorities for FY24

In FY24, Audinate continues to focus on profitable growth and improving operating cashflow, inclusive of 15% additional headcount to pursue growth opportunities in video, cloud and professional services. The key focus areas for the year ahead are to:

- Double the video ecosystem
- Release additional video and cloud products
- Demonstrate success of Dante Connect cloud offering
- Operational efficiency through scalability of the cost base
- Improve profitability and operating cashflow

The Company remains watchful of potentially softening global economic conditions over the course of FY24. We remain on the lookout for bolt-on M&A opportunities to accelerate organic growth plans in video and cloud.

With the worst of COVID and supply chain pressures receding, the Company anticipates audio OEMs will recommence transitioning products using Dante chips, cards and modules to software Dante implementations. This migration is expected to be relatively neutral for gross profit dollars and result in gradual margin improvement and a slight moderation in headline revenue growth. Irrespective of the pace of this migration, the Company expects % growth in US\$ gross profit dollars in FY24 to be consistent with historical performance.

Conclusion

I want to thank the Board for their ongoing support, advice, and constructive debate. On behalf of Audinate's leadership team I'd also like to thank our staff, shareholders, customers and partners for your ongoing loyalty and support. I look forward to the year ahead and to continuing to advance our vision to 'Pioneer the Future of AV'.



Aidan Williams
Chief Executive Officer

DIRECTORS' REPORT AND FINANCIAL STATEMENTS



Audinate Group Limited

ABN 56 618 616 916

For the year ended 30 June 2023



DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Audinate Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the financial year ended 30 June 2023.

Directors

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

David Krall

Aidan Williams

John Dyson

Roger Price

Alison Ledger

Tim Finlayson

Amrita Blickstead (appointed on 1 January 2023)

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 chips, cards and modules that are sold to and integrated inside the AV products of its Original Equipment Manufacturer ('OEM') customers. Audinate also provides a series of products and services to AV professionals including AVIO adapters and management and control software.

Dividends

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

Review of operations

For the year ended 30 June 2023, the Group reported an increase in revenue of 50.6% to \$69.7 million from \$46.3 million in the prior year ended 30 June 2022. 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 40.0% to US\$46.7 million in FY23 from US\$33.4 million in the prior year.

Gross profit dollars increased by 45.2% to \$50.2 million from \$34.6 million in the prior year ended 30 June 2022. As expected, the increased proportion of lower margin video products (from the Silex acquisition) and the new Brooklyn 3 modules resulted in a gross margin of 72.1% for the year ended 30 June 2023 compared to 74.7% in the prior year.

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. The Group's reconciliation of its statutory net profit after tax for the current and previous year to EBITDA is as follows:

	Consolidated	
	2023 \$'000	2022 \$'000
Profit/(loss) after income tax expense for the year	10,643	(4,457)
Interest income	(686)	(182)
Other income	(4)	(3)
Net foreign exchange (gain)/loss	(67)	34
Revaluation of deferred contingent consideration	(439)	—
Interest expense	239	173
Income tax (benefit)/expense	(9,250)	73
Depreciation and amortisation	10,576	8,658
EBITDA	11,012	4,296

Directors' Report

Management have excluded the \$439,000 gain on revaluation of the deferred contingent consideration (in respect of the Silex acquisition) from EBITDA. Refer paragraph below for additional information.

Operating expenses, which consist of employee benefit expenses, sales and marketing expenses and administration and other operating expenses increased by 29.4% to \$39.2 million in the year ended 30 June 2023 from \$30.3 million in the prior year ended 30 June 2022. The key movement was due to a \$5.6 million increase in employee costs as headcount grew from 178 to 197 at 30 June 2023, salary increases and the annualisation timing of new headcount over this year. As COVID impacts eased, sales and marketing expenses increased to \$4.4 million from the prior year ended 30 June 2022 due to the increased spend on trade shows, customer training and travel. Administration and other expenses increased by \$1.6 million to \$5.4 million from increase in spend on software subscriptions and travel. EBITDA was \$11.0 million in the year ended 30 June 2023 compared to \$4.3 million in the prior year ended 30 June 2022.

During the year ended 30 June 2023, depreciation and amortisation increased by \$1.9 million to \$10.6 million reflecting an increasing balance of capitalised development costs being amortised.

Audinate finalised the deferred consideration paid to the vendors of the Silex Insight video business (purchased in January 2022). The consideration paid was lower than the prior year provision resulting in Audinate recognising a \$439,000 gain in other income during the year ended 30 June 2023.

The Group now expects sufficient Australian taxable profits in future years to use \$12.3 million of tax losses generated to date. Therefore, Audinate recognised prior year tax losses resulting in a \$9.3 million income tax benefit in the current financial year. Due to the movements described above, the net profit after tax was \$10.6 million for the year ended 30 June 2023, compared to a \$4.5 million net loss after tax in the prior year.

The following table highlights key balances in Audinate's statement of financial position.

	2023 \$'000	2022 \$'000
Cash and term deposits	40,031	44,465
Inventories	6,707	5,601
Total current assets	56,469	57,842
Total non-current assets	50,133	32,596
Total assets	106,602	90,438
Total current liabilities	14,293	13,174
Total non-current liabilities	2,113	1,980
Total liabilities	16,406	15,154
Total equity	90,196	75,284

Audinate continues to hold over \$40 million in cash, cash equivalents and term deposits on Balance sheet as at 30 June 2023. Audinate utilised a net \$4.4 million in cash for the year ended 30 June 2023 due to the continued investment in developing Dante products. Notably, Audinate generated \$2.5 million in positive free cash flow in the second half of FY23.

Ongoing strength in core business metrics

During the year, Audinate achieved a record 142 design wins with OEMs, up 12.7% from FY22. This resulted in the number of OEM brands shipping and developing Dante-enabled products growing to 538. Overall, OEM customers released another 261 Dante-enabled products taking the total to 3,853.

Managing supply chain risks

Supply chain challenges gradually eased over the course of the year, as flagged heading into FY23. The first half was more significantly impacted, as evidenced by lower units of Dante products shipped and some downturn in customer metrics. Chip availability improved over the course of the second half, especially for Ultimo. Given supply chain challenges have substantively eased, the Company heads into FY24 on a business-as-usual basis.

Details on the other business risks faced by Audinate are disclosed in the Environment, Social and Governance ('ESG') section of the Directors' Report.

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 2023 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

In FY24, Audinate continues to focus on profitable growth, inclusive of 15% additional headcount to pursue opportunities in video, cloud and professional services.

On the product and technology front, the business will focus on:

- Broadening the suite of Dante audio and video products;
- Initial roll-out of cloud products, including Dante Connect;
- Supporting customers to release more Dante-enabled products, especially with recent software implementations; and
- Marketing, sales and support activities to drive more widespread adoption of Dante video.

Whilst the Company remains wary of potential impacts from softening global economic conditions, it enters FY24 with demand at near record levels providing good revenue visibility for the coming year. With the worst of COVID and supply chain pressures receding, the Company anticipates that the transition of audio OEMs away from chips, cards and modules to software implementations will recommence. This migration is expected to be relatively neutral for gross profit dollars but will see a gradual margin improvement and a slight moderation in headline revenue growth. Irrespective of the pace of this migration, the Company expects ongoing strong growth in USD gross profit dollars.

Information on directors

Name:	David Krall
Title:	Chairman and Non-Executive Director
Qualifications:	David has a Master of Business Administration from Harvard University and both a Bachelor of Science degree and Masters' degree in Electrical Engineering from Massachusetts Institute of Technology.
Experience and expertise:	David serves as a director and/or strategic advisor to several technology companies, combining a strong educational background in engineering and business over 30 years of professional experience. David currently acts as Strategic Advisor for Roku Inc. He is the former President and Chief Operating Officer of Roku Inc., a market leader in television streaming. He was also formerly President and Chief Executive Officer of Avid Technology Inc. (NASDAQ: AVID)
Other current directorships:	Director of Progress Software Corporation (NASDAQ: PRGS); Director of Harmonic Inc. (NASDAQ: HLIT); and Director of Universal Audio; and Director of WeVideo Inc.
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee
Interests in shares:	500,000 ordinary shares
Interests in options:	None
Interests in rights:	None

Directors' Report

Name:	Aidan Williams
Title:	Chief Executive Officer
Qualifications:	Aidan has a BSc in Computer Science, and a BEng (Hons I) in Electrical Engineering, both from the University of New South Wales (UNSW), Australia.
Experience and expertise:	Aidan Williams is co-founder and CEO of Audinate. While at the National ICT Australia (NICTA), he was the driving force behind the Digital Audio Networking project that developed the fundamental audio networking technology behind Dante. Prior to joining NICTA, Aidan was at Motorola Labs in Sydney where he worked on advanced networking technologies including zero-configuration IP networking, IPv6, reliable multicast, mobile adhoc networking and residential gateways. He is an inventor on more than twenty patents related to IP networking. Before embarking on an R&D career, Aidan developed extensive skills in networking, security, operating systems, and software development through several years of hands-on experience managing large networks, mission-critical systems and network security for a large university campus.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	1,947,305 ordinary shares
Interests in options:	None
Interests in rights:	159,539 performance rights over ordinary shares

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

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

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

Directors' Report

Name:	Tim Finlayson
Title:	Non-Executive Director
Qualifications:	Tim has degrees in Economics and Laws from Macquarie University. He is a member of Chartered Accountants Australia and New Zealand and is admitted as a Solicitor of the Supreme Court of New South Wales. He is a graduate and member of the Australian Institute of Company Directors.
Experience and expertise:	Tim is a chartered accountant with more than 30 years of experience in professional services, telecommunications and infrastructure industries and has held finance and operational leadership roles in Australia, Singapore and Vietnam. Tim is currently Chief Operating Officer with King & Wood Mallesons Australia, a leading international law firm. During his time at PricewaterhouseCoopers, Tim was a partner of Tax and Legal Services in Indochina advising foreign companies on setting up and operating in Vietnam, Cambodia and Laos, following tax advisory roles in Sydney and Singapore. Tim was previously Chief Financial Officer for Sydney Airport Corporation (ASX: SYD) and Hutchison Telecommunications (Australia) Limited (ASX: HTA).
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Management Committee
Interests in shares:	130,954 ordinary shares
Interests in options:	None
Interests in rights:	None

Name:	Amrita Blickstead
Title:	Non-Executive Director (appointed on 1 January 2023)
Qualifications:	Amrita holds a Master of Business Administration from Harvard Business School and a Bachelor of Mechanical (Biomedical) Engineering from the University of Sydney. Amrita won the Australian Financial Review BOSS Awards for Young Executive of the Year in 2019.
Experience and expertise:	Amrita is an experienced non-executive director with extensive strategic, sales & marketing, and product development expertise. She has deep experience in retail, eCommerce, and medical devices and has been an advocate for diversity & inclusion. Amrita is the former Chief Operating and Marketing Officer at eBay Australia & New Zealand, and, over her ten-year tenure, she led many different areas of the business across strategy, operations, marketing, sales, and pricing. Before eBay, Amrita established her career as a Management Consultant at Port Jackson Partners and a Biomedical Engineer at Ventracor and Cochlear. Amrita is currently a Non-Executive Director of Vision Beyond AUS (not for profit entity).
Other current directorships:	Non-executive Director at ASX-listed Somnomed (ASX: SOM)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Management Committee
Interests in shares:	12,980 ordinary shares
Interests in options:	None
Interests in rights:	None

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

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

Company secretary

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

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

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Management Committee	
	Attended	Held	Attended	Held	Attended	Held
David Krall	6	6	4	4	–	–
Aidan Williams	6	6	–	–	–	–
John Dyson	6	6	4	4	4	4
Roger Price	6	6	–	–	4	4
Alison Ledger	6	6	4	4	–	–
Tim Finlayson	6	6	–	–	4	4
Amrita Blickstead	3	3	–	–	3	3

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

Remuneration report (audited)

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

Key management personnel ('KMP') are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors. The remuneration report is set out under the following main headings:

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

Remuneration philosophy and governance

Remuneration philosophy

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

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

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

Remuneration governance

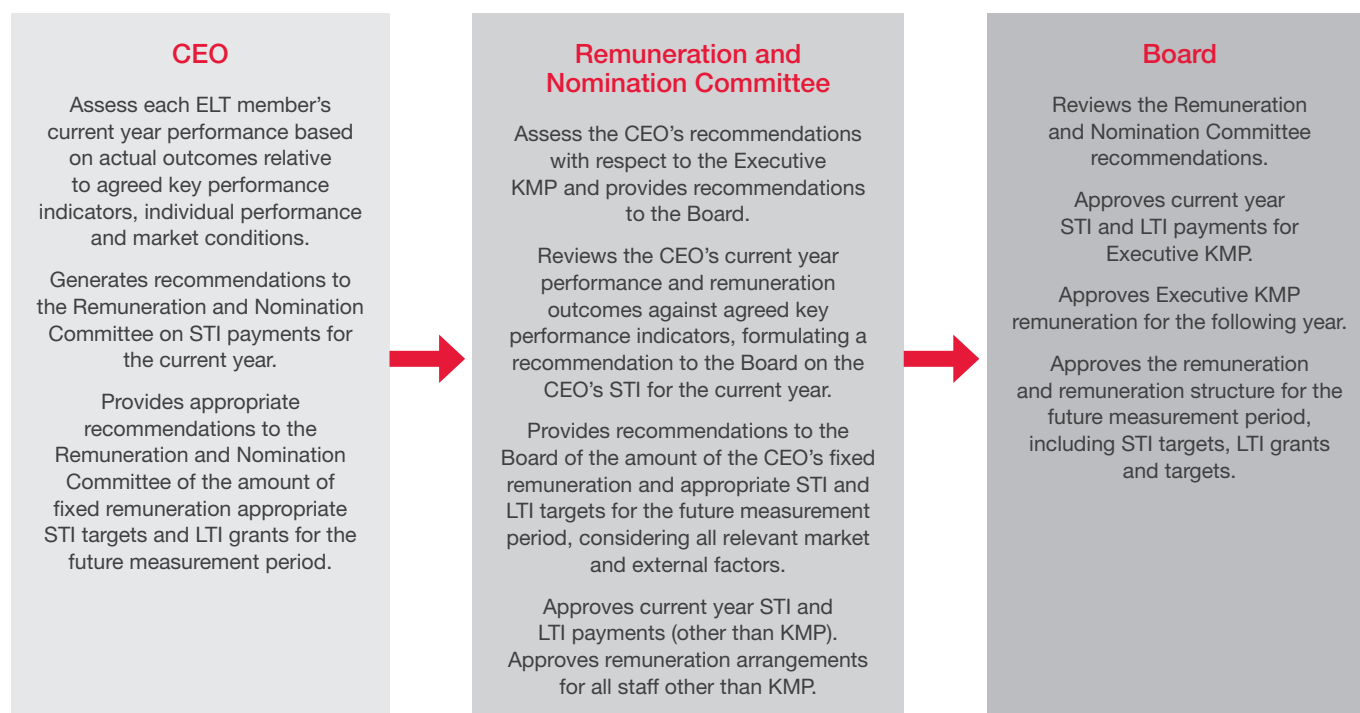
The Board has overall responsibility for the Group's remuneration principles, practices, strategy and approach to ensure they support the Company's business strategy and are appropriate for a listed company given the size and nature of Audinate's business.

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

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

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

A summary of the annual remuneration review process for the ELT is set out below.



Independent advice

During the 2023 and 2022 financial years no independent advice was sought. External benchmarking for board and executive remuneration is routinely undertaken every three years, which is expected to occur again during the 2024 financial year.

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

At the AGM more than 98% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022.

Remuneration framework and structure

Non-executive director remuneration

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

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. This amount is currently capped under the Company's Constitution at \$1,000,000 per annum. Any increase to the aggregate amount needs to be approved by shareholders. Directors will seek approval from time to time, as appropriate. This aggregate annual sum does not include any special remuneration which the Board may grant to the directors for special exertions or additional services performed by a director for or at the request of the Group, which may be in addition to or in substitution of the director's fees.

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

Name of Non-Executive Director	Fees per annum (\$)
David Krall	175,000
John Dyson	90,000
Roger Price	90,000
Alison Ledger*	90,000
Tim Finlayson**	90,000
Amrita Blickstead	90,000

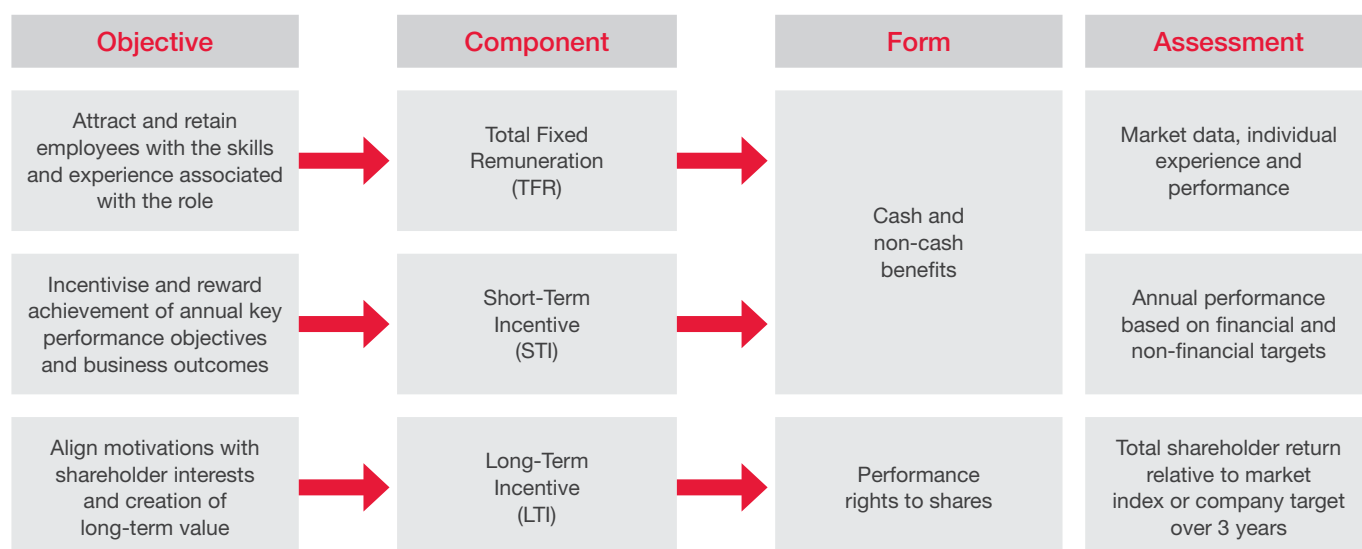
* Chair of RNC

** Chair of Audit and Risk Committee

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

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

Summary of executive remuneration structure



Total fixed remuneration ('TFR')

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

Short-term incentive plan ('STI Plan')

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

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

- participants may be entitled to receive a percentage of their fixed remuneration as an annual cash bonus;
- payment of an annual cash bonus is based on (i) overall company-wide achievement of corporate financial goals, and (ii) individual performance targets and objectives;
- corporate financial goals are set annually and may include measures such as USD revenue, EBITDA and design wins, or other targets as considered appropriate and set by the Board; and
- a minimum threshold is set for the payout on the achievement of corporate financial goals and the maximum payout amount is generally capped at 185% in the event of outperformance.

In FY23, the STI for all Executive KMP (currently the CEO and CFO) and remainder of the ELT was based on a linked plan for the achievement of corporate financial goals and individual key performance objectives. The corporate financial goals for FY23 were targets for USD revenue (40%), AUD EBITDA (30%) and Video units shipped (30%). In the current year the achievement of corporate financial goals was 101.8% of the target amount.

Long-term incentive plan ('LTI Plan')

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

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

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

LTI grants – allocation methodology

During the current financial year, the Group issued performance rights to the ELT under the LTI Plan rules outlined above. The RNC incorporated external benchmarking to determine a base allocation to each member of the leadership team in keeping with the Group's remuneration philosophy. The number of performance rights to be issued is calculated by dividing the target LTI amount by the 10-day volume weighted share price prior to the annual general meeting. The accounting valuation of performance rights is lower due to the inclusion of performance hurdles.

This approach resulted in a LTI grant to the CEO of 100% of his TFR and grants to the senior management of between 10% to 60% of their TFR.

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

LTI grants – vesting conditions

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

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

The service based vesting condition for the performance rights is that the individual must remain an employee (as defined in the Plan Rules) up to and including the vesting dates for the performance rights.

The FY23 performance metric for the performance rights is aligned to the Company's US Dollar revenue compound annual growth rate ('CAGR') over the three years from 1 July 2022 to 30 June 2025.

Directors' Report

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

USD Revenue CAGR increase	Percentage of performance rights to vest
<25%	No vesting
25% to 35%	Pro-rata straight line vesting between 25% and 100%
>35%	100% vesting

The FY22 performance metric for the performance rights is aligned to the Company's US Dollar revenue compound annual growth rate ('CAGR') over the three years from 1 July 2021 to 30 June 2024.

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

USD Revenue CAGR increase	Percentage of performance rights to vest
<25%	No vesting
25% to 30%	Pro-rata straight line vesting between 25% and 50%
30% to 35%	Pro-rata straight line vesting between 50% and 100%
>35%	100% vesting

The FY21 performance metric for the performance rights is aligned to the Company's Total Shareholder Return ('TSR') as compared to the ASX 300 Index over the three years from 1 July 2020 to 30 June 2023. The ASX 300 Index was selected as it represented the market performance of alternative companies that Audinate shareholders may invest in.

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

The Company's Total Shareholder Return performance compared to the relevant index	Percentage of performance rights to vest
<50th percentile	No vesting
≥50th percentile to 75th percentile	Pro-rata straight line vesting between 50% and 100%
≥75th percentile	100% vesting

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

Other equity grants

The Group recognises the importance of all employees having an equity interest in the ongoing performance of Audinate and since FY19 extended the LTI Plan to other key employees outside of senior management. Based on the successful achievement of the Company's financial objectives in FY22 the Group issued performance rights which will vest in two equal tranches over 12 and 24 months, providing that the staff member remains an employee at the time of vesting. The Group has made provision for the awarding of performance rights for FY23 that will be issued post the release of the financial statements.

Other employees received a grant of \$1,000 of shares based on the successful achievement of the Company's financial objectives in FY22, receiving an acceptable performance appraisal, and remaining in employment at the date of issue, post the release of the FY22 financial statements. The Group has made provision for the awarding of \$1,000 of shares for FY23 that will be issued post the release of the financial statements.

The Group recognised the importance of retaining the employees acquired as part of the Silex Insights Video business acquisition in FY22. The Group issued performance rights to these employees which will vest in 36 months, providing that the staff member remains an employee at the time of vesting.

Group performance and link to remuneration

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

Remuneration details

Amounts of remuneration

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

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

- David Krall – Chairman and Non-Executive Director
- Aidan Williams – Chief Executive Officer
- John Dyson – Non-Executive Director
- Roger Price – Non-Executive Director
- Alison Ledger – Non-Executive Director
- Tim Finlayson – Non-Executive Director
- Amrita Blickstead – Non-Executive Director

And the following persons:

- Rob Goss – Chief Financial Officer and Company Secretary

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2023	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:							
David Krall (Chairman)*	182,664	–	–	–	–	–	182,664
John Dyson	100,000	–	–	–	–	–	100,000
Roger Price	85,973	–	–	9,027	–	–	95,000
Alison Ledger	102,506	–	–	2,494	–	–	105,000
Tim Finlayson	95,023	–	–	9,977	–	–	105,000
Amrita Blickstead**	42,986	–	–	4,514	–	–	47,500
Executive Directors:							
Aidan Williams	502,461	296,187	–	25,292	20,952	399,286	1,244,178
Other KMP:							
Rob Goss	390,021	171,024	–	25,292	10,192	211,608	808,137
	1,501,634	467,211	–	76,596	31,144	610,894	2,687,479

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

** Remuneration from date of appointment 1 January 2023 to 30 June 2023.

Directors' Report

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2022	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:							
David Krall (Chairman)	169,509	–	–	–	–	–	169,509
John Dyson	94,318	–	–	4,432	–	–	98,750
Roger Price	82,267	–	–	11,483	–	–	93,750
Alison Ledger	103,750	–	–	–	–	–	103,750
Tim Finlayson	94,318	–	–	9,432	–	–	103,750
Executive Directors:							
Aidan Williams	438,655	264,356	–	23,568	17,842	211,541	955,962
Other KMP:							
Rob Goss	339,251	101,232	–	23,568	6,970	114,800	585,821
	1,322,068	365,588	–	72,483	24,812	326,341	2,111,292

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

	Fixed remuneration		At risk – STI		At risk – LTI	
Name	2023	2022	2023	2022	2023	2022
Executive Directors:						
Aidan Williams	44%	50%	24%	28%	32%	22%
Other KMP:						
Rob Goss	53%	63%	21%	17%	26%	20%

Non-executive directors did not receive share options or other performance linked incentives during the year ended 30 June 2023 nor 30 June 2022.

Executive KMP contract details

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

Component	Approach for CEO	Approach for CFO
Total Fixed Remuneration*:	\$529,000	\$420,000
Contract Duration:	Ongoing	Ongoing
Target STI % of TFR:	50%	40%
Target LTI % of TFR:	100%	60%
Notice period by individual/company:	6 months	3 months
Restraint:	Post termination subject to non-competition and non-solicitation of customers within USA, Australia and UK for 12 months	Post termination subject to non-competition and non-solicitation of customers within USA, Australia and UK for 12 months

* Total fixed remuneration relates to the remuneration for the year ended 30 June 2023.

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

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

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

Equity-based compensation

Issue of shares

There were no shares issued to directors as part of compensation during the year ended 30 June 2023.

Options

There were no options over ordinary shares issued, granted to, or vested by directors and other KMP as part of compensation that were outstanding as at 30 June 2023.

Performance rights

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

Name	Number of rights granted	Grant date	Expiry date	Index/Internal Target	Share price hurdle for vesting	Fair value per right at grant date
Aidan Williams	51,702	11/11/2020	31/08/2023	ASX 300	\$0.000	\$5.215
Aidan Williams	37,837	29/11/2021	31/08/2024	Audinate USD Revenue	\$0.000	\$9.130
Aidan Williams	70,000	04/11/2022	15/09/2025	Audinate USD Revenue	\$0.000	\$8.200
Rob Goss	30,342	11/11/2020	31/08/2023	ASX 300	\$0.000	\$5.215
Rob Goss	19,308	29/11/2021	31/08/2024	Audinate USD Revenue	\$0.000	\$9.130
Rob Goss	35,578	04/11/2022	15/09/2025	Audinate USD Revenue	\$0.000	\$8.200

Directors' Report

Performance rights linked to the ASX 300 index commence vesting upon achieving total shareholder return equal to the 50th percentile of the ASX 300 index and vest fully at the 75th percentile over a three-year period. Performance rights linked to Audinate's revenue commence vesting upon achieving a 25% increase in USD Revenue CAGR over a three-year period and will vest fully upon achieving a 35% increase in USD Revenue CAGR over a three-year period.

Performance rights granted carry no dividend or voting rights.

Additional information

The earnings of the Group for the five years to 30 June 2023 are summarised below:

	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000
Sales revenue	28,313	30,317	33,369	46,292	69,699
EBITDA	2,765	2,032	3,049	4,296	11,012
Net profit/(loss) after income tax	662	(4,138)	(3,441)	(4,457)	10,643

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

	2019	2020	2021	2022	2023
Share price at financial year end (\$)	7.99	5.40	8.13	7.54	9.29
Basic earnings per share (cents per share)	1.08	(6.17)	(4.56)	(5.80)	13.75
Diluted earnings per share (cents per share)	1.02	(6.17)	(4.56)	(5.80)	13.59

Additional disclosures relating to KMP

Shareholding

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

	Balance at the start of the year	Received as part of remunera- tion	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
David Krall	500,000	–	–	–	500,000
Aidan Williams*	2,017,792	59,513	–	(130,000)	1,947,305
John Dyson	190,289	–	–	–	190,289
Roger Price*	77,856	–	–	–	77,856
Alison Ledger	6,443	–	–	–	6,443
Tim Finlayson*	130,954	–	–	–	130,954
Amrita Blickstead	–	–	12,980	–	12,980
Rob Goss*	143,079	29,756	–	(27,180)	145,655
	3,066,413	89,269	12,980	(157,180)	3,011,482

* Includes indirect holdings.

Performance rights holding

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

	Balance at the start of the year	Granted	Forfeited	Exercised	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Aidan Williams	189,166	70,000	(40,114)	(59,513)	159,539
Rob Goss	100,807	35,578	(21,401)	(29,756)	85,228
	289,973	105,578	(61,515)	(89,269)	244,767

		Vested	Unvested	Balance at the end of the year
<i>Performance rights over ordinary shares</i>				
Aidan Williams		–	159,539	159,539
Rob Goss		–	85,228	85,228
		–	244,767	244,767

Loans to directors and executives

There were no loans to directors or executives during the year ended 30 June 2023.

This concludes the remuneration report, which has been audited.

Environment, Social and Governance ('ESG') at Audinate

Audinate is in the early stages of its ESG reporting journey and will continue to develop its ESG disclosures over time. Audinate is aware of the growing attention in the Company's approach to sustainability from many of its stakeholders including, shareholders, employees, customers and suppliers, governments, and the broader AV industry.

Audinate has used the principles of The Global Reporting Initiative (GRI) Sustainability Reporting Standards to broadly guide its disclosures. An index of the Group's ESG disclosures against the GRI Reporting Standards can be found on Audinate's corporate website under the Company Information/Environment, Social, Governance tab on www.investor.audinate.com/investor-centre/.

These disclosures should be read in conjunction with the rest of Audinate financial statements, including the FY23 Remuneration Report and the Audinate Corporate Governance Statement.

People and culture

Audinate's values

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

Audinate's values are:

Excellence – Whatever we do, we do it well

Courage – We are bold and brave

Innovation – We imagine the future and build it

Integrity – We say and do what is right

Teamwork – Together we achieve

Diversity and inclusion at Audinate

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

Audinate is proud of the diversity of its people. Of the Company's 197 people across 12 countries, there are 26 nationalities and 34 countries of birth represented. There is also a broad representation of age groups, with the age range spanning 5 decades. At the end of FY23 females represented 21% of Audinate's workforce and 25% of the Senior Executive Team (CEO and executive direct reports). The female representation on Audinate's board is 29%. Audinate is committed to supporting increased female employee representation and is mindful of several factors that influence this.

The gender mix in relevant talent pools continues to be a significant factor. In 2022 Audinate assessed that 74% of its roles required relevant engineering or related qualifications and/or AV industry experience. The 21% female composition of the overall Audinate workforce is more favourable than the gender mix in the available talent pools according to available data. Nonetheless, Audinate is committed to practices and an environment that provide increased opportunities for female representation.

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

Country of birth	%	Age	%
Australia	13%	18 – 24	2%
USA	13%	25 – 34	22%
UK	13%	35 – 44	35%
Philippines	12%	45 – 54	29%
China	9%	55 – 64	9%
India	7%	65+	1%
Belgium	4%	Unspecified	2%
Sri Lanka	2%		
Various (26 countries)	21%		
Unspecified	6%		

Diversity and inclusion objectives

Audinate committed to several objectives to foster diverse and inclusive workplace over the year ending 30 June 2023. Objectives included improvements to recruitment processes and increased support for employees with carer responsibilities. A connection program for employees on parental leave was developed, and a hybrid working policy formalised for employees working in office locations. Many employees have embraced hybrid working under the Hybrid Working Policy. Audinate introduced an enhanced global Paid Parental Leave Policy at the beginning of FY23, which provides 18 weeks of paid leave for primary carers and 8 weeks for secondary carers. During the year many new parents across the Group accessed the increased benefits provided under this policy.

Employees were consulted on diversity via the annual employee engagement survey. Answers to questions asking whether people have equal opportunities to succeed irrespective of gender, and whether people from all backgrounds have equal opportunities to succeed at Audinate were overwhelmingly positive. Employees across the global organisation were also consulted regarding Diversity, Equity and Inclusion at Audinate via focus groups, to enhance understanding of what is working well and identify opportunities for improvement.

Over the last 3 financial reporting periods, Audinate had an aspirational objective of 30% of people manager vacancies to be filled by females. The purpose of the objective is to build an environment that fosters female participation and to increase female candidate pools for future senior executive opportunities. Across this combined 3-year period Audinate has met this objective.

Employee engagement and wellbeing

Employee engagement and wellbeing is key to Audinate's success. Employee feedback provided through the annual engagement survey and mid-year pulse survey informed Audinate's people and culture initiatives. Survey results, including all employee comments, were shared with the Remuneration and Nomination Committee and the Board. The engagement results are in line with the industry benchmark when compared with a global peer group of small technology companies. Wellbeing initiatives include an Employee Assistance Program providing a range of services including cost-free counselling for employees and immediate family members, wellbeing theme communications, and mental health first aiders. Pleasingly there were no incidents during the FY22 and FY23 periods resulting in injury requiring WorkCover notification in Australia.

Governance

Corporate Governance

Audinate's Board and management are committed to high corporate governance standards and to actively managing and responding to risks and opportunities. The Group's corporate governance materials, including key principles, policies, codes of conduct and Board and sub-committee charters are available on the Corporate Governance section of Audinate's website.

Audinate's Corporate Governance Statement sets out corporate governance practices for the financial year, including those demonstrating compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Director skills

The Board aims to comprise directors with a broad range of skills, expertise, and experience from a diverse range of backgrounds that is appropriate to the Company and its strategy. The Board, together with the Remuneration and Nomination Committee, regularly reviews the skills required by the business and represented collectively by the Directors of the Board. Together they will determine whether the composition and mix of those skills remain appropriate for the Company's strategy, subject to limits imposed by the constitution.

The Board Skills Matrix includes the following:

- | | |
|--|---|
| 1. Strategic and commercial acumen | 7. Manufacturing expertise |
| 2. Corporate governance experience | 8. Executive leadership |
| 3. Financial acumen | 9. Technology infrastructure expertise |
| 4. Risk and compliance expertise | 10. People, culture and conduct expertise |
| 5. Global technology business to business experience | 11. Mergers and acquisitions experience |
| 6. Marketing/new product development skills | 12. Equity and debt capital markets expertise |

Business risks

Audinate has a sound and robust risk management framework to identify, assess and appropriately manage risks. It regularly reviews and updates a detailed risk register as the risk landscape evolves. A summary of significant risks is detailed in the table below. The table below is not exhaustive and reflects a specific point in time.

This Section does not purport to list every risk that may be associated with Audinate's business or the industry in which Audinate operates – the severity of risks assessed is dynamic and may change quickly, new risks may arise and other risks may be addressed or mitigated. Any of these risks and other emerging risks or matters may have a material adverse effect on the business and its financial position and performance.

Additional details of Audinate's Risk Management framework can be found in the Corporate Governance section of Audinate's website.

Key business risks

Risk	Description
Video market	As Audinate evolves to provide more video offerings this exposes the business to a new series of risks, including the ability to attract new customers, competition from other video technology providers, effective product and strategy formulation, and execution risk. If the company fails to effectively manage and respond to these risks it could adversely affect the financial results.
Geopolitical risks	As a global business Audinate is exposed to geopolitical risks. This includes increased complexity in China – specifically risks around chip supply, manufacturing in China, exporting from HK and implications for tariffs or other trade practices.
Protection of intellectual property	The value of Audinate's products is dependent on Audinate's ability to protect its intellectual property, including business processes and know-how, copyrights, and trademarks. There is a risk that Audinate may be unable to detect the unauthorised use of its intellectual property rights in all instances. Furthermore actions Audinate takes to protect its intellectual property may not be adequate or enforceable, and failure to protect these rights may impact on operations and financial performance.

Dante product shortages	Inability of Audinate to meet market demand for Dante products, as a result of component shortages or other reasons, may jeopardise future growth if customers design out Dante technology and do not incorporate into new products as often.
Internal product deferral	Re-design of existing products (due to chip shortages) impacts Audinate's ability to develop and release new technology.
Technology development risks	Audinate faces a series of risks associated with the ongoing development of its technology. These include the unlicensed use of third party IP in Dante products exposing the business to liability and litigation. There are also challenges associated with age and nature of the Dante technology platform, including hardware components coming end of life and the complexities of software development on an increasingly large and intricate technology platform.
Acquisition risk	There is a risk that Audinate undertakes a poor or expensive acquisition which would be detrimental to shareholder value.
Failure to attract and retain customers	The Group's business relies upon the ability to retain existing customers, attract new business from existing customers as well as attract new customers. It is strategically important for Audinate to reduce the cost barrier of implementing Dante whilst still being fairly compensated for the Dante technology. If the rate of adoption diminishes or declines this would adversely impact financial performance.
General economic and financial market conditions	The operating and financial performance of Audinate is influenced by a variety of general domestic and global economic and business conditions that are outside the control of Audinate. There is a risk that prolonged deterioration in general economic conditions may negatively impact the demand for Audinate's products and negatively impact Audinate's financial performance, financial position, cash flows, dividends, growth prospects and share price.
Cyber security	See separate disclosure (following).
Supply chain	See separate disclosure (following).

In addition to the risks described in the table above, Audinate faces other business risks including (but not limited to) competition in audio networking, industry standardisation, ability to attract and retain staff, effectively managing trade secrets, ESG risks, short-selling, impact of tariffs and foreign currency exchange risks.

Cyber security

Audinate recognises the evolving risks associated with data and cyber security, and the potential impact to the Company's reputation and business activities. These risks are proactively managed through a Cyber Security Steering Committee, a Security Operations function and a cross-functional Cyber Security Operations Working Group.

Audinate's investment in cyber security is progressing as planned, while addressing various cyber risks. Given the dynamic and ever changing nature of risks in the broader software and hardware industry, Audinate has prioritised not only its core business activities but also the establishment of risk mitigation strategies for third-party suppliers and product development. During FY23, the Group achieved progress in the following areas:

- The Group implemented process improvements to enhance the reporting of cybersecurity risks into the corporate risk register, ensuring a more comprehensive understanding of potential threats.
- Enhanced Information Security Management System (ISMS) Maturity Program, which now places a stronger emphasis on cybersecurity practices across the product and engineering departments.
- Introduced a Data Protection Officer to ensure compliance with regulations and oversee data management practices. The role is to ensure a clear understanding of the data the Company holds and to ensure adherence to relevant data protection regulations.
- Proactive threat identification and response through Security Operations, System Reliability Engineering (SRE), and the Cyber Security Working Group who actively collaborate to address risks before they impact operations.
- Rigorous testing of Cyber Incident Response Plans to reinforce the organisation's preparedness, organisational resilience and ensure the effectiveness as part of the broader Audinate Business Continuity Planning process.

No material breaches of Audinate data security were identified in FY23 nor FY22.

Supply chain management

When selecting suppliers and contract manufacturers, Audinate evaluates the quality of their products as well as related controls and processes. Audinate assesses any potential new suppliers through an onboarding process to ensure consistency with internal standards. Audinate has a long-standing practice of directly managing relationships with key component suppliers rather than relying on contract manufacturers to source all components for the following reasons:

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

During FY23, Audinate launched its Supplier Code of Conduct to improve supply chain transparency and to assist supplier understanding of the required standards. Additional details of Audinate's Supplier Code of Conduct can be found in the Environment, Social and Governance section of the Audinate website.

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

Supply chain management controls continue to be regarded as satisfactory and in FY23 Audinate has not identified any substantial residual ESG risk in its supply chain. Supplier risk management procedures and controls are reviewed with reference to the following criteria:

- Quality assurance considerations relating to repair and maintenance, training and development and where relevant production, manufacturing and calibrations including quality assurance set out in industry standards such as ISO 9001;
- Compliance and ethical considerations including compliance with Modern Slavery Act requirements, prohibitions on child labour, compliance with conflict minerals regulations, worker health and safety, discrimination, compensation and remuneration;
- Commitment to minimising impact on the environment within their manufacturing operations, utilising management systems such as ISO 14001; and
- Governance, risk and control processes in place to manage operations, including supplier supervision, counterfeit avoidance measures, stakeholder engagement and disclosures.

Environment

Audinate is committed to taking ongoing steps to address the environmental impacts of the business. In FY23 Audinate completed a Scope 1 and 2 emissions inventory with the assistance FairSupply, an independent ESG consultant. This was calculated in accordance with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standards. As a software technology provider, Audinate's environmental footprint based on Scope 1 and 2 emissions, is relatively small.

In summary, Audinate's Scope 1 emissions are zero as it does not own any premises with boilers or furnaces or run a fleet of vehicles for business operations. Audinate's Scope 2 emissions of 114.3 tCO₂-e came from electricity consumption in four office locations in Sydney, Australia, Portland, USA, Cambridge, UK and Louvain La Neuve, Belgium. Audinate continues to evaluate Scope 3 measurement methodologies and the level of upstream and downstream Scope 3 emissions associated with the production and distribution of Dante products.

Using emissions factors (kg CO₂-e/kWh) the breakdown for Scope 1 and Scope 2 FY23 is:

Category	tCO ₂ -e
Scope 1	0.0
Scope 2	114.3

Deployment of Audinate technology is expected to reduce the amount of on-premises AV equipment and facilitate a transition to AV services in cloud-based software form. Amongst other things, this will improve societal environmental outcomes by ensuring improved audio-visual experiences for people, enhanced virtual collaboration and hybrid working arrangements. The Group

recognises the importance of minimising the environmental impact on the business, as well as the opportunity for the Dante technology to help customers and end-users minimise the environmental impacts of their operations. In the year ahead Audinate will consider the next steps from the initial work to measure its carbon footprint.

Audinate is subject to federal, state and local regulations and has procedures in place to comply with applicable regulations in the jurisdictions where the Group operates. During the reporting period, there were no incidents of non-compliance that resulted in regulatory or legal action or fines and penalties, with respect to legislation.

Shares under option

There were no unissued ordinary shares of Audinate Group Limited under option outstanding at the date of this report.

Shares under performance rights

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

Grant date	Vesting date	Exercise price	Number under rights
11/11/2020	31/08/2023	\$0.0000	224,523
23/12/2020	31/08/2023	\$0.0000	5,180
04/06/2021	31/08/2023	\$0.0000	4,739
01/09/2021	31/08/2023	\$0.0000	14,098
29/11/2021	31/08/2023	\$0.0000	198,421
14/03/2022	31/01/2025	\$0.0000	15,580
02/09/2022	31/08/2023	\$0.0000	18,104
02/09/2022	31/08/2024	\$0.0000	18,104
04/11/2022	15/09/2025	\$0.0000	350,871
17/04/2023	31/08/2024	\$0.0000	27,836
17/04/2023	15/09/2025	\$0.0000	27,836
			905,292

* ASX restricted quoted performance rights.

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

Shares issued on the exercise of options

The following ordinary shares of Audinate Group Limited were issued during the year ended 30 June 2023 and up to the date of this report on the exercise of options granted:

Date options exercised	Exercise price	Number of shares issued
06/02/2023	\$0.2600	8,000

Directors' Report

Shares issued on the exercise of performance rights

The following ordinary shares of Audinate Group Limited were issued during the year ended 30 June 2023 and up to the date of this report on the exercise of performance rights granted:

Date performance rights converted to shares	Exercise price	Number of shares issued
22/08/2022	\$0.0000	252,391
22/08/2022	\$0.0000	15,311
		267,702

Indemnity and insurance of officers

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

The policy covers:

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Non-audit services

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

Rounding of amounts

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

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

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

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "David Krall". The signature is fluid and cursive, with the first name "David" and last name "Krall" clearly distinguishable.

David Krall
Chairman

21 August 2023
Sydney

AUDITOR'S INDEPENDENCE DECLARATION



Deloitte Touche Tohmatsu
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21 August 2023

The Board of Directors
Audinate Group Limited
Level 7, 64 Kippax Street
Surry Hills, NSW 2010

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 audit of the financial report of Audinate Group Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Pooja Patel

Pooja Patel
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

		Consolidated	
	Note	2023 \$'000	2022 \$'000
Revenue			
Sales	5	69,699	46,292
Cost of goods sold		(19,471)	(11,701)
Gross profit		50,228	34,591
Expenses			
Employee expenses	6	(29,456)	(23,890)
Sales and marketing expenses		(4,385)	(2,614)
Administration and other operating expenses		(5,375)	(3,791)
Depreciation and amortisation	6	(10,576)	(8,658)
Total expenses		(49,792)	(38,953)
Operating profit/(loss)		436	(4,362)
Net foreign exchange gain/(loss)		67	(34)
Finance costs	6	(239)	(173)
Other income	7	1,129	185
Profit/(loss) before income tax benefit/(expense)		1,393	(4,384)
Income tax benefit/(expense)	8	9,250	(73)
Profit/(loss) after income tax benefit/(expense) for the year attributable to the owners of Audinate Group Limited		10,643	(4,457)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		692	(415)
Other comprehensive income/(loss) for the year, net of tax		692	(415)
Total comprehensive income/(loss) for the year attributable to the owners of Audinate Group Limited		11,335	(4,872)
		Cents	Cents
Basic earnings per share	9	13.75	(5.80)
Diluted earnings per share	9	13.59	(5.80)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		Consolidated	
	Note	2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	10	24,031	17,465
Term deposits	11	16,000	27,000
Trade and other receivables	12	6,267	6,513
Inventories	13	6,707	5,601
Other assets	17	3,464	1,263
Total current assets		56,469	57,842
Non-current assets			
Property, plant and equipment	14	2,096	1,737
Right-of-use assets	15	2,395	1,784
Intangibles	16	34,451	28,542
Deferred tax	8	10,748	90
Other assets	17	443	443
Total non-current assets		50,133	32,596
Total assets		106,602	90,438
Liabilities			
Current liabilities			
Trade and other payables	18	3,834	3,496
Contract liabilities	19	2,390	2,041
Lease liability		980	860
Income tax payable	8	225	35
Employee benefits		6,370	5,356
Other liabilities	20	494	1,386
Total current liabilities		14,293	13,174
Non-current liabilities			
Contract liabilities	19	226	218
Lease liability		1,619	1,107
Employee benefits		268	179
Other liabilities	20	–	476
Total non-current liabilities		2,113	1,980
Total liabilities		16,406	15,154
Net assets		90,196	75,284
Equity			
Contributed capital	21	129,307	128,266
Reserves	22	5,056	1,828
Accumulated losses		(44,167)	(54,810)
Total equity		90,196	75,284

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

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 year	–	–	(4,457)	(4,457)
Other comprehensive loss for the year, net of tax	–	(415)	–	(415)
Total comprehensive loss for the year	–	(415)	(4,457)	(4,872)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 22)	–	1,266	–	1,266
Issue of shares – exercise of options	52	–	–	52
Issue of shares – under long term incentive plan	1,284	(1,284)	–	–
Share issue transaction costs, net of tax	(17)	–	–	(17)
Balance at 30 June 2022	128,266	1,828	(54,810)	75,284

Consolidated	Contributed capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	128,266	1,828	(54,810)	75,284
Profit after income tax benefit for the year	–	–	10,643	10,643
Other comprehensive income for the year, net of tax	–	692	–	692
Total comprehensive income for the year	–	692	10,643	11,335
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 22)	–	2,512	–	2,512
Issue of shares – exercise of options	2	–	–	2
Issue of shares – under long term incentive plan	397	(397)	–	–
Share issue transaction costs, net of tax	(12)	–	–	(12)
Tax credit recognised directly in equity	654	421	–	1,075
Balance at 30 June 2023	129,307	5,056	(44,167)	90,196

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

		Consolidated	
	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		71,171	43,021
Payments to suppliers and employees (inclusive of GST)		(59,123)	(41,935)
Interest received		617	182
Interest and other finance costs paid		(97)	(91)
Income taxes paid		(145)	(196)
Net cash from operating activities	34	12,423	981
Cash flows from investing activities			
Payment for purchase of business	31	(843)	(9,104)
Payments for property, plant and equipment		(1,199)	(897)
Payments for intangibles		(14,163)	(11,160)
Proceeds from term deposits		11,000	–
Net cash used in investing activities		(5,205)	(21,161)
Cash flows from financing activities			
Proceeds from issue of shares		2	52
Share issue transaction costs		(12)	(23)
Repayment of lease liability	34	(939)	(767)
Net cash used in financing activities		(949)	(738)
Net increase/(decrease) in cash and cash equivalents		6,269	(20,918)
Cash and cash equivalents at the beginning of the financial year		17,465	38,429
Effects of exchange rate changes on cash and cash equivalents		297	(46)
Cash and cash equivalents at the end of the financial year	10	24,031	17,465

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

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

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

Level 7
64 Kippax Street
Surry Hills NSW 2010

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 18 August 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

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

Historical cost convention

The financial statements have been prepared under the historical cost convention except where the fair value convention is required under accounting standards.

Critical accounting estimates

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

Parent entity information

These financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 33.

Notes to the consolidated financial statements

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Audinate Group Limited as at 30 June 2023 and the results of all subsidiaries for the year then ended.

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

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

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

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

Operating segments

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

Foreign currency translation

Foreign currency transactions

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

Foreign operations

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

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

Revenue recognition

Audinate generates the following streams of revenue:

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

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

Revenue recognition for each of the above is as follows:

Revenue stream	Performance obligations	Timing of recognition
Chips, cards and modules (including adapters)	Goods dispatched from warehouse.	Recognised at point of dispatch from warehouse, when control is transferred to the customer on basis of ex-works terms.
Software and licence fees	Provision of access to software and activation code.	Revenue from software is recognised at point of sale and access to software is granted.
Subscription, support and maintenance	As defined in contract.	Revenue is recognised over time as stipulated by terms in contract.
Royalties	Sale of customers products containing Audinate's software.	Royalties in arrears are recognised in the period they are earned based on past performance.

Revenue from subscription and providing support and maintenance is recognised in the accounting period in which the services are rendered. This is determined based on contract terms and period of agreement.

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

In fixed-price contracts, the customer pays the fixed amount based on an agreed payment schedule. If the performance obligations satisfied by the Group exceed the payment, a contract asset is recognised. If the payments exceed the performance obligations satisfied, a contract liability is recognised.

Interest

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

Other revenue

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

Income tax

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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.

Notes to the consolidated financial statements

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

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

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

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

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

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used reflects assumptions a market participant would use when pricing the future consideration. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Inventories

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

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

Property, plant and equipment

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

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

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

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

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

Right-of-use assets

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

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

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

Notes to the consolidated financial statements

Intangible assets

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

Goodwill

Goodwill is measured as described in the business combination description (above). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Determination of cash generating units does take into account the interoperable platform nature of the Group's Dante technology, whereby development of video technology helps drive sales of audio products, and vice versa. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Research and development

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

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4-5 years.

Software

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

Impairment of non-financial assets

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

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

Trade and other payables

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

Contract liabilities

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

Lease liability

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

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

Finance costs

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution plans

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

Share-based payments

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

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

Notes to the consolidated financial statements

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

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

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

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

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

Rounding of amounts

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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, for equity-settled transactions with no market conditions, is determined by using the share price at the day before the grant date. Judgement is required in estimating future revenue and staff retention rates used to calculate the number of awards that are likely to vest.

Income tax

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Judgement is required in estimating future taxable profit in the jurisdictions in which it operates, to determine whether it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

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

Useful life of capitalised development costs

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

Goodwill

The recoverable amount of goodwill of the Group's one cash generating unit has been determined based on fair value less cost to sell calculation. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows and estimated costs to sell.

Note 4. Operating segments

Identification of reportable operating segments

The Group operates in one segment, based on the internal reports that are reviewed and used by the Chief Executive Officer (who is identified as the Chief Operating Decision Maker) 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.

Major customers

Most of the Group's major customers are multinational companies that Audinate may transact with in multiple countries. Due to the corporate structure of the Group this revenue is accounted for by Audinate Pty Limited in Australia. The top ten customers represent approximately 40% (2022: 38%) of the Group's revenue during the year ended 30 June 2023 and of that amount the largest customer represents approximately 6% (2022: 9%) of the Group's revenue.

Geographical information

The majority of the Group's revenue is generated from sales contracts between Audinate Pty Limited (an Australian domiciled operating subsidiary) and a range of international customers. The geographic split of this revenue is based on the location of the customer: a) Americas 44% (2022: 43%); b) Asia 26% (2022: 29%); and c) Europe and Middle East 30% (2022: 28%). Occasionally the international offices may generate some revenue related to marketing activities.

	Sales to external customers*		Geographical non-current assets	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Australia	69,699	46,292	38,137	23,013
United Kingdom	—	—	516	633
Belgium	—	—	9,330	8,617
Hong Kong	—	—	3	1
United States of America	—	—	2,147	332
	69,699	46,292	50,133	32,596

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

Note 5. Revenue

	Consolidated	
	2023 \$'000	2022 \$'000
Sales	69,699	46,292

Disaggregation of revenue

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

	Consolidated	
	2023 \$'000	2022 \$'000
Chips, cards and modules – units	51,292	33,569
Chips, cards and modules – subscriptions and maintenance	425	267
Software revenue – units	15,052	10,767
Software – subscriptions and maintenance	2,185	1,230
Other revenue	745	459
	69,699	46,292

Timing of revenue recognition

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

Note 6. Expenses

	Consolidated	
	2023 \$'000	2022 \$'000
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation and amortisation</i>		
Depreciation of property, plant and equipment	887	665
Depreciation of office leases – right-of-use	957	780
Amortisation of intangibles	9,463	7,848
Depreciation and amortisation – capitalised	(731)	(635)
Total depreciation and amortisation	10,576	8,658
<i>Finance costs</i>		
Interest and finance charges paid/payable on lease liabilities	87	79
Interest paid/payable on liabilities at amortised cost	10	12
Unwinding of discount on contingent consideration	142	82
Total finance costs	239	173
<i>Leases</i>		
Short-term lease payments	53	123
Low-value assets lease payments	13	42
Total lease expense	66	165
<i>Employee benefit expenses</i>		
Salaries and wages	20,951	18,153
Post-employment benefits	1,880	1,397
Share-based payments	2,512	1,266
Other costs	4,113	3,074
Total employee benefit expenses	29,456	23,890

Notes to the consolidated financial statements

Note 7. Other income

	Consolidated	
	2023 \$'000	2022 \$'000
Revaluation of deferred contingent consideration (note 31)	439	–
Interest income	686	182
Other income	4	3
	1,129	185

Note 8. Income tax

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

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Income tax (benefit)/expense</i>		
Current tax	(3,936)	(1,780)
Over provision prior year	–	(24)
Deferred tax – origination and reversal of temporary differences	2,305	(278)
(Recognition)/derecognition of tax losses	(7,619)	2,155
Aggregate income tax (benefit)/expense	(9,250)	73
<i>Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate</i>		
Profit/(loss) before income tax benefit/(expense)	1,393	(4,384)
Tax at the statutory tax rate of 30% (2022: 25%)	418	(1,096)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development incentive benefit	(1,581)	(1,251)
(Recognition)/derecognition of tax losses	(7,619)	2,155
Income from controlled foreign companies	352	129
Share-based payments	(428)	–
Tax deductible expenditure	(282)	(96)
Non-assessable income	(133)	–
Non-deductible expenses	173	319
	(9,100)	160
Over provision prior year	–	(24)
Other	(150)	(63)
Income tax (benefit)/expense	(9,250)	73

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Deferred tax asset</i>		
Net deferred tax asset comprises temporary differences attributable to:		
Carried forward tax losses	12,266	283
Provisions	1,492	1,142
Share-based payments	1,490	–
Lease liabilities	598	389
Blackhole costs	176	262
Unearned revenue	374	309
Trade and other payables	155	103
Intangible assets	(4,972)	(1,993)
Right-of-use assets	(546)	(346)
Property, plant and equipment	(361)	(193)
Other	76	134
Deferred tax asset	10,748	90

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Income tax payable</i>		
Income tax payable	225	35

The Group expects there will be sufficient Australian taxable profits in future years to use the estimated \$12,226,000 of tax losses based on approved forecasts. As a result, Audinate recognised prior year tax losses of \$7,619,000 million in the current year income tax benefit and has recognised a deferred tax asset of \$12,226,000 for the carried forward tax losses as at 30 June 2023. At 30 June 2022, the Group had \$7,676,000 of unused tax losses for which no deferred tax asset was recognised in the statement of financial position.

The income tax rate for the Australian tax consolidated group increased from 25% to 30% with effect from 1 July 2022 (1 July 2021: Reduced from 26% to 25%). The change in rate decreased the unused tax losses for which no deferred tax asset is recognised by \$57,000 (2022: Increased by \$15,000).

Notes to the consolidated financial statements

Note 9. Earnings per share

	Consolidated	
	2023 \$'000	2022 \$'000
Profit/(loss) after income tax attributable to the owners of Audinate Group Limited	10,643	(4,457)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	77,407,999	76,906,188
Adjustments for calculation of diluted earnings per share:		
Performance rights	905,292	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	78,313,291	76,906,188
	Cents	Cents
Basic earnings per share	13.75	(5.80)
Diluted earnings per share	13.59	(5.80)

At 30 June 2022, 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 loss for the period.

Note 10. Cash and cash equivalents

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Cash at bank	10,913	7,664
Cash on deposit	13,118	9,801
	24,031	17,465

Note 11. Term deposits

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Term deposits	16,000	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 12. Trade and other receivables

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Trade receivables	4,648	5,829
Less: Allowance for expected credit losses	(1)	(3)
	4,647	5,826
Other receivables	1,620	687
	6,267	6,513

Allowance for expected credit losses

The Group has recognised a gain on reversal of \$2,000 (2022: loss of \$32,000) in the income statement in respect of the expected credit losses for the year ended 30 June 2023.

	Carrying amount 2023 \$'000	Carrying amount 2022 \$'000
Not overdue	3,461	5,365
0-30 days overdue	829	391
30-60 days overdue	351	28
>60 days overdue	7	45
	4,648	5,829
Allowance for expected credit losses	(1)	(3)

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

	Consolidated	
	2023 \$'000	2022 \$'000
Opening balance	3	1
Additional provisions recognised	–	32
Provisions derecognised during the year	(2)	–
Receivables written off during the year as uncollectable	–	(30)
Closing balance	1	3

Note 13. Inventories

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Raw materials – at cost	3,465	5,004
Finished goods – at cost	3,242	597
	6,707	5,601

Note 14. Property, plant and equipment

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Non-current assets</i>		
Leasehold improvements – at cost	1,036	933
Less: Accumulated depreciation	(708)	(497)
	328	436
Furniture and fittings – at cost	229	88
Less: Accumulated depreciation	(47)	(60)
	182	28
Computer and equipment – at cost	3,159	2,516
Less: Accumulated depreciation	(1,573)	(1,243)
	1,586	1,273
	2,096	1,737

Reconciliations

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

Consolidated	Leasehold improve- ments \$'000	Furniture and fittings \$'000	Computer and equipment \$'000	Total \$'000
Balance at 1 July 2021	544	23	915	1,482
Additions	90	15	797	902
Additions through business combinations (note 31)	–	–	23	23
Exchange differences	(4)	–	(1)	(5)
Depreciation expense	(194)	(10)	(461)	(665)
Balance at 30 June 2022	436	28	1,273	1,737
Additions	98	173	924	1,195
Exchange differences	4	6	41	51
Depreciation expense	(210)	(25)	(652)	(887)
Balance at 30 June 2023	328	182	1,586	2,096

Note 15. Right-of-use assets

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Non-current assets</i>		
Office leases – right-of-use	5,108	3,952
Less: Accumulated depreciation	(2,713)	(2,168)
	2,395	1,784

Additions to the right-of-use assets during the year were \$1,523,000 (2022: \$665,000).

The Group leases offices under agreements of between 1 to 7 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

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

- note 6 for details of depreciation on right-of-use assets, interest on lease liabilities and other lease payments;
- consolidated statement of financial position for lease liabilities at year end;
- note 24 for maturity analysis of lease liabilities; and
- consolidated statement of cash flow for repayment of lease liabilities.

Note 16. Intangibles

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Non-current assets</i>		
Goodwill – at cost	9,286	8,605
Development costs	49,029	38,582
Less: Accumulated amortisation	(25,699)	(20,783)
	23,330	17,799
Intellectual property	852	705
Less: Accumulated amortisation	(658)	(557)
	194	148
Customer contracts – at cost	780	780
Less: Accumulated amortisation	(250)	(74)
	530	706
Software – at cost	2,485	2,578
Less: Accumulated amortisation	(1,374)	(1,294)
	1,111	1,284
	34,451	28,542

Reconciliations

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

Consolidated	Goodwill \$'000	Develop- ment costs \$'000	Intellectual property \$'000	Customer contracts \$'000	Software \$'000	Total \$'000
Balance at 1 July 2021	–	12,659	197	–	1,238	14,094
Additions	–	11,541	82	–	747	12,370
Additions through business combination (note 31)	9,032	541	–	780	–	10,353
Exchange differences	(427)	–	–	–	–	(427)
Amortisation expense	–	(6,942)	(131)	(74)	(701)	(7,848)
Balance at 30 June 2022	8,605	17,799	148	706	1,284	28,542
Additions	–	14,210	148	–	333	14,691
Exchange differences	681	–	–	–	–	681
Amortisation expense	–	(8,679)	(102)	(176)	(506)	(9,463)
Balance at 30 June 2023	9,286	23,330	194	530	1,111	34,451

Impairment testing

The Group performs impairment testing for goodwill on an annual basis and other intangibles where there is an indicator of impairment. Goodwill acquired through the business combination (refer to note 31) has been allocated to the Group's reportable segment. The methodology used in the impairment testing is the fair value less costs to sell model. As at 30 June 2023 the fair value less costs to sell model for the one CGU incorporated the financial forecast approved by the Board for year ending 30 June 2026 and management projections for years ending 30 June 2027 to 30 June 2028. These include projected revenues, gross margins and expenses and have been determined with reference to historical company experience, industry data and management's expectation for the future. A pre-tax discount rate per annum of 10.8% (30 June 2022: 10.1%) and a terminal value growth rate of 3.0% (30 June 2022: 3.0%) was used. No reasonable change in assumptions would result in the recoverable amount being materially less than the carrying value of the reportable segment.

Note 17. Other assets

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Prepayments	1,679	607
Deposits	1,785	656
	3,464	1,263
<i>Non-current assets</i>		
Security deposit*	443	443
	3,907	1,706

* Represents amount held as security for Sydney office lease.

Note 18. Trade and other payables

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current liabilities</i>		
Trade payables	2,688	2,347
Accrued expenses	759	472
Other payables	387	677
	3,834	3,496

Refer to note 24 for further information on financial instruments.

Note 19. Contract liabilities

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current liabilities</i>		
Contract liabilities – customer prepayments	1,368	1,023
Contract liabilities – deferred revenue	1,022	1,018
	2,390	2,041
<i>Non-current liabilities</i>		
Contract liabilities – deferred revenue	226	218
	2,616	2,259

Reconciliation

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

	Consolidated	
	2023 \$'000	2022 \$'000
Opening balance	2,259	2,279
Customer prepayments	1,368	1,023
Billings in advance	3,481	1,889
Transfer to revenue – relating to current period	(4,492)	(2,932)
Closing balance	2,616	2,259

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$2,616,000 as at 30 June 2023 (\$2,259,000 as at 30 June 2022) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2023 \$'000	2022 \$'000
Within 6 months	2,126	1,672
6 to 12 months	264	369
13 to 60 months	226	218
	2,616	2,259

Note 20. Other liabilities

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current liabilities</i>		
Liabilities at amortised cost	494	208
Deferred contingent consideration (note 27 and note 31)	–	1,178
	494	1,386
<i>Non-current liabilities</i>		
Liabilities at amortised cost	–	476
	494	1,862

Note 21. Contributed capital

Fully paid ordinary shares

	Consolidated			
	2023 Shares	2022 Shares	2023 \$'000	2022 \$'000
Ordinary shares – fully paid	77,451,919	77,170,653	129,307	128,266

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.

Every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

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

Notes to the consolidated financial statements

Capital risk management

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

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

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

The capital risk management policy remains unchanged from the 30 June 2022 financial statements.

Movements in ordinary share capital

Details	Date	Shares	Issue 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 – under long-term incentive plan	1 September 2021	4,802	\$9.9800	48
Issue of shares – exercise of options	25 February 2022	80,000	\$0.2600	21
Issue of shares – exercise of options	27 May 2022	51,200	\$0.2600	13
Issue of shares – exercise of options	23 February 2022	20,000	\$0.2600	5
Issue of shares – exercise of options	14 March 2022	22,000	\$0.2600	6
Issue of shares – vesting of performance rights	6 January 2022	10,792	\$8.3400	90
Issue of shares – exercise of options	25 February 2022	9,649	\$0.0000	–
Issue of shares – exercise of options	27 May 2022	24,000	\$0.2600	6
Issue of shares – exercise of options	27 May 2022	4,780	\$0.0000	–
Issue of shares – exercise of options	27 May 2022	2,000	\$0.2600	1
Share issue transaction costs		–		(23)
Deferred tax credit recognised directly in equity		–		6
Balance	30 June 2022	77,170,653		128,266
Issue of shares – vesting of performance rights	22 August 2022	252,391	\$0.7800	197
Issue of shares – vesting of performance rights	22 August 2022	15,311	\$9.9800	153
Issue of shares – vesting of performance rights	2 September 2022	5,564	\$8.5200	47
Issue of shares – exercise of options	6 February 2023	8,000	\$0.2600	2
Share issue transaction costs		–		(12)
Tax credit recognised directly in equity		–		654
Balance	30 June 2023	77,451,919		129,307

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

Note 22. Reserves

	Consolidated	
	2023 \$'000	2022 \$'000
Foreign currency reserve	56	(636)
Share-based payments reserve	5,000	2,464
	5,056	1,828

Foreign currency reserve

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

Share-based payments reserve

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

Movements in reserves

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

Consolidated	Foreign currency \$'000	Share- based payments \$'000	Total \$'000
Balance at 1 July 2021	(221)	2,482	2,261
Foreign currency translation	(415)	–	(415)
Share-based payments	–	1,266	1,266
Transfer to equity for issue of shares – vested performance rights	–	(1,284)	(1,284)
Balance at 30 June 2022	(636)	2,464	1,828
Foreign currency translation	692	–	692
Share-based payments	–	2,512	2,512
Transfer to equity for issue of shares – vested performance rights	–	(397)	(397)
Tax effect on share-based payments reserve	–	421	421
Balance at 30 June 2023	56	5,000	5,056

Note 23. Dividends

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

Note 24. Financial instruments

Financial risk management objectives

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

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

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

Market risk

Foreign currency risk

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

	Consolidated	
	2023 US\$'000	2022 US\$'000
US dollar denominated – revenue	46,746	33,393
US dollar denominated – purchases	(23,705)	(18,670)

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

	Consolidated	
	2023 \$'000	2022 \$'000
Assets in US dollars	7,163	7,934
Liabilities in US dollars	(2,585)	(2,333)

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

	Consolidated	
	2023 \$'000	2022 \$'000
USD/AUD exchange rate – decreases 10% (2022: 10%)	692	815
USD/AUD exchange rate – increases 10% (2022: 10%)	(692)	(815)

Interest rate risk

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

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

	2023		2022	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Cash at bank	–	10,913	–	7,664
Cash on deposit	4.55%	13,118	0.42%	9,801
Term deposits	3.83%	16,000	0.57%	27,000
Net exposure to cash flow interest rate risk		40,031		44,465

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

Credit risk

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

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

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

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

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

Liquidity risk

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

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

Notes to the consolidated financial statements

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 – 2023	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<i>Non-interest bearing</i>						
Trade payables	–	2,688	–	–	–	2,688
Accrued expenses	–	759	–	–	–	759
Other payables	–	387	–	–	–	387
<i>Interest-bearing – fixed rate</i>						
Lease liability	5.56%	1,100	444	904	562	3,010
Other liabilities	3.08%	499	–	–	–	499
Total non-derivatives		5,433	444	904	562	7,343

Consolidated – 2022	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<i>Non-interest bearing</i>						
Trade payables	–	2,347	–	–	–	2,347
Accrued expenses	–	472	–	–	–	472
Other payables	–	677	–	–	–	677
<i>Interest-bearing – fixed rate</i>						
Lease liability	3.86%	920	952	181	–	2,053
Other liabilities	3.08%	218	480	–	–	698
Total non-derivatives		4,634	1,432	181	–	6,247

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

During the year ended 30 June 2022, the Group acquired the Silex Insights Video business with the acquisition price including a deferred contingent consideration payment. This contingent liability was measured using unobservable inputs including forecasted revenue (level 3 measurement). There were no transfers between levels during the prior year. Refer to note 31 for disclosure on the movements and assumptions of the contingent consideration liability.

Note 25. Fair value measurement

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

Note 26. Remuneration of auditors

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

	Consolidated	
	2023 \$	2022 \$
<i>Audit services – Deloitte Touche Tohmatsu</i>		
Audit or review of the Group financial statements	290,185	160,200
Audit of the controlled entities	20,950	5,775
	311,135	165,975
<i>Non-audit services – Deloitte Touche Tohmatsu</i>	–	–
<i>Audit services – other unrelated audit firms</i>		
Audit of controlled entities	54,833	13,180

Note 27. Contingent liabilities

Other than the contingent consideration referred to in note 31, the Group has no contingent liabilities at 30 June 2023 and 30 June 2022.

Note 28. Commitments

The Group had no capital commitments at 30 June 2023 (2022: \$1,131,000).

Note 29. 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	
	2023 \$	2022 \$
Short-term employee benefits	1,999,989	1,712,468
Post-employment benefits	76,596	72,483
Share-based payments	610,894	326,341
	2,687,479	2,111,292

Note 30. Related party transactions

Parent entity

Audinate Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Key management personnel

Disclosures relating to key management personnel are set out in note 29 and the remuneration report included in the directors' report.

Notes to the consolidated financial statements

Transactions with related parties

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

Receivable from and payable to related parties

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

Loans to/from related parties

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

Terms and conditions

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

Note 31. Business combinations

There were no acquisitions during the year ended 30 June 2023.

Acquisition of Silex Insight video business during the year ended 30 June 2022

On 31 January 2022, Audinate acquired 100% interest in the Silex Insight video business. The acquisition of the Silex video business complemented Audinate's existing video capabilities in Cambridge UK and aligned with Audinate's strategic vision for video over IP. In particular, the transaction increases Audinate's video FPGA expertise, enabled the acceleration of the video product roadmap, and cemented critical mass for video engineering in Europe.

Details of the acquisition are as follows:

	Fair value \$'000
<i>Intangible assets:</i>	
– Development costs (note 16)	541
– Customer contracts (note 16)	780
Computer and equipment (note 14)	23
Other assets	45
Trade and other payables	(46)
Employee provisions	(4)
Deferred tax liability	(195)
Net assets acquired	1,144
Goodwill	9,032
Acquisition-date fair value of the total consideration	10,176
Representing:	
Cash paid to vendor	9,104
Contingent consideration to be settled in cash	1,072
	10,176
Cash used to acquire business:	
Acquisition-date fair value of the total consideration transferred	9,104

Contingent consideration

Audinate agreed to pay the vendors a deferred cash consideration of one dollar for every one dollar of post-acquisition sales revenue which exceeds US\$2.5 million for the twelve-month period to 31 January 2023, with a deferred cash consideration payable capped at US\$1.5 million. Audinate paid the vendors US\$605,000, for the final settlement of the deferred consideration, in the year ended 30 June 2023.

Movements in the contingent consideration are as follows:

	Consolidated	
	2023 \$'000	2022 \$'000
Opening balance	1,178	–
Fair value of deferred contingent consideration	–	1,072
Unwinding of discount	142	82
Unrealised foreign exchange (gain)/loss	(81)	74
Foreign currency revaluation reserve	43	(50)
Revaluation of deferred contingent consideration	(439)	–
Cash consideration paid	(843)	–
Closing balance	–	1,178

Revaluation of deferred contingent consideration

During the year deferred consideration was revised based upon the expected US\$ revenue for the twelve-month period to 31 January 2023. The change in this estimate is recognised as Other Income (note 7).

Goodwill

The goodwill is primarily related to substantial skill and expertise of the Belgium engineering team acquired. The goodwill on acquisition is allocated to the Audinate's single cash-generating unit.

Status of acquisition accounting

The acquisition accounting was finalised as at 31 December 2022.

Revenue and profit contribution

The acquired business contributed revenues of \$909,000 and net loss of \$480,000 (inclusive of \$295,000 non-cash acquisition related accounting expenses) to the Group for the period from 1 February 2022 to 30 June 2022. The financial information of the acquired operation is incomplete to accurately determine consolidated pro-forma revenue and profit for the year ended 30 June 2022, as if the acquisition had occurred on 1 July 2021.

Acquisition-related costs

Acquisition-related costs (incurred in the prior year) of \$293,000 that were not directly attributable to the issue of shares are included in administrative and other operating expenses in the 30 June 2022 statement of profit or loss and in operating cash flows in the statement of cash flows.

Notes to the consolidated financial statements

Note 32. 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	
		2023 %	2022 %
Audinate Pty Limited	Australia	100%	100%
Audinate, Inc.	United States of America	100%	100%
Audinate Limited	United Kingdom	100%	100%
Audinate Limited	Hong Kong	100%	100%
Audinate Holdings Pty Limited	Australia	100%	100%
Audinate Belgium SRL	Belgium	100%	100%
Audinate Group Limited Employee Share Plan Trust	Australia	100%	100%

Note 33. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2023 \$'000	2022 \$'000
Profit/(loss) after income tax	8,329	(2,280)
Total comprehensive income/(loss)	8,329	(2,280)

Statement of financial position

	Parent	
	2023 \$'000	2022 \$'000
Total current assets	68,488	70,188
Total assets	141,498	129,490
Total current liabilities	357	255
Total liabilities	357	255
Net assets	141,141	129,235
Equity		
Contributed capital	137,589	136,548
Reserves	5,000	2,464
Accumulated losses	(1,448)	(9,777)
Total equity	141,141	129,235

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

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 or 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 or 30 June 2022.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 or 30 June 2022.

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 34. Cash flow information

Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	2023	2022
	\$'000	\$'000
Profit/(loss) after income tax benefit/(expense) for the year	10,643	(4,457)
Adjustments for:		
Depreciation and amortisation	10,576	8,658
Share-based payments	2,512	1,266
Net unrealised foreign exchange (gain)/loss	(222)	110
Unwinding of discount on contingent consideration	142	82
Revaluation of contingent consideration	(439)	–
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	229	(3,293)
Increase in inventories	(1,106)	(3,746)
Increase in deferred tax assets	(9,581)	(202)
(Increase)/decrease in other operating assets	(2,137)	113
Increase in trade and other payables	157	862
Increase/(decrease) in contract liabilities	447	(11)
Increase in employee benefits	1,016	1,520
Increase in income tax payable	186	79
Net cash from operating activities	12,423	981

Notes to the consolidated financial statements

Non-cash investing and financing activities

	Consolidated	
	2023 \$'000	2022 \$'000
Additions to the right-of-use assets	1,523	665
Depreciation and amortisation capitalised to development costs	731	635
	2,254	1,300

Changes in liabilities arising from financing activities

Consolidated	Lease liability \$'000
Balance at 1 July 2021	2,088
Net cash used in financing activities	(767)
Acquisition of leases	665
Foreign currency translation	(19)
Balance at 30 June 2022	1,967
Net cash used in financing activities	(939)
Acquisition of leases	1,523
Foreign currency translation	48
Balance at 30 June 2023	2,599

Note 35. Share-based payments

Options

Under the legacy Employee Share Option Plan ('ESOP'), the Company's Board of Directors ('Board'), or a committee of the Board, granted incentive and non-qualified stock options to employees, officers, directors, consultants, independent contractors, and advisors to the Company, or to any parent, subsidiary, or affiliate of the Company. The purpose of the legacy ESOP was to attract, retain, and motivate eligible persons whose present and potential contributions are important to the Group's success by offering them an opportunity to participate in the Company's future performance through equity awards of stock options and stock bonuses. The legacy ESOP was superseded by the LTI plan in 2017.

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

2023		Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
Start date	End date						
30/06/2017	31/01/2023	\$0.2600	8,000	–	8,000	–	–
			8,000	–	8,000	–	–

2022							
Start date	End date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other*	Balance at the end of the year
30/06/2017	11/06/2022	\$0.2600	47,000	–	(46,429)	(571)	–
30/06/2017	23/08/2022	\$0.2600	167,200	–	(167,200)	–	–
30/06/2017	31/01/2023	\$0.2600	16,000	–	(7,795)	(205)	8,000
			230,200	–	(221,424)	(776)	8,000

* Other includes the impact of cashless exercise of options.

Options exercisable at the end of the financial year were nil (2022: 8000).

The weighted average share price of the Company during the financial year was \$8.47 (2022: \$8.15).

Performance rights

Set out below are summaries of performance rights granted under the LTI plan:

2023							
Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ lapsed/ other	Balance at the end of the year
30/06/2017	31/08/2022	\$0.0000	234,969	–	(234,969)	–	–
29/06/2018	31/08/2022	\$0.0000	17,422	–	(17,422)	–	–
30/06/2020	31/08/2022	\$0.0000	163,864	–	–	(163,864)	–
11/11/2020	31/08/2023	\$0.0000	224,523	–	–	–	224,523
23/12/2020	31/08/2023	\$0.0000	5,180	–	–	–	5,180
04/06/2021	31/08/2023	\$0.0000	4,739	–	–	–	4,739
01/09/2021	31/08/2022	\$0.0000	15,311	–	(15,311)	–	–
01/09/2021	31/08/2023	\$0.0000	14,961	–	–	(863)	14,098
29/11/2021	31/08/2023	\$0.0000	198,421	–	–	–	198,421
14/03/2022	31/01/2025	\$0.0000	15,580	–	–	–	15,580
02/09/2022	31/08/2023	\$0.0000	–	19,497	–	(1,393)	18,104
02/09/2022	31/08/2024	\$0.0000	–	19,497	–	(1,393)	18,104
04/11/2022	15/09/2025	\$0.0000	–	353,552	–	(2,681)	350,871
17/04/2023	31/08/2024	\$0.0000	–	27,836	–	–	27,836
17/04/2023	15/09/2025	\$0.0000	–	27,836	–	–	27,836
			894,970	448,218	(267,702)	(170,194)	905,292

Notes to the consolidated financial statements

2022

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ lapsed/ other	Balance at the end of the year
30/06/2017	15/07/2021	\$0.0000	244,472	–	(244,467)	(5)	–
30/06/2017	31/08/2022	\$0.0000	234,964	–	–	5	234,969
29/06/2018	15/07/2021	\$0.0000	17,425	–	(17,424)	(1)	–
29/06/2018	31/08/2022	\$0.0000	17,421	–	–	1	17,422
26/03/2019	30/06/2022	\$0.0000	381,958	–	(381,958)	–	–
16/10/2019	31/08/2021	\$0.0000	15,167	–	(15,167)	–	–
30/06/2020	31/08/2022	\$0.0000	163,864	–	–	–	163,864
30/06/2020	06/01/2022	\$0.0000	10,792	–	(10,792)	–	–
30/06/2020	06/01/2023	\$0.0000	10,791	–	–	(10,791)	–
11/11/2020	31/08/2023	\$0.0000	235,725	–	–	(11,202)	224,523
23/12/2020	31/08/2023	\$0.0000	5,180	–	–	–	5,180
04/06/2021	31/08/2023	\$0.0000	4,739	–	–	–	4,739
01/09/2021	31/08/2022	\$0.0000	–	15,916	–	(605)	15,311
01/09/2021	31/08/2023	\$0.0000	–	15,916	–	(955)	14,961
29/11/2021	31/08/2023	\$0.0000	–	205,764	–	(7,343)	198,421
14/03/2022	31/01/2025	\$0.0000	–	15,580	–	–	15,580
			1,342,498	253,176	(669,808)	(30,896)	894,970

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.3 years (2022: 0.9 year).

The 38,994 performance rights issued with a grant date of 2 September 2022 were valued using the closing share price on the day before the grant at \$8.52 per share. These performance rights vest upon the employee remaining an employee up to an including the vesting date.

The 353,552 performance rights issued with a grant date of 4 November 2022 were valued using the closing share price on the day before the grant at \$8.20 per share. These performance rights vest upon:

- achieving 25% increase in USD revenue CAGR to 30 June 2025 and vest fully upon achieving 35% increase in revenue CAGR to 30 June 2025; and
- the employee remaining an employee up to an including the vesting date.

The 55,672 performance rights issued with a grant date of 17 April 2023 were valued using the closing share price on the day before the grant at \$8.94 per share. These performance rights vest upon:

- achieving 25% increase in USD revenue CAGR to 30 June 2025 and vest fully upon achieving 35% increase in revenue CAGR to 30 June 2025; and
- the employee remaining an employee up to an including the vesting date.

Shares issued

On 2 September 2022, the Company issued 5,564 shares (issue price \$8.52) to staff under Company's the long-term incentive plan following the release of the Company's 30 June 2022 results.

Note 36. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 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 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



David Krall
Chairman

21 August 2023
Sydney

INDEPENDENT AUDITOR'S REPORT

to the members of Audinate Group Limited



Deloitte Touche Tohmatsu
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Australia

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Audinate Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Capitalised Development Costs As at 30 June 2023, the group has capitalised development costs totalling \$23.33 million as disclosed in Note 16. The group capitalises internal and external costs that are directly attributable to the development of intangible assets.	Our procedures included, but were not limited to: 1. Enquired with Product Development personnel to understand and assess the basis and rationale for capitalisation of labour costs for key projects; 2. Tested on a sample basis, capitalised labour costs through reviewing timesheets; 3. Tested on a sample basis, external costs capitalised

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Significant judgement is involved in determining the quantum of labour and overhead directly attributable to develop Audinate product/service suite	4. Assessed whether eligible employees are included, and ineligible employees are excluded in the calculations, where appropriate; 5. Assessed the overhead allocation of costs to the development projects; 6. Tested the mathematical accuracy of management's labour capitalisation schedule. We have also assessed the appropriateness of the disclosure in Note 16 to the financial statements.
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Other Information

- The directors are responsible for the other information. The other information comprises the information included in the Group annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon, which is expected to be made available to us after that date.
Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.
In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 17 to 27 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Audinate Group Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Pooja Patel

Pooja Patel

Partner

Chartered Accountants

Sydney, 21 August 2023

SHAREHOLDER INFORMATION

As at 6 September 2023

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

Substantial shareholders

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

Name	Date of Notice	Number of Securities	%
Yamaha Corporation	14/07/2023	6,289,308	8.12
Smallco Investment Manager Limited	29/04/2022	4,129,642	5.36
Australian Super Pty Ltd	28/07/2020	4,359,029	6.42

Number of security holders and securities on issue

Audinate Group Limited has issued the following securities:

- a. 77,723,763 fully paid ordinary shares held by 11,688 shareholders; and
- b. 883,872 unlisted performance rights held by 120 performance right holders.

Voting rights

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

Performance right holders do not have any voting rights on the rights held by them.

Distribution of quoted security holders

Category	Fully Paid Ordinary shares		
	Holders	Shares	%
1 – 1,000	7,043	2,892,874	3.72
1,001 – 5,000	3,545	8,213,237	10.57
5,001 – 10,000	654	4,709,440	6.06
10,001 – 100,000	411	8,768,109	11.28
100,001 and over	35	53,140,103	68.37
Total	11,688	77,723,763	100.00

Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of ordinary shares is 186 based on Audinate Group Limited's closing share price of \$14.290 on 6 September 2023.

Twenty largest shareholders of quoted equity securities

Details of the 20 largest shareholders of quoted securities by registered shareholding are:

	Name	No. of shares	%
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	21,188,119	27.26
2	CITICORP NOMINEES PTY LIMITED	6,647,149	8.55
3	YAMAHA CORPORATION	6,289,308	8.09
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,234,652	5.45
5	NATIONAL NOMINEES LIMITED	3,382,259	4.35
6	MR AIDAN WILLIAMS*	1,947,305	2.51
7	BNP PARIBAS NOMS PTY LTD <DRP>	1,507,052	1.94
8	GEETHA VARUNI WITANA	856,932	1.10
9	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	838,407	1.08
10	MIRRABOOKA INVESTMENTS LIMITED	623,000	0.8
11	MR DAVID KRALL*	500,000	0.65
12	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	477,983	0.61
13	WINGADANGEE PTY LTD	336,958	0.43
14	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICE A/C>	300,550	0.39
15	MARTANNMAR PTY LTD	296,358	0.38
16	PAGODA 994 HOLDINGS PTY LTD <WILLIAMS FAMILY A/C>	283,772	0.37
17	MR CHRIS WARE	277,044	0.36
18	MR EVAN PHILIP CLUCAS & MS LEANNE JANE WESTON <KURUNGA NURSERY SUPER A/C>	267,216	0.34
19	CARRAMELON PTY LTD	261,258	0.34
20	CARRAWING PTY LTD	261,258	0.34
	Total	50,776,580	65.34
	Total on Register	77,723,763	100.00

*Grouped holdings

Shareholder Information

Restricted securities and securities subject to voluntary escrow

There are no restricted securities or shares under voluntary escrow.

Unquoted securities

There are 883,872 unquoted Performance Rights held by 120 performance right holders. All Performance Rights are held under the Company's employee incentive scheme.

Category	Performance Rights (unquoted)		
	Holders	Performance Rights	%
1 – 1,000	53	37,483	4.2%
1,001 – 5,000	41	88,162	10.0%
5,001 – 10,000	12	83,888	9.5%
10,001 – 100,000	13	566,502	64.1%
100,001 and over	1	107,837	12.2%
Total	120	883,872	100.0%

On market buy-back

There is no current on market buy-back.

CORPORATE DIRECTORY

Directors	David Krall Aidan Williams John Dyson Roger Price Alison Ledger Tim Finlayson Amrita Blickstead (appointed on 1 January 2023)
Company secretary	Rob Goss
Notice of annual general meeting	Audinate Group Limited advises in accordance with ASX Listing Rule 3.13.1 that its Annual General Meeting (AGM) will be held on Tuesday 24 October 2023. In accordance with the Audinate Group Limited Constitution the closing date for the receipt of nominations from persons wishing to be considered for election as a director is 5 September 2023. Shareholders will be advised of further details regarding the AGM in a separate Notice of Meeting.
Registered office	Level 7 64 Kippax Street Surry Hills NSW 2010 Tel: 02 8280 7100
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Tel: 1300 554 474
Auditor	Deloitte Touche Tohmatsu Quay Quarter Tower Level 46 50 Bridge Street Sydney NSW 2000
Solicitors	Maddocks Level 27 123 Pitt Street Sydney NSW 2000
Stock exchange listing	Audinate Group Limited shares are listed on the Australian Securities Exchange (ASX code: AD8)
Website	www.audinate.com
Corporate Governance Statement	The directors and management are committed to conducting the business of Audinate Group Limited in an ethical manner and in accordance with the highest standards of corporate governance. Audinate Group Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement can be found on https://www.audinate.com/company/governance.



www.audinate.com