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Atomos Limited

Annual Report 2022

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CHAIRMAN'S MESSAGE

Dear Investor,

We present the FY22 Annual Report for Atomos Limited (ASX: AMS). I am writing this message to you on Sunday 2 October to ensure it is relevant to the events that have taken place over the last few days. Late Friday afternoon 30 September, our auditors Deloitte asked us to amend our draft financial statements for the year ended 30 June 2022 such that certain revenue initially recorded in June 2022 was recorded in July 2022. This has necessitated changes to the Annual Report and I want to acknowledge our CFO, James Cody, our Financial Controller, Dimple Shah and their team working tirelessly to ensure that we met our filing deadline.

The revenue deferral relates to products delivered prior to the year end on shipping terms that, with agreement from customers, had been changed so that they could be received several days earlier. Most of the products in question had been on backorder and subject to pandemic-related production delays. The change in terms, close to the year end, was the cause of this audit adjustment. It should be noted that shipping terms often change in the electronics industry and Atomos regularly adjusts its terms with customer agreement, especially in the current environment with disrupted supply chains. It was disappointing to have this matter raised at such a late stage.

I want to thank our recently departed directors, Stephen Stanley and Lauren Williams. Their contribution has been significant in what have been a very challenging and stressful time for the whole board, management and company and I wish them well with their future endeavours.

It is important that I acknowledge the employment claim made by the former CEO and the adverse press that occurred consequently. I understand it is very unusual for an employment claim to be brought in California by an employee of an Australian company employed under an Australian contract. We are working through the legal process calmly and within the parameters allowed for an Australian listed company. We are committed to addressing the claim without letting it be too much of a distraction from executing our strategic plan for growing the business. I want to reinforce that we will refute the unfounded allegations made within the claim and we continue to investigate our own legal options. We will keep the market informed of any developments in this matter.

Looking forward, the board is pleased to have appointed Trevor Elbourne as Chief Executive Officer after four years as Chief Technology Officer and after serving as interim CEO following the departure of Estelle McGeachie. Trevor was one of Atomos' first employees and oversaw the development of Atomos' core products the Ninja V and Shinobi. Trevor is a qualified systems engineer with over 25 years' experience. He has been instrumental in the strategic plans for the Company's product roadmap, which is core to the Company's exciting future ahead. Trevor leads a strong and stable core team, with a laser focus on execution.

Our board and senior management have confidence in the future of Atomos under Trevor's leadership. This confidence was demonstrated during the year when board members and senior management completed on market share purchases of approximately 3 million shares in the Company at an average price of circa 28c.

Finally, I want to apologise, to you our shareholders on what has been a most unsatisfactory year in terms of shareholder value, partly driven by macro events but mainly driven by our own missteps. We know that there has been a succession of bad news, we must do better, and we will. We now have the foundations in place to do so.

Our board and management team are closely aligned. We have a clear plan and an exciting new ground-breaking product range with the Series 2 and associated cloud-based solutions. We have unique and special partnerships with global technology leaders such as Adobe, Apple, Sony, Panasonic, Nikon and Canon. We must not forget that despite our recent missteps, global geo-political challenges, rising inflation and cost of living challenges, demand for video content creation remains strong and continues to grow. Atomos remains uniquely well positioned to capitalise on the opportunities afforded to it being at the centre of all video production workflows.

As we put FY2022 behind us we are excited by FY2023. We have a lot of work to do, and we start immediately from the board down. My fellow board directors, Sir Hossein Yassaie, Megan Brownlow and I intend to be more actively involved in the short term to support Trevor, James and the rest of the team. We have started the search for a new Chair and will have an orderly transition. I look forward to retiring in June 2023 with Atomos being in a much-improved position.

I would like to thank you, our shareholders, for your support and we look forward to delivering on the Company's considerable and exciting opportunities, navigating the challenges and delivering long term shareholder value in the years ahead.

Kind Regards,



Chris Tait
Chair



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CEO'S ADDRESS

Dear Investor,

I am pleased to be addressing you in my first letter to shareholders since being appointed as the Chief Executive Officer (CEO) of Atomos after serving as Chief Technology Officer for four years and being appointed interim CEO in April 2022.

I bring to Atomos 25 years' experience in the industry and was one of Atomos founding employees after leading Canon's product design. I oversaw the successful development of Atomos' flagship Ninja V and Shinobi products and am deeply immersed in Atomos products and development. I look forward to executing our strategy in FY23 and leading the Atomos team globally.

FY22 revenue for the year was \$73.3m after the deferral of \$8.7m of revenue. Gross profit margin in the year was hampered by one off item's such as price drops on Ninja V/ V+ to drive yearend sales and clear built-up inventory as we reignited proven marketing tactics after a difficult Q3 result. Our balance sheet was strengthened through replacing our \$5m long term debt facility with a \$12m facility to support growth and general working capital requirements.

Today, Atomos is the only company with monitor/recorders that can record to Apple ProRes RAW from enabled cameras, positioning it to benefit from a larger addressable market, as the Atomos ecosystem of external cameras supporting RAW over HDMI continues to expand. We have now expanded the number of cameras in the ProRes RAW ecosystem to 46, with the recent notable additions of a new 8K camera from Fujifilm, and high-speed 4K camera from Sony.

On a product front, Atomos released the first of its Series 2 'connected' products in June 2022 (Shogun Connect, Atomos Connect and Zato Connect), which have been well-received. These devices have the ground-breaking ability to connect to Atomos' new Cloud Studio workflows and support live upload of footage directly from a camera on location anywhere in the world, directly to Adobe

Camera to Cloud powered by Frame.io. This workflow will remove geographical barriers to collaborations, allowing people, wherever they are, to work together in real time. Live streaming to a range of online services, including Facebook Live, Twitch, and YouTube will also be available from these products, as well as many other new collaboration features as we continue to develop Atomos Cloud Studio.

Our strategy to expand our revenue streams, products and customer segments is coming together and gaining momentum. We plan to launch new members of the Series 2 product family in the second half of FY23, which will see the entire Atomos product line-up refreshed, and offer all Atomos customers access to our new connected collaboration workflows. We'll also introduce new avenues for customers to purchase Atomos products, with some innovative payment options, offering our customers unprecedented flexibility when purchasing our hardware and software.

In closing, despite challenges encountered throughout the year, I remain confident that Atomos products will continue to drive growth and scalability. I would like to thank the entire team for their commitment and continued execution of key strategic initiatives during the year, as we embark on FY23.

I would also like to extend thanks to all our shareholders for their ongoing support as we endeavour to become a major player in the global video industry.

Kind Regards,



Trevor Elbourne
CEO

DIRECTORS' REPORT

The directors of Atomos Ltd ('Atomos' or 'the Company') present their Report together with the financial statements of the consolidated entity, being Atomos and its Controlled Entities ('the Group') for the year ended 30 June 2022.

Directors

The names of the directors in office at any time during or since the end of the year are:

Mr Jeromy Michael Young (up to 23 November 2021)

Sir Hossein Yassaie

Mr Christopher John Tait

Mr Stephen John Stanley (up to 29 September 2022)

Ms Megan Brownlow

Ms Lauren Williams (up to 29 September 2022)

Mr Trevor Elbourne (effective 30 September 2022)

The above-named directors held office during and since the end of the financial year unless otherwise stated.

Principal activities

The above-named directors held office during and since the end of the financial year unless otherwise stated.

- The design, manufacture and sale of video equipment; and
- The development and sale of software applications to enhance its physical products.

There have been no significant changes in the nature of these activities during the year.

Business strategy and prospects

Executing on strategy

Atomos believes that the natural evolution of the content creation process will put a premium on connectivity of devices and ease of production, irrespective of physical location.

FY22 saw Atomos begin to execute on this vision with the launch of our first three connected devices, Shogun Connect, Atomos Connect and Zato Connect.

Additionally, the Company also introduced Atomos Cloud Studio, a collection of video production tools and services to be made available via subscription plans.

This new generation of products and services leverages Atomos' key strategic pillars of Deep Video Technology and Partnerships. The devices are the first to be launched on the new 'Series 2' technology platform developed in house over the last 18 months. Atomos Cloud Studio has been developed in partnership with UK based software company, MAVIS and the Company's latest partnership with Frame.io (an Adobe company) enables our products to be part of their growing Camera to Cloud workflow, enhancing Atomos' value to content creators collaborating remotely.

Growing revenue and margins and getting closer to our customers

FY23 will see Atomos begin to evolve its products into software and cloud services as well as beginning to sell its traditional products directly to customers.

Atomos is targeting an improvement in revenue quality in FY23 through the introduction of subscriptions for device software and cloud services. Over time Atomos aims to grow these recurring revenue streams to become a meaningful proportion of its overall business.

These initiatives will deliver higher margins than the traditional business but crucially, the direct engagement with our end customers will provide greater insight into how they use our products and how we can better meet their needs in the future.

Our Vision

To democratise content creation and delivery by:

combining our own deep video tech with that of other great video tech companies

building products, services and an ecosystem



Performance highlights

Sales revenue

\$73.3 million

FY21 \$78.6 million

FY20 \$44.7 million

EBITDA

(\$0.6 million)

FY21 \$8.2 million

FY20 (\$17.4 million)

NPAT

(\$10.4 million)

FY21 \$4.2 million

FY20 (\$22.3 million)

Cash on hand

\$5.0 million

FY21 \$26.0 million

FY20 \$18.8 million

Earnings per share

(3 cents)

FY21 2 cents

FY20 (12 cents)

Review of Results and Operations

Consolidated Statement of Profit or Loss and Other Comprehensive Income	2022	2021	Change \$	Change %
	\$'000	\$'000	\$'000	
Revenue	73,282	78,611	(5,329)	(7%)
Cost of sales	(44,502)	(41,173)	(3,329)	8%
Gross profit	28,780	37,438	(8,658)	(23%)
Gross Margin %	39%	48%		(8%)
Operating expenses	(33,858)	(29,263)	(4,595)	16%
EBITDA	(5,078)	8,175	(13,253)	(162%)
Finance costs	(527)	(237)	(290)	122%
Depreciation and amortisation	(3,874)	(3,174)	(700)	22%
(Loss)/Profit before income tax	(9,479)	4,764	(14,243)	(299%)
Income tax expense	(884)	(546)	(338)	62%
(Loss)/Profit for the year	(10,363)	4,218	(14,581)	(346%)

FY22 was impacted by several one-offs including temporary price drops/promotions, increases in headcount (not required and since removed), costs to establish cloud services and founder transition costs. The impact of excluding these items from the Consolidated Statement of Profit or Loss and Other Comprehensive Income is as follows:

Normalised Consolidated Statement of Profit or Loss and Other Comprehensive Income	2022	2021	Change \$	Change %
	\$'000	\$'000	\$'000	
Revenue	73,282	78,611	(5,329)	(7%)
Gross profit	30,643	37,438	(6,795)	(18%)
Gross Margin %	42%	48%		(6%)
Operating expenses	(30,059)	(29,263)	(796)	3%
EBITDA	584	8,175	(7,591)	(93%)

Revenue of \$73.3 million was down \$5.3 million. Atomos released the first of its Series 2 'connected' products in June 2022 (Shogun Connect, Atomos Connect and Zato Connect), which have each been well-received. These devices have the ground-breaking ability to connect to cloud-based workflows and support live streaming to a range of online services, including Facebook Live, Twitch, and YouTube.

Key Drivers of Performance

Revenue

Revenue of \$73.3 million was 7% lower than 2021 primarily due to a poor Q3 trading result. This result is after an adjustment to defer \$8.7m of revenue from Q4 FY22 to Q1 FY23. The deferred revenue relates to certain transactions which were subject to customer-approved alterations to shipping terms in June 2022. These alterations were required due to delays to production in the month resulting from supply issues and lockdowns in China limiting movement of goods. The Company notes that minor adjustments in shipping terms to accommodate unforeseen external circumstances are common in the electronics industry and Atomos regularly changes shipping terms with the approval of its customers. Customers agreed to the change as it meant they received their orders slightly earlier.

Gross Margin

Gross margin dropped to 40%, impacted by several one-off items, including temporary price drops/promotions on Ninja V / V+ to drive yearend sales, clearance of discontinued products, increased input costs and downward pressure on selling prices. When adjusted for one-off items, the gross margin stood at 42%.

Operating Costs

Operating costs were impacted by increases in headcount (not required and since removed), costs to establish cloud services and founder transition costs. The operating costs adjusted for these one-offs was still higher as compared to FY21 primarily due to resumption of tradeshow.

During the year, Atomos continued to invest in R&D, particularly in development of the Series 2 platform.

The details of items that were significant and/or not considered to be in the ordinary course of business are adjusted as per the table below to provide a view of the underlying trading result.

	2022	Items that were significant and/or not in the ordinary course of business ¹	Underlying Result
\$'000			
Revenue	73,282		73,282
Cost of sales	(44,502)	1,863	(42,639)
Gross profit	28,780	1,863	30,643
Gross Margin %	39%		42%
Operating Expenses – ongoing	(30,059)		(30,059)
Operating Expenses – one-off	(3,799)	3,799	-
EBITDA	(5,078)	5,662	584
Depreciation and amortisation	(3,874)	-	(3,874)
Finance costs	(527)	-	(527)
Loss before income tax	(9,479)	5,662	(3,817)
Income tax expense	(884)	-	(884)
Loss for the year	(10,363)	5,662	(4,701)

Items that were significant and/or not in the ordinary course of business (2022)	\$'000
Cost of sales	
One off Inventory write-off / clearance	1,863
Cost of sales	1,863
Operating Expenses	
Restructuring costs	1,920
Cost to establish cloud services	1,117
Founder transition costs	762
Operating Expenses	3,799
Total Items not in the ordinary course of business	5,662

Financial position

Summary of Balance Sheet (\$Am)	2022	2021
Cash and cash equivalents	5.0	26.0
Trade and other receivables	29.3	12.8
Inventories	28.8	16.6
Other assets	16.8	10.6
Intangible assets	28.9	25.2
Total assets	108.8	91.2
Trade and other payables	(24.7)	(21.9)
Lease liabilities	(6.6)	(3.2)
Other liabilities	(11.5)	(2.4)
Borrowings	(11.8)	-
Total liabilities	(54.6)	(27.5)
Net assets	54.2	63.7
Issued capital	102.5	101.7
Reserves	3.2	3.1
Accumulated losses	(51.5)	(41.1)
Equity	54.2	63.7

At 30 June 2022, Atomos had:

- \$5m of cash on hand
- Drawn \$12m debt facility
- \$51m of tax losses and R&D tax credits unrecognised and available to offset future tax

Cash flow

Cash flows from operating activities	2022	2021
(Loss)/ Profit for the year	(10.4)	4.2
Non cash items	4.1	4.8
Movements in working capital	(20.2)	0.8
Net cash (used in) / generated by operating activities	(26.5)	9.8
Capital expenditure	(5.9)	(2.0)
Financing and investing activities	11.4	(0.8)
Net change in cash and cash equivalents	(21.0)	7.0
Cash and cash equivalents at the beginning of the period	26.0	18.8
Exchange differences on cash and cash equivalents	0.0	0.2
Cash and cash equivalents at the end of the period	5.0	26.0

Key cash flow movements:

- Net cash used in operating activities of \$26.5m was predominantly driven by EBITDA loss of \$5.1m; tax and non-cash items of \$1.2m and increase in debtors and inventory of \$20m
- Capital expenditure of \$5.9m predominantly related to Series 2 platform development costs
- Draw down of \$12m debt facility offset by lease and interest payments



Significant changes in the state of affairs

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

Events arising since the end of the reporting period

Since the end of the reporting period the Company was made aware that a claim has been filed in the United States by its former CEO, whose employment was terminated earlier this year. Further details are set out under Legal Matter below.

There are no further matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity's operations in future financial years
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial years

Legal Matter

In relation to the claim which was recently filed by Atomos' former CEO, the Company notes that:

- the former CEO's employment agreement was made under Australian law
- the claim will be vigorously defended
- it is very confident in its position and the legal processes
- it believes that there is no basis for additional payments to be made and also notes there are legal constraints in Australia limiting the ability to make such payments

The claim makes a number of allegations which the company takes seriously, and will take all steps that may be necessary to maintain the confidence it has that the claims are unfounded.

Future developments

Atomos will continue to develop the types of products it is known for today to grow the existing business. This will include physical devices as well as a growing contribution from software sales. Additionally, there will be an emphasis on connectivity of devices and cloud-based services.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Environmental legislation

Atomos' operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of any State or Territory in Australia.

Dividends

During or since the end of the financial year, no dividends have been paid or declared.

Principal Risks

Demand for Atomos products	<p>The demand for Atomos products may be impacted by a range of factors, including: changes in customer “user” preferences; competition; our ability to design, develop and deliver products or to support technology changes; delays to product launches affecting reputation and customer confidence, as well as the effectiveness of marketing efforts.</p> <p>Continuous investment is required in the base product range as well as to bring new products and solutions to market for new and existing market segments.</p>	<p>Atomos is continually innovating and developing its strategy for effectively managing the product life cycle and by ensuring upgrades of new product features and technologies are brought to market in a timely manner. A new series of product features are anticipated to be deployed in Q4 of FY22.</p> <p>A medium-term product roadmap is maintained which includes the introduction of new products for new segments and customer demands specifically around connectivity and workflow solutions in the highly changing video technology market place.</p> <p>Key ecosystem partners in camera manufacturing are rapidly rolling out new innovations and our integrations to support their new products is critical for ensuring Atomos becomes a stronger and more resilient business.</p>
Competition	<p>Atomos products compete in a global marketplace and face a number of competitors in different products, solutions and markets. Continued price pressure and existing and new product launches with new features are challenges.</p>	<p>Atomos has continually focused on high quality products and adding new products to the range. Development research and investment are key to remaining at the leading edge of providing feature rich, affordable products with high user demand. We constantly monitor market and competitive trends in all parts of the ecosystem, building strong relationships with end user ambassadors and influencers.</p>
Product Cost management	<p>Atomos sources components globally for the product range and actively manages component cost to ensure margin retention across the mix of products. A supply shortage in key components can lead to significant cost increases in sourcing alternatives and can negatively impact margin. The global issue in sourcing semiconductors is challenging to all companies in the sector.</p>	<p>Atomos procurement processes include the review of supplier arrangements and component sourcing constraints prior to including a particular component in a product as well as on an ongoing basis.</p> <p>Other key strategies include contracting of forward commitments to secure supply to lock-in cost, together with extended contract production management.</p>
Dependence on key Customers	<p>Atomos markets and sells its product range predominantly through an international high profile video technology distributor network. This network is a key supportive sales and marketing channel.</p> <p>While Atomos has a wide end customer user base, the loss of a key distributor could materially impact Atomos’s sales efforts.</p>	<p>Atomos is in constant communication and regularly monitors distributor performance. At the same time Atomos evaluates additional distributors for new and existing markets and products to ensure an effective sales and marketing channel.</p> <p>Atomos is increasing its investment in digital platforms as a means to market directly to end customers.</p>

Supply Chain - reliance on key suppliers	<p>Atomos sources components globally for the product range and manufactures products from two key partners to supply the range of hardware products that Atomos sells. There is pressure globally on key components within the products that require carefully planning and sourcing to ensure Atomos has sufficient products to meet demand.</p>	<p>Atomos has implemented a range of tactics, within its control, to ensure an adequate supply of components and ultimately end products are produced. This incorporates increased forward orders and inventory levels for raw materials and finished products on high demand lines as well as 'design-outs' for scarce components.</p> <p>In addition, having two key interchangeable production partners with deep strong relationships is strategically important. Atomos also considers further diversification of production and supply options as critically important for the future and actively reviews alternatives.</p>
Talent - attract and retain	<p>Atomos's operating and financial performance is dependent on the ability to attract and retain top talent in a competitive environment, particularly in technology roles.</p>	<p>Investment in our people and culture enables Atomos to attract and retain key talent and maintain a motivated and effective workforce. External hiring addresses gaps in experience and capability for more technical roles. The senior management remuneration structure is designed to retain key managers and focus them on Atomos's long-term growth potential. In addition, fostering a work environment of high engagement and high performance is also critical to attracting top talent and promoting employee retention.</p>
Laws and regulations	<p>Atomos is subject to a range of legal obligations in all countries we operate in and, as such, to legal risk. These include, without limitation, taxation, anti-bribery provisions, competition, intellectual property and government tariffs. Failure to comply with such laws could significantly impact Atomos's reputation and expose Atomos to fines and penalties.</p>	<p>Local and corporate management monitor economic indicators and changes to legislation. Atomos maintains strong relationships with key stakeholders in these markets and educates relevant employees.</p> <p>Atomos continually evolves its products and services. Its agile approach to product development enables a fast response to changing regulatory circumstances.</p>
Economic Conditions	<p>Atomos is exposed to macro-economic conditions such as slowing global economies, rising interest rates / cost of living</p>	<p>Atomos is increasing its focus on targeted marketing collateral and channel communications to ensure a sales-driven emphasis.</p> <p>Atomos products represent value-for-money, i.e., they offer high-end functionality compared to similarly priced competitors' products.</p>

Board of Directors



Christopher Tait - age 55

Non-Executive Director since September 2017, Chair September 2017 – May 2020 and since September 2021 Executive Chair May 2020 – September 2021

Chris has over 25 years of experience advising private and public companies on general strategic advice, mergers and acquisitions and raising capital. He has also held senior executive roles in a major public company, WHSmith PLC where he was initially Director of Strategy and Acquisitions and then Chief Financial Officer of the Asia Pacific operations. Co-Founder and Managing Director of Henslow Pty Ltd, an independent advisory firm and Corporate Adviser to the Company.

Board Committee memberships

- Member Audit & Risk
- Member Remuneration & Nomination

Qualifications

BSc. (Econ), Chartered Accountant (ICAEW)



Stephen Stanley - age 64

Non-Executive Director from January 2018 – 29 September 2022, Deputy Chair from October 2020 – 29 September 2022

Stephen has over 25 years of experience as a senior Executive and CEO in the Logistics sector in Australia, Asia, Europe and North America. He has extensive Board experience, strategy, operational, organic growth, mergers and acquisition and investment experience with a proven track record of delivering operational benefits and growth to create superior value for shareholders.

Board Committee memberships

- Member Audit & Risk
- Chair Remuneration & Nomination

Qualifications

B.Bus. (Accountancy), AICD.



Sir Hossein Yassaie- age 65

Non-Executive Director since September 2016

Sir Hossein has over 35 years of experience in specialised research and development and semiconductors. Founder of Imagination Technologies Plc holding position of Chief Executive Officer for 18 years. Sir Hossein received a knighthood in 2013 in recognition of his services to technology and innovation in the United Kingdom.

Board Committee memberships

- Chair Product & Technology Committee

Qualifications

BSc., Phd.


Megan Brownlow - age 58

Non-Executive Director since July 2021

Megan has more than 25 years' experience in media, marketing and managing digital disruption, most recently as a partner with PwC and National Leader for Technology, Media and Telecommunications.

Prior to PwC, Megan held senior executive positions at PBL, ecorp and the Nine Network.

Board Committee memberships

- Member Audit & Risk
- Member Remuneration & Nomination

Qualifications

BSc. (Econ), Chartered Accountant (ICAEW)


Lauren Williams - age 43

Non-Executive Director from July 2021 until 29 September 2022

Lauren is an experienced digital executive and business builder with a passion for consumer facing online businesses. Lauren is an NED of online business Constructiv Technologies Group.

Lauren has held positions at Fairfax Media and BBC Worldwide and launched Getaway Lounge. Lauren's most recent executive role was as the CEO of CarsGuide.

Board Committee memberships

- Member Remuneration & Nomination

Qualifications

BA (Econ, Hons) & GAIC



Directors' meetings

The number of directors' meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each director is as follows:

Director	Board meetings		Audit & Risk Committee		Remuneration & Nomination Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible
S. Stanley	18	19	4	4	10	10
C. Tait	19	19	4	4	10	10
J. Young	7	7	1	-	2	-
H. Yassaie	18	18	2	2	9	8
Lauren Williams	18	18	2	-	8	8
Megan Brownlow	19	19	4	4	5	-

Company Secretary – Maria Clemente

Prior to accepting company secretarial appointments, Maria was a senior listings adviser at the ASX where she had extensive involvement in the oversight of listed entities primarily in the technology sector. Maria is admitted as a lawyer in New South Wales and spent a decade in corporate restructure and turnaround, with specialist experience in conducting formal insolvency appointments.

Board skills & composition

The Company reviewed the mix of skills and attributes desired within the Board composition of Atomos in line with good governance practice utilising the skills assessment criteria and gap analysis as an input.

Directors' shareholdings

The following table sets out each director's relevant interest in shares and rights or options in shares of the Company as at the date of this report:

	Shares	Options A (I)	Options B (II)	Share Rights	Performance Rights	Total
Chris Tait (iii)	1,702,628	-	-	-	200,000	1,902,628
Sir Hossein Yassaie	2,289,579	-	-	-	49,358	2,338,937
Megan Brownlow	167,851	-	-	-	49,358	217,209
Trevor Elbourne	968,419	93,971	425,000	3,341	-	1,490,731
	5,128,477	93,971	425,000	3,341	298,716	5,949,505

(I) Exercise price of \$0.36, expiry date 12 April 2028. Options fully vested.

(II) Exercise price of \$0.53, expiry 19 August 2030. Options forfeited during the year.

(iii) Henslow Pty Ltd. (Henslow) is a company in which Chris Tait is a director and shareholder. The amounts disclosed include holdings of other shareholders of Henslow in relation to services rendered to the company by Chris Tait.

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this directors' report.

Share options granted to directors and senior management

During and since the end of the financial year, no share options were granted.

Shares under option or issued on exercise of options

Details of unissued shares or interest under option as at the date of this report are:

Option series	Number	Grant date	Vesting date	Expiry date	Exercise price (\$)
Granted: 26 Feb 2018	1,637,312	26-Feb-18	28-Dec-18	12-Apr-28	0.36
Granted: 20 Aug 2020	3,157,270	20-Aug-20	30-Sep-23	30-Jun-30	0.53
Granted: 30 May 2022	2,400,000	30-May-22	30-May-22	30-Jun-24	0.30
	7,194,582				

The holders of these options do not have the right by virtue of the option, to participate in any share issue or interest issue of the Company or any other body corporate or registered scheme. 1,999,176 (2021: 612,990) shares were issued during the year as a result of exercise of options. No shares were issued since the end of the year as a result of exercise of options (2021: 257,732).

Indemnification of officers and auditors

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the Company (as named above), the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the Corporations Act. The contract of insurance prohibits the disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Company or of any related body corporate against a liability as such by an officer or auditor.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The directors are of the opinion that the services as disclosed in Note 29 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit & Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration is included after this report on page 17.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 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.

Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

AUDITORS INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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2 October 2022

Board of Directors
Atomos Limited
700 Swanston Street
CARLTON VIC 3053

Dear Board Members

Auditor's Independence Declaration to Atomos 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 Atomos Limited.

As lead audit partner for the audit of the financial statements of Atomos Limited for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Craig Bryan
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation

LETTER FROM THE CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE

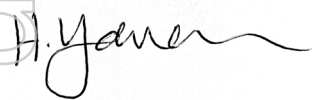
Dear Shareholders,

On behalf of the Board we are pleased to present Atomos's FY22 Remuneration Report.

Atomos's success relies on our ability to attract, motivate and retain world-class talent, across international boundaries and drive a collective focus on strategy through to execution. Ensuring Atomos has the right leadership team in place is critical to the ongoing success of the Company and to building sustainable, long-term shareholder wealth.

The Board's objective is to ensure a remuneration approach that is globally competitive, while remaining fair and reasonable in a local context and delivering outcomes that align with the long-term shareholder experience.

We thank you for your ongoing support.



Sir Hossein Yassaie

Chair Remuneration and Nomination Committee



REMUNERATION REPORT

Introduction and contents

This remuneration report, which forms part of the directors' report, sets out Atomos's executive remuneration framework as well as the remuneration arrangements of the Key Management Personnel ('KMP') of the Company for the year ended 30 June 2022 ('FY22').

The term KMP refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company and the Group, directly or indirectly, including any directors (whether executive or otherwise) of the consolidated entity. The prescribed details for each person covered by this report are detailed below under the following headings:

SECTION	PAGE
1	Key Management Personnel
2	Link between Atomos's performance and executive remuneration outcomes
3	Executive remuneration framework, key terms, statutory remuneration
4	Remuneration governance
5	Non-Executive Director fees
6	Other KMP disclosures

1 Key Management Personnel

The KMP covered by this report are Atomos's Executive Directors, Atomos's Non-Executive Directors ("NEDs") and other executive management personnel of the Group. Each of the KMP held their position for the whole of FY22, unless stated otherwise.

Directors	Position
Christopher Tait	Non-Executive Chair (effective 22 September 2021)
Stephen Stanley	Non-Executive Director, Deputy Chair (up to 29 September 2022)
Sir Hossein Yassaie	Non-Executive Director
Lauren Williams	Non-Executive Director (up to 29 September 2022)
Megan Brownlow	Non-Executive Director
Jeromy Young	Executive Director, Founder (retired as Executive Director 23 November 2021 and from Executive duties 3 May 2022)
Executive officers	Position
Trevor Elbourne	Interim Chief Executive Officer (effective 14 April 2022)
James Cody	Chief Financial Officer
Stephan Kexel	Chief Sales Officer
Mark Harland	Chief Operating Officer
Estelle McGeachie (effective 1st June 2021)	Chief Executive Officer (effective 22 September 2021 to 14 April 2022)

Since the end of the reporting period:

Trevor Elbourne has been appointed as the Chief Executive Officer, effective 22 September 2022. He has also been appointed as an executive director effective 30 September 2022. Mark Harland resigned as Chief Operating Officer, effective 26 August 2022. Stephen Stanley and Lauren Williams resigned on 29 September 2022.

2 Link between Atomos's performance and executive remuneration outcomes

The main objective of Atomos's executive remuneration framework is to ensure close alignment between executive reward, business strategy and shareholder returns over the long-term.

FY22 required the Atomos executive team to respond to new and varied challenges in the operating environment, resulting from the longer-term Covid-19 pandemic impacts, such as component shortages.

To encourage agility, collaboration and meet shareholders' expectations in the face of such challenges, the incentive criteria continue to emphasise a group profit measure, absolute TSR targets and strategic growth objectives in new revenue streams.

2.1 Vesting outcomes for Atomos equity plans

2.1.1 Atomos's long-term incentive plan

Options granted in December 2018 at exercise price of \$0.41, vesting date 30th June 2021

The Non-Executive Directors and the executive officers were granted options under this plan. The vesting condition for directors was achievement of 25% share price growth by 30th June 2021, which was met. The vesting condition for executive officers was achievement of minimum EPS of 3.4 cents over a 3-year period which was not met. Accordingly, the options for Non-Executive Directors, aggregating to 773,196, vested and the options for executive officers, aggregating to 2,690,722, were forfeited at the vesting date.

2.1.2 Performance based incentive scheme

STI for FY22 - No performance right granted to executive in FY22

2.2 Atomos's five-year financial performance

The following table sets out information about the Group's performance and movements in shareholder wealth, for the past five financial years up to and including the current financial year.

Item	2018	2019	2020	2021	2022
Revenue	35,648	53,716	44,740	78,611	73,282
EBITDA	(10,519)	1,780	(17,426)	8,175	(5,078)
Net profit/(loss) after tax	(14,758)	(1,132)	(22,340)	4,218	(10,363)
Item	2018	2019	2020	2021	2022
Share price on listing	na	0.41	0.41	0.41	0.41
Share price at the start of year	na	na	1.03	0.43	1.07
Share price at the end of year	na	1.03	0.43	1.07	0.19
Dividends (cents per share)	-	-	-	-	-
Basic earnings per share	(0.29)	(0.01)	(0.12)	0.02	(0.05)
Diluted earnings per share	(0.29)	(0.01)	(0.12)	0.02	(0.05)

There was no return of capital to its shareholders or cancellation of shares in the Company during the reporting period.

3 Executive remuneration framework, key terms and statutory remuneration

Atomos markets products on a global basis and has international operations in key strategic locations. Atomos is an innovative and growth-orientated company. Our success in a rapidly changing environment of user requirements and features derives from our flexibility and ability to attract, motivate and retain world-class talent and appropriately reward for behaviours and actions which result in long-term shareholder value creation.

The guiding principles of the Group's executive remuneration framework and supporting incentive programs are to:

- align rewards to business strategy and outcomes that deliver value to shareholders;
- drive a high-performance culture by setting challenging objectives and rewarding high performing individuals;
- ensure remuneration is relatively market competitive and flexible in the relevant employment marketplace to support the attraction, motivation and retention of executive talent; and
- ensure programs are simple, easy to understand and explain, measurable and make sense.

The Board's Remuneration and Nomination Committee, operating in accordance with its charter as approved by the Board, is responsible for determining and reviewing compensation arrangements for the directors and executives.

3.1 Executive Remuneration Framework:

Components

- Base salary & Superannuation;
- Performance based incentive scheme – short-term; and
- Performance based equity incentive scheme – long-term.

The Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to market and comparator group benchmarking with the objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

The award of incentive payments is reviewed by the Remuneration and Nomination Committee as part of the review of executive remuneration and recommendations are put to the Board for approval. All incentives are linked to pre-determined performance criteria.

3.2 Performance based incentive scheme – short-term (STI)

The FY22 short-term incentive scheme focused again on a single and simple profit measure achievement. The EBITDA metric was based around a percentage of profit post a gateway with a ceiling, accumulated into a pool where executives were allocated units. The scheme framework for the key executives involved any outcome payable in a mix of cash and share based performance rights, issued in value at the end of the financial year by reference to the 30-day VWAP (volume weighted average price) with a one-year at the end of the financial year "lock-up", i.e. a period during which the holder cannot sell their shares.

3.3 Performance based equity incentive scheme – long-term (LTI)

The performance-based equity incentive scheme for FY22 is a 3-year scheme to FY 2024 with the issue of equity options to executives. The vesting criteria are a combination of absolute TSR targets with the addition of a key strategic objective and achievement of ARR annual recurring revenue targets. These targets were determined by reference to business plans, benchmarked to market practices and analysts' forecasts.

The performance measures are set annually after consultation with the directors and executives, considering key strategy objectives, benchmarked to market practice. These are the measures the Board believes create a stronger and more resilient business.

3.4 Executive Contract Terms

Each executive's remuneration and other key employment terms are formalised in individual employee services agreements. Each agreement details a base salary and superannuation arrangement as well as participation in the Company's performance-based schemes, subject to plan rules. The executive contract terms at the date of this report are:

Name	Term of agreement	Notice period
Executive Officers		
Trevor Elbourne	No fixed term	Six (6) months employer/ Four (4) months employee
James Cody	No fixed term	Six (6) months employer/ Three (3) months employee
Stephan Kexel	No fixed term	Six (6) months employer/ Six (6) months employee

3.5 Executive statutory remuneration for FY22 and FY21

Name	Year	Salary & fees ^(a)	Annual leave	Cash bonus	Superannuation	Long service leave	Performance rights	Options	Total
Key management personnel									
Trevor Elbourne ^(b)	2022	3,114,332	29,389	-	23,568	6,710	-	66,279	4,15,378
Interim Chief Executive Officer	2021	28,62,550	7,175	68,381	24,581	6,159	64,115	2,649	459,109
James Cody	2022	3,06,267	7,236	-	28,733	10,653	-	66,279	397,168
Chief Financial Officer	2021	28,62,550	8,370	68,381	24,581	4,301	64,115	2,649	458,647
Stephan Kexel ^(c)	2022	2,29,604	19,685	-	17,173	-	-	66,279	310,741
Chief Sales Officer	2021	-	-	-	-	-	-	-	-
Mark Harland ^(d)	2022	3,08,429	12,233	-	23,567	1,070	-	(39,986)	3,05,313
Chief Operating Officer	2021	19,97,300	17,002	41,028	16,090	193	51,941	39,986	365,969
Estelle McGhie ^(e)	2022	4,38,618	-	-	24,661	-	-	-	4,63,279
Chief Executive Officer	2021	20,879	-	35,202	-	-	-	-	56,081
Executive director									
Jeremy Young, Director	2022	3,47,400	30,503	-	21,076	6,567	-	(280,236)	1,25,308
Founder ^(f)	2021	38,68,75	(37,161)	109,409	34,141	(52,131)	2,10,196	280,236	9,31,525
2022 Total		1,941,751	99,045	-	138,776	25,000	-	(1,87,385)	2,017,187
2021 Total		1,179,994	(4,614)	322,401	99,393	(41,478)	390,366	325,120	2,271,171

(b) Trevor Elbourne was Chief Technical Officer. Appointed as Interim Chief Executive Officer effective 14 April 2022, no change in annual salary. Appointed as Chief Executive Officer effective 22 September 2022.

(c) Stephan Kexel is added as KMP from 1 October 2022, reporting line changed from Mark Harland to Estelle McGhie. Salary, bonus and superannuation for period October 2021 to June 2022.

(d) Termination on 26 August 2022, with 3 months notice period.

(e) Estelle McGhie was Chief Product Officer from 14 June 2021 based in the USA. Appointed as Chief Executive Officer 22 September 2021 to be based in Melbourne, terminated on 14 April 2022, with 6 months notice.

(f) Retired from Founder and Director role on 23 November 2021, with 6 months notice period served. Annual leave and long service leave accrued in prior period have been paid out in the final pay in May 2022.

(g) Salary and fees include allowances.

	2022	2022	2021	2021
	Grant Date Value	Agreed Remuneration (\$) - Performance Rights	Grant Date Value	Agreed Remuneration (\$) - Performance Rights
Trevor Elbourne	-	-	0.89	68,381
James Cody	-	-	0.89	68,381
Stephan Kexel	-	-	0.89	68,381
Mark Harland	-	-	0.89	41,028
Jeremy Young	-	-	1.01	1,09,409
Total	-	-	-	355,580

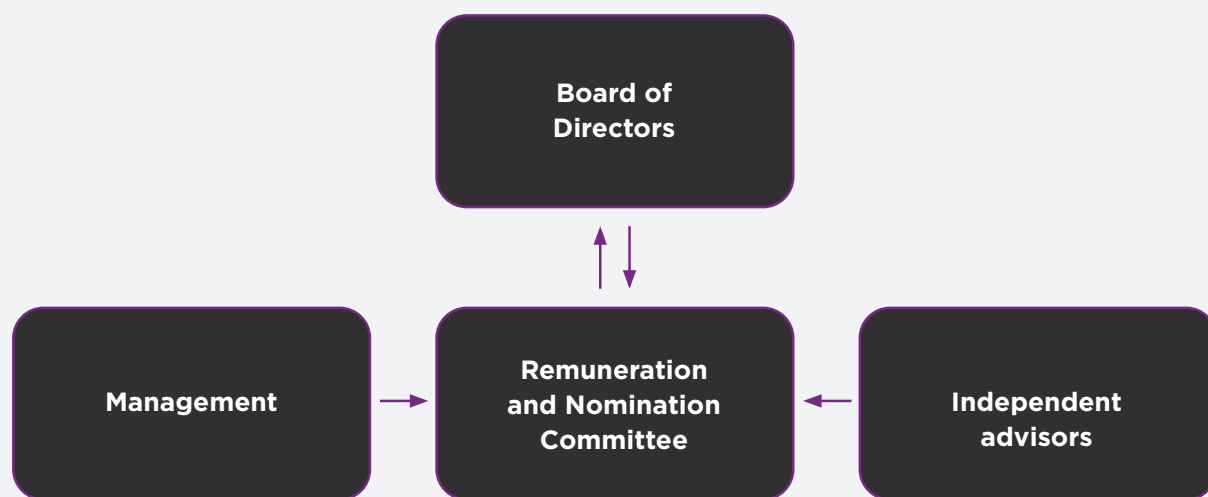
The relative proportions of those elements of remuneration of Key Management Personnel that are linked to performance:

	Fixed remuneration		Remuneration linked to performance	
	2022	2021	2022	2021
Executive Officers				
Trevor Elbourne	82%	69%	18%	31%
James Cody	87%	69%	13%	31%
Stephan Kexel	79%	-	21%	-
Mark Harland	100%	59%	-	41%
Estelle McGeachie	100%	100%	-	-
Jeromy Young	100%	40%	-	60%

No Key Management Personnel appointed during the period received a payment as part of his or her consideration for agreeing to take or hold the position.

4. Remuneration Governance.

Atomos's remuneration governance framework and related policies support the Company.



The Remuneration and Nomination Committee reviews and makes recommendations to the Board on remuneration quantum and structure for the KMP, Executive and Non-Executive Directors. The Remuneration and Nomination Committee consults and engages independent remuneration advisors on an as needs basis to provide advice, practical support and information regarding market movements, trends, human resource programs and regulatory developments. Together with best practice insights this provides the Remuneration and Nomination Committee and Board with the necessary information for consideration and decisions in relation to remuneration.

4.1 Executive performance evaluations

Executive performance sessions were conducted during the year providing valuable development and learning with the executive team.

In addition, a number of executive workshops were conducted during the year in relation to individuals' strengths and behavioural tendencies to assist with team-building and performance.

4.2 Employees Share Plan - ESP

The Company introduced a complying employee share plan ('ESP') in FY21 as part of a reward and retention strategy.

The scheme is for all employees, globally, attaching the same arrangements regardless of position or remuneration. The scheme provides for the employees to be able to acquire on market monthly equity to a maximum of A\$5,000 per annum where the Company will match the units acquired (one for one) provided the acquired shares are held for a minimum period of two years and employment is ongoing.

The plan has 30 participants, approximately 23% of all employees.

4.3 Minimum Shareholding Guidelines

Atomos introduced a minimum shareholding guideline that applies to Executive and Non-Executive Directors to promote the alignment of interests with those of shareholders. All directors as at 30 June 2022 were in compliance with the guideline.

Under this policy guideline, Non-Executive Directors are encouraged to acquire on market and hold a minimum of one year's fees, by value, in Atomos equity accumulated over the initial tenure period for the Non-Executive Director.

4.4 Share Trading Policy

Atomos has a Share Trading Policy, which aims to ensure that all employees understand their obligations in relation to insider trading and describes restriction periods and processes on buying and selling Atomos shares by directors, executives and other parties.

The Share Trading Policy can be found on the Governance page in the investor section of the Company's website at <http://atomos.com/corporate-governance>.

5. Non- Executive Director Fees

Atomos's Non-Executive Director fees aim to appropriately recognise the time and contribution and expertise of each director. The following sets out how the director fees are determined and details the fees paid in FY22.

5.1 Aggregate Non-Executive Director fee limits

The Constitution provides that the remuneration of directors (excluding salaries to executive directors) will not be more than the aggregated fixed sum determined by a general meeting or, until so determined, as resolved by directors. The current aggregate fee limit is \$1 million.

Any increase to the aggregate amount needs to be approved by shareholders. Directors will seek approval of the shareholders from time to time, as appropriate.

5.2 Non-Executive Director Fees:

Current fees agreed are:

	\$ per annum
Chairman of the Board	165,000
Non-Executive Directors	100,000
<i>Additional Items are paid for:</i>	
Chair of a Committee	12,500
Director Exertion	\$2,500 - \$3,000 per day

5.3 Non-Executive Director shareholding requirement

Refer paragraph 4.3.

5.4 Fee payment structure

The Non-Executive Director fees are currently paid in an equal split of cash and performance rights. The performance rights are issued at the 30-day VWAP as at 1 July of each year and subject to the criteria of tenure as at the end of the financial year. This structure is discussed by the Board and agreed upon every year. For FY23 onwards the split of cash and performance rights will be adjusted to 75% cash: 25% performance rights. The Board believes at this time this structure aligns directors' interests to those of shareholders.

5.5 Other fees

The Executive Chairman's fee arrangements were negotiated at arm's length in line with the position and role performed as an executive. The Executive Chair performed the role of CEO for part of FY22. These fees are not included in director's fees in the table in paragraph 5.6 of this remuneration report. In addition, the Deputy Chair has performed projects in assisting the business and was compensated for that time and effort in the FY212 year.

5.6 Non-Executive Director fees

Short-term employee benefits				Post-employment benefits	Long-term benefits	Share-based payments			
Name	Year	Salary & fees ⁽ⁱ⁾	Annual leave	Cash bonus ⁽ⁱⁱ⁾	Superannuation	Long service leave	Performance rights ⁽ⁱⁱⁱ⁾	Options	Total
Non-executive directors (independent)									
Chris Tait ⁽ⁱ⁾	2022	213,750	-	-	-	-	231,830	-	445,580
	2021	445,000	-	-	-	-	506,825	24,841	976,666
Sir Hossein Yassaie ⁽ⁱⁱ⁾	2022	62,481	-	-	6,750	-	57,213	-	126,441
	2021	58,523	-	-	5,451	-	96,063	24,841	184,878
Stephen Stanley	2022	69,318	-	194,676	11,006	-	71,517	-	346,517
	2021	62,508	-	-	5,938	-	209,826	24,841	303,113
Megan Brownlow ⁽ⁱⁱⁱ⁾	2022	50,168	-	-	5,040	-	57,213	-	112,421
	2021	-	-	-	-	-	-	-	-
Lauren Williams ^(iv)	2022	50,000	-	-	-	-	57,213	-	107,213
	2021	-	-	-	-	-	-	-	-
2022 Total		445,717	-	194,676	22,796	-	474,987	-	1,138,176
2021 Total		566,031	-	-	11,389	-	813,713	74,523	1,464,656

(i) Stepped down from Executive Director effective 22 September 2022. The fees reduced to \$7,500 per month effective 1 January 2022. The salary and fees are paid to Henslow Pty Ltd, a company in which Chris Tait is a director and shareholder. The share-based payments expense disclosed above includes expense for options and performance rights issued to other shareholders of Henslow in relation to services rendered by Chris Tait.

(ii) Stepped down from the Audit and Risk Committee chair effective 1 February 2022. Took over as Product and Technology Committee chair from 1 February 2022. Annual Fee for Product and Technology Committee chair is the same as the Audit and Risk Committee committee chair at \$12,500.

(iii) Appointed as Non-Executive Director 1 July 2021 (Annual fee of \$50,000). Took over as chair of the Audit and Risk Committee from 1 February 2022 (Annual Fee of \$12,500).

(iv) Appointed as Non-Executive Director 1 July 2021 (Annual fee of \$50,000).

(v) Salary and fees include allowances.

(vi) Excess bonus for Stephen Stanley (\$200,000 inclusive of super).

(vii) The number of performance rights granted during the year were calculated using the agreed remuneration divided by the VWAP at 1 July 2021, \$1.01 per share (2020: \$0.53 per share). However, the valuation (for accounting purposes) on grant dates resulted in different values. Consequently, the aggregate share-based payments expense for the year disclosed above is higher than the agreed remuneration.

	2022		2022		2021	
	Grant Date Value	Agreed Remuneration (\$) - Performance Rights	Grant Date Value	Agreed Remuneration (\$) - Performance Rights	Grant Date Value	Agreed Remuneration (\$) - Performance Rights
Chris Tait	1.16	202,552	1.01	203,808	1.16	203,808
Sir Hossein Yassaie	1.16	49,988	1.01	50,002	1.16	50,002
Stephen Stanley	1.16	62,485	1.01	109,217	1.16	109,217
Megan Brownlow	1.16	49,988	-	-	1.16	-
Lauren Williams	1.16	49,988	-	-	1.16	-
Total		415,001		423,027		423,027

The relative proportions of those elements of remuneration of Key Management Personnel that are linked to performance:

	Fixed remuneration		Remuneration linked to performance	
	2022	2021	2022	2021
Non-executive Directors				
Chris Tait	48%	46%	52%	54%
Sir Hossein Yassaie	55%	35%	45%	65%
Stephen Stanley	23%	23%	77%	77%
Megan Brownlow	49%	-	51%	-
Lauren Williams	47%	-	53%	-

6. Other KMP disclosures

6.1 Fully Paid Ordinary Shares – Atomos Limited

The number of ordinary shares in the Company held during the FY22 reporting period by each of the Group's Key Management Personnel, including their related parties, is set out below:

Chair and Non-Executive Directors:

Name	Balance at start of year	Granted as remuneration	Received on exercise of options / settlement of performance rights	Other changes	Held at the end of reporting period
Chris Tait	1,601,734	-	342,679	(241,785)	1,702,628
Stephen Stanley	401,322	-	464,732	883,946	1,750,000
Sir Hossein Yassaie	1,739,088	-	965,491	(415,000)	2,289,579
Lauren Williams	-	-	-	149,653	149,653
Megan Brownlow	-	-	-	167,851	167,851
	3,742,144	-	1,772,902	544,665	6,059,711

Executive KMP:

Name	Balance at start of year	Granted as remuneration	Received on settlement of performance rights	Other changes	Held at the end of reporting period
Trevor Elbourne	481,852	-	129,603	356,964	968,419
James Cody	409,536	-	129,603	306,465	845,604
Stephan Kexel	59,111	-	129,603	78,453	267,167
Mark Harland	-	-	75,419	75,841	151,260
Jeromy Young	7,827,370	-	207,365	(6,488,698)	1,546,037
	8,777,869	-	671,593	(5,670,975)	3,778,487

None of the shares included in the tables above are held nominally by Key Management Personnel.

6.2 Other Equity holdings

Share options

The number of options to acquire ordinary shares in the Company held during the FY2022 reporting period by each of the Group's Key Management Personnel is set out below:

Chairman and Non-Executive Directors:

Name	Balance at start of year	Granted as remuneration	Forfeited	Converted to share	Held at the end of reporting period	Balance vested at the end of reporting period	Vested but not exercisable	Vested and exercisable during the year	Options vested during the year
Chris Tait [®]	870,722	-	-	870,722	-	-	-	-	-
Stephen Stanley	257,732	-	-	257,732	-	-	-	-	-
Sir Hossein Yassaie	870,722	-	-	870,722	-	-	-	-	-
	1,999,176	-	-	1,999,176	-	-	-	-	-

[®] Henslow Pty Ltd. (Henslow) is a company in which Chris Tait is a director and shareholder. The numbers disclosed include options held by other shareholders of Henslow in relation to services rendered by Chris Tait.

Executive KMP:

Name	Balance at start of year	Granted as remuneration	Forfeited	Converted to share	Held at the end of reporting period	Balance vested at the end of reporting period	Vested but not exercisable	Vested and exercisable during the year	Options vested during the year
Trevor Elbourne	518,971	-	-	-	518,971	93,971	-	93,971	-
James Cody	760,612	-	-	-	760,612	335,612	-	335,612	-
Stephan Kexel	480,023	-	-	-	480,023	55,023	-	55,023	-
Mark Harland	300,000	-	300,000	-	-	-	-	-	-
Jeromy Young	1,507,742	-	1,074,287	-	432,955	432,955	-	432,955	-
	3,567,348	-	1,374,287	-	2,192,581	917,561	-	917,561	-

All share options issued to Key Management Personnel were made in accordance with the provisions of the Employee Share and Option Plan (former plan) and the Atomos Equity Incentive Plan (new plan). There were no options exercised by Key Management Personnel during the financial year. Refer 3.3 for further criteria.

Performance rights

The number of performance rights held during the FY22 reporting period by each of the Group's Key Management Personnel, is set out below:

Chair and Non-Executive Directors:

Name	Balance at start of year	Granted as remuneration	Forfeited	Converted to shares	Held at the end of reporting period
Chris Tait ⁽¹⁾	500,000	200,000	-	500,000	200,000
Stephen Stanley	207,000	61,698	-	207,000	61,698
Sir Hossein Yassaie	94,769	49,358	-	94,769	49,358
Lauren Williams	-	49,358	-	-	49,358
Megan Brownlow	-	49,358	-	-	49,358
	801,769	409,772	-	801,769	409,772

Executive KMP:

Name	Balance at start of year	Granted as remuneration	Forfeited	Converted to shares	Held at the end of reporting period
Trevor Elbourne	-	3,341	-	-	3,341
James Cody	-	3,341	-	-	3,341
Stephan Kexel	-	3,453	-	-	3,453
Mark Harland	-	3,341	-	-	3,341
	-	13,476	-	-	13,476

All performance rights issued to Key Management Personnel were made in accordance with the provisions of the Atomos Employee Share Plan. Refer 4.2 for criteria.

Executive KMP:

Name	Balance at start of year	Granted as remuneration	Forfeited	Converted to shares	Held at the end of reporting period
Trevor Elbourne	129,603	-	-	129,603	-
James Cody	129,603	-	-	129,603	-
Stephan Kexel	129,603	-	-	129,603	-
Mark Harland	75,419	-	-	75,419	-
Jeromy Young	207,365	-	-	207,365	-
	671,593	-	-	671,593	-

All performance rights issued to Key Management Personnel were made in accordance with the provisions of the Atomos Equity Incentive Plan. Refer 2.2 and 5.4 for criteria.

Share rights

The number of share rights held during the FY22 reporting period by each of the Group's Key Management Personnel, is set out below:

Name	Balance at start of year	Granted as remuneration	Forfeited	Converted to shares	Held at the end of reporting period
Trevor Elbourne	-	3,341	-	-	3,341
James Cody	-	3,341	-	-	3,341
Stephan Kexel	-	3,453	-	-	3,453
Mark Harland	-	3,341	-	-	3,341
	-	13,476	-	-	13,476

All performance rights issued to Key Management Personnel were made in accordance with the provisions of the Atomos Employee Share Plan. Refer 4.2 for criteria.

6.3 Other transactions with Key Management Personnel

Chris Tait is a shareholder and director of Henslow and the Advisory Board Chair of Bluerock Group.

Henslow

During FY 2022 Henslow provided corporate broking services and charged \$90,000 (FY21: \$90,000). Out of pocket expenses reimbursed aggregated to \$12,814 (FY21: \$4,543). Henslow also provided services in relation to debt funding and charged \$120,000 (FY21: Nil). The amount payable at the end of year was \$145,790 (FY21: \$7,500).

Bluerock

Atomos Group utilise Bluerock for certain consulting services. Fees charged were \$19,800 for the year (FY21: \$19,750). The amount payable at the end of year was \$15,800 (FY21: \$1,600).

Loans to Key Management Personnel

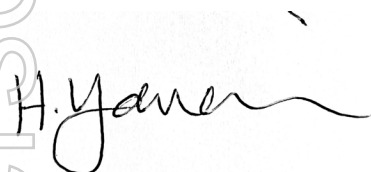
During the period a loan was advanced to Estelle McGeachie the key terms of which were as follows:

Advance Date	9 March, 2022
Principal Sum	\$365,000.00
Repayment Date	The date 6 months following the Advance Date
Interest Rate	1.75% per annum
Minimum Interest	\$3,193.75

The amount outstanding at the end of the reporting period was \$365,000.

End of audited Remuneration Report.

Signed in accordance with a resolution of the Directors, pursuant to section 298(2) of the Corporations Act 2001:



Chair, Remuneration and Nomination Committee
Melbourne, This 2nd day of October 2022

For personal use only



CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the overall corporate governance of Atomos including adopting appropriate policies and procedures designed to ensure that the Company is properly managed to protect and enhance security holder interests.

This Corporate Governance Statement (**Statement**) has been approved by the Board. This statement is to be read in conjunction with the full Corporate Governance Statement lodged pursuant to ASX listing Rule 4.10.3 which is available on the Company's website under Corporate Governance at <https://www.atomos.com/corporate-governance> and reports against the 4th edition (February 2019) of the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (**Governance Principles**) for the financial year ending on 30 June 2022 (Reporting Period)

Board of Directors

The Constitution of the Company provides that there will be a minimum of three and a maximum of ten directors on the Board. At the date of this Statement, the Board is comprised of the following Directors:

Director	Position and Independence	Appointed as director
Christopher Tait	Chair Appointed Executive Chair and acting CEO of the Company in March 2020. Reverted to Non-Executive Chair in September 2021. Mr Tait is not considered independent	September 2017
Hossein Yassaie	Independent Non-Executive Director	September 2016
Megan Brownlow	Independent Non-Executive Director	July 2021
Trevor Elbourne	Executive Director	September 2022

Role of Board

The Board is accountable to shareholders for the performance of the Company. The Board must at all times act honestly, conscientiously and fairly in all respects in accordance with the applicable law and must act in the best interests of the Company's shareholders and other stakeholders.

The Board meets regularly with the role of guiding the Company's strategic direction, driving its performance and overseeing the activities of management and the operation of the Company. It approves major development projects and expenditure, capital management and acquisitions. The Board also ensures the Group has in place appropriate internal controls, corporate reporting systems and risk management. The Board is responsible for the evaluation of the performance of the CEO, establishment and reviews of remuneration of KMP and ensuring that succession plans for key executive and the Board are in place.

The Board operates in accordance with the Atomos Board Charter (Charter) and the charters adopted by the Board for the committees established by the Board. Charters have been adopted on the basis that good corporate governance adds to the performance of the Company, creates shareholder value and engenders the confidence of the investment market.

The Board in accordance with its Charter has established standards and policies encouraging responsible and ethical behaviour for all Atomos employees and directors including the Code of Conduct, the Whistleblower Policy and the Anti-Bribery and Corruption Policy.

Chair

The Chair of the Board, Christopher Tait, is not considered to be an independent director due to his relationship with Henslow, which is a corporate adviser to the Company. Christopher Tait was appointed as the Executive Chair and acting Chief Executive Officer of the Company in March 2020 and returned to the Non-Executive Chair role in September 2021. While Christopher Tait was undertaking the Executive Chair role, the Board adopted the process of the Deputy Chair, Stephen Stanley, chairing the Board meetings in respect of all executive matters for discussion and decision.

Company Secretary

The Company Secretary is Maria Clemente who is accountable directly to the Board, through the Chair, on all matters to do with corporate governance and the proper functioning of the Board. Each director has access to advice and support of the Company Secretary.

Board committees

The Board has established two standing committees which provide effective mechanisms to focus on key areas of Board responsibility. The Board has also established ad-hoc committees to provide specific support and oversight of matters where specific Board skills, experience and expertise is required, for example: investor relations and technology advice.

Committee composition as at the date of this report are:

Committee	Membership	Key roles and responsibilities
Audit, Finance & Risk Committee (ARC)	<p>Megan Brownlow (appointed July 2021, Chair from February 2022)</p> <p>Stephen Stanley (Chair Feb 2019 – September 2020), resigned September 2022</p> <p>Christopher Tait</p>	<p>The ARC committee supports the Board by:</p> <ul style="list-style-type: none"> • reviewing and recommending the statutory financial reports; • making recommendations in relation to the Group's accounting and financial controls; • recommending appointment of the external auditor and reviewing non-audit services and external audit independence; • reviewing and recommending the risk management framework and monitoring the Group's risk management against the risk management framework and overseeing the Group's insurance programme; • reviewing the Group's key risks and controls and mitigation measures; • reviewing internal controls on key significant risks and processes; and • receiving periodic reports from management on the operation of the Whistleblower Policy and Anti-Bribery and Corruption Policy
Remuneration and Nomination Committee (RNC)	<p>Sir Hossein Yassaie (Chair)</p> <p>Christopher Tait</p> <p>Lauren Williams (appointed July 2021), resigned September 2022</p>	<p>The RNC supports the Board by reviewing and recommending:</p> <p>Atomos's remuneration strategy, framework and design;</p> <ul style="list-style-type: none"> • remuneration structure, outcomes and termination arrangements for the CEO and KMP; • succession framework and outcomes for KMP; • allocation of the pool of Non-Executive Director fees; • the design and assessment of equity based incentive plans; • Atomos's Diversity Policy, diversity objectives and progress towards the objectives; • the size and composition of the Board and its Committees; • director succession and the processes of skills matrix and gaps for guiding in selection and appointment of new directors and retirement and re-election; • and implementing processes for evaluating Board, Chair of the Board, Committee and individual director performance; • and implementing director induction and professional development for the Board.

The Charters for the ARC and RNC are available on the Company's website.

Committee composition requires:

- A minimum of three members
- A majority of members to be independent
- It is chaired by an independent director. The ARC Chair may not be the Chair of the Board

The number of times each Committee met during the Reporting Period and the individual attendance of the members at those meetings is set out on page 15 of the Annual Report.

Board composition

During the reporting period the Board comprised five Non-Executive Directors. Four of the Non-Executive Directors are independent. Christopher Tait is the Chair and was the Executive Chair from March 2020 until September 2021 and, is not considered independent.

The Remuneration and Nomination Committee (RNC) performs Board succession planning. As opportunities arise, the RNC identifies suitable candidates to bring specific identified skills, experience and attributes to complement the Board. Where appropriate external search consultants are engaged. Candidates are assessed against a range of criteria including experience, qualifications, personal qualities and cultural fit with the Board and the Company. Detailed checks are initiated prior to the Board resolving to appoint a director. New directors stand for election at the annual general meeting ("AGM") following appointment.

Under the Constitution directors cannot hold office for more than three years without re-election, or past the third AGM after that appointment, whichever is longer.



Board skills matrix

The Board aims to have members of the Board with an appropriate range of skills, knowledge, experience, independence and diversity, and an understanding of, and competence to deal with, current and emerging issues relevant to the business of the Company and to ensure that the Company can carry out its obligations in accordance with its Constitution and the requirements of good governance.

A board skills matrix was developed to determine if the skills, attributes, experience and diversity of the Board members reflect the range of skills the Board requires.

The Board believes the directors possess the mix of skills, experience and attributes appropriate to ensure that the Board can carry out its obligations in accordance with its Charter and the requirements of good governance.

Skills, experience and attributes:



Board diversity

The Company has a Diversity Policy (available on the Company's website), stating that diversity not only refers to gender but extends to age, ethnicity, religious or cultural background, language, marital or family status and disability.

The Board reflects gender balance, a broad tenure and age range and diverse educational and geographical backgrounds.

The Company defines "senior executive" as a person who has responsibility for one or more business functions. The Company is committed to an inclusive workplace that embraces and promotes diversity of all types as part of its corporate culture.

The Board recognises that greater proactivity is required to meet the Company's gender diversity targets. While the current proportion of 29% is not unusual for an engineering and technology-led business, the Company has committed to initiate programs to improve its gender diversity and will seek external advice on how to design and implement such programs to maximise the likelihood of success.

During the reporting period, the proportion of women and men across the levels of Board, senior management and total employees were as follows:

- The proportion of female directors: 33%
- The proportion of female employees who are senior managers / executives: 23%
- The proportion of female employees in the whole organisation: 29%

Board performance evaluation

The Board reviews its performance including assessing the operation of the Board, Board Committees and individual directors as well as Board reporting and processes. The aim is to ensure that individual directors and the Board as a whole work effectively in meeting the responsibilities described in the Board Charter.

The Board did not conduct Board and Committee performance evaluations in the Reporting Period and agreed with the RNC's recommendation to defer and conduct Board and Committee reviews before the end of the calendar year 2022.

Risk management and assurance

The Board views effective risk management as essential to achieving its operational and strategic objectives.

The Board is responsible for Atomos's risk management and has established the Risk Management Framework which it reviews periodically. Atomos monitors on a regular basis its exposure to all risks to the business including operational, financial and non-financial risks. The ARC monitors Atomos's risk management against the framework.

The ARC reviews internal controls, related policies and procedures on a regular basis.

Shareholder and stakeholder engagement

Atomos is committed to transparency and openness in its communication with its shareholders. The Company works to keep shareholders fully informed regarding development and important information affecting the Company.

The channel for shareholders to access information about Atomos is through the Atomos web site on the Investor page <https://www.atomos.com/investor-centre>

ATOMOS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Revenue	5	73,282	78,611
Cost of sales		(44,502)	(41,173)
Gross profit		28,780	37,438
Other income	5	72	1,400
Net foreign exchange loss		(480)	(487)
Employee benefits expense	7	(12,088)	(12,867)
Research and development expense		(4,624)	(4,973)
Advertising and marketing expense		(5,449)	(2,530)
Finance costs	7	(527)	(237)
Administration and other expense		(2,749)	(2,098)
Distribution expense		(4,155)	(2,860)
Warranty and royalty expense		(1,586)	(2,965)
Occupancy expense		(293)	(161)
Legal and professional services		(2,365)	(1,722)
Transaction costs		(141)	-
Depreciation and amortisation	7	(3,874)	(3,174)
(Loss)/Profit before income tax		(9,479)	4,764
Income tax expense	8	(884)	(546)
(Loss)/Profit for the period		(10,363)	4,218
Other comprehensive income, net of income tax		-	-
Items that will not be reclassified subsequently to profit or loss:		-	-
Items that may be reclassified subsequently to profit or loss:		-	-
- Exchange differences on translating foreign operations		(346)	(155)
Other comprehensive loss for the period		(346)	(155)
Total comprehensive (loss)/profit for the period		(10,709)	4,063
Earnings per share			
Basic (loss)/profit per share	10	(0.05)	0.02
Diluted (loss)/profit per share	10	(0.05)	0.02

Note: This statement should be read in conjunction with the notes to the financial statements.

ATOMOS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	11	5,001	25,984
Trade and other receivables	12	29,343	12,757
Inventories	13	28,831	16,654
Other current assets	14	8,710	5,233
Total current assets		71,885	60,628
Non-current assets			
Property, plant and equipment	15	1,725	2,421
Right-of-use assets	16	6,177	2,998
Intangible assets	17	28,939	25,152
Investment		28	-
Total non-current assets		36,869	30,571
Total assets		108,754	91,199
Liabilities			
Current liabilities			
Trade and other payables	18	23,227	20,751
Borrowings	19	11,772	-
Provisions	20	1,878	1,423
Lease liabilities	21	1,014	579
Deferred revenue	5	8,689	-
Total current liabilities		46,580	22,753
Non-current Liabilities			
Trade and other payables	18	1,475	1,142
Provisions	20	135	106
Lease liabilities	21	5,561	2,614
Deferred tax liability	22	761	870
Non-current Liabilities		7,932	4,732
Total liabilities		54,512	27,485
Net assets		54,242	63,714
Equity			
Issued capital	23	102,492	101,749
Foreign currency translation reserve		(451)	(105)
Share based payments reserve		3,447	3,217
Options reserve		264	-
Accumulated losses		(51,510)	(41,147)
Total equity		54,242	63,714

Note: This statement should be read in conjunction with the notes to the financial statements.

ATOMOS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Issued capital (Ordinary shares)	Accumulated losses	Foreign currency translation reserve	Share based payments reserve	Options reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	101,538	(45,365)	50	944	-	57,167
Transactions with owners						
Share-based payments	-	-	-	2,273	-	2,273
Issue of new share capital	221	-	-	-	-	221
Transaction costs relating to issue of share capital	(10)	-	-	-	-	(10)
Total transactions with owners	211	-	-	2,273	-	2,484
Comprehensive income						
Profit for the period	-	4,218	-	-	-	4,218
Other comprehensive loss	-	-	(155)	-	-	(155)
Total comprehensive income	-	4,218	(155)	-	-	4,063
Balance at 30 June 2021	101,749	(41,147)	(105)	3,217	-	63,714
Balance at 1 July 2021	101,749	(41,147)	(105)	3,217	-	63,714
Transactions with owners						
Share-based payments	-	-	-	230	-	230
Issue of options	-	-	-	-	264	264
Issue of new share capital	758	-	-	-	-	758
Transaction costs relating to issue of share capital	(15)	-	-	-	-	(15)
Total transactions with owners	743	-	-	230	264	1,237
Comprehensive income						
Loss for the period	-	(10,363)	-	-	-	(10,363)
Other comprehensive loss	-	-	(346)	-	-	(346)
Total comprehensive loss	-	(10,363)	(346)	-	-	(10,709)
Balance at 30 June 2022	102,492	(51,510)	(451)	3,447	264	54,242

Note: This statement should be read in conjunction with the notes to the financial statements.

ATOMOS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 \$'000	2021 \$'000
Operating activities			
Receipts from customers		67,638	73,333
Payments to suppliers and employees		(93,848)	(63,391)
Interest received		1	35
Income taxes paid		(245)	(161)
Net cash (used in) / generated by operating activities	24	(26,454)	9,816
Investing activities			
Payments for property, plant and equipment		(909)	(845)
Payments for right-of-use assets		-	(33)
Payments for intangible assets		(5,016)	(1,085)
Payments for investments		(28)	-
Net cash used in investing activities		(5,953)	(1,963)
Financing activities			
Proceeds from issue of equity instruments in the company	23	758	221
Payment for equity raise costs		(15)	(10)
Interest paid on borrowings and lease liabilities		(484)	(237)
Repayment of lease liabilities		(837)	(762)
Net proceeds from borrowings		11,993	-
Net cash generated by / (used in) financing activities		11,415	(788)
Net change in cash and cash equivalents		(20,992)	7,065
Cash and cash equivalents, beginning of period		25,984	18,768
Exchange differences on cash and cash equivalents		9	151
Cash and cash equivalents, end of period	11	5,001	25,984

Note: This statement should be read in conjunction with the notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Atomos Limited and its controlled entities ("Atomos", the "Group" or the "Company") is a public company limited by shares, incorporated and domiciled in Australia. Atomos is the Group's ultimate holding Company.

The principal activities of the Group were the manufacture and sale of video equipment. There have been no significant changes in the nature of these activities during the year. The address of its registered office and principal place of business is 700 Swanston Street, Carlton, Victoria 3053.

These financial statements are presented in Australian Dollars unless otherwise noted.

The Consolidated Financial Statements for the year ended 30 June 2022 were approved and authorised for issue by the board of Directors on Sunday 2nd of October 2022.

2. Adoption of new and revised Australian Accounting Standards

2.1 Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2021. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2
- AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021

2.2 New and revised Australian Accounting Standards and interpretations on issue but not yet effective

At the date of authorisation of the financial statements, the Group has not applied the following relevant new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective.

Standard/amendment

- AASB 2020-1 – Classification of Liabilities as Current or Non-current
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments
- AASB 2021-2 – Disclosure of Accounting Policies and Definition of Accounting Estimates
- AASB 2021-5 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The issued but not yet effective standards above are not expected to have a material impact on the entity in future reporting periods and on foreseeable future transactions. The Group anticipates applying these new standards in the year they become effective.

3. Significant accounting policies

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

3.2 Basis of preparation

The Consolidated Financial Statements have been prepared on the historical cost basis, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 'Share-based payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 'Inventories' or value in use in AASB 136 'Impairment of Assets'. All amounts are presented in Australian dollars, unless otherwise noted. The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Where the Company has less than a majority of the voting rights of an investee, it considers that it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in on consolidation.

3.4 Revenue

The Group recognises revenue predominantly from the sale of goods to the wholesale market and software upgrades. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product to a customer.

Sale of goods

Sale of goods (video monitor recorder products, broadcast equipment and accessories) is recognised at a point in time when the performance obligation of the sale have been fulfilled and control of the goods has transferred to the customers as determined by the shipping terms. In recognising revenue from the sale of goods, the Group considers its historical experience with sales returns to determine if it is highly probable that a significant reversal of revenue will arise in the future.

Sale of Software upgrades

Sale of software upgrades are recognised at a point in time – being that of purchase, which is when the Group has fulfilled its performance obligation.

3. Significant accounting policies (continued)

3.5 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate determined for the Group ranges from 0.1% - 3.1% depending on country and specific risk premium.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

3. Significant accounting policies (continued)

3.5 Leases(continued)

- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not have any lease modifications during the period presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

3. Significant accounting policies (continued)

3.5 Leases(continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

3.6 Foreign currencies

Foreign currency transactions and balances

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary terms. For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

3. Significant accounting policies (continued)

3.7 Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages, salaries and annual and long service leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3.8 Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 25.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

3.9 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible on other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Significant accounting policies (continued)

3.9 Taxation (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. Significant accounting policies (continued)

3.10 Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets to their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The following depreciation rates are applied:

- Plant & equipment: 10 – 33%
- Motor vehicles: 25%
- Leasehold improvements: 10%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.11 Intangible assets

Intangible assets - development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets generated internally comprise product development costs and are recognised when all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. When no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. Significant accounting policies (continued)

3.11 Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Patents and Product IP, Trademarks and Brand Name and Customer Relationships

These assets are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Patents and product IP are amortised over 16 years, Trademarks and Brand Name and Customer Relationships are amortised over 3 years.

Capitalised product development costs – useful life of amortisation

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. The finite intangible assets recognised at year end have been deemed to have a useful life of 3-5 years.

3.12 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

3. Significant accounting policies (continued)

3.12 Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3.13 Goodwill

Goodwill is initially recognised and measured as set out above. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.14 Impairment of plant and equipment and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its plant and equipment and intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

3. Significant accounting policies (continued)

3.14 Impairment of plant and equipment and intangible assets other than goodwill (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. For the purposes of assessing impairment, one CGU, has been identified.

3.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs incurred in marketing, selling and distribution.

3.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, as the directors' best estimate of the expenditure required to settle the Group's obligation.

3. Significant accounting policies (continued)

3.16 Provisions (continued)

Employee Benefits

The provision for employee benefits relates to the Group's liability for accumulated long service and annual leave entitlements.

Make good

The Group's best estimate of the future outflow required when the leased office premises are vacated.

3.17 Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets held that relate solely to payments of principal and interest and where the business model is to collect contractual cash flows, are measured at amortised cost.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables) are measured at amortised cost using the effective interest method (except for any short-term receivables where the effect of discounts is immaterial), less any impairment.

3. Significant accounting policies (continued)

3.17 Financial Instruments (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade and other receivables that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The entity makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the entity uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3. Significant accounting policies (continued)

3.17 Financial Instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised as the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities' and 'compound financial instruments'. All financial liabilities are measured subsequently at amortised cost using the effective interest method

Other financial liabilities

Other financial liabilities representing trade and other payables and borrowings are subsequently measured at amortised cost using the effective interest method.

Compound instruments

The component parts of borrowings issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is subsequently recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognised in equity will be transferred to issued capital. Where the conversion option remains unexercised at the maturity date of the option, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option. Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

3. Significant accounting policies (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group entered into an, option with regards to borrowings in the current period. This contained an embedded derivative and disclosed below. Derivatives are recognised initially at fair value at the date a derivative contract is entered into. Derivatives designated as equity are measured at fair value on initial recognition and are not subsequently remeasured.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate. Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. The option entered into within the current period, contained an embedded option derivative which was designated as equity. On inception the fair value of the debt is deducted from the proceeds and the resultant difference represented the fair value of the embedded derivative. The host contract (debt) is then subsequently measured at amortised cost and the embedded option derivative is not subsequently remeasured given its equity designation. An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

3.18 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

3.19 Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current period.

3. Significant accounting policies (continued)

3.20 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense; or
- (ii) for receivables and payables in the statement of financial position which are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

3.21 Rounding of amounts

The Group has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191 and accordingly, amounts in the financial statements and Directors' report have been rounded off to the nearest \$1,000, or in certain cases, the nearest dollar.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The preparation of the financial statements requires the directors to evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information.

The following are the critical judgements or estimates in which the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment testing

The Group assesses goodwill and available for use intangible assets by assessing the recoverable amount derived from a value-in-use calculation. Following the assessment of the recoverable amount of goodwill and intangible assets allocated to the Atomos CGU, the directors consider the recoverable amount to be most sensitive to changes in free cash flow and discount rate applied. The forecast that underpins the recoverable amount comprises forecasts of revenue, margin, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Board. Revenue of the CGU is most sensitive to changes in demand for core products. The sensitivity analysis in respect of the recoverable amount of goodwill and other intangible assets is presented in note 17.

The following table outlines the maximum increase in the discount rate, before an impairment charge would be triggered:

	Discount rate at 30 June 2022	Maximum before impairment
Changes to the discount rate (post-tax)	12.75%	15.99%

Further to the above, free cash flows would have to decline by 27% before an impairment charge would be triggered.

The Group assesses not-yet-available for use intangible assets, which represent capitalised development costs for projects not yet commercialised or in use, for impairment. Where the projects have ceased or stalled, or the likelihood of expected benefits to be derived exceed the carrying values, the Group books an impairment charge. Capitalised development costs recorded as at reporting date are deemed recoverable based on progression of the current strategy to commercialise and realise the asset. As such, no impairment was noted in respect of these during the year.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.1 Critical judgements in applying accounting policies (continued)

Amortisation of Intangible Assets

The Group applies judgement in determining the estimated useful lives of the capitalised product development costs.

The Group exercises judgement in relation to the estimated useful lives of the product range including considering the likelihood of changes in technology that could affect the useful lives related to capitalised costs. The Group considers the useful lives in the context of each category or project to which capitalised costs pertain and determine the useful life based on the expected sales life of products utilising or that will utilise that technology.

4.2 Key sources of estimation uncertainty

Trade receivables collectability

Management estimates the recoverable amount of any outstanding trade receivable balances at reporting date and recognises an allowance for impairment if required.

Inventory net realisable value

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Warranties

Management estimates the expected cost of warranty obligations under local sale of goods legislation from the date of sale of the relevant products. The estimate is based on historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

5. Revenue – recognised at a “point in time”

	2022 \$'000	2021 \$'000
Revenue		
Sale of goods	72,308	78,075
Sale of software upgrades	682	153
Other revenue	292	383
Total revenue	73,282	78,611
Other income		
Interest	1	35
Government subsidies	69	820
Gain on modification of lease	-	470
Other income	2	75
Total other income	72	1,400
Total revenue and other income	73,354	80,011

The Group recognises revenue predominantly from the sale of goods to the wholesale market and software upgrades. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product to a customer.

5. Revenue – recognised at a “point in time” (continued)

Sale of goods

Sale of goods (video monitor recorder products, broadcast equipment and accessories) is recognised at a point in time when the performance obligations of the sale have been fulfilled and control of the goods has transferred to the customers as determined by the shipping terms. The pre-agreed shipping terms can and do change depending on the circumstances. In recognising revenue from the sale of goods, the Group considers its historical experience with sales returns to determine if it is highly probable that a significant reversal of revenue will arise in the future.

As at the end of June, the Group deferred revenue from sale of goods for sales invoiced, not yet earned under accounting standards of \$8.7 million and associated costs of \$4.8 million.

Sale of Software upgrades

Sale of software upgrades are recognised at a point in time – being that of purchase, which is when the Group has fulfilled its performance obligation.

6. Segment reporting

The Group operates in one segment being the manufacture and sale of video equipment. No operating segments have been aggregated in arriving at the reportable segment of the Group.

The Company reports revenues from external customers attributable to the following geographic regions:

- North America
- Europe, the Middle East and Africa (EMEA)
- Asia Pacific (APAC)
- Other

7. Loss for the year

Loss for the year from operations has been arrived at after charging (crediting):

	2022 \$'000	2021 \$'000
<u>Depreciation and amortisation</u>		
Leasehold improvements	137	102
Plant and equipment	1,464	981
Motor vehicles	4	4
Capitalised product development costs	654	454
Patents and Product IP	302	302
Trademarks and Brand Name	233	233
Customer Relationships	40	40
Right of use assets	1,040	1,058
Total depreciation and amortisation	3,874	3,174
<u>Finance costs</u>		
Interest and costs associated with borrowing facilities	406	86
Interest on lease liabilities	121	151
Total interest expense for financial liabilities not at FVTPL	527	237
<u>Employee benefits expense</u>		
Post-employment benefits	1,028	841
Share-based payments	230	2,273
Other employee benefits	15,454	14,726
Total employee benefits expense	16,712	17,840
Less: amount included within Research and Development expense on the Statement of Profit or Loss	(4,624)	(4,973)
Employee benefits expense per Statement of Profit or Loss	12,088	12,867

8. Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Atomos at 30% (2021: 30%) and the reported tax expense in profit or loss are as follows:

	2022 \$'000	2021 \$'000
(Loss)/Profit before tax	(9,479)	4,764
Domestic tax rate for Atomos Ltd - 30%		
Expected tax benefit/(payable)	2,844	(1,429)
Adjustments:		
• Effect of income that is not assessable in determining taxable profit	(1,164)	(37)
• Effect of expenses that are not deductible in determining taxable profit	(72)	(692)
• Effect of Research and Development tax offset	403	333
• Effect of different tax rates of subsidiaries operating in other jurisdictions	305	(132)
• Other Adjustments	(94)	66
• Prior Years Unders/Overs	(14)	28
• Recognition/(de-recognition) of deferred tax balances	(3,092)	1,317
Actual tax (expense) / benefit	(884)	(546)
Tax expense comprises:		
• current tax (expense) / benefit	(993)	(719)
• deferred tax (expense) / benefit	109	173
Actual tax (expense) / benefit	(884)	(546)

Information on deferred tax assets and liabilities is provided in Note 22.

The current tax expense of \$884k for the year relates to non-Australian based fully owned subsidiaries where a taxable profit was reported. The deferred tax benefit is in relation to reversal of deferred tax liability on amortisation of intangible assets, except goodwill arising on acquisition of Timecode Systems Limited.

9. Dividends

There were no dividends paid or declared to equity holders during or since the year ended 30 June 2022. (2021: Nil).

10. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following:

	2022 \$'000	2021 \$'000
(Loss)/Profit attributable to the owners of the Company	(10,363)	4,218
	No.	No.
Weighted average number of shares used in calculating basic EPS	221,460,656	218,334,278
Weighted average of potential dilutive ordinary shares		
Options and Performance Rights	-	5,076,227
Weighted average number of shares used in calculating diluted EPS	221,460,656	223,410,505

In 2022, the potential ordinary shares are deemed anti-dilutive as the Company is in a loss position and therefore excluded from the weighted average number ordinary shares for the purposes of diluted earnings per share.

11. Cash and cash equivalents

	2022	2021
	\$'000	\$'000
Cash at bank and in hand	4,525	25,867
Cash at bank on deposit	476	117
Cash and cash equivalents	5,001	25,984

12. Trade and other receivables

	2022	2021
	\$'000	\$'000
Current		
Trade receivables, gross	28,723	12,814
Less: loss allowance	(132)	(134)
Trade receivables, net	28,591	12,680
Other receivables	752	77
Trade and other receivables	29,343	12,757

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has applied the simplified approach when assessing the expected credit losses.

	2022	2021
	\$'000	\$'000
Balance at beginning of year	134	119
Impairment loss recognised	(2)	15
Amounts written off	-	-
Balance 30 June	132	134

An analysis of trade receivables that are past due is outlined in note 30.3.

13. Inventories

	2022	2021
	\$'000	\$'000
Stock on hand – raw materials and components	13,752	8,833
Stock in transit - finished goods	4,809	-
Stock on hand - finished goods	10,270	7,821
Inventories	28,831	16,654

14. Other current assets

	2022	2021
	\$'000	\$'000
Prepayments	8,586	5,087
Security deposits	124	146
Other current assets	8,710	5,233

15. Property, plant and equipment

	2022 \$'000	2021 \$'000
Carrying amounts of:		
Leasehold improvements	418	464
Plant and equipment	1,301	1,948
Motor vehicles	6	9
Written down value	1,725	2,421

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold improvements \$'000	Plant & equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost				
Balance 1 July 2021	877	5,766	31	6,674
Additions	91	817	1	909
Disposals	-	-	-	-
Balance 30 June 2022	968	6,583	32	7,583
Accumulated depreciation & impairment				
Balance 1 July 2021	(413)	(3,818)	(22)	(4,253)
Depreciation	(137)	(1,464)	(4)	(1,605)
Disposals	-	-	-	-
Balance 30 June 2022	(550)	(5,282)	(26)	(5,858)
Carrying amount 30 June 2022	418	1,301	6	1,725
Cost				
Balance 1 July 2020	678	5,120	31	5,829
Additions	199	646	-	845
Disposals	-	-	-	-
Balance 30 June 2021	877	5,766	31	6,674
Accumulated depreciation & impairment				
Balance 1 July 2020	(311)	(2,837)	(18)	(3,166)
Depreciation	(102)	(981)	(4)	(1,087)
Disposals	-	-	-	-
Balance 30 June 2021	(413)	(3,818)	(22)	(4,253)
Carrying amount 30 June 2021	464	1,948	9	2,421

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets. There were no material contractual commitments to acquire property, plant and equipment at 30 June 2022 (2021: None).

16. Right of use assets

	Buildings \$'000	Vehicle \$'000	Total \$'000
Cost			
Balance 1 July 2021	4,324	68	4,392
Additions	4,219	-	4,219
Disposals/Modifications	-	-	-
Balance 30 June 2022	8,543	68	8,611

Accumulated depreciation			
Balance 1 July 2021	(1,366)	(28)	(1,394)
Depreciation	(1,026)	(14)	(1,040)
Disposals/Modifications	-	-	-
Balance 30 June 2022	(2,392)	(42)	(2,434)
Carrying amount 30 June 2022	6,151	26	6,177

Cost			
Balance 1 July 2020	10,195	26	10,221
Additions	894	42	936
Disposals/Modifications	(6,765)	-	(6,765)
Balance 30 June 2021	4,324	68	4,392

Accumulated depreciation			
Balance 1 July 2020	(1,244)	(14)	(1,258)
Depreciation	(1,044)	(14)	(1,058)
Disposals/Modifications	922	-	922
Balance 30 June 2021	(1,366)	(28)	(1,394)
Carrying amount 30 June 2021	2,958	40	2,998

The Group leases property and vehicle. The average lease term is five years. Two (2021: Three) leases were entered into during the current financial year. These new leases resulted in additions to right-of-use assets of \$4.2 million during the year (2021: \$0.9 million).

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

16. Right of use assets (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (as outlined in the financial report for the annual reporting period).

	2022 \$'000	2021 \$'000
Amounts recognised in profit or loss		
Depreciation on right-of-use assets	1,040	1,058
Interest expense on lease liabilities	121	151
Expense relating to short term or low value leases	28	55
	1,189	1,264

17. Intangible assets

	2022 \$'000	2021 \$'000
Carrying amounts of:		
Goodwill	15,068	15,068
Capitalised product development costs	9,701	5,339
Patents and Product IP	4,055	4,357
Trademarks and Brand Name	98	331
Customer Relationships	17	57
Written down value	28,939	25,152

17. Intangible assets (continued)

Movements in carrying amounts

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year:

	Goodwill	Capitalised product development costs	Patents and Product IP	Trademarks and Brand Name	Customer Relationships	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost						
Balance 1 July 2021	15,068	23,475	4,835	700	120	44,198
Additions	-	5,016	-	-	-	5,016
Disposals	-	-	-	-	-	-
Balance 30 June 2022	15,068	28,491	4,835	700	120	49,214
Accumulated amortisation & impairment						
Balance 1 July 2021	-	(18,136)	(478)	(369)	(63)	(19,046)
Amortisation	-	(654)	(302)	(233)	(40)	(1,229)
Disposals	-	-	-	-	-	-
Balance 30 June 2022	-	(18,790)	(780)	(602)	(103)	(20,275)
Carrying amount 30 June 2022	15,068	9,701	4,055	98	17	28,939
Cost						
Balance 1 July 2020	15,068	22,390	4,835	700	120	43,113
Additions	-	1,085	-	-	-	1,085
Disposals	-	-	-	-	-	-
Balance 30 June 2020	15,068	23,475	4,835	700	120	44,198
Accumulated amortisation & impairment						
Balance 1 July 2020	-	(17,682)	(176)	(136)	(23)	(18,017)
Amortisation	-	(454)	(302)	(233)	(40)	(1,029)
Disposals	-	-	-	-	-	-
Balance 30 June 2021	-	(18,136)	(478)	(369)	(63)	(19,046)
Carrying amount 30 June 2021	15,068	5,339	4,357	331	57	25,152

17. Intangible assets (continued)

Goodwill and intangibles available for use are allocated to the CGU(s) expected to benefit from the synergies of the business combination and at the level at which it is monitored. The carrying amount of Goodwill has been allocated to the Atomos CGU for impairment testing purposes as the synergies from the business combination are expected to be wholly realised in the Atomos CGU. The Group has identified one CGU.

The recoverable amount of the CGU has been determined based on a value in use calculation which use cash flow projections from financial budgets for the 2022 financial year as reviewed by the Board. The cash flows beyond the budget period have been extrapolated over a further 4 years using appropriate growth rates for the forecast period and 2% long term growth rate into perpetuity (2021: 2%) which is consistent with the expected long-term growth of the company.

The key assumptions used in the value in use calculations include sales growth, EBITDA growth, operating costs growth assumptions to sustain those levels of turnover. These assumptions are based on past experience and the Group's forecast operating and financial performance for the CGU considering current market and economic conditions, risks and uncertainties.

The key assumptions used in the value in use calculations include sales growth, EBITDA growth, operating costs growth assumptions to sustain those levels of turnover. These assumptions are based on past experience and the Group's forecast operating and financial performance for the CGU(s) considering current market and economic conditions, risks and uncertainties.

The key assumptions used in the determination of the value-in-use were:

- Long term growth rate of 2%, sensitivity applied showed sufficient headroom also at 1%.
- The post-tax discount rate used is 12.75% (2021: 13%). The discount rate is derived from the Groups average weighted cost of capital adjusted for varying risk profiles. Sensitivity analysis indicated that headroom continues to be present when varying this up to 15.99%
- Sensitivity analysis indicated that headroom continues to be present when varying the free cash flows downward of up to 27%.

Accordingly, the Group has concluded that no impairment is required based on the current conditions and expected future performance.

18. Trade and other payables

	2022 \$'000	2021 \$'000
<i>Current:</i>		
Trade payables	22,216	17,907
Short term incentives payable	-	2,145
Sundry payables and accrued expenses	1,011	699
	23,227	20,751
<i>Non-current:</i>		
Taxes payable	1,475	1,142
Total trade and other payables	24,702	21,893

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

19. Borrowings

	2022 \$'000	2021 \$'000
<i>Current (Secured):</i>		
Secured term bilateral facility	10,982	-
<i>Current (Unsecured):</i>		
Trade finance	790	-
Total current borrowings	11,772	-
<i>Non-current (Secured):</i>		
Secured term bilateral facility	-	-
Total borrowings	11,772	-

Financing arrangements

Unrestricted access was available at the reporting date to following lines of credit:

Total facilities

Financial institution – secured term bilateral facility	12,000	-
Financial institution – trade finance	790	-
Financial institution – export line of credit facility	-	5,054
Financial institution – credit card facility	500	65
	13,290	5,119

Used at reporting date

Financial institution – secured term bilateral facility	12,000	-
Financial institution – trade finance	790	-
Financial institution – export line of credit facility	-	-
Financial institution – credit card facility	249	42
	13,039	42

Unused at reporting date

Financial institution – secured term bilateral facility	-	-
Financial institution – trade finance	-	-
Financial institution – export line of credit facility	-	5,054
Financial institution – credit card facility	251	23
	251	5,077

19. Borrowings (continued)

The amount disclosed in borrowings is under the effective interest method and the amount disclosed under financing arrangements is amount drawn down.

In May 2022, the Company entered into a new long-term debt funding arrangement (secured term bilateral facility). The new \$12 million debt funding agreement replaced the \$5 million revolving export line of credit facility. The key terms of the facility are:

Facility Amount	\$12 million
Key covenants	Quarterly measurement for financial covenants typical for a facility of this nature including: <ul style="list-style-type: none">• Gross Leverage: <4.0x to 31 December 2022, and <3.0x thereafter;• Interest Cover: >2.5x; and• Current Ratio >1.1x
Maturity Date	31 December 2024
Capital Repayment	Starting September 2022 and quarterly thereafter at 5% of Facility Amount
Interest Rate, Payment and Calculation	<ul style="list-style-type: none">• Undrawn Rate: 2.50% p.a. on the committed, undrawn Facility Amount• Drawn Rate: 10.5% p.a. capitalising monthly in arrears
Exit Fee	None
Early Repayment Fee	None
Warrant	2.4 million options with an expiry date of 30 June 2024 and an exercise price of 30c

Security – Secured by fixed and floating charge on the assets held by Australian and German entities.

The loan was initially recognised at fair value of \$11.7m and is being carried in the balance sheet at amortised cost using effective interest rate method, net off transactions costs of \$0.8 million.

During the year, the Company replaced the existing revolving export line of credit facility of \$5 million which had the following features:

- The Company may drawdown up to 75% of the amount of purchase orders received from approved customers.
- Repayment of drawn amounts are due on the earlier of 5 days after payment of purchase orders drawn against or 90 days after funds are drawn.
- There is a fixed and floating charge over 'all other property' within the Group.

One of the impacts of the deferral of \$8.7m of revenue from June 2022 to July 2022 is that as at 30 June the Company was not in compliance with all requisite covenants. These breaches have been waived subsequent to year end by the financier. The key covenants are measured quarterly on a 12-month LTM basis. If a covenant is not met the facility provides the Company with the ability to remedy the breach with an equity contribution cure within 30 days of notification of the covenant compliance breach.

20. Provisions

	2022 \$'000	2021 \$'000
Current:		
Warranty (i)	972	712
Employee benefits (ii)	906	711
	1,878	1,423
Non-current:		
Employee benefits (ii)	45	41
Make good (iii)	90	65
	135	106

(i) Warranty claims

The provision for warranty claims represents the present value of the Directors' best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

(ii) Employee benefits

The provision for employee benefits relates to the Group's liability for accumulated long service and annual leave entitlements.

(iii) Make good

The Group's best estimate of the future outflow required when the leased office premises are vacated.

	Warranty provision \$'000	Make good provision \$'000
Movement in provisions		
At 1 July 2021	712	65
Additional provision during the period	810	55
Amounts used/written back in the period	(550)	(30)
Increase/decrease due to discounting from passage of time	-	-
Closing carrying value	972	90

21. Lease liabilities

	2022 \$'000	2021 \$'000
Lease liabilities		
Maturity analysis		
Year 1	1,014	579
Year 2	711	423
Year 3	738	306
Year 4	781	270
Year 5	755	279
Onwards	2,576	1,336
	6,575	3,193
Analysed as:		
Current	1,014	579
Non-current	5,561	2,614
Total	6,575	3,193

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

22. Deferred tax assets and liabilities

Net deferred tax assets relating to losses and timing differences continue to be de-recognised in the statement of financial position due to uncertainty as to the timing of their recoupment from sufficient future taxable income. During the year the Group reversed the deferred tax liability in relation to intangible assets arising on acquisition of \$0.1 million. Deferred taxes arising from temporary differences can be summarised as follows:

	01-July-2021	Recognised in other comprehensive income	Recognised in profit and loss	30-June-2022
	\$'000	\$'000	\$'000	\$'000
Unrealised FX (gains) losses	51	-	(3)	48
Doubtful debts	12	-	-	12
Inventories	200	-	(121)	79
Prepayments	(3)	-	4	1
Right-of-use assets	(630)	-	(1,079)	(1,709)
Intangible assets	(688)	-	(1,275)	(1,963)
Unused tax losses	10,571	-	4,741	15,312
Interest deductions	189	-	-	189
Equity raising costs	632	-	(1)	631
Operating Lease Liability	687	-	1,140	1,827
Provisions	19	-	246	265
Accrued expenses	471	-	(112)	359
Employee provisions	889	-	(557)	332
Net deferred taxes asset	12,400	-	2,983	15,383
Net deferred taxes derecognised	(11,530)	-	(3,092)	(14,622)
Net deferred taxes liability	870	-	(109)	761

	01-July-2020	Recognised in other comprehensive income	Recognised in profit and loss	30-June-2021
	\$'000	\$'000	\$'000	\$'000
Unrealised FX (gains) losses	(40)	-	91	51
Doubtful debts	23	-	(11)	12
Inventories	153	-	47	200
Prepayments	-	-	(3)	(3)
Right-of-use assets	(2,571)	-	1,941	(630)
Intangible assets	(369)	-	(319)	(688)
Unused tax losses	12,589	-	(2,018)	10,571
Interest deductions	189	-	-	189
Equity raising costs	906	-	(274)	632
Operating Lease Liability	2,699	-	(2,012)	687
Make Good Provision	33	-	(14)	19
Accrued expenses	117	-	354	471
Employee provisions	161	-	728	889
Net deferred taxes asset	13,890	-	(1,490)	12,400
Net Deferred taxes derecognised	(12,847)	-	1,317	(11,530)
Net deferred taxes liability	1,043	-	(173)	870

23. Issued capital

	2022 \$'000	2021 \$'000
Ordinary shares – fully paid	102,492	101,749

Ordinary shares

	2022		2021	
	Shares	\$'000	Shares	\$'000
Balance at beginning of year	218,482,912	101,749	217,665,489	101,538
Shares issued to employees, consultants, directors	-	-	204,433	-
Shares issued on vesting of performance rights	1,869,497	-	-	-
Shares issued on exercise of options	1,999,176	758	612,990	221
Equity, raising costs, net of income tax	-	(15)	-	(10)
Balance at end of year	222,351,585	102,492	218,482,912	101,749

All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at a shareholders' meeting of the Company.

Share options granted under the Company's employee share option plan

At 30 June 2022, Directors, executives and senior employees held options over 2,192,561 ordinary shares of the Company (2021: 5,086,501). Share options granted under the Company's employee option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are provided in Note 25.

24. Reconciliation of cash flows from operating activities

(a) Reconciliation of cash flows from operating activities

	2022 \$'000	2021 \$'000
Cash flows from operating activities		
(Loss)/Profit for the year	(10,363)	4,218
Adjustments for:		
• Depreciation and amortisation expense	3,874	3,174
• Doubtful debt expense	(2)	16
• Obsolete stock provision	(86)	182
• Waiver of paycheck protection loan	-	(139)
• Share-based payments expense	230	2,273
• Finance costs recognised in profit and loss	527	237
• Unrealised foreign currency expense	(355)	(306)
• Gain on modification of lease	-	(470)
• Reversal of deferred tax liability	(109)	(173)
	(6,284)	9,012
Movements in working capital:		
• Increase in inventories	(12,091)	(28)
• Increase in trade and other receivables	(16,584)	(8,105)
• Increase in deferred revenue	8,689	-
• Increase in other assets	(3,477)	(2,862)
• Increase in trade and other payables	2,809	11,185
• Increase in provisions	484	614
Net cash (used in)/generated by operating activities	(26,454)	9,816

24. Reconciliation of cash flows from operating activities (continued)

(b) Non- cash financing transactions

During the financial year, there were no non-cash financing activities (2021: \$Nil).

	2022 \$'000	
	Leases	Borrowings
Opening balance	3,193	-
Additions	4,219	17,770
Repayments	(958)	(5,323)
Interest	121	363
Transaction Costs	-	(817)
Fair Value Classification	-	(264)
Effective Interest Adjustment	-	43
Closing	6,575	11,772

25. Employee share-based payments

Details of the employee share option plan of the Company

The Company has a share option scheme for directors, executives and senior employees of the Company and its subsidiaries. As approved by shareholders and in accordance with the terms of the plan, directors, executives and senior employees may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with a performance-based criteria recommended by the remuneration committee and approved by the Company. The formula rewards executives and senior employees to the extent of the Group's achievement judged against both qualitative and quantitative criteria from the following measures:

- growth in total shareholder return
- key strategic objectives
- service to the Company

Employee share options issued

The following share-based payment arrangements were in existence during the current year.

Option series	Number	Grant date	Vesting date	Expiry date	Exercise price (\$)	Fair value at grant date (\$)
Granted: 26 Feb 2018	2,863,292	26-Feb-18	28-Dec-18	12-Apr-28	0.36	0.33
Granted: 20 Dec 2018	773,196	20-Dec-18	30-Jun-21	20-Dec-28	0.41	0.24
Granted: 02 Dec 2019	402,132	02-Dec-19	30-Jun-22	30-Jun-29	1.60	0.98
Granted: 29 Nov 2019	399,787	29-Nov-19	30-Jun-22	30-Jun-29	1.21	0.93
Granted: 20 Aug 2020	3,157,270	20-Aug-20	30-Sep-23	30-Jun-30	0.53	0.30
Granted: 07 Sep 2020	650,336	07-Sep-20	30-Sep-23	30-Jun-30	0.54	0.46
Granted: 30 Nov 2020	675,000	30-Nov-20	19-Aug-23	19-Aug-30	0.53	0.77
	8,921,013					

25. Employee share-based payments (continued)

Fair value of share options granted during the year

No options were granted during the year. The weighted average fair value of the share options granted during the prior financial year was \$0.39. Options were valued using a binomial option pricing model. Where relevant, the expected life used in the model was adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.

Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year.

	2022 Number of Options	2022 Weighted average exercise price (\$)	2021 Number of Options	2021 Weighted Average Exercise Price (\$)
Balance at the beginning of the year	8,921,013	0.54	9,327,493	0.48
Granted during the year	-	-	4,482,606	0.53
Forfeited during the year	(2,127,255)	0.86	(4,276,096)	0.41
Exercised during the year	(1,999,176)	0.38	(612,990)	0.36
Balance at the end of the year	4,794,582	0.47	8,921,013	0.54

1,637,312 (2021: 3,636,488) options have vested and are exercisable as at the end of the 2022 reporting year. The remaining options issued have not yet vested.

Share options exercised during the year

1,999,176 (2021: 612,990) share options were exercised during the year.

26. Interests in subsidiaries

Set out below are the details of the subsidiaries owned by the Group:

Name of the Subsidiary	Country of incorporation and principal place of business	Principal activity	Group proportion of ownership interests	
			30 June 2022	30 June 2021
Atomos AU Pty Ltd	Australia	Executive, marketing & finance	100%	100%
Atomos Engineering Pty Ltd	Australia	Engineering	100%	100%
Atomos GmbH	Germany	Global trading & service	100%	100%
Atomos Group Services Pty Ltd	Australia	Group administration	100%	100%
Atomos Global Pty Ltd	Australia	Procurement & production	100%	100%
Atomos IP Pty Ltd	Australia	Intellectual property	100%	100%
Atomos China	China	Trading (China) & services	100%	100%
Atomos Design kk	Japan	Engineering & business development	100%	100%
Atomos Japan Co. kk	Japan	Dormant	100%	100%
Atomos Inc	United States	Services	100%	100%
Atomos Global (UK) Ltd	England	Engineering & services	100%	100%
Timecode Systems Limited (acquired in December 2019)	England	Sales, engineering, procurement	100%	100%

27. Related party transactions

The Group's related parties include key management, post-employment benefit plans for the Group's employees and other parties as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with key management personnel

Key management of the Group are the executive members of Atomos' Board of Directors and members of the Executive Team. Key management personnel remuneration includes the following expenses:

	2022 \$'000	2021 \$'000
Short term employee benefits		
Salaries including bonuses	2,677	2,326
non-monetary benefits		-
Total short term employee benefits	2,677	2,326
Long-term employee benefits	25	(41)
Total long-term employee benefits	25	(41)
Post-employment benefits:		
Superannuation	162	128
Total post-employment benefits	162	128
Share-based payments	288	1,705
Total Remuneration	3,152	4,118

Other transactions with Key Management Personnel

Chris Tait is a shareholder and director of Henslow and the Advisory Board Chair of Bluerock Group.

Henslow

During the 2022 financial year Henslow provided corporate broking services and charged \$90,000 (2021: \$90,000). Out of pocket expenses reimbursed aggregated to \$12,814 (2021: 4,543). Henslow also provided services in relation to debt funding and charged \$120,000 (2021: Nil). The amount payable at the end of year was \$145,790 (2021: \$7,500).

Bluerock

Atomos Group utilise Bluerock for certain consulting services. Fees charged were \$19,800 for the year (2021: \$19,750). The amount payable at the end of year was \$15,800 (2021: \$1,600).

There were no other transactions with key management personnel during the year.

Loans to Key Management Personnel

During the period a loan was advanced to Estelle McGeachie the key terms of which were as follows:

Advance Date	9 March, 2022
Principal Sum	\$365,000.00
Repayment Date	The date 6 months following the Advance Date
Interest Rate	1.75% per annum
Minimum Interest	\$3,193.75

The amount outstanding at the end of the reporting period was \$365,000.

There were no other transactions with key management personnel during the year.

28. Contingent liabilities

There are no contingent assets or liabilities as at 30 June 2022 that will have a material effect on the Group.

29. Auditor remuneration

	2022 \$	2021 \$
<i>Audit or review of the financial statements – Deloitte</i>		
Remuneration for audit or review of financial statements	155,451	120,500
<i>Other services – Deloitte</i>		
• taxation services	68,250	60,000
• other assurance services	11,025	5,000
• other	-	-
Total other services remuneration	79,275	65,000
Total auditor's remuneration	234,726	185,500

30. Financial instrument risk

30.1 Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

30.2 Market risk analysis

The Group is not exposed to significant market risk through its use of financial instruments and specifically to interest rate risk, which result from both its operating and investing activities.

30.3 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by trade receivables.

30. Financial instrument risk (continued)

30.3 Credit risk analysis (continued)

The Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the reporting date, as summarised below:

	2022 \$'000	2021 \$'000
Classes of financial assets		
Carrying amounts:		
• cash and cash equivalents	5,001	25,984
• trade and other receivables	29,343	12,757
	34,344	38,741

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.

The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all of the above financial assets that are not impaired or past due for each of the 30 June reporting dates under review are of good credit quality.

The following table details the Group's accounts receivable and other debtors exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction.

Receivables are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be of high credit quality. The ageing of trade receivables is set out below.

	2022 \$'000	2021 \$'000
Within terms	27,432	12,332
Past due		
Past due under 30 days	1,132	413
Past due 30 days to under 60 days	-	69
Past due 60 days and over	159	-
Total	28,723	12,814

The Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

30. Financial instrument risk (continued)

30.4 Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within two (2) months.

The Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current	
	Within 6 months	6 - 12 months	1 - 5 years	5+ years
	\$'000	\$'000	\$'000	\$'000
At 30 June 2022				
Trade payables	22,216	-	-	-
Taxes payable	-	-	1,475	-
Sundry payables and accrued expenses	1,011	-	-	-
Borrowings	11,772	-	-	-
Total	34,999	-	1,475	-
At 30 June 2021				
Trade payables	17,907	-	-	-
Short term incentives payable	2,145	-	-	-
Taxes payable	-	-	1,142	-
Sundry payables and accrued expenses	699	-	-	-
Total	20,751	-	1,142	-

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

31. Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern, and
- to provide an adequate return to shareholders;

by pricing products commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position. Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. 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 amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	2022 \$'000	2021 \$'000
Total equity	54,242	63,714
Cash and cash equivalents	(5,001)	(25,984)
Capital	49,241	37,730
Total equity	54,242	63,714
Borrowings and other financial liabilities	11,772	-
Overall financing	66,014	63,714
Capital-to-overall financing ratio	75%	59%

32. Parent entity

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except as set out below. See Note 3 for a summary of the significant accounting policies relating to the Group.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost. Dividends received from subsidiaries are recognised in the profit or loss when a right to receive the dividend is established (provided that it is probable that the economic benefits will flow to the Parent and the amount of income can be measured reliably).

Tax consolidation

The Company and its wholly owned Australian resident entities are members of a tax-consolidated group under Australian tax law. The Company is the head entity within the tax-consolidated group. In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group.

32. Parent entity (continued)

Amounts payable or receivable under the tax-funding arrangement between the Company and the entities in the tax-consolidated group are determined using a 'separate taxpayer with group' approach to determine the tax calculation amounts payable or receivable by each member of the tax-consolidated-group. This approach results in the tax effect of transactions being recognised in the legal entity where that transaction occurred and does not tax effect transactions that have no tax consequences to the group. The same basis is used for tax allocation within the tax-consolidated group.

Information relating to Atomos Limited ('the Parent Entity'):

	2022 \$'000	2021 \$'000
Statement of financial position		
Current assets	35,378	28,390
Total assets	63,717	54,584
Current liabilities	(3,760)	(3,572)
Total liabilities	(12,782)	(3,572)
Net assets	50,935	51,012
Issued capital	102,492	101,749
Accumulated losses	(55,287)	(53,974)
Reserves	3,730	3,237
Total equity	50,935	51,012
Statement of profit or loss and other comprehensive		
Loss for the year	(1,313)	(6,611)
Other comprehensive income	-	-
Total comprehensive income	(1,313)	(6,611)

The Parent Entity has no capital commitments at 30 June 2022 (2021: \$Nil).

The Parent Entity had no contingent liabilities at 30 June 2022 (2021: \$Nil).

33. Subsequent events

Since the end of the reporting period the Company was made aware that a claim has been filed in the United States by its former CEO, whose employment was terminated earlier this year. Further details are set out under Legal Matter below.

There are no further matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity's operations in future financial years
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial years.

34. Legal matter

In relation to the claim which was recently filed by Atomos' former CEO, the Company notes that:

- the former CEO's employment agreement was made under Australian law
- the claim will be vigorously defended
- it is very confident in its position and the legal processes
- it believes that there is no basis for additional payments to be made and also notes there are legal constraints in Australia limiting the ability to make such payments

The claim makes a number of allegations which the Company takes seriously, and will take all steps that may be necessary to maintain the confidence it has that the claims are unfounded.

DIRECTORS' DECLARATION

The directors of Atomos Limited declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 3.1 to the financial statements.
- c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity, and
- d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

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

On behalf of the Directors



Mr Christopher Tait
Chair

Melbourne, this 2nd Day of October 2022

INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report to the Members of Atomos Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Atomos Limited (the "Company"), and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2022, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (ii) 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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 of 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.

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Key Audit Matters (continued)

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Impairment of Goodwill and other Intangible Assets</p> <p>For the year ended 30 June 2022, the Group had recognised goodwill and other intangible assets of \$28.9 million as disclosed in Note 17.</p> <p>Goodwill and other intangible assets not yet available for use are tested, at least annually for impairment where the carrying value of these assets is compared to the higher of the “value in use” or the fair value less costs to sell. In determining the value in use management is required to exercise judgement to determine the future cash flow projections including;</p> <ul style="list-style-type: none"> • Estimated sales of existing products; • The expected margins to be realised on future sales of existing products; • Future operating expenditure; • Future growth rates; • Future capital expenditure; • Trend in working capital requirements; • The expected terminal value of the cash flows into perpetuity; • The appropriate discount rates associated with the underlying cash flow projection; and • Judgement of likelihood of expected cash flows to be derived from not yet commercialised / under development projects. <p>Given the judgements and assumptions applied we considered this to be a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Evaluated the appropriateness of management’s identification of the Group’s CGU’s to which goodwill is allocated; • Evaluated the ‘value in use’ discounted cash flow model developed by management to assess the recoverable amount of goodwill and other intangible assets including challenging management with respect to the following assumptions: <ul style="list-style-type: none"> - forecast cash flows; - growth rates attributed to future cash flows; - discount rate used to present value the future cash flows; and - terminal growth rate. • In conjunction with our internal valuation specialists: <ul style="list-style-type: none"> - assessing the reasonableness of key valuation model inputs including discount rates; - testing the mathematical accuracy of the model; and - assessing the reasonableness of the implied revenue multiple against comparable businesses. • Assessed the historical accuracy of the Group’s forecasts compared against actual results; • Challenged the forecasted product launch timelines and their impact on the predicted forecast cash flows; and • Performed a range of sensitivity analysis on a number of key assumptions including changes to free cash flows, discount and long term growth rates, revenue growth and changes to timings of cash flows. <p>We also assessed the adequacy of the disclosure in Note 17 to the financial statements.</p>



Key Audit Matters (continued)

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Recognition of revenue</p> <p>For the year ended 30 June 2022 the Group had a significant increase in revenue in the month of June 2022.</p> <p>Given the significant increase in revenue at or shortly before year-end, and revenue targets and achievement being a key performance metric being reported to the market and currently commented on externally, we considered the appropriate recognition of revenue in the month of June 2022, in compliance with <i>AASB15 – Revenue</i>, to be a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Performed a detailed analysis of revenue on a monthly basis in total, by product and by customer and material journals, if any, to revenue to identify relevant trends and patterns that may indicate areas for focussed revenue recognition testing; • Tested a representative sample of sales invoices processed in the month of June 2022 to the underlying shipping documents to understand the nature of the shipping terms and any unusual terms, and to confirm the date of transfer of ownership, and the recording in the appropriate period; • Obtained direct confirmations from certain key customers for revenue recorded in the month of June 2022, confirming the total amounts receivable at year end, the commercial arrangements agreed for the sales recorded including the value, the payment and shipping terms, and whether there were any side agreements in place (including material rights of return); • Reviewed the basis of any material credit notes processed post year-end that could indicate revenue was incorrectly recognised at year end; • Reviewed the level of payments received from key customers subsequent to year-end to identify unpaid invoices that could indicate revenue was incorrectly recognised at year end; and • Assessed the adequacy of revenue recognition disclosure in Note 5 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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, 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 Group's ability 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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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 19 to 29 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Atomos Limited, for the year ended 30 June 2022, 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



Craig Bryan
Partner
Chartered Accountants
Melbourne, 2 October 2022

ASX ADDITIONAL INFORMATION

Additional Securities Exchange Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 2 October 2022 (**Reporting Date**).

Number of holders of equity securities

Ordinary share capital

222,351,585 fully paid ordinary shares are held by 5,631 individual shareholders.

All ordinary shares carry one vote per share.

Options

7,194,582 options are held by 29 individual option holders.

Options do not carry a right to vote.

Performance rights

1,361,093 performance rights are held by 36 employees.

Distribution of holders of equity securities

1-1,000	904	585,939	0.26%
1,001-5,000	1,870	5,164,950	2.32%
5,001-10,000	897	6,910,512	3.11%
10,001-100,000	1,663	57,034,895	25.65%
100,001-99,999,999,999	297	152,655,289	68.65%
Totals	5,631	222,351,585	100.00%

Unmarketable Parcels

Total Securities/Issued Capital	UMP Securities	UMP Holders	UMP Percent
222,351,585	2,879,897	2,078	1.3%

Substantial shareholders

Ordinary shareholders

Fully paid Ordinary shareholders

HSBC Custody Nominees	17,300,578
J P Morgan Nominees Australia	13,621,526
Citicorp Nominees Pty Limited	12,942,295
HSBC Custody Nominees	17,300,578
J P Morgan Nominees Australia	13,621,526

Shares under escrow

Nil.

Twenty largest holders of quoted equity securities

Name	Balance as at 30-09-2020	%
HSBC Custody Nominees	17,300,578	7.8%
J P Morgan Nominees Australia	13,621,526	6.1%
Citicorp Nominees Pty Limited	12,942,295	5.8%
Domazet FT3 Pty Ltd	5,540,000	2.5%
National Nominees Limited	5,071,652	2.3%
UBS Nominees Pty Ltd	3,236,918	1.5%
Domazet FT3 Pty Ltd	3,099,080	1.4%
Darrell James Holdings Pty Ltd	3,000,000	1.3%
Mr Murray James Read	2,469,637	1.1%
Ms Yurong Xi	2,221,361	1.0%
BNP Paribas Nominees Pty Ltd	2,039,686	0.9%
Joshn Equities PTD Ltd	2,017,609	0.9%
Mr Alexander Gontmakher	1,764,646	0.8%
Mr Xifeng Wu	1,700,003	0.8%
Mr Chek Loon Tan	1,500,000	0.7%
N A G Super Pty Ltd	1,415,294	0.6%
HSBC Custody Nominees	1,396,067	0.6%
Bi Fund Pty Ltd	1,209,537	0.5%
Mr Guy Berryman	1,167,277	0.5%
Sir Hossein Yassaie	1,080,044	0.5%
Total Securities of Top 20 Holdings	83,793,210	37.7%
Total Securities	222,351,585	

Changes to Appendix 4E

The Appendix 4E was released to the ASX on 30 August 2022. In finalising the financial report a number of sales invoices were identified where it could not be reliably established that the performance obligations of these sales had been satisfied. These sales have subsequently been de-recognised. The table below summarises the financial impact of the de-recognition.

\$'000	Profit & Loss	Balance Sheet
Revenue	(8,689)	
Cost of Sales	4,809	
Gross Profit	(3,880)	
Inventories		4,809
Deferred Revenue		8,689
Accumulated Losses		(3,880)

COMPANY DIRECTORY

Company

Atomos Limited
700 Swanston Street,
Carlton VIC 305
Email: info@atomos.com
Web: www.atomos.com

Registered Office

700 Swanston Street
Carlton VIC 3121

ASX Code

AMS

Directors

Chris Tait - Non-executive Chair
Sir Hossein Yassaie - Independent Non-executive Director
Mr Stephen Stanley - Independent Non-executive Director
Ms Megan Brownlow - Independent Non-executive Director
Ms Lauren Williams - Independent Non-executive Director

Company Secretary

Maria Clemente

Auditor

Deloitte Touche Tohmatsu
477 Collins Street
Melbourne VIC 3000

Australian Legal Adviser

Maddocks Lawyers
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Sydney NSW 2000

Registry

Boardroom Pty Ltd
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