ATOMOS



Atomos Limited

Annual Report 2019

Our Vision is to invent and deliver ground breaking products and disruptive technologies that enhance, simplify and ultimately democratise video content creation

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Atomos AGM 2019

Atomos Limited

Date: Thursday 21 November 2019

Time: 9:30am

Venue: Elwood Bathers, 15 Elwood Foreshore, Elwood, VIC

About Atomos

Atomos is a global software and hardware technology company that creates, develops and commercialises ground-breaking products for the rapidly growing video content creation market. These products give content creators across the social, pro-video and entertainment markets a faster, higher quality and more affordable production system.

Atomos' range of products take images directly from the sensor of all major camera manufacturers, then enhance, record and distribute them in high-quality formats for content creation using the major video editing software programs.

Since being founded in 2010, Atomos has established strategic relationships with key technology providers within the ecosystem including Apple, Adobe, Sony, Canon, Panasonic, Nikon and JVC Kenwood.

Atomos is based in Australia with offices in the USA, Japan, China, UK, France and Germany and has a worldwide distribution partner network.

Global Operations

Offices in major global locations and strong sales channels

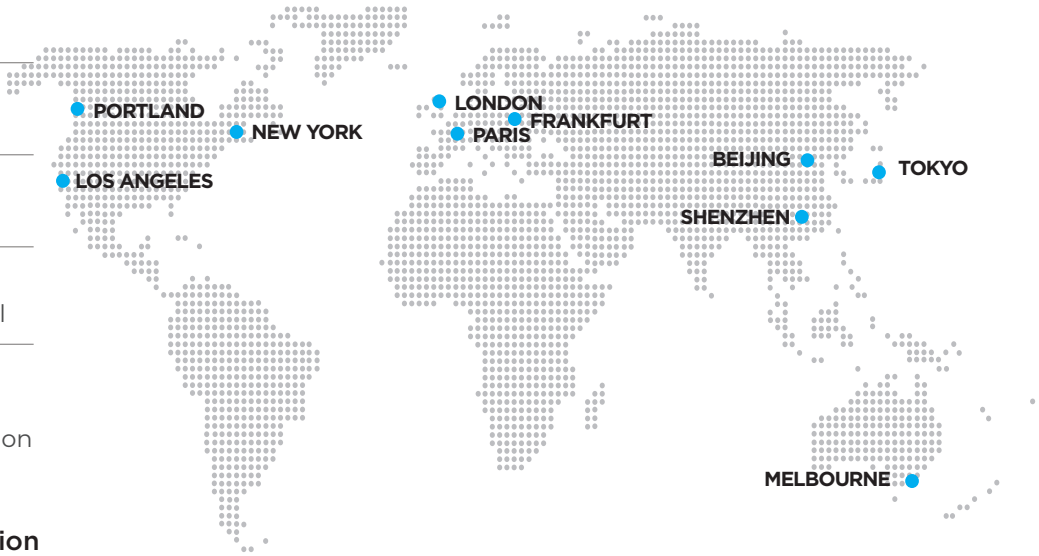
95
Staff Globally*

10
Offices in

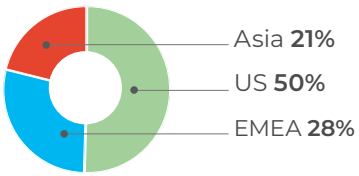
7
Countries

Strong
Global Sales Channel

Broad
retailer and reseller network in each region



FY19 Sales by Region

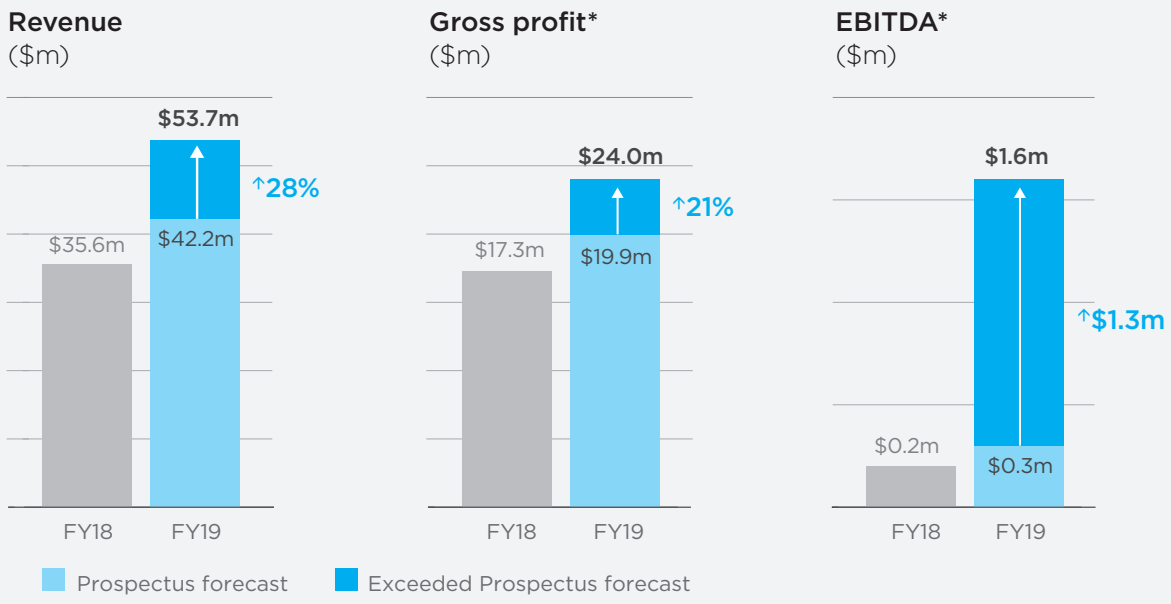


* As of August 2019

Business performance FY19

Business Performance FY19

Full Year 2019 results (12 months to 30 June 2019) vs FY18 (& Prospectus)



* in pages 14-15 of the Directors' Report

Full Year 2019 results

(12 months to 30 June 2019)

The 51% growth in revenue was driven by strong consumer pick up in both the existing Pro Video space with Ninja V and Shogun Inferno and in the new Social segment with the Shinobi line.

Gross margin for the year was 44.3% (H1 43.4%, H2 45.1%) with the second half improvement driven by lower Ninja V component costs as advised in the interim results.

Expenses were generally in line with the Prospectus forecast with the exception of Marketing programs which increased to support Atomos' entry into the emerging Social segment in FY19 and to support further growth.

Cash at the end of June was $5.1m, which was supplemented post the balance date with the successful placement that raised $7.1m (net of costs) resulting in an improved financial position to fund the increased working capital commitments expected with higher sales in FY'20.

Outlook & FY20 guidance

Following the successful launch of several new products in FY19 which leverage the Ninja platform, the Company is well placed to capitalise on the continued growth of its traditional Pro-Video market and the additional rapid growth across its new target markets in Social and Entertainment.

The Board anticipates continued strong future progress which will be reflected through solid growth in sales, earnings and continued investment in market development.

Chairman Overview



The last financial year was one of the most important since the Company was founded in 2010. The successful listing represented a key milestone in the Company's longer-term vision of becoming a leading global player in the video technology market.

Dear Shareholders,

It gives me great pleasure to present the 2019 Annual Report for Atomos Limited (ASX: AMS). This is our first Annual Report since the Company listed on the ASX on 28 December 2018.

The last financial year has been one of the most important since the Company was founded in 2010 and the successful listing represents a key milestone in the Company's long-term vision to become a leading global player in the video technology market and in the democratisation of content creation.

Our business has been built on the delivery of award-winning, simple to use products that include considerable proprietary technology and know-how, such as our own operating system, custom chip and innovative screen technology. Atomos enhances video content creation and makes high quality video accessible, whether it is for the YouTuber, the wedding videographer, the gamer or the high-end cinema producer.

During FY19, we achieved revenue of $53.7 million which was 51% higher than last year. EBITDA was $1.6 million (ahead of the Prospectus forecast of $0.3 million). We delivered strong sales of Ninja V which was launched in September 2018, as well as the two Shinobi monitors that were our entry into the social market (and which debuted in March 2019). These sales were complemented by continuing Shogun Inferno sales, a product that resonates strongly with our core Pro Video customer. Finally, our recently launched Neon series of HDR cinema monitor-recorders, has resulted in us successfully entering the entertainment market. Sales of all of these products have greatly exceeded our expectations and provide a solid platform for growth in FY20 and beyond. Thank you to all our customers and retail partners for their ongoing support.

Atomos finished the year in a strong cash position with more than $5 million in cash, which was further boosted by the institutional placement completed in July 2019 which raised a further $7.5 million before costs. The capital raise, together with a placement of 27 million shares (that had been previously escrowed) received excellent support from both new and existing shareholders. I would like to thank all our Shareholders for their continued support as we strive to deliver ongoing shareholder value. The additional funds have strengthened our balance sheet as we continue to pursue ongoing growth opportunities in product development and entry into new markets. The Board anticipates that continued investment required will result in long term sustainable sales and earnings growth.

We strengthened our board in February 2019 and I would like to thank both our board and our executive team for their enormous contribution during a very busy year. As flagged in our Prospectus, Neil Chatfield stepped down from the board during the year and we also thank him for his significant contribution. We of course, also thank the Atomos CEO and founder, Jeromy Young for his ongoing innovation, vision and energy.

Atomos has strategic partnerships with some of the world's largest camera and technology companies and we take this opportunity to express our gratitude to those strategic partners for helping Atomos to deliver such a successful result. Finally, and most importantly, we want to thank our staff of close to 100 people based across seven countries, for all their hard work and efforts in what was an extremely busy year.



Chris Tait
Non-Executive Chairman

CEO Overview



The past year was a milestone year in our journey and we are proud of what we have achieved. The support for our products and business that we have received from our customers, partners and investors is extremely encouraging and humbling at the same time.

We are very proud to present our first Annual Report following our successful IPO in December last year. The support for our products and business that we have received from our customers, partners and investors is extremely encouraging and humbling at the same time.

We set several important strategic goals ahead of FY19 and it is pleasing to see that we have achieved and exceeded these goals during the past 12 months.

During FY19 we achieved revenue of $53.7m, 51% above last year and 28% above our Prospectus forecast of $42.2m. Gross profit was also up 37% to $23.8m, which was above our Prospectus forecast. EBITDA was $1.6m, exceeding our Prospectus forecast of $0.3m.

We achieved better than forecast sales of key new products. Specifically, the Ninja V was our first product released using the highly leverageable Ninja platform, the result of significant research and development, resource and expense. Utilising this Ninja platform, we launched the Shinobi, Shogun 7 and Neon products and into the future we expect greater leverage to underpin a suite of new products spanning all our key target market segments.

Our products demonstrate world-leading software, screen and design technologies as key features that enhance the customer user experience and quality outcomes for video creation. This enhances our reputation and competitive standing as a world-class technology business providing quality innovative products and solutions to our markets.

Consistent with our strategy to leverage products and expand into adjacent fast-growing market segments, we launched two Shinobi products targeting the large Social video market. To date these Shinobi monitors are exceeding expectations. We also recently announced the Neon cinema series of four large HDR monitor-recorders targeting the Entertainment market, which we expect to ship in the first half of FY20.



The Atomos “ecosystem” is a complex network of relationships and partnerships that we actively encourage and foster with some of the world’s largest video technology providers, including Apple, Adobe, Avid, Sony, Canon, Panasonic, Nikon, RED and JVC Kenwood.

A collaboration with Nikon resulted in the Apple ProRes RAW recording being made available on the Ninja V and Nikon also bundling the Ninja V into its ‘filmmakers kit’ launched in the US earlier this year. A licence agreement with Dolby made Atomos the first company to have access to Dolby’s Vision technology for incorporation into recording and playback devices. This allows Atomos devices to deliver Dolby Vision HDR live on set, enabling the director to see, at the time of recording, exactly what the viewer will see at home.

During the year we strengthened our balance sheet with a $7.5m institutional placement. The additional funds raised were to support our working capital needs to ensure we are well positioned to capitalise on customer product demand. Concurrent with the placement, 27 million of 95 million shares were released from voluntary escrow and placed with institutional investors with the remaining 68 million shares retained by existing shareholders.

I would like to acknowledge the significant efforts by all Atomos staff during the year and thank them for their contribution and dedication to the vision and journey of Atomos.

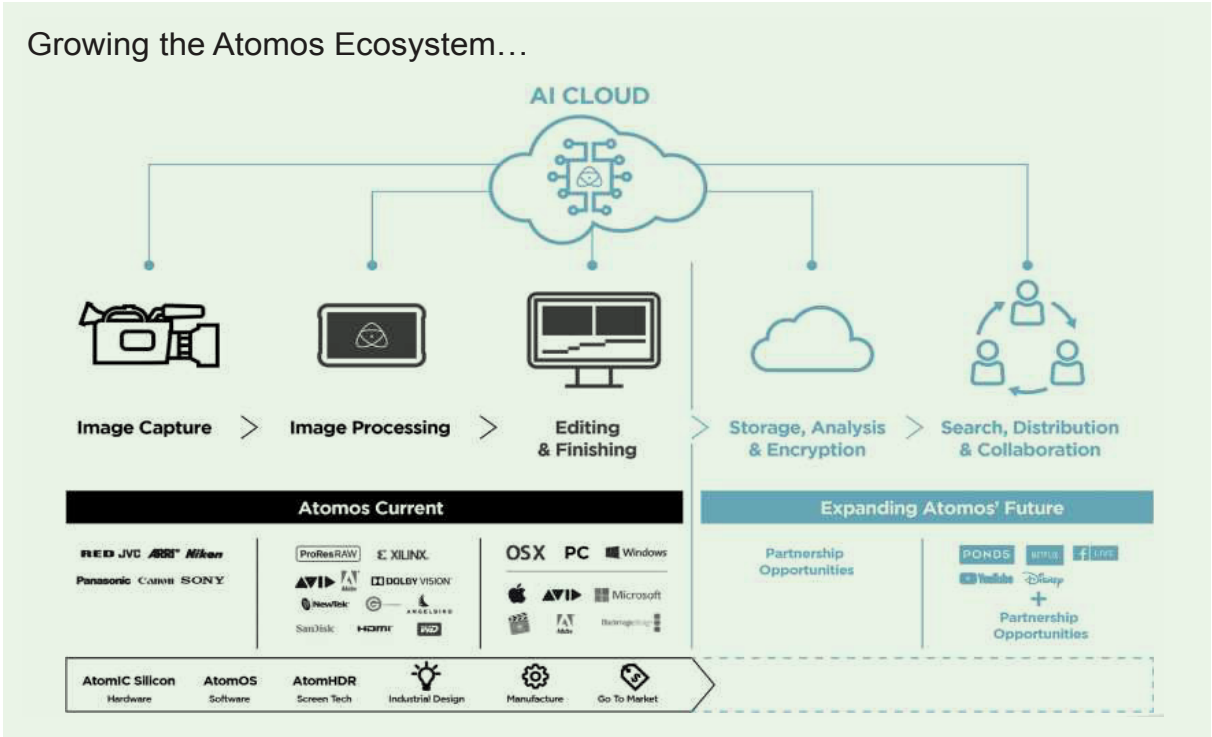
Atomos has clear goals for FY20 and beyond where our product suite is established with further development activity planned to capture market share of the growing Social and Entertainment segments, with continuing a focus on our core Pro Video market.

The past year was a milestone year in our journey and we are proud of what we have achieved. We will continue to pursue investment in R&D and growth opportunities to grow profitably in core market segments with world-class products as we actively strengthen our ecosystem to deliver our strategic vision to "invent ground breaking products and disruptive technologies that enhance, simplify and ultimately democratise video content creation".

Your Sincerely,



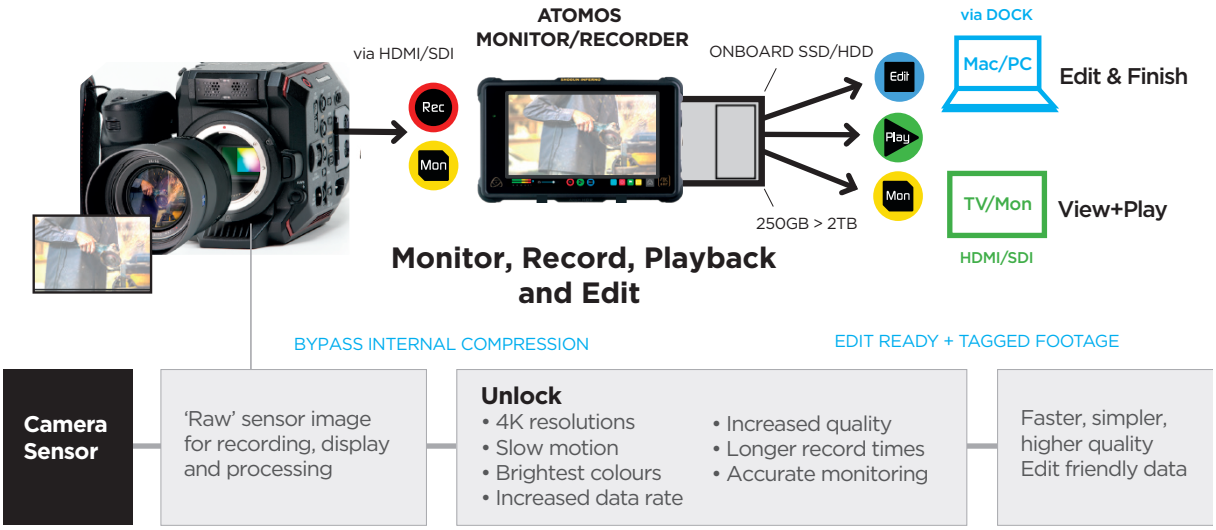
Jeromy Young
Chief Executive Officer



Product Overview

HOW AN ATOMOS DEVICE WORKS

Atomos devices take images **directly from the camera's sensor,** then enhance, record and distribute them for content creation



In Atomos' primary market of Pro Video, images are generated from a camera, however Atomos products can equally be used to display and/or record from any device with an HDMI or SDI connection such as a smartphone, tablet, computer, game console or industrial device (such as a security system).

Atomos products deliver several advantages to content creators including:

- A direct digital connection to the camera's sensor, taking uncompressed, 'raw' sensor image data for display, processing and recording;
- An increased data rate and quality of recording from any digital camera – Phone, Photo, Video or Cinema;
- The ability to record to computer formats built for image processing, not low quality heavily compressed camera formats;
- The ability to add higher 4K resolutions to HD cameras and record in 4K;
- The ability to add super slow-motion frame rates to standard cameras;
- The ability to increase recording time from minutes to hours by using large 2TB SSD's rather than small camera SD memory cards. Computer SSD's are faster, more reliable (able to manage larger-video files) and affordable;
- The capability to monitor in the highest resolutions with the deepest colours and widest brightness range, significantly higher quality than camera monitors;
- The production process benefits from larger and more accurate Atomos' monitors;
- The capabilities of simple apps which offer advanced image analysis tools via touch screen for perfect content creation;
- The ability to save production time by editing and categorising footage prior to computer editing; and
- The latest capabilities of advanced technology.

By using affordably priced Atomos' monitor recorders, video content creators are provided with the ability to enhance recording quality, save time and maintain greater flexibility and control over their content creation.

ATOMOS CONTENT CREATION WORKFLOW

Capture	Process & Enhance	Finish & Delivery
From the sensor of all major camera manufacturers	Atomos products enhance content creation, quality and creativity	Edit, Colour Grade, Titles, Graphics Finish in Post



JVC Nikon Panasonic
ARRI Canon SONY RED



Atomos' devices are compatible with all levels of content creation & equipment



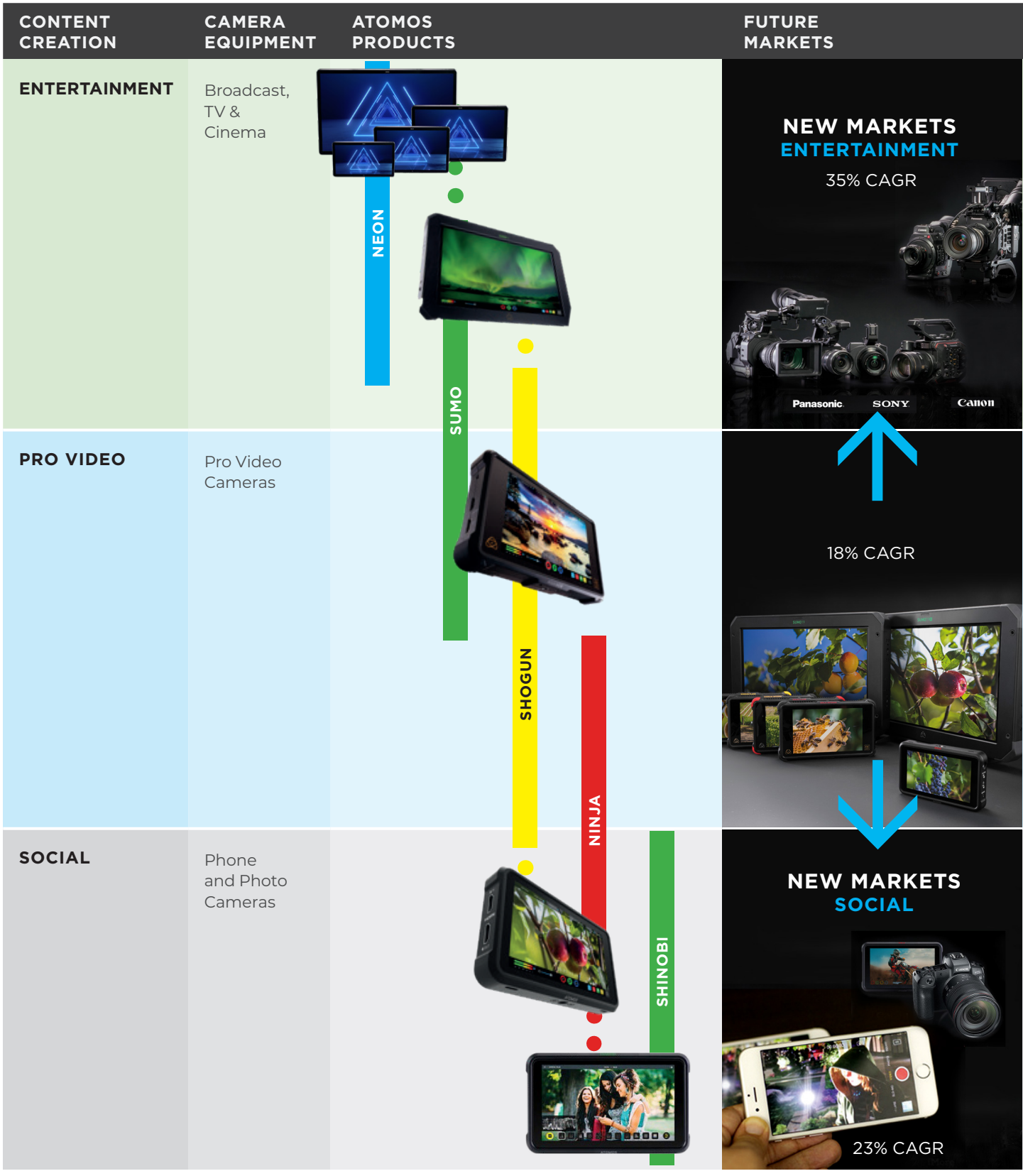
Microsoft

ATOMOS PRODUCT SUITE

4K Monitor Recorders		Production / Studio		Broadcast & Accessories
				
Ninja + Shinobi Range • Ninja HDMI only – includes AtomX adaptor range • Broad market application due to portability • Both 5" and 7" screen options • Record ProRes®, DNxHR at 60p frame rates • AtomHDR monitoring • Includes recently released 5" Shinobi monitor only • Shinobi available in both HDMI & SDI capability	**Shogun Range** • HDMI & Quad SDI inputs • Broad market application due to portability • 7" high brightness screen • Record ProRes, DNxHR at 60p frame rates • ProRes RAW capability • AtomHDR monitoring	**SUMO Range** • Larger format 19" monitor recorder – targeting studio usage • Quad SDI & HDMI in/out • Record ProRes/ ProRes RAW, DNxHR, among others	**NEON Cinema Series** • HDR cinema monitor-recorder range for on-set and in-studio usage • Capable of 8K ProRes RAW recording by upgrading with Neon 8K Master Control Unit • Four screen size options – 17", 24", 31" and 55" • Bluetooth controlled by using either Atomos iOS App or a physical remote control	**Shogun Studio + Converters + Accessories** **Shogun Studio** • Rack mount 4K monitor recorder solution • Dual 7" screens with touchscreen interface **Converters** • Range of 4K converters • SDI to HDMI or vice versa **Accessories** • Cables, Caddies & Adaptors
Social / Pro-Video Segment	**Pro-Video / Entertainment**	**Pro-Video / Entertainment**	**Entertainment**	**Various**

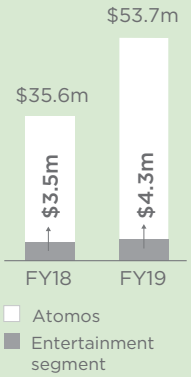
Market Update

Atomos' growing product portfolio will address a **US$10B** camera equipment market[1]



[1] CIPA Report, 2017

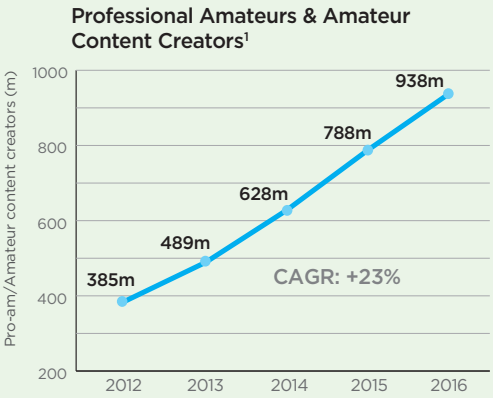
REVENUE CONTRIBUTION	MARKET OVERVIEW

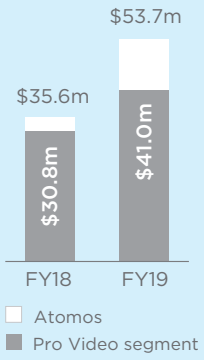


Accessibility of new social media platform allows individuals to produce, share & monetise their content

- New Technology is allowing Everybody to create quality video content
- Growing advert driven video capable platforms allow instant mass sharing of video
- Content creators have platforms to build significant followings & monetise their content
  - DanTDM (YouTube) – US$16.5m earnings in FY17

[1] Boston Consulting Group, "The Future of Television", 20 September 2016



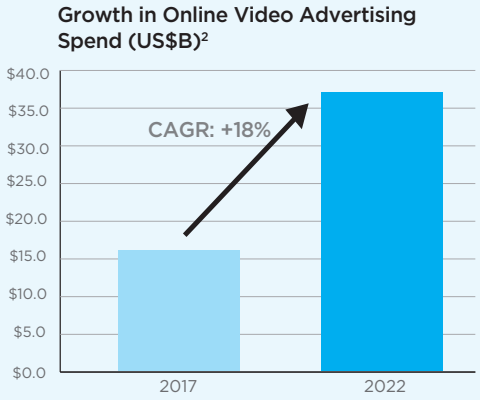


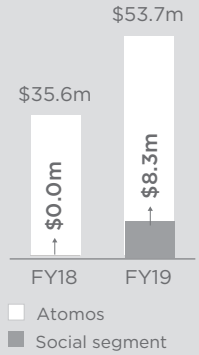
Market wide increase in video-focused corporate marketing, advertising, event and content creation

- US$135B[1] 2017 spend on US digital video marketing
- Advertisers and publishers now 'pivoting to video' for brand exposure and marketing
- ~$20k ave. estimated spend in 2017 by US businesses on video marketing
  - Redefined Video Marketing
  - Create great, exciting content that audiences actively seek
  - Redbull use Atomos products

[1] Magisto Report, Oct 2017 – The Modern Marketing Dilemma and the State of Business Video

[2] Juniper Research, Future Digital Advertising AI, Ad Fraud & Ad Blocking



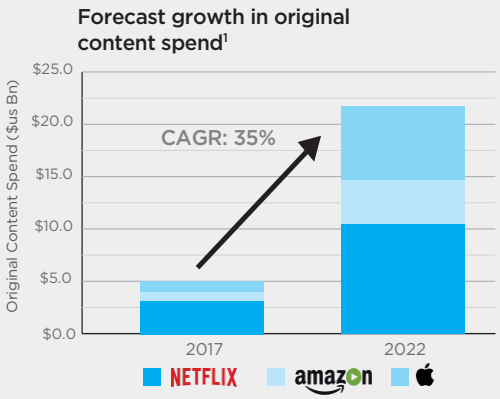


Increased original content by new online streaming platforms is driving demand for enhanced content

- Growth of on demand streaming has driven investment in original content
- Netflix, Amazon and Apple are expected to grow their combined spend for original content from US$5B in 2017 to >US$23B in 2022[1]
- Massive growth in production of scripted TV Shows[2]

[1] Loup Ventures Research – Gene Munster, Nov 21 2017

[2] FX Network Research – Adweek.com article "There's No Stopping Peak TV..."



Expansion into growing Social & Entertainment video content markets

Board of Directors



Chris Tait



Jeromy Young



Stephen Stanley



Sir Hossein Yassaie

Chris Tait

Non-Executive Director; Chairman
Director since 2017

- 25+ years experience advising local and multinational companies both private & public
- Co-Founder and Managing Director of Henslow
- Previously, Director of Strategy for WH Smith PLC and CFO of WH Smith's APAC operations
- Chairman of The BlueRock and Neo Products

Jeromy Young

Executive Director; Co-Founder & CEO
Director since 2009

- 20+ years technology & management experience
- Completed a BHP Engineering Cadetship
- 20 years experience in computer and imaging technology
- 20 years developing electronic products in the Japanese video technology industry, proficient in Japanese language
- Strong key relationships with Silicon Valley computer software and hardware manufacturers
- Developed and grew revenue globally for Canopus (Grass Valley) and Blackmagic Design

Stephen Stanley

Non-Executive Director; Chairman Audit & Risk Committee and Chairman of Remuneration and Nomination Committee
Director since 2019

- Over 25 years' experience in the Logistics sector in Australia, Asia, Europe and North America
- Director for Corporate Development for Toll Holdings from 1999 until 2012, overseeing its strategic growth development into a global logistics player
- Extensive board experience in both public and private companies
- Chairman for Ventura Motors Pty Ltd
- Previously NED for Cabcharge Australia Ltd
- Previously CEO for Mayne Logistics

Sir Hossein Yassaie

Non-Executive Director
Director since 2016

- A recognised figure on the world technology stage with 35 years of global business and disruptive R&D experience
- Founder & CEO of Imagination Technologies Plc for 18 years, growing the company from £15 million to £1 billion+
- Now actively involved with several world-leading technology start-ups and scale-ups
- Received knighthood at 2013 New Year Honours for services to UK Technology



Neil Chatfield

Advisor to the Board

- Stepped down as a NED on 1 February 2019 (as outlined in the Prospectus), however remains as an Advisor to the Board
- Well-established executive and non-executive director with extensive experience in company management, financial management, capital markets, mergers and acquisitions and risk management
- Previous Chairman of Seek, Virgin Australia and former Executive Director and CFO for Toll Holdings, a position that he held for over 10 years to 2008
- Currently a NED and Chairman of Costa Group and Aristocrat Leisure Ltd
- NED of Transurban Group

Executive Team

James Cody

Chief Financial Officer

James has over 20 years' experience in CFO and senior financial and accounting roles with extensive experience in the retail sector.

Prior to joining Atomos, he was Chief Financial Officer and Principal at Henslow where he was jointly responsible for client transactions and Henslow's financial reporting and management obligations as an AFSL holder. Prior to that James held positions as Chief Financial Officer at Funtastic, a publicly listed Australian supplier of children's products with revenue of over $200m, Group Finance Director at RED Group Retail (formerly A&R Whitcoulls Group), a private equity backed retail group with over 400 stores and Financial Controller for WH Smith (ASPAC).

James is a qualified chartered accountant.

Trevor Elbourne

Chief Technology Officer

Trevor has over 23 years' experience as a hardware engineer with particular focus on IC and ASIC design. Since joining Atomos as a Senior Hardware Engineer, Trevor advanced to become the Director of Systems Engineering before being appointed CTO.

Prior to joining Atomos in 2012, Trevor worked as an Engineering and Hardware Manager at Canon, the world's leading provider of cameras and other electronic companies.

Trevor holds a Bachelor of Engineering (Electrical and Electronics Engineering) from the University of New South Wales.

Frankie Liu

Global Production Manager

Frankie has over 23 years' experience working in the electronics industry, with a focus in the production and quality control areas. Frankie currently leads the Company's production operation based in China.

Before joining Atomos in 2012, Frankie was General Manager for an electronics manufacturer based in China. Frankie has also worked at Mobile Tech and Seiko Instruments in senior positions where he was responsible for overseeing production and process control.

Frankie holds a Business Management Degree from The Hong Kong Management Association.

Stephan Kexel

Global Sales Director

Stephan has over 25 years' experience in business development and sales, primarily focused in the video and electronics industry. Stephan is currently the Head of Global Sales for the Company.

Before joining Atomos in 2012, Stephan was a Senior Manager of sales for Grass Valley, a provider of content and media technology. Stephan also held the position of General Manager at Canopus GmbH, a manufacturer of video editing cards and software.

Stephan is a State-certified Engineer, accredited by BFW Birkenfeld.

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 2019.

Directors

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

Mr Jeromy Michael Young
Sir Hossein Yassaie
Mr Christopher John Tait
Mr Stephen John Stanley (appointed 1 February 2019)
Mr Bradley Evan Whitcomb (appointed 1 February 2019 – resigned 16 September 2019)
Mr Neil Gregory Chatfield (resigned 1 February 2019)
Mr Robert Song (Resigned 16 October 2018)

The abovenamed Directors held office during and since the end of the financial year unless otherwise stated.

Principal activities

The Group activities are the manufacture and sale of video equipment. There have been no significant changes in the nature of these activities during the year.

Review of Operations

FY2019 was a pivotal period for the Company which saw the completion of a multi-year investment in a new technology platform (the Ninja Platform) which will underpin future Atomos products for the next few years. The first product developed on this new platform, Ninja V, was launched in September 2018 and has been extremely successful.

In December 2018 the Company was successfully listed on the ASX.

Summary of results for FY2019 compared to prior year

Consolidated Income Statement	2019 $'000	2018 $'000	Change $ $'000	Change %
Revenue	**53,716**	**35,648**	**18,068**	**51%**
Cost of sales	(28,062)	(18,828)	(9,234)	(49%)
Gross profit	**25,654**	**16,820**	**8,834**	**53%**
Gross Margin %	**48%**	**47%**	**–**	**1%**
Operating expenses	(23,874)	(17,610)	(6,264)	(36%)
Impairment of Intangibles	–	(9,729)	9,729	100%
EBITDA	**1,780**	**(10,519)**	**12,299**	**117%**
Finance costs	(1,443)	(3,961)	2,518	64%
Depreciation and amortisation	(1,469)	(278)	(1,191)	(428%)
Loss before income tax	**(1,132)**	**(14,758)**	**13,626**	**92%**
Income tax (expense)/benefit	(827)	(1,755)	928	53%
Loss for the year	**(1,959)**	**(16,513)**	**14,554**	**88%**

Included in the previous results table are certain items which were not incurred in the ordinary course of business, these are fully detailed in Note 8, the impact of excluding those items on the Consolidated Income Statement is as follows:

Normalised Consolidated Income Statement (unaudited)	2019 $'000	2018 $'000	Change $ $'000	Change %
Revenue	**53,716**	**35,648**	**18,068**	**51%**
Gross profit	**23,804**	**17,302**	**6,502**	**38%**
Gross Margin %	44%	49%	–	(5%)
Operating expenses	(22,159)	(17,080)	(5,079)	(30%)
EBITDA	**1,645**	**222**	**1,423**	**641%**

Revenue

Normalised revenue of $53.7 million was 51% higher than in 2018. This was driven by strong performance of the Ninja V, launched in September 2018 and the Shinobi devices, launched in March 2019. These products represent the successful start of Atomos' push into one of its key growth areas, the 'Social' market segment. The FY2019 normalised revenue was 28% higher than the prospectus forecast.

Gross Profit

Normalised gross profit was impacted by higher than anticipated component costs associated with the Ninja V. Management addressed these component cost issues which saw the second half margin increase from 43.4% to 45.3% resulting in 44.4% for the full year. This compares with the prospectus forecast of 47.1%.

Operating Costs

Normalised operating costs of $22.2 million were $5.1 million or 30% up on FY2018 and $2.6 million or 14% higher than the prospectus forecast. This cost increase principally reflects higher marketing expenditure of $3.2 million – the success of the launch of Ninja V led to the decision to invest heavily in marketing to ensure the strong launch into the 'Social' market with Shinobi.

EBITDA

The normalised EBITDA for FY2019 was $1.6 million which compares with FY18 of $0.2 million and the prospectus forecast of $0.3 million.

Finance Costs

Finance Costs for FY2019 of $1.4 million (FY2018: $3.9 million) were significantly reduced reflecting the fact that the previously issued convertible notes were redeemed or converted to equity at the IPO.

Depreciation and Amortisation

Depreciation and amortisation increased by $1.2 million. This increase represented the initial amortisation of previously capitalised product development costs as the Company commenced commercialisation of the development effort.

Income Tax Expense

Income tax expenses incurred of $0.8 million during the period relate to non-Australian 100% subsidiaries where a taxable profit was reported and $0.2 million due to a tax differential within the Australian tax consolidated Group relating to Research and Development grants.

Net Loss (After Tax)

The consolidated loss of the Group for the financial year after providing for income tax amounted to $1.96 million (2018: loss $16.5 million).

Reconciliation of underlying performance

Adjustments made to arrive at EBITDA before items not in the ordinary course of business. EBITDA is a non-IFRS standard Group result used to measure performance and adjust for items not in the ordinary course of business operations or not expected to reoccur.

Reconciliation of underlying performance (unaudited)	2019 Reported $'000	Items not in the ordinary course of business/items not expected to reoccur[1] $'000	Underlying Result $'000
Revenue	**53,716**	**–**	**53,716**
Cost of sales	(28,062)	(1,850)	(29,912)
Gross profit	**25,654**	**(1,850)**	**23,804**
Gross Margin %	48%		44%
Operating Expenses – ongoing	(22,159)	–	(22,159)
Operating Expenses – one-off	(1,715)	1,715	–
EBITDA	**1,780**	**(135)**	**1,645**
Depreciation and amortisation	(1,469)	–	(1,469)
Finance costs	(1,443)	1,442	(1)
Loss before income tax	**(1,132)**	**1,307**	**175**
Income tax (expense)/benefit	(827)	–	(827)
Loss for the year	**(1,959)**	**1,307**	**(652)**

1. Items not in the ordinary course of business/items not expected to reoccur (2019)

	$'000
Cost of sales	
One off Inventory write-off/clearance	1,277
Resolution of European Customs duty dispute	(3,127)
Cost of sales	**(1,850)**
Operating Expenses	
Revaluation of embedded derivative and other financial instruments	(1,018)
Pre IPO & IPO transaction costs	2,033
Accelerated vesting of pre IPO share options	535
Costs associated with resolving European customs dispute	165
Operating Expenses	**1,715**
Interest on convertible notes	1,442
Total Items not in the ordinary course of business/items not expected to reoccur	**1,307**

Reconciliation of underlying performance (unaudited)	2018 Reported $'000	Items not in the ordinary course of business/items not expected to reoccur[2] $'000	Underlying Result $'000
Revenue	**35,648**	**–**	**35,648**
Cost of sales	(18,828)	482	(18,346)
Gross profit	**16,820**	**482**	**17,302**
Gross Margin %	47%		49%
Operating Expenses – ongoing	(17,080)	–	(17,080)
Operating Expenses – one-off	(10,259)	10,259	–
EBITDA	**(10,519)**	**10,741**	**222**
Depreciation and amortisation	(278)		(278)
Finance costs	(3,961)	3,961	–
Loss before income tax	**(14,758)**	**14,702**	**(56)**
Income tax (expense)/benefit	(1,755)	–	(1,755)
Loss for the year	**(16,513)**	**14,702**	**(1,811)**

2. Items not in the ordinary course of business/items not expected to reoccur (2018)

	$'000
Cost of sales	
One off Inventory write-off	482
Cost of sales	**482**
Operating Expenses	
Asset impairment charges	9,993
Transitional costs	878
Incremental listed company costs	(210)
Fair value revaluation loss on financial derivatives	(377)
Employee share plan costs	(153)
Transaction costs	128
Operating Expenses	**10,259**
Interest on convertible notes	3,961
Total Items not in the ordinary course of business/items not expected to reoccur	**14,702**

Directors' Report

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

On 1 July 2019, the Company issued 7,500,000 fully paid ordinary shares at $1.00 per share via an Institutional Placement raising $7,500,000. New shares issued under the placement will rank equally with existing fully paid ordinary shares. No shareholder approval was required for the placement as the Company used a portion of its placement capacity under ASX Listing Rule 7.1.

Subsequent to the end of the financial year, the Group entered into a lease agreement for its new Head Office at 33-41 Balmain Street Cremorne. Leasing commences 1 July 2019 for ten years to 31 June 2029. The agreement provides an option for two further terms each of three years.

There are no other 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.

Future developments

The Group will continue to explore opportunities that meet the Group's long-term growth and development objectives of expanding into the 'Social' and 'Entertainment' market segments, whilst maintaining a strong position in the 'Pro Video' segment of the market. The goal is to balance strong top line growth with appropriate investment in operations to ensure that the business continues to grow profitably.

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's 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.

Information about the directors

Mr Christopher John Tait
Chairman, Non-Executive Director
Appointed September 2017
BSc. (Econ), Chartered Accountant (ICAEW)

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.

Mr Jeromy Michael Young
Executive Director, Chief Executive Officer

Appointed September 2009.
BEng. (Hons).
Co-founder and Chief Executive Officer of the Company since establishment in 2009.

Jeromy has over 20 years of technology and management experience. Jeromy commenced his career at Canopus (CV) Japan, where he became the Global Business Development Director. Jeromy then transitioned into a global BDM role at Blackmagic Design Pty Ltd.

Sir Hossein Yassaie
Non-Executive Director

Appointed September 2016
BSc., Phd.

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. Hossein received a knighthood in 2013 in recognition of his services to technology and innovation in the United Kingdom.

Mr Robert Song
Executive Director, President Atomos APAC

Appointed June 2017. Resigned 16 October 2018.

Mr Neil Gregory Chatfield
Non-Executive Director

Appointed September 2017. Resigned 1 February 2019.
MBus., FCPA, FAICD.

Neil is an established Executive and Non-executive Director with extensive experience across all facets of company management, and with specific expertise in financial management, capital markets, mergers and acquisitions, and risk management. Neil previously served as Executive Director and Chief Financial Officer of Toll Holdings from 1997 to 2008.

Mr Stephen Stanley
Non-Executive Director

Appointed 1 February 2019.
B.Bus. (Accountancy), AICD.

Stephen has over 25 years of executive experience in the Logistics sector in Australia, Europe and North America. He has extensive strategy, operational, business development, mergers and acquisition and investment experience with a proven track record of delivering operational benefits and ongoing growth opportunities to create superior value for shareholders.

Mr Bradley Whitcomb
Non-Executive Director

Appointed 1 February 2019. Resigned 16 September 2019.

Company Secretary – Lisa Dadswell
Chartered Secretary (ACIS)

Lisa has many years of experience as a professional company secretary and advising on corporate governance matters for a wide number of companies.

Directors' Report

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
N. Chatfield	Seek Ltd	Director since June 2005, Chairman since November 2012
	Costa Group Holdings Ltd	Director since October 2011, Chairman since July 2015
	Aristocrat Leisure Ltd	Director since February 2018, Chairman since February 2019
	Transurban Group	Director since February 2009
	Iron Mountain Inc.	Director until September 2017
S. Stanley	A2B Australia Ltd (formerly Cabcharge Ltd)	Director from August 2015 until November 2016

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)]	Performance rights [(iii)]
J. Young	17,731,333	432,955	1,082,474	320,122
H. Yassaie	1,697,766	612,990	257,732	–
C. Tait	1,471,770	153,246	64,433	–
S. Stanley	–	–	257,732	–

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

(ii) Exercise price of $0.41, expiry 20 December 2028. Vesting date 30 June 2021, subject to the terms of the Atomos Long Term Incentive Plan.

(iii) Performance rights have been issued for nil consideration and have a nil exercise price. Vesting date 30 June 2019, subject to the terms of the Atomos Short Term Incentive Plan.

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:

	Board meetings		Audit & Risk committee		Remuneration& nomination committee	
Director	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**
N. Chatfield (resigned 1/2/2019)	8	9	–	–	–	–
R. Song (resigned 16/10/2018)	3	3	–	–	–	–
S. Stanley (appointed 1/2/2019)	6	6	2	2	–	1
C. Tait	15	15	2	2	1	1
B. Whitcomb (appointed 1/2/2019 – resigned 16/9/19)	4	6	2	2	1	1
J. Young	13	15	–	–	–	–
H. Yassaie	15	15	2	2	1	1

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. The term 'key management personnel' refers to those persons having authority and responsibility for planning directing and controlling the activities of the consolidated entity (i.e. the Group), directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

Share options granted to directors and senior management

During and since the end of the financial year, an aggregate of 3,744,765 share options were granted to the following directors and to the five highest remunerated officers of the company and its controlled entities as part of their remuneration.

Directors and senior management	**Number of options granted**	**Issuing entity**	**Number of ordinary shares under option**
J. Young	1,082,474	Atomos Ltd	1,082,474
H. Yassaie	257,732	Atomos Ltd	257,732
C. Tait	64,433	Atomos Ltd	64,433
S. Stanley	257,732	Atomos Ltd	257,732
J. Cody	804,124	Atomos Ltd	804,124
T. Elbourne	804,124	Atomos Ltd	804,124
S. Kexel	228,945	Atomos Ltd	228,945
F. Lui	140,787	Atomos Ltd	140,787
R. Song	104,414	Atomos Ltd	104,414
	3,744,765		3,744,765

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	3,593,770	26/2/2018	28/12/2018	12/04/2028	$0.36
Granted: 20 Dec 2018	6,505,391	20/12/2018	30/06/2021	20/12/2028	$0.41
	10,099,161				

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. No shares were issued during or since the end of the year as a result of exercise of options. (2018: Nil)

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 31 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 31 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit 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 29.

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.

Remuneration Report (audited)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of the Group's key management personnel for the financial year ended 30 June 2019. The term 'key management personnel' 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 of otherwise) of the consolidated entity. The prescribed details for each person covered by this report are detailed below under the following headings:

a. Key management personnel
b. Remuneration policy
c. Relationship between the remuneration policy and company performance
d. Remuneration of key management personnel
e. Key terms of employment contracts
f. Key management personnel equity holdings

(a) Key management personnel

The directors and other key management personnel of the Group during or since the end of the financial year were:

Non-executive directors	Position
C. Tait	Chairman, Non-executive director
H. Yassaie	Non-executive director
S. Stanley (appointed 1 February 2019)	Non-executive director
B. Whitcomb (appointed 1 February 2019 – resigned 16 September 2019)	Non-executive director
N. Chatfield (resigned 1 February 2019)	Non-executive director

Executive officers	Position
J. Young	Executive director, Chief Executive Officer
R. Song (resigned as director 16 October 2018)	Executive director, President Atomos APAC
J. Cody	Chief Financial Officer
T. Elbourne	Chief Technical Officer

(b) Remuneration policy

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- to align rewards to business outcomes that deliver value to shareholders;
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent

The Group has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The Board has established a Remuneration and Nomination Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

The remuneration structure that has been adopted by the Group consists of the following components:

- fixed remuneration being annual salary; and
- short term incentives and long term incentives being employee share schemes and bonuses

The Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team.

The payment of bonuses and other incentive payments are reviewed by the Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All senior executive bonuses and incentives must be linked to pre-determined performance criteria.

Short (STI) and Long (LTI) Term Incentives

Atomos performance measures involve the use of annual performance objectives, metrics, performance appraisals and continuing emphasis on living the Company values. The performance measures are set annually after consultation with the Directors and Executives and are specifically tailored to the areas where each eligible participant has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.

The Key Performance Indicators (KPIs) for the Executive and Non-Executive participants are summarised as follows:

Performance area:

- financial STIs – revenue and earnings before income tax, depreciation and amortisation;
- financial LTIs – earnings per share and share price;
- non-financial – strategic goals set by each individual business unit based on key business objectives; and
- ongoing employment

The STI Program incorporates both cash and share-based components for the Executive Team and other employees. The Board may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed KPIs.

Non-executive director remuneration

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 Company obtained shareholder approval at its last Annual General Meeting of the maximum aggregate annual cash fee pool from which non-executive directors may be paid for their services as members of the Board, exclusive of expense reimbursement and equity grants, being $750,000.

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.

(c) Relationship between the remuneration policy and company performance

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year.

Item	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Revenue	53,716	35,648	31,091	30,264	27,510
EBITDA	1,780	(10,519)	(4,950)	(3,973)	5,572
Net profit/(loss) before tax	(1,132)	(14,758)	(6,638)	(4,155)	5,418

Item	2019	2018	2017	2016	2015
Share price on listing	$0.41	na	na	na	na
Share price at end of year	$1.03	na	na	na	na
Dividends (cents per share)	–	–	–	–	–
Basic earnings per share	($0.01)	($0.29)	($0.09)	($130.28)	$84.81
Diluted earnings per share	($0.01)	($0.29)	($0.09)	($130.28)	$84.81

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

Voting and comments made at the Company's last Annual General Meeting

The company became a listed public company during the financial year ended 30 June 2019 and this is the first remuneration report of Atomos Ltd and the first to be presented at an Annual General Meeting.

(d) Remuneration of key management personnel

Details of the nature and amount of each element of the remuneration of each Key Management Personnel (KMP) of Atomos Ltd are shown in the table below:

		Short term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments		
Employee	Year	Salary & fees [vi]	Cash bonus	Non-monetary benefits	Super-annuation	Termination benefits	Long service leave [vii]	Perform-ance rights	Options	Total
Executive directors										
Jeromy Young, Director	2019	372,634	39,375	–	22,137	–	5,777	39,375	88,582	567,880
Chief Executive Officer	2018	409,804	30,137	–	23,362	–	13,369	–	8,295	484,967
Ian Overliese, Director	2019	–	–	–	–	–	–	–	–	–
Chief Technical Officer [i]	2018	154,531	–	3,382	17,331	97,307	–	–	–	272,551
Robert Song	2019	213,050	6,421	–	–	–	–	6,421	11,639	237,531
President – APAC [ii]	2018	176,963	–	–	–	–	–	–	1,325	178,288
Non-executive directors										
Chris Tait, Chairman	2019	35,000	–	–	–	–	–	–	23,303	58,303
Independent	2018	25,000	–	–	–	–	–	–	7,554	32,554
Sir Hossein Yassaie	2019	45,235	–	–	4,126	–	–	–	53,434	102,795
Independent	2018	43,463	–	–	4,023	–	–	–	30,217	77,703
Neil Chatfield	2019	18,333	–	–	–	–	–	–	40,174	58,507
Independent [iii]	2018	25,000	–	–	–	–	–	–	30,217	55,217
Stephen Stanley	2019	15,221	–	–	1,446	–	–	–	13,259	29,926
Independent [iv]	2018	–	–	–	–	–	–	–	–	–
Bradley Whitcomb	2019	15,221	–	–	1,446	–	–	–	13,259	29,926
Independent [v]	2018	–	–	–	–	–	–	–	–	–
Key management personnel										
James Cody	2019	258,437	29,250	–	23,525	–	1,303	29,250	67,384	409,149
Chief Financial Officer	2018	251,851	15,525	–	21,524	–	779	–	6,430	296,109
Trevor Elbourne	2019	245,000	29,250	–	23,275	–	17,508	29,250	40,092	384,375
Chief Technical Officer	2018	169,167	15,525	–	17,546	–	7,347	–	30,346	239,931
2019 Total		**1,218,131**	**104,296**	**–**	**75,955**	**–**	**24,588**	**104,296**	**351,126**	**1,878,392**
2018 Total		**1,255,779**	**61,187**	**3,382**	**83,786**	**97,307**	**21,495**	**–**	**114,384**	**1,637,320**

(i) Resigned 18 April 2018. Remuneration received relates to the period 1 July 2017 to 18 April 2018.
(ii) Resigned as a Director 16 October 2018 but remains an employee. Remuneration received as Director relates to the period 1 July 2018 to 16 October 2018.
(iii) Resigned as a Director 1 February 2019 but remains as a consultant. Remuneration received as Director relates to the period 1 July 2018 to 1 February 2019.
(iv) Appointed as a Director 1 February 2019.
(v) Appointed as Director 1 February 2019, resigned as Director 16 September 2019.
(vi) Salary and fees includes fixed cash and annual leave accruals.
(vii) Long-term benefits includes long service leave accruals.

The relative proportions of those elements of remuneration of key management personnel that are linked to performance:

	Fixed remuneration		Remuneration linked to performance	
	2019	2018	2019	2018
Non-executive Directors				
C. Tait	60%	77%	40%	23%
H. Yassaie	48%	61%	52%	39%
S. Stanley	56%	–	44%	–
B. Whitcomb*	56%	–	44%	–
N. Chatfeld*	31%	45%	69%	55%
Executive Officers				
J. Young	71%	92%	29%	8%
R. Song*	90%	99%	10%	1%
J. Cody	69%	93%	31%	7%
T. Elbourne	74%	81%	26%	19%

* B Whitcomb resigned as a director 16 September 2019, N Chatfield resigned as a director 1 February 2019, R Song resigned as a director 16 October 2018.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Share-based remuneration

As part of the listing on the Australian Securities Exchange, shares were issued to certain eligible employees in Australia for nil consideration as part of their reward for service to the Company. The $0.41 cost per share to the company is included as an expense in the profit and loss statement. The total remuneration in shares for each key management person is included as part of their remuneration in the table at Part d of this Remuneration Report under Share-based payments.

Bonuses included in remuneration

Details of the short-term incentive cash bonuses awarded as remuneration to each key management personnel, the percentage of the available bonus that was paid in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years.

	Included in remuneration ($)	Percentage vested during the year	Percentage forfeited during the year
Jeromy Young	39,375	30%	70%
James Cody	29,250	30%	70%
Trevor Elbourne	29,250	30%	70%

(e) Key terms of employment contracts

Remuneration and other terms of employment for the Executive Directors and other key management personnel are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base salary *	Term of agreement	Notice period
Executive Officers			
J. Young	$410,750	No fixed term	Twelve (12) months employer/ Six (6) months employee
J. Cody	$284,700	No fixed term	Six (6) months employer/ Three (3) months employee
T. Elbourne	$284,700	No fixed term	Six (6) months employer/ Three (3) months employee

* Base salary is inclusive of superannuation guarantee payments.

Bonus provisions

There are no bonus provisions in the above employment contracts. However, directors and key management personnel are eligible to participate in the Atomos Equity Incentive Plan which is designed to assist in the reward, retention and motivation of the Company's Directors, senior management, employees and contractors.

(f) Key management personnel equity holdings

Fully paid ordinary shares of Atomos Ltd

The number of ordinary shares in the Company held during the 2019 reporting period by each of the Group's key management personnel, including their related parties, is set out below:

Personnel	Balance at start of year	Granted as remuneration	Received on exercise of options	Other changes	Held at the end of reporting period
J. Young	16,398,000	–	–	1,333,333	17,731,333
H. Yassaie	1,697,766	–	–	–	1,697,766
C. Tait	1,331,770	–	–	140,000	1,471,770
S. Stanley	–	–	–	–	–
B. Whitcomb*	–	–	–	–	–
N. Chatfield*	1,050,584	–	–	–	1,050,584
R. Song*	4,854,056	–	–	1,219,512	6,073,568
J. Cody	276,889	–	–	61,305	338,194
T. Elbourne	285,265	70,000	–	55,245	410,510

* B Whitcomb resigned as a director 16 September 2019, N Chatfield resigned as a director 1 February 2019, R Song resigned as a director 16 October 2018.

None of the shares included in the table above are held nominally by key management personnel.

Share options to acquire ordinary shares of Atomos Ltd

The number of options to acquire ordinary shares in the Company held during the 2019 reporting period by each of the Group's key management personnel is set out below:

Name	Balance 1/7/2018 No.	Granted as remun-eration No.	Exer-cised No.	Net other changes No.	Balance 30/6/2019 No.	Balance vested at 30/6/2019 No.	Vested but not exer-cisable No.	Vested and exer-cisable No.	Options vested during year No.
J. Young	432,955	1,082,474	–	–	1,515,429	432,955	–	432,955	432,955
H. Yassaie	612,990	257,732	–	–	870,722	612,990	–	612,990	612,990
C. Tait	153,246	64,433	–	–	217,679	153,246	–	153,246	153,246
S. Stanley	–	257,732	–	–	257,732	–	–	–	–
B. Whitcomb*	–	257,732	–	–	257,732	–	–	–	–
N. Chatfield*	612,990	–	–	–	612,990	612,990	–	612,990	612,990
R. Song*	69,160	104,414	–	–	173,574	69,160	–	69,160	69,160
J. Cody	335,612	804,124	–	–	1,139,736	335,612	–	–	–
T. Elbourne	93,971	804,124	–	–	898,095	93,971	–	93,971	93,971

* B Whitcomb resigned as a director 16 September 2019, N Chatfield resigned as a director 1 February 2019, R Song resigned as a director 16 October 2018.

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.

Details of the employee share option plan and of share options granted during the 2019 and 2018 financial years are calculated in accordance with a performance-based criteria approved by the Company and is subject to approval by the remuneration committee. The formula rewards Non-Executives, Executives and senior employees to the extent of the Group's and the individual's achievement judged against both qualitative and quantitative criteria from the following financial service measures:

Employee Options:

- improvement in earnings per share over the vesting period
- ongoing employment

Performance rights

The number of performance rights held during the 2019 reporting period by each of the Group's key management personnel, is set out below:

Personnel	Balance at start of year	Granted as remuneration	Vested	Lapsed	Held at the end of reporting period
Jeromy Young	–	320,122	96,037	224,085	96,037
Robert Song	–	52,207	15,662	36,545	36,545
James Cody	–	237,805	71,341	166,464	71,341
Trevor Elbourne	–	237,805	71,341	166,464	71,341

All performance rights issued to key management personnel were made in accordance with the provisions of the Atomos Equity Incentive Plan. Details of the performance rights granted are calculated in accordance with a performance-based criteria approved by the Company and subject to approval by the remuneration committee. The following key measures are used:

Employee Performance Rights Plan:

- improvement in revenue
- improvement in normalised EBITDA
- ongoing employment

Other transactions with Key Management Personnel

Chris Tait is a shareholder and director of Henslow and the Advisory Board Chair of Bluerock Group. Henslow entered into an agreement on 31 May 2018 with the Company to act as Corporate Adviser in respect of the pre-IPO capital raising and the IPO as well as other advisory matters. Atomos Group utilise Bluerock professional services.

Henslow also acted as one of the Joint Lead Managers to the IPO offer and received $120,000 in underwriting fees and $60,000 in management fees in relation to the listing of the Company on the Australian Stock Exchange on 28 December 2018. Other advisory matter fees came to a total of $693,516. Blue rock professional services fees were $17,700 for the year.

End of audited Remuneration Report.

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



Mr Christopher Tait
Director/Chairman

Melbourne
This 30th day of September 2019

Auditor's Independence Declaration

Deloitte.

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30 September 2019

Board of Directors
Atomos Limited
29 Nott Street
PORT MELBOURNE VIC 3207

Dear Board Members

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 2019, 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

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Revenue	5	53,716	35,648
Cost of sales		(28,062)	(18,828)
Gross profit		25,654	16,820
Other income	5	247	332
Other gains/(losses)	7	1,018	(58)
Employee benefits expense	8	(7,035)	(6,004)
Share based payments		(1,017)	(314)
Advertising and marketing expense		(5,604)	(2,322)
Research and development expense		(4,139)	(3,764)
Administration and other expense		(2,168)	(2,878)
Transaction costs	8	(2,061)	(105)
Distribution expense		(1,585)	(1,233)
Depreciation and amortisation	8	(1,469)	(278)
Interest charges	8	(1,443)	(3,961)
Legal and professional services		(821)	(590)
Occupancy expense		(709)	(674)
Impairment of intangible assets	8	–	(9,729)
Loss before income tax	8	**(1,132)**	**(14,758)**
Income tax (expense)/benefit	9	(827)	(1,755)
Loss for the year		**(1,959)**	**(16,513)**
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		(205)	157
		(205)	157
Other comprehensive income for the year, net of income tax		**(205)**	**157**
Total comprehensive loss for the year		**(2,164)**	**(16,356)**

	Notes	2019	2018
Earnings per share			
Basic earnings (loss) per share	11	($0.01)	($0.29)
Diluted earnings (loss) per share	11	($0.01)	($0.29)

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

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	12	5,112	1,447
Trade and other receivables	13	8,024	4,848
Inventories	14	9,606	5,953
Other current assets	15	2,995	1,746
Total current assets		**25,737**	**13,994**
Non-current assets			
Property, plant and equipment	16	1,673	824
Intangible assets	17	8,472	7,671
Total non-current assets		**10,145**	**8,495**
Total assets		**35,882**	**22,489**
Liabilities			
Current liabilities			
Trade and other payables	19	10,521	8,461
Borrowings	20	1,500	2,706
Provisions	21	610	493
Other financial liabilities	22	–	1,496
Current liabilities		**12,631**	**13,156**
Non-current liabilities			
Provisions	21	42	47
Total non-current liabilities		**42**	**47**
Total liabilities		**12,673**	**13,203**
Net assets		**23,209**	**9,286**
Equity			
Issued capital	24	44,057	28,987
Reserves	25	2,177	1,365
Accumulated losses		(23,025)	(21,066)
Total equity		**23,209**	**9,286**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Note	Issued capital (Ordinary shares) $'000	Issued capital (Class A shares) $'000	Accum-ulated losses $'000	Foreign currency trans-lation reserve $'000	Share based payments reserve $'000	Total equity $'000
Balance at 1 July 2017		8,595	292	(4,553)	195	–	4,529
Transactions with owners							
Share-based payments		–	–	–	–	1,013	1,013
Conversion of Class A shares	24(a)(b)	292	(292)	–	–	–	–
Conversion of convertible notes	24(a)	13,567	–	–	–	–	13,567
Issue of new share capital	24(a)	7,000	–	–	–	–	7,000
Transaction costs relating to issue of shares	24(a)	(467)	–	–	–	–	(467)
Income tax benefit relating to transaction costs		–	–	–	–	–	–
Total transactions with owners		**20,392**	**(292)**	**–**	**–**	**1,013**	**21,113**
Comprehensive income							
Loss for the year		–	–	(16,513)	–	–	(16,513)
Other comprehensive income		–	–	–	157	–	157
Total comprehensive income		**–**	**–**	**(16,513)**	**157**	**–**	**(16,356)**
Balance at 30 June 2018		**28,987**	**–**	**(21,066)**	**352**	**1,013**	**9,286**
Balance at 1 July 2018		28,987	–	(21,066)	352	1,013	9,286
Transactions with owners							
Share-based payments		–	–	–	–	1,017	1,017
Conversion of convertible notes	24(a)	9,457	–	–	–	–	9,457
Issue of new share capital	24(a)	6,000	–	–	–	–	6,000
Transaction costs relating to issue of shares	24(a)	(387)	–	–	–	–	(387)
Income tax benefit relating to transaction costs		–	–	–	–	–	–
Total transactions with owners		**15,070**	**–**	**–**	**–**	**1,017**	**16,087**
Comprehensive income							
Loss for the year		–	–	(1,959)	–	–	(1,959)
Other comprehensive income		–	–	–	(205)	–	(205)
Total comprehensive income		**–**	**–**	**(1,959)**	**(205)**	**–**	**(2,164)**
Balance at 30 June 2019		**44,057**	**–**	**(23,025)**	**147**	**2,030**	**23,209**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Operating activities			
Receipts from customers		52,868	34,944
Payments to suppliers and employees		(56,036)	(37,846)
Interest received		2	1
Income taxes paid		(158)	–
Net cash used in operating activities	27	**(3,324)**	**(2,901)**
Investing activities			
Payments for property, plant and equipment		(1,331)	(724)
Payments for intangible assets		(1,794)	(3,629)
Net cash used in investing activities		**(3,125)**	**(4,353)**
Financing activities			
Proceeds from issue of equity instruments in the company		6,000	7,000
Proceeds from issue of convertible notes		7,000	1,112
Interest paid		–	(432)
Payment for transaction costs		(2,448)	(410)
Proceeds from borrowings		1,500	–
Repayments of borrowings		(1,950)	(110)
Net cash inflow from financing activities		**10,102**	**7,160**
Net change in cash and cash equivalents		3,653	(94)
Cash and cash equivalents, beginning of year		1,447	1,548
Exchange differences on cash and cash equivalents		12	(7)
Cash and cash equivalents, end of year	12	**5,112**	**1,447**

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 Company changed status from a private company to a public company on 8 June 2018 and its name from Tetsuwan Pty Ltd to Tetsuwan Ltd on the same date. Subsequently the Company changed the name from Tetsuwan Ltd to Atomos Ltd on 6 October 2018.

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 29 Nott Street, Port Melbourne, Victoria 3207.

The Consolidated Financial Statements for the year ended 30 June 2019 were approved and authorised for issue by the board of Directors on Monday 30th of September.

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 2018.

New and revised Standards and amendments thereof and interpretations effective for the current year that are relevant to the Group include:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*
- AAS 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- Interpretation 22 Foreign Currency

AASB 9 *Financial Instruments* and related amending Standards

In the current year, the Group has applied AASB 9 *Financial Instruments* (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives. The Group has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Group adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures* that were applied to the disclosures related to the financial year ended 30 June 2019.

AASB 9 introduced new requirements for:

– The classification and measurement financial assets and financial liabilities;

– Impairment of financial assets; and

– General hedge accounting.

Details of these new requirements as well as their impact of the Group's consolidated statements are described below.

Classification and measurement of financial assets

The date and initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of AASB 9) is 1 July 2018. Accordingly, the Group has applied the requirements of AASB 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 had no material impact as financial assets classified as loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Impairment of financial assets

Credit losses on trade and other receivables

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group has elected to use the simplified approach, which requires the recognition of lifetime expected loss allowance for all trade receivables. Trade receivables have been grouped based on credit risks attributes and debtor's days in estimating expected credit losses.

Given the shared characteristics of the trade debtors recorded by the Group and determination of the expected credit losses, the adoption of AASB 9 has not materially impacted the credit loss allowance calculated under AASB 9 compared to the incurred loss approach previously calculated under AASB 139.

The result of the assessment is as follows:

Items existing as at 1/7/2018 that are Subject to the Impairment provisions of AASB 9	Credit risk attributes at 1/7/2018	Cumulative additional loss allowance recognised on 1/7/2018 $'000
Trade and other receivables	The Group applies the simplified approach and recognises lifetime ECL for these assets.	$nil

The consequential amendments to AASB 7 have also resulted in more extensive disclosures about the Group's exposure to credit risk in the consolidated financial statements (see Note 33 for details).

Classification and measurement of financial liabilities

There were no material reclassifications of financial liabilities that had a material impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

2. Adoption of new and revised Australian Accounting Standards *(continued)*

AASB 15 *Revenue from Contracts with Customers and related amending Standards*

The Group has adopted AASB 15 Revenue from Contracts with Customers, which replaces AASB 118 Revenue effective 1 July 2018. The Group is applying the modified approach on transition. AASB 15 establishes a single comprehensive model with five-step approach to revenue recognition. The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive.

Accounting policies have been amended to ensure that the five-step method is applied consistently to revenue recognition processes across the Group. To assess the impact of AASB 15 on the Group, each contract type was analysed, with the five-step method applied to assess the impact on revenue recognition. The five-step method for recognising revenue from contracts with customers involves consideration of the following: 1. Identifying the contract with the customer; 2. Identifying performance obligations; 3. Determining the transaction price; 4. Allocating the transaction price to distinct performance obligations; and 5. Recognising revenue.

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The introduction of the new revenue standard has not had a material impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income in the financial year as the criteria used by Atomos to recognise revenue has not significantly changed with the adoption of the new standard. That is, given the majority of revenue is through sale of goods the timing of revenue recognition under the risk and rewards framework vs. the control framework under AASB 15 has not substantially changed. The Group has applied the modified approach on adoption.

Other pronouncements adopted for the first time in the current period

In the current year, the Group has applied a number of amendments to Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for an annual period that begins on or after 1 July 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

The Group has adopted AASB 2016-5 for the first time in the current year. The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
   - The original liability is derecognised
   - The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date
   - Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

Interpretation 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

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.

Reference	Standard/Amendment	Effective for annual reporting periods beginning on or after
AASB 16	*Leases*	1 January 2019
AASB 2017-6	*Amendment to Australian Accounting Standards – Prepayment Features with Negative Compensation*	1 January 2019
AASB 2018-1	*Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*	1 January 2019
AASB 2018-7	*Amendments to Australian Accounting Standards – Definition of Material*	1 January 2020
AASB 2019-1	*Amendments to Australian Accounting Standards – References to the Conceptual Framework*	1 January 2020
Interpretation 23	*Uncertainty over Income Tax Treatments*	1 January 2019

AASB 16 *Leases*

General impact of application

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 *Leases* and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Group will be 1 July 2019.

2. Adoption of new and revised Australian Accounting Standards *(continued)*

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 – determining whether an arrangement contains a lease will continue to apply to those leases entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

– The right to obtain substantially all of the economic benefits from the use of an identified asset, and

– The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract) in preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on lease accounting

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

On initial application of AASB 16, for all leases (except as noted below), the Group will:

– Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;

– Recognise depreciation of right-to-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

– Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight line basis.

Under AASB 16, right-of-use will be tested for impairment in accordance with AASB 136 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of $157k.

The preliminary assessment indicates that $$157k of these arrangements relate to leases other than short term leases and leases of low value assets. The Group are progressing in determining the appropriate incremental borrowing rate for the purpose of discounting the lease to present value. Once finalised the Group will recognise a lease liability equal to the present value using the relevant incremental borrowing rates of $157k. This is based on existing leases as at 30 June 2019. Refer to Note 37 for disclosure on leases entered into post year end that are in the process of being assessed..

AASB 2017-6 *Amendment to Australian Accounting Standards – Prepayment Features with Negative Compensation*

Amends AASB 9 to clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest on the principal amount' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*

Makes amendments to the following relevant Accounting Standards:

- AASB 112 *Income Taxes* to clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.
- AASB 133 *Borrowing Costs* to clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows when calculating the capitalisation rate on general borrowings.

The amendments apply to annual reporting periods beginning on or after 1 January 2019 and generally apply on a prospective basis. The directors of the Company do not anticipate that the application of the amendments will have a material impact on the Groups consolidated financial statements.

AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*

Makes amendments to various Accounting Standards to reflect the issue of the revised *Conceptual Framework for Financial Reporting*. This Standard updates references to, or quotations from, previous versions of the Framework contained in many Accounting Standards.

This Amending Standard applies to for-profit sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards and other for-profit entities that elect to apply the *Conceptual Framework*, for annual reporting periods beginning on or after 1 January 2020. The directors of the Company do not anticipate that the application of this Standard will have a material impact on the Group's consolidated financial statements.

2. Application of new and revised Australian Accounting Standards *(continued)*

Interpretation 23 *Uncertainty over Income Tax Treatments*

Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group, and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Company do not anticipate that the application of the Interpretation will have a material impact on the Group's consolidated financial statements.

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.

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 video monitor recorder products, broadcast equipment and accessories to the wholesale market. 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.

3. Significant accounting policies *(continued)*

Sale of goods

Sale of goods (video equipment) 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. 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.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases such incentives are recognized as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

3.7 Short-term and other 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 26.

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.

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.

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.

3. Significant accounting policies *(continued)*

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 mount 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.

3.10 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 comprised capitalised 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.

Intangible assets – 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 have a useful life of 3-5 years.

3. Significant accounting policies *(continued)*

3.12 Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets 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.

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, being the Group has been identified.

3.13 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.

3.14 Provisions

Provisions are recognised when the Group as 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.

3.15 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 and cash and cash equivalents) 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)*

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.

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.

Compound and Derivative Financial Instruments

The component parts of compound instruments (convertible notes) issued by the Group are classified separately as a financial liability and derivative in accordance with the substance of the contractual arrangements and the definitions of a financial liability and derivatives.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. The amount is 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.

Derivatives

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivatives embedded in non-derivative host contracts 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.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination, (ii) held for trading, or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 34.

Other financial liabilities

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

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.

3. Significant accounting policies *(continued)*

3.16 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.

3.17 Comparative Figures

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

3.18 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.

3.19 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.

Impairment of intangible assets

After assessing the recoverable amount of the capitalised development costs based on a value-in-use model, using a discounted projected cash flow model, the Group determined that there is no impairment of the capitalised development as at 30 June 2019. The underlying estimates and assumptions are reviewed annually. The directors have applied judgement to the value-in-use model when testing capitalised development costs for impairment. In assessing the recoverable assumptions of these costs an annual growth rate of over the projection period of (on average) 9% and a post-tax discount rate of 11.5%.

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 will utilise that technology.

4.2 Key sources of estimation uncertainty

Trade receivables

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

Inventories

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.

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

Warranties

Management estimates the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products. 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.

5. Revenue – at a "point in time"

	2019 $'000	2018 $'000
Revenue		
Sales of goods	52,936	34,258
Other revenue	780	1,390
Total revenue	**53,716**	**35,648**
Other income		
Interest income	2	1
Other income	245	331
Total other income	**247**	**332**
Total revenue and other income	**53,963**	**35,980**

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. Other gains and losses

	2019 $'000	2018 $'000
Net gain arising on financial liabilities designated as FVTPL	1,203	377
Net foreign exchange loss	(185)	(411)
Loss on disposal of property plant and equipment	–	(24)
	1,018	**(58)**

8. Loss for the year

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

	2019 $'000	2018 $'000
Impairment		
Impairment of capitalised product development costs	–	9,729
Total impairment	–	9,729
Depreciation and amortisation		
Leasehold improvements	1	–
Plant and equipment	471	268
Motor vehicles	4	10
Capitalised product development costs	993	–
Total depreciation and amortisation	1,469	278
Finance costs		
Interest on convertible note and borrowing facilities	1,443	3,961
Total interest expense for financial liabilities not at FVTPL	1,443	3,961
Other financial items – Transaction costs	2,061	105
Total other financial items	2,061	105
Total finance costs	3,504	4,066
Employee benefits expense		
Post-employment benefits	558	470
Other employee benefits	10,560	9,041
Total employee benefits expense	11,118	9,511
Less amount included within Research and development expense on the Statement of Profit or Loss	(4,083)	(3,507)
Employee benefits expense per Statement of Profit or Loss	7,035	6,004

9. 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% (2018: 30%) and the reported tax expense in profit or loss are as follows:

	2019 $'000	2018 $'000
Loss before tax	(1,132)	(14,758)
Domestic tax rate for Atomos Ltd – 30%		
Expected tax benefit	**340**	**4,427**
Adjustments:		
• Effect of income that is not assessable in determining taxable profit	230	212
• Effect of expenses that are not deductible in determining taxable profit	(575)	(2,140)
• Effect of Research and Development tax offset	865	475
• Effect of different tax rates of subsidiaries operating in other jurisdictions	147	89
• Non-recognition of current year and de-recognition of prior year deferred tax asset balances	(1,822)	(4,823)
• Other	(12)	5
Actual tax (expense)/benefit	**(827)**	**(1,755)**
Tax expense comprises:		
• current tax (expense)/benefit	(726)	(1,730)
• deferred tax expense	(101)	(25)
Actual tax (expense)/benefit	**(827)**	**(1,755)**

Information on deferred tax assets and liabilities is provided in Note 18.

Income tax expenses incurred of $827k during the period relate to non-Australian 100% subsidiaries where a taxable profit was reported and $245k due to a tax differential within the Australian tax consolidated Group relating to Research and Development grants.

10. Dividends

There were no dividends paid or declared to equity holders during or since the year ended 30 June 2019. (2018: Nil).

11. Earnings per share

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

	2019 $'000	2018 $'000
Earnings		
Earnings for the purposes of basic earnings per share being net loss attributable to the owners of the Company	(1,959)	(16,513)
Effect of dilutive potential ordinary shares:	–	–
Earnings for the purposes of diluted earnings per share	**(1,959)**	**(16,513)**

Number of shares	2019 No.	2018 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	130,245,340	56,016,171
Effect of dilutive potential ordinary shares:		
Share options	–	–
Performance rights	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**130,245,340**	**56,016,171**

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

- 3,593,770 options now vested with an exercise price of $0.36.
- 6,505,391 options with an exercise price of $0.41 vesting 30 June 2021 subject to achievement of specified earnings per share or share price hurdles over a three year period.
- 2,187,780 performance rights that convert to ordinary shares subject to performance conditions being met which have a nil exercise priced

12. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank and in hand	5,112	1,012
Cash at bank on deposit	–	435
Cash and cash equivalents	**5,112**	**1,447**

13. Trade and other receivables

	2019 $'000	2018 $'000
Current		
Trade receivables, gross	7,770	4,823
Less: loss allowance	(69)	(77)
Trade receivables, net	7,701	4,746
Other receivables	323	102
	8,024	**4,848**

The Group always 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.

	2019 $'000	2018 $'000
Balance at beginning of year	77	114
Impairment loss recognised	–	120
Amounts written off	(8)	(157)
Balance 30 June	**69**	**77**

An analysis of trade receivables that are past due is outlined in Note 33.3.

14. Inventories

	2019 $'000	2018 $'000
Stock on hand – raw materials, at cost	4,962	4,027
Stock on hand – finished goods, at net realisable value	4,644	1,926
	9,606	**5,953**

15. Other current assets

	2019 $'000	2018 $'000
Prepayments	2,743	1,627
Security deposits	252	119
	2,995	**1,746**

16. Property, plant and equipment

	2019 $'000	2018 $'000
Carrying amounts of:		
Leasehold improvements	21	18
Plant and equipment	1,635	786
Motor vehicles	17	20
Written down value	**1,673**	**824**

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 2018	18	1,349	30	1,397
Additions	10	1,320	1	1,331
Disposals	(6)	(37)	–	(43)
Balance 30 June 2019	22	2,632	31	2,685
Accumulated depreciation & impairment				
Balance 1 July 2018	–	(563)	(10)	(573)
Depreciation	(1)	(471)	(4)	(476)
	–	37	–	37
Balance 30 June 2019	(1)	(997)	(14)	(1,012)
Carrying amount 30 June 2019	**21**	**1,635**	**17**	**1,673**
Cost				
Balance 1 July 2017	–	644	283	927
Additions	18	706	–	724
Disposals	–	(1)	(253)	(254)
Balance 30 June 2018	18	1,349	30	1,397
Accumulated depreciation & impairment				
Balance 1 July 2017	–	(336)	(123)	(459)
Depreciation charge for the year	–	(228)	(10)	(238)
Disposals	–	1	123	124
Balance 30 June 2018	–	(563)	(10)	(573)
Carrying amount 30 June 2018	**18**	**786**	**20**	**824**

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 2019 (2018: None).

17. Intangible assets

	2019 $'000	2018 $'000
Capitalised product development costs	**8,472**	**7,671**
The movements in the net carrying amount of intangible assets are as follows:		
Capitalised product development costs		
Cost		
Balance 1 July	17,400	13,771
Additions	1,794	3,629
Balance 30 June	19,194	17,400
Accumulated amortisation and impairment		
Balance 1 July	(9,729)	–
Amortisation charge for the year	(993)	–
Impairment loss recognised in profit or loss	–	(9,729)
Balance 30 June	(10,722)	(9,729)
Carrying amount at 30 June	**8,472**	**7,671**

Allocation of intangibles to cash-generating units: Intangible assets have been allocated for impairment testing purposes to a single cash-generating unit being, Atomos. Significant assumptions used within the value in use model include:

- Post tax WACC rate of 11.5%;
- Average revenue growth over projected life of 9% annually

Capitalised development costs were impaired during the 2018 year due to the uncertainty of future sales opportunities for the product range where the technology being developed for these products was to be utilised.

18. Deferred tax assets and liabilities

Net deferred tax assets relating to losses and timing differences were de-recognised in the statement of financial position due to uncertainty as to the timing of their recoupment from sufficient future taxable income. Deferred taxes arising from temporary differences can be summarised as follows:

Deferred tax (liabilities)/assets	1 Jul 2018 $'000	Recognised in other comprehensive income $'000	Recognised in profit and loss $'000	30 June 2019 $'000
Unrealised FX (gains) losses	(93)	–	54	(39)
Doubtful debts	23	–	(2)	21
Inventories	57	–	(43)	14
Prepayments	–	–	(1)	(1)
Intangible assets	–	–	298	298
Unused tax losses	4,325	–	958	5,283
Interest deductions	–		189	189
Borrowing costs	188	–	429	617
Accrued expenses	221	–	(93)	128
Employee provisions	102	–	33	135
Net deferred taxes asset	**4,823**	**–**	**1,822**	**6,645**
Net Deferred taxes derecognised	**(4,823)**	**–**	**(1,822)**	**(6,645)**
Net deferred taxes asset	**–**	**–**	**–**	**–**

Deferred tax (liabilities)/assets	1 Jul 2017 $'000	Recognised in other comprehensive income $'000	Recognised in profit and loss $'000	30 June 2018 $'000
Doubtful debts	34	–	(11)	23
Inventories	43	–	14	57
Warranty provision	40	–	(40)	–
Employee provisions	116	–	(14)	102
Intangible assets	(2,509)	–	2,509	–
Accrued expenses	85	–	136	221
Unrealised FX (gains) losses	(39)	–	(54)	(93)
Borrowing costs	(53)	–	241	188
Financial assets	(11)	–	11	–
Unused tax losses	3,579	–	746	4,325
Equity-raising costs	20	–	(20)	–
Net deferred taxes asset	**1,305**	**–**	**3,518**	**4,823**
Net Deferred taxes derecognised	**–**	**–**	**–**	**(4,823)**
Net deferred taxes asset	**1,305**	**–**	**3,518**	**–**

19. Trade and other payables

	2019 $'000	2018 $'000
Current:		
Trade payables	9,853	6,370
Sundry payables and accrued expenses	668	2,091
Total trade and other payables	**10,521**	**8,461**

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

20. Borrowings

	2019 $'000	2018 $'000
Current:		
Export line of credit facility[(i)]	1,500	–
Convertible notes (Note 23.1)	–	2,706
Total current borrowings	**1,500**	**2,706**

All borrowings are denominated in $AUD.

(i) There is a fixed and floating charge over 'all other property' within the Group.

Borrowings at amortised cost

Convertible notes were secured by first ranking general security agreements in relation to the current and future assets of Atomos Limited and each wholly owned subsidiary. Current interest rates were fixed at 10.0% (2018: 10%). The carrying amount of convertible notes was considered to be a reasonable approximation of the fair value.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2019 $'000	2018 $'000
Export line of credit facility [(i)]	1,500	–
Convertible notes [(ii)]	–	2,976
Less capitalised borrowing costs	–	(270)
	1,500	**2,706**

Assets pledged as security

(i) There is a fixed and floating charge over 'all other property' within the Group.

(ii) Convertible notes are secured by first ranking general security agreements in relation to the current and future assets of Atomos Ltd and each wholly-owned subsidiary.

(ii) The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statements of financial position, revert to the lessor in the event of default.

Financing arrangements

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

	2019 $'000	2018 $'000
Total facilities		
Financial institution – export line of credit facility [(i)]	1,500	–
Financial institution – credit card facility	65	450
	1,565	**450**
Used at reporting date		
Financial institution – export line of credit facility [(i)]	1,500	–
Financial institution – credit card facility	52	428
	1,552	**428**
Unused at reporting date		
Financial institution – export line of credit facility [(i)]	–	–
Financial institution – credit card facility	13	22
	13	**22**

(i) On 2 August 2018, the Company entered into a revolving export line of credit facility with 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.

21. Provisions

	2019 $'000	2018 $'000
Current:		
Warranty (i)	200	198
Employee benefits (ii)	410	295
	610	**493**
Non-current:		
Employee benefits (ii)	**42**	**47**

(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.

21. Provisions *(continued)*

Amounts not expected to be settled within the next 12 months

The current portion of this liability includes all accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those employees who are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $410,000 (2018: $295,000) is presented as a current liability since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based upon past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next twelve months. The group does not expect $300,000 (2018: $220,000) of this liability to be taken or paid within the next 12 months.

22. Other financial liabilities

	2019 $'000	2018 $'000
Current		
Designated at fair value through profit and loss		
Derivative financial liability (Note 23.2)	–	1,496
Total current other financial liabilities	**–**	**1,496**

23.1 Convertible notes

Issued

During the financial year the Company issued 7,000,000 (2018: 3,777,633) notes ("pre IPO Notes") with a face value of $1.00 each and an aggregated principal amount of $7,000,000 (2018: $3,777,633). Interest is payable at the rate of 10% per annum at the earlier of the Conversion Date or the maturity date. A conversion date is defined as an IPO or trade sale. The maturity date of the convertible notes was 31 December 2019.

The net proceeds received from the issue of the convertible notes have been split between the financial liability element valued at amortised cost and the derivative liability valued at fair value through profit and loss.

Redeemed

During the financial period the following conversions/redemptions of convertible notes occurred:

On 10 August 2018, a noteholder converted 113,261 notes resulting in the issue of 239,796 ordinary shares.

On 20 December 2018, all pre-IPO notes were converted to ordinary shares in accordance with the terms of the agreement and upon an IPO occurring which triggered the conversion date as referred to above. This resulted in the conversion of 7,203,288 notes (including outstanding interest) being converted into 21,961,244 ordinary shares.

On 20 December 2018, all other noteholders who had not opted out of the conversion of their outstanding notes into ordinary shares as a result of the IPO trigger event received 5,311,106 shares upon conversion of their 2,177,553 notes.

On 20 December 2018, noteholders who had opted to receive cash repayment of their notes rather than converting them into ordinary shares received $1,949,743 as repayment of their notes.

23.2 Derivative liability

The derivative liability within the convertible notes reflects the fact that the convertible notes do not convert to a fixed number of ordinary shares in the Parent Company. The derivative liability is calculated based upon the present value utilising level 3 inputs of the fair value hierarchy based on available information.

At balance date there was no remaining derivative liability as all notes had either converted to ordinary shares or for those notes that were not converted, the holder was repaid their outstanding notes plus outstanding interest.

	2019 $'000	2018 $'000
Balance at the beginning of the year	1,496	5,063
Derivative component of convertible notes issued	2,576	1,353
Net (gain)/loss arising on financial liabilities designated as FVTPL	(1,203)	(377)
Derecognise derivative component of convertible notes converted	(2,869)	(4,543)
Derivative liability at 30 June	**–**	**1,496**

24. Issued capital

	2019 $'000	2018 $'000
Ordinary shares – fully paid (a)	44,057	28,987
Class A shares – fully paid (b)	–	–
	44,057	**28,987**

24. Issued capital *(continued)*

(a) Ordinary shares

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Shares issued and fully paid:				
• beginning of the year	105,722,865	16,958	28,987	8,595
• 28/11/2017 – additional shares issued @ $977.62 per share.	–	715	–	–
• 18/1/2018 – additional shares issued to existing shareholders as part of 1:3,000 share split.	–	53,001,327	–	–
• 18/1/2018 – Class A shares reclassified to ordinary shares.	–	3,747,000	–	150
• 10/5/2018 – Class A shares reclassified to ordinary shares.	–	4,533,000	–	142
• 6/6/2018 – share issued at $0.41 cents per share.	–	17,165,301	–	7,000
• 29/6/2018 – Conversion of convertible notes to ordinary shares at $0.465 per share.	–	27,258,564	–	13,567
• 10/8/2018 – Conversion of convertible notes to ordinary shares at $0.472 per share.	239,796	–	113	–
• 13/8/2018 – Issue of shares to employees.	325,400	–	–	–
• 20/12/2018 – Issue of shares to employees.	70,000	–	–	–
• 20/12/2018 – Shares issued as a top-up to certain convertible noteholders.	3,693,067	–	–	–
• 20/12/2018 – Conversion of convertible notes to ordinary shares.	27,272,350	–	9,344	–
• 20/12/2018 – Issue of shares in accordance with prospectus dated 30 November 2018.	14,634,146	–	6,000	–
• equity-raising costs, net of income tax.	–	–	(387)	(467)
Total share capital at 30 June	**151,957,624**	**105,722,865**	**44,057**	**28,987**

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

(b) Class A shares

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Shares issued and fully paid:				
• beginning of the year	–	2,760	–	292
• 18/1/2018 – additional shares issued as part of 1:3,000 share split.	–	8,277,240	–	–
• 18/1/2018 – shares reclassified to ordinary shares.	–	(3,747,000)	–	(150)
• 10/5/2018 – shares reclassified to ordinary shares.	–	(4,533,000)	–	(142)
Total share capital at 30 June	**–**	**–**	**–**	**–**

All shares are equally eligible to receive dividends and the repayment of capital however Class A shares do not carry voting rights.

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

At 30 June 2019, Directors, executives and senior employees held options over 9,995,955 ordinary shares of the Company (2018: 3,593,770). 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 26.

25. Reserves

Details of reserves are as follows:

	Foreign currency translation reserve $'000	Share based payments Reserve $'000	Total $'000
Balance at 1 July 2017	195	–	195
Share based payments for services provided	–	699	699
Employee share based payments	–	314	314
Exchange differences arising on translating the foreign operations	157	–	157
Balance at 30 June 2018	**352**	**1,013**	**1,365**
Balance at 1 July 2018	352	1,013	1,365
Share based payments for services provided	–	–	–
Employee share based payments	–	1,017	1,017
Exchange differences arising on translating the foreign operations	(205)	–	(205)
Balance at 30 June 2019	**147**	**2,030**	**2,177**

26. 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 approved by the Company and is subject to approval by the remuneration committee. The formula rewards executives and senior employees to the extent of the Group's and the individual's achievement judged against both qualitative and quantitative criteria from the following financial service measures:

- improvement in revenue
- improvement in normalised EBITDA
- service to the company

26. Employee share-based payments *(continued)*

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	612,990	26/02/2018	30/06/2018	12/04/2028	$0.36	$0.3263
Granted: 26 Feb 2018	612,990	26/02/2018	30/06/2019	12/04/2028	$0.36	$0.3263
Granted: 26 Feb 2018	2,367,790	26/02/2018	30/06/2020	12/04/2028	$0.36	$0.3263
Granted: 20 Dec 2018	5,474,463	20/12/2018	30/06/2021	20/12/2028	$0.41	$0.2444
Granted: 20 Dec 2018	1,030,928	20/12/2018	30/06/2021	20/12/2028	$0.41	$0.2443

Fair value of share options granted during in the year

The fair value of the share options granted during the financial year is $0.244 (2018: $0.326). Options were valued using a binomial option pricing model. Where relevant, the expected life used in the model has been 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.

Inputs into the model:

Grant date share price:	$0.244	Exercise price:	$0.41
Expected volatility:	70%	Options life:	10 years
Dividend yield:	Nil	Risk-free interest rate:	2.445%

Movements in share options during the year

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

	2019	2019	2018	2018
	Number of Options	Weighted average exercise price	Number of Options	Weighted Average Exercise Price
Balance at the beginning of the year	3,593,770	$0.3600	–	–
Granted during the year	6,505,391	$0.4100	3,593,770	$0.36
Forfeited during the year	(103,206)	$0.3866	–	–
Exercised during the year	–	–	–	–
Expired during the year	–	–	–	–
Balance at the end of the year	**9,995,995**	**$0.3923**	**3,593,770**	**$0.4729**

3,545,442 (2018: 612,990) options have vested and are exercisable as at the end of the 2019 reporting year. The remaining options issued have not yet vested.

Share options exercised during the year

There were no share options exercised during the year or the prior year.

27. Reconciliation of cash flows from operating activities

(a) Reconciliation of cash flows from operating activities

	2019 $'000	2018 $'000
Cash flows from operating activities		
Loss for the year	(1,959)	(16,513)
Adjustments for:		
• Depreciation and amortisation expense	1,469	278
• Doubtful debt expense	(8)	120
• Obsolete stock provision	(142)	47
• Loss on disposal of property plant and equipment	6	24
• Share benefits expense	1,017	1,013
• Impairment of intangible assets	–	9,729
• Finance costs recognised in profit and loss	3,456	3,940
• Unrealised foreign currency expense	(204)	157
• Gain arising on financial liabilities designated as FVTPL	(1,203)	(377)
	2,432	(1,582)
Movements in working capital:		
• (Increase)/decrease in inventories	(3,510)	(2,018)
• (Increase)/decrease in trade and other receivables	(3,168)	(1,194)
• (Increase)/decrease in other assets	(1,249)	(1,003)
• (Increase)/decrease in deferred tax assets	–	3,932
• Increase/(decrease) in trade and other payables	2,060	1,570
• Increase/(decrease) in deferred tax liabilities	–	(2,627)
• Increase/(decrease) in provisions	111	21
Net cash used in operating activities	**(3,324)**	**(2,901)**

(b) Non-cash financing transactions

During the financial year, there were no non-cash financing activities (2018: $Nil).

28. Interests in subsidiaries

Set out below details of the subsidiaries held directly by the Group:

			Group proportion of ownership interests	
Name of the Subsidiary	Country of incorporation and principal place of business	Principal activity	30 June 2019	30 June 2018
Atomos AU Pty Ltd (formerly Atomos Global Pty Ltd)*	Australia	Executive, marketing & finance	100%	100%
Atomos Engineering Pty Ltd	Australia	Engineering	100%	100%
Atomos GmbH	Germany	Global trading & service	100%	100%
ACN 617 470 729 (formerly Atomos Pty Ltd)*	Australia	Dormant	100%	100%
Atomos Global Pty Ltd (formerly Atomos Production 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%

* Change of name effective 6 September 2018.

29 Related party transactions

The Group's related parties include key management, post-employment benefit plans for the Group's employees and others 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:

	2019 $'000	2018 $'000
Short-term employee benefits:		
• salaries including bonuses	1,322	1,317
• non-monetary benefits	–	3
Total short-term employee benefits	**1,322**	**1,320**
Long-term employee benefits:	25	119
Total long-term employee benefits	**25**	**119**
Post-employment benefits:		
• superannuation	76	84
Total post-employment benefits	**76**	**84**
Share-based payments	**455**	114
Total remuneration	**1,878**	**1,637**

Other transactions with key management personnel

Chris Tait is a shareholder and director of Henslow and the Advisory Board Chair of Bluerock Group. Henslow entered into an agreement on 31 May 2018 with the Company to act as Corporate Adviser in respect of the pre-IPO capital raising and the IPO as well as other advisory matters. Atomos Group utilise Bluerock professional services.

Henslow also acted as one of the Joint Lead Managers to the IPO offer and received $120,000 in underwriting fees and $60,000 in management fees in relation to the listing of the Company on the Australian Stock Exchange on 28 December 2018. Other advisory matter fees came to a total of $693,516. Blue rock professional services fees were $17,700 for the year.

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

30. Contingent liabilities

There are no contingent assets or liabilities as at 30 June 2019 that will have a material effect on the Group.

31. Auditor remuneration

	2019 $	2018 $
Audit or review of the financial statements – Deloitte		
Remuneration for audit or review of financial statements	108,553	65,163
Other services – Deloitte		
• taxation services	137,591	27,255
• investigating accountant's report relating to IPO	230,721	–
• other	10,122	66,876
Total other services remuneration	378,434	93,631
Total auditor's remuneration	**486,987**	**158,794**

32. Operating leases as lessee

The Group leases an office at various locations under operating leases. The future minimum lease payments are as follows:

	Minimum lease payments due			
	Within 1 year $'000	1-5 years $'000	After 5 years $'000	Total $'000
30 June 2019	99	58	–	157
30 June 2018	170	–	–	170

Lease expense during the period amounted to $584,000 (2018: $570,000) representing the minimum lease payments.

33. Financial instrument risk

33.1 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.

33.2 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.

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

	2019 $'000	2018 $'000
Classes of financial assets		
Carrying amounts:		
• cash and cash equivalents	5,112	1,447
• trade and other receivables	8,024	4,848
	13,136	**6,295**

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. At 30 June, the Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at 30 June analysed by the length of time past due, are:

	2019 $'000	2018 $'000
Past due under 30 days	103	896
Past due 30 days to under 60 days	–	111
Past due 60 days and over	–	8
Total	**103**	**1,015**

In respect of trade and other receivables, 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.

33.4 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.

33. Financial instrument risk *(continued)*

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 one (1) month.

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

	Current		Non-current	
	Within 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	5+ years $'000
At 30 June 2019				
Export line of credit facility	1,500	–	–	–
Trade and other payables	10,521	–	–	–
Total	**12,021**	**–**	**–**	**–**
At 30 June 2018				
Convertible notes	–	2,706	–	–
Trade and other payables	8,461	–	–	–
Total	**8,461**	**2,706**	**–**	**–**

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

34. Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three (3) levels of a fair value hierarchy. The three (3) levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial instruments measured at fair value on a recurring basis at 30 June 2019 and 30 June 2018:

30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Derivative financial liability	–	–	–	–
Total liabilities	–	–	–	–
Net fair value	–	–	–	–
30 June 2018				
Financial liabilities				
Derivative financial liability	–	–	1,496	1,496
Total liabilities	–	–	**1,496**	**1,496**
Net fair value	–	–	**1,496**	**1,496**

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Financial Officer (CFO) and to the Board of Directors. Valuation processes and fair value changes are discussed among the Board of Directors and the valuation team at least every year, in line with the Group's reporting dates.

35. 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.

35. Capital management policies and procedures *(continued)*

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	2019 $'000	2018 $'000
Total equity	23,209	9,286
Cash and cash equivalents	(5,112)	1,447
Capital	**18,097**	**7,839**
Total equity	23,209	9,286
Borrowings and other financial liabilities	1,500	4,202
Overall financing	**24,709**	**13,488**
Capital-to-overall financing ratio	**73%**	**58%**

36. 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.

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'):

	2019 $'000	2018 $'000
Statement of financial position		
Current assets	78	67
Total assets	417	118
Current liabilities	(264)	(3)
Total liabilities	(264)	(4,204)
Net assets (deficiency)	153	(4,086)
Issued capital	44,057	28,987
Accumulated losses	(45,948)	(34,088)
Reserves	2,044	1,015
Total equity (deficiency)	153	(4,086)
Statement of profit or loss and other comprehensive income		
Profit/(loss) for the year	(11,860)	(32,013)
Other comprehensive income	–	2
Total comprehensive income	(11,860)	(32,011)

The Parent Entity has no capital commitments at 30 June 2019 (2018 $Nil).

The Parent Entity had no contingent liabilities at 30 June 2019 (2018: $Nil).

37. Subsequent events

On 1 July 2019, the Company issued 7,500,000 fully paid ordinary shares at $1.00 per share via an Institutional Placement raising $7,500,000. New shares issued under the placement will rank equally with existing fully paid ordinary shares. No shareholder approval was required for the placement as the Company used a portion of its placement capacity under ASX Listing Rule 7.1.

Subsequent to the end of the financial year, the Group entered into a lease agreement for its new Head Office at 33-41 Balmain Street Cremorne. Leasing commences 1 July 2019 for ten years to 31 June 2029. The agreement provides an option for two further terms each of three years.

The future minimum lease payments are as follows:

	Minimum lease payments due			
	Within 1 year $'000	1-5 years $'000	After 5 years $'000	Total $'000
1 July 2019	504	3,992	5,937	10,433

There are no other 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

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 it's 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
Director/Chairman

Melbourne, this 30th day of September 2019

Independent Auditor's Report

Deloitte.

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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 2019, 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 Company's and Group's financial position as at 30 June 2019 and of their 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* (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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Independent Auditor's Report

Deloitte.

Key Audit Matter	How the Key Audit Matter was addressed in the audit
Impairment of Intangible Assets For the year ended 30 June 2019, the Group had recognised certain intangible assets (representing product development costs) not yet available for use of $4.6 million as disclosed in Note 17. 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; • 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; and • The appropriate discount rates associated with the underlying cash flow projection	Our procedures included, but were not limited to: • Evaluated the 'value in use' discounted cash flow model developed by management to assess the recoverable amount of the intangible assets including assessing the following assumptions: - forecast cash flows (which include revenue, operating costs, working capital and capital expenditure); - growth rates attributed to future cash flows; - the discount rate used to present the future cash flows (including nexus with risk embedded in the cash flows); - and - terminal growth rate. • Engaged internal valuation specialists to benchmark and challenge, the discount rate, key components of the model, mathematical accuracy as well as the implied earnings multiple associated with the expected earnings of the group; • Assessed the historical accuracy of the Group's forecasts compared against actual results, and the effect on the forecasts used in the impairment model; • Reviewed current and prior product launch timelines that drive predicted cash flows in conjunction with the above; and • Performed a range of sensitivity analysis on a number of key assumptions including revenue growth, changes to net cash flows, discount rates and long term growth rates. We also assessed the appropriateness of the disclosure in Note 17 to the financial statements.

Key Audit Matter	How the Key Audit Matter was addressed in the audit
Amortisation of Intangible Assets For the year ended 30 June 2019 the Group had capitalised product development costs available for use of $3.9 million as disclosed in Note 17. In determining the useful lives of capitalised product development management is required to exercise judgement in relation to the estimated sales lifecycle of the product range including considering the likely impact of changes in technology.	Our procedures included, but were not limited to: • Evaluated the amortisation rates used for new products with the historic sales history of similar products sold; and • Assessed the period over which assets were being amortised with the period the benefits are expected to be realised in light of forecast sales volumes as well as considering the possibility of product obsolescence as a result of changes in technology and/or sales cannibalisation as a result of launches of new products or products that are likely to be released in the near term, whether from the Group or other competitors. We also assessed the appropriateness of the disclosure in Note 17 to the financial statements.

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report, 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 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.

Independent Auditor's Report

Deloitte.

Auditor's Responsibilities for the Audit of the Financial Report (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 21 to 28 of the Director's Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Atomos Limited, for the year ended 30 June 2019, 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, 30 September 2019

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 21 August 2019 (Reporting Date).

Corporate Governance Statement

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Third edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on Atomos's website (https://www.atomos.com/investor) and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by Atomos and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on Atomos's website (https://www.atomos.com/investor).

Number of holders of equity securities

Ordinary share capital

159,457,624 fully paid ordinary shares are held by 1,392 individual shareholders.

All ordinary shares carry one vote per share.

Options

10,050,833 options are held by 23 individual option holders.

Options do not carry a right to vote.

Performance rights

1,998,243 performance rights are held by 53 employees.

Distribution of holders of equity securities

1-1,000	288	197,137	0.124
1,001-5,000	442	1,279,405	0.802
5,001-10,000	225	1,854,451	1.163
10,001-100,000	330	10,478,295	6.571
100,001-99,999,999,999	107	145,648,336	91.340
Totals	**1,392**	**159,457,624**	**100.000**

ASX Additional Information
Financial Statements

Unmarketable Parcels

Total Shares	UMP Shares	UMP Holders	% of issued shares held by UMP holders
159,457,624	1,729	25	0.00108%

Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares
HSBC Custody Nominees (Australia) Limited	17,943,581
Ms Claire Louise Young <Young Family A/C>	17,731,333
National Nominees Limited	17,240,769
Domazet FT3 Pty Ltd <The Domazet Family A/C No 3>	16,412,920
J P Morgan Nominees Australia Pty Limited	11,205,833

Shares under escrow

4,220,120 fully paid ordinary shares escrowed until 28 December 2019.

18,480,037 fully paid ordinary shares escrowed until 28 December 2020.

Twenty largest holders of quoted equity securities

Name	Balance as at 21-08-2019	%
HSBC Custody Nominees (Australia) Limited	17,943,581	11.253%
Ms Claire Louise Young <Young Family A/C>	17,731,333	11.120%
National Nominees Limited	17,240,769	10.812%
Domazet FT3 Pty Ltd <The Domazet Family A/C No 3>	16,412,920	10.293%
J P Morgan Nominees Australia Pty Limited	11,205,833	7.027%
Pindar Holdings Limited	6,073,568	3.809%
Ms Yurong Xi	4,747,000	2.977%
Guerilla Nominees Pty Ltd <Tooth Retirement Plan A/C>	3,823,424	2.398%
BNP Paribas Noms Pty Ltd <DRP>	3,529,695	2.214%
HSBC Custody Nominees (Australia) Limited – A/C 2	3,280,571	2.057%
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,691,295	1.688%
CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	2,403,397	1.507%
Citicorp Nominees Pty Limited	1,763,579	1.106%
Brispot Nominees Pty Ltd <House Head Nominee A/C>	1,712,746	1.074%
Ms Sarah Christina Overliese <Overliese Family A/C>	1,639,800	1.028%
Mr Lance Allen Hannen-Williams & Mrs Raquelle Hannen-Williams <Hannen-Williams Family A/C>	1,557,000	0.976%
UBS Nominees Pty Ltd	1,430,939	0.897%
Jennifer Dorothy Chatfield	1,050,584	0.659%
Muchu Pty Ltd	1,050,000	0.658%
Burrangong Pty Ltd <Sam Family Settlement A/C>	1,000,000	0.627%
Total Securities of Top 20 Holdings	118,288,034	74.181%
Total of Securities	**159,457,624**	

Company Directory

Company

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ASX Code

AMS

Directors

Chris Tait – Non-executive Chairman
Jeromy Young – Managing Director and CEO
Sir Hossein Yassaie – Independent Non-executive Director
Mr Stephen Stanley – Independent Non-executive Director

Company Secretary

Lisa Dadswell

Auditor

Deloitte Touche Tohmatsu

550 Bourke Street
Melbourne VIC 3000

Australian Legal Adviser

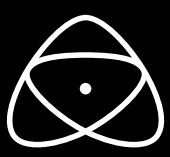
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