

Atomos Limited

Annual Report 2021



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Chair's Message

We are delighted to present the FY2021 Annual Report for Atomos Limited (ASX:AMS). It gives us great pleasure to present these record results in a year of significant transition, and which established a strong base for future growth.

At the start of FY2021 Atomos was in the early stages of recovery from the impact of the Covid-19 pandemic and by October 2020 we were back to pre-Covid sales levels, several months ahead of our expectations. The recovery was driven partly by markets reopening and people adapting to the new environment of remote working and connecting. This accelerated throughout the rest of the year as we encountered a world moving to video. We focused on delivering our strategy, resulting in a year of record revenues, record EBITDA, strong cash flows and a maiden NPAT.

The strategic focus for FY2021 started with an emphasis on implementing Apple's ProRes RAW into the cameras of our growing network of camera partners. Having started the year with a reduced workforce and cost base, we directed our resources into this area to expand the market for our existing ProRes RAW-enabled products. During the year we guided six of the world's great camera companies to transition 14 of their cameras to record in ProRes RAW (when combined with an Atomos device), including a world first 8K implementation. Every implementation increases demand for our recorder-monitors and software upgrades. As of today, there are 35 high quality cameras with ProRes RAW implemented.

Significantly, Apple's ProRes RAW on an Atomos device links the capture of content to most of the world's best editing platforms, such as Apple Final Cut Pro X, Adobe Premiere and Grass Valley Edius. This creates a high-quality content creation ecosystem for the creator, where they are able to use the camera and editing platform of their choice.

As sales performance returned to pre-Covid levels we started to unwind the short-term cost-saving initiatives and continued to invest in building the team to ensure we were placed to capture the market opportunities in front of us. This resulted in Atomos delivering six new products to the market in May and June 2021, including our first ever software products which can be downloaded directly from the newly launched Atomos website.

We also invested in our executive team. Mark Harland joined as COO in October 2020 and Estelle McGechie joined as Chief Product Officer in June 2021.

Significantly, our founder Jeromy Young stepped down as Chief Executive Officer in February 2021 and turned his focus to future products and innovation. On behalf of the Board, we want to take this opportunity to thank Jeromy for his passion and service as CEO to Atomos and to congratulate him on building such a world class and ground-breaking global company. In addition, we want to thank him for his support in ensuring a smooth transition to the next generation of leadership, with Estelle taking over as our CEO in September this year. With Estelle's appointment, I have returned to the role of Non-Executive Chair.

Taking over the role as Executive Chair upon Jeromy's request at the start of the pandemic was challenging but I have thoroughly enjoyed the journey and feel proud of our achievements. I would like to thank the directors for their support and acknowledge the contributions made by Stephen Stanley and Sir Hossein Yassaie. Additionally, our Board was expanded and strengthened with the recruitment of two new Non-Executive Directors, Megan Brownlow and Lauren Williams, both of whom add very complementary skills, experience and diversity. We are fortunate to have a well-balanced and experienced Board.

We would like to acknowledge and thank our staff who were challenged with a new working environment and who made significant sacrifices with salary reductions and deferrals. With their support we not only recovered but had our most successful year. It gives the Board a sense of satisfaction that we were able to repay their commitments and contributions by paying back deferrals and rewarding performance through the company-wide short-term incentive scheme.

We would like to thank our customers, including our amazing distributors and reseller partners. We thank you for your support, for being ambassadors and also an invaluable source of feedback, alerting us to potential areas for improvement. We will continue to listen to you and will do what we can to meet your requests and needs.

Finally, we would like to thank our shareholders for their support. When Atomos started out ten years ago, video content creation was niche and expensive. Atomos has helped to change that and we will continue to do so. As many more of us become content creators, be it on social media, corporate video or in our everyday lives, Atomos is uniquely placed to be at the centre of this democratisation of high-quality content creation and delivery for all.

In line with our strategy, we will continue to bring intuitive and ground-breaking devices that customers love to the market, we will continue to be at the forefront of innovation, and we will increasingly extend our offer into software and services. We have a world-class leadership team with a talented Aussie leader at the helm who has honed her global experience with some of the world's great global video technology companies. We will continue to invest and grow to capture the significant market opportunity ahead of us.



Chris Tait
Chair

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 2021.

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
Ms Megan Brownlow (appointed 1st July 2021)
Ms Lauren Williams (appointed 1st July 2021)

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

Principal activities

During the year the principal activities of the Group consisted of:

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

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

Business strategy and prospects

Throughout Atomos' history the business has led through innovation

Atomos was founded in Melbourne in 2009. Its founders recognised a gap in the market and an opportunity to disrupt by converging computer and video technologies. Atomos released its first product, Ninja 1, combining higher than camera quality recording, playback, monitoring and editing functionality into one device. The result was a portable (in-field) monitor recorder which enhanced productivity and creativity, while at the same time reducing costs for video professionals.

Atomos was one of the first companies in the world to be awarded a license to natively record in Apple's now ubiquitous ProRes video format, and Ninja 1 was the first implementation of ProRes in a recording device.

Having successfully created a new category within the video production industry, the founders embarked on an ambitious phase of investment in underlying technology by designing and developing their own silicon chip. The result, 'AtomIC', delivered powerful video processing features targeted at Pro Video applications. The latest Atomos products utilise the third generation of this chip, AtomIC3, to deliver amazing real time video processing performance, including 8K ProRes RAW recording – a world first.

Atomos rapidly became a global company through the development of a network of over 20 wholesalers who educate and sell to a broad reseller and retailer network through almost 100 countries. Today Atomos has 125 employees across nine countries with offices in six of those countries.

Built on the two key strategic pillars of Deep Video Technology and Partnerships

Atomos today has a track record of developing and bringing to market ground-breaking products and services which are accessible and intuitive to use. The Company has developed an extensive IP library which includes technology and capability with video codecs, image processing, screen technology and chip design to name a few.

Through partnerships with the best camera makers in the world, Atomos today is at the centre of video capture and is proud to be an integral part of the video ecosystem.

Atomos recently expanded beyond its traditional product line-up of physical devices into software applications. Customers can download these applications from the Atomos website to bring new and enhanced capability to their existing Atomos devices.

Future expansion

Atomos believes that the natural evolution of the content creation process will put a premium on connectivity of devices and ease of production, irrespective of physical location. It sees its future at the centre of all workflows to enable the creation of professional video without effort.

To achieve this, Atomos will continue to develop the kinds of products it is known for today which will help to further grow the existing business. This will include physical devices as well as a growing contribution from software applications and solutions. Additionally, there will increasingly be an emphasis in everything Atomos does on connectivity of devices and cloud-based services.

Licensing and M&A

Atomos will continue to innovate and democratise video content creation and in doing so will invest in appropriate acquisitions and ventures that accelerate this strategy. The types of businesses that are attractive will provide complementary technologies, have an industry standard technology or the potential to define future standards.

Additionally, Atomos will seek opportunities to license its own IP to third parties as an additional source of revenue and expansion of the ecosystem.



Our Vision

To democratise content creation and delivery by:

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

building products, services and an ecosystem

Performance Highlights

Sales revenue

$78.6 million

FY2020	$44.7 million
FY2019	$53.7 million

EBITDA

$8.2 million

FY2020	($17.4 million)
FY2019	$1.8 million

NPAT

$4.2 million

FY2020	($22.3 million)
FY2019	($2.0 million)

Cash on hand

$26.0 million

FY2020	$18.8 million
FY2019	$5.1 million

Earnings per share

2 cents

FY2020	(12 cents)
FY2019	(1 cent)




SUM019
CAM B
1080p50
ProRes LT

Review of Results and Operations

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	2021 $'000	Restated 2020 $'000	Change $ $'000	Change %
Revenue	**78,611**	**44,740**	**33,871**	**76%**
Cost of sales	(41,173)	(28,640)	(12,533)	44%
Gross profit	**37,438**	**16,100**	**21,338**	**133%**
Gross Margin %	**48%**	**36%**		**12%**
Operating expenses	(29,263)	(26,592)	(2,671)	10%
Impairment of assets	-	(6,934)	6,934	(100%)
EBITDA	**8,175**	**(17,426)**	**25,601**	**(147%)**
Finance costs	(237)	(384)	147	(38%)
Depreciation and amortisation	(3,174)	(3,773)	599	(16%)
Profit/(Loss) before income tax	**4,764**	**(21,583)**	**26,347**	**(122%)**
Income tax expense	(546)	(757)	211	(28%)
Profit/(Loss) for the period	**4,218**	**(22,340)**	**26,558**	**(119%)**

Revenue from ordinary activities in 2021 was up $33.9 million, or 76%, from $44.7 million in 2020. EBITDA of $8.2 million represented a $25.6 million improvement on 2020. Net profit after tax for the year of $4.2 million was up $26.5 million on the loss of $22.3 million in 2020.

Key Drivers of Performance

Strong Revenue Growth

Atomos enjoyed record performance across all its market segments led by social up 96% on 2020, entertainment up 82% and pro video up 71%. The regional market shares were very consistent year on year.

The rapid adoption of Apple's ProRes RAW video format contributed to strong sales of Atomos' recorder/monitors with 10 major camera makers now embracing the RAW ecosystem with 35 RAW enabled cameras.

Atomos launched six new products in May and June 2021 including the world's first 8K ProRes RAW recorder and, a first for the company, two software products. Also a factor was the faster than anticipated rebound from the impacts of the Covid-19 pandemic with pre-Covid sales levels achieved by October 2020.

Gross Margin Improvement

A number of factors led to the significant improvement in gross margin. Reduced price-led promotional activity was a key factor as markets returned to more normal trading following the initial impact from the pandemic.

The mix of margin across the range improved, including from higher margin new products. Gains also came from supplier management and a reduction in the impact of US import tariffs.

Cost Management

Variable costs, which include distribution costs, royalties and warranty expenses, reduced as a portion of revenue during 2021.

Atomos has historically relied heavily on trade shows to launch and market its products. The lack of trade shows in 2021 due to restrictions resulted in a significant cost saving compared to prior years and the business pivoted to a more digital approach to marketing.

Throughout the period Atomos continued to invest, particularly in R&D, to ensure it continues to develop innovative new products and services

Financial position

Summary Balance Sheet ($Am)	2021	2020
Cash and cash equivalents	26.0	18.8
Trade and other receivables	12.8	4.7
Inventories	16.6	16.8
Other assets	10.6	14.2
Intangible assets	25.2	25.1
Total assets	**91.2**	**79.6**
Trade and other payables	(21.9)	(10.7)
Lease liabilities	(3.2)	(9.4)
Other liabilities	(2.4)	(2.1)
Total liabilities	**(27.5)**	**(22.2)**
Net assets	**63.7**	**57.4**
Issued capital	101.7	101.5
Reserves	3.1	1.0
Accumulated losses	(41.1)	(45.1)
Equity	**63.7**	**57.4**

At 30 June 2021, Atomos had:

- $26m of cash on hand, a $7.2m increase on the prior year driven by the strong trading result
- A $5m working capital facility which was undrawn
- $35m of tax losses and R&D tax credits unrecognised and available to offset future tax

Cash flow

Cash flows from operating activities	2021	2020
Profit/(Loss) for the year	4.2	(22.3)
Non cash items	4.8	12.1
Movements in working capital:	0.8	(3.4)
Net cash generated by / (used in) operating activities	**9.8**	**(13.7)**
Capital expenditure	(2.0)	(6.4)
Financing and investing activities	(0.8)	33.8
Net change in cash and cash equivalents	**7.1**	**13.7**
Cash and cash equivalents, beginning of period	18.8	5.1
Exchange differences on cash and cash equivalents	0.2	(0.0)
Cash and cash equivalents, end of period	**26.0**	**18.8**

Cash generated from operations during the year was $7.1m, representing an EBITDA conversion of 87%.

Key cash flow movements

- Net cash generated from operating activities of $9.8m was predominantly driven by EBITDA of $8.2m and a slight reduction in working capital of $0.8m
- Capital expenditure of $2.0m related to future product development costs

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

There are no 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

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

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

Environmental legislation

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

Dividends

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

Principal Risks

Risk Area	Risk & Impact	Mitigation & Monitoring
Demand for Atomos products	The demand for Atomos products may be impacted by a range of factors, including: changes in customer "user" preferences; competition; our ability to design, develop and deliver products or to support technology changes; delays to product launches affecting reputation and customer confidence, as well as the effectiveness of marketing efforts. Continuous investment is required in the base product range as well as to bring new products and solutions to market for new and existing market segments.	Atomos is continually innovating and developing its strategy for effectively managing the product life cycle and by ensuring upgrades of new product features and technologies are brought to market in a timely manner. A new series of product features are anticipated to be deployed in Q4 of FY2022. A medium-term product roadmap is maintained which includes the introduction of new products for new segments and customer demands specifically around connectivity and workflow solutions in the highly changing video technology market place. Key ecosystem partners in camera manufacturing are rapidly rolling out new innovations and our integrations to support their new products is critical for ensuring Atomos becomes a stronger and more resilient business.
Competition	Atomos products compete in a global marketplace and face a number of competitors in different products, solutions and markets. Continued price pressure and existing and new product launches with new features are challenges.	Atomos has continually focused on high quality products and adding new products to the range. Development research and investment are key to remaining at the leading edge of providing feature rich, affordable products with high user demand. We constantly monitor market and competitive trends in all parts of the ecosystem, building strong relationships with end user ambassadors and influencers.
Product Cost management	Atomos sources components globally for the product range and actively manages component cost to ensure margin retention across the mix of products. A supply shortage in key components can lead to significant cost increases in sourcing alternatives and can negatively impact margin. The global issue in sourcing semiconductors is challenging to all companies in the sector.	Atomos procurement processes include the review of supplier arrangements and component sourcing constraints prior to including a particular component in a product as well as on an ongoing basis. Other key strategies include contracting of forward commitments to secure supply to lock-in cost, together with extended contract production management.
Dependence on key Customers	Atomos markets and sells its product range predominantly through an international high profile video technology distributor network. This network is a key supportive sales and marketing channel. While Atomos has a wide end customer user base, the loss of a key distributor could materially impact Atomos' sales efforts.	Atomos is in constant communication and regularly monitors distributor performance. At the same time Atomos evaluates additional distributors for new and existing markets and products to ensure an effective sales and marketing channel. Atomos is increasing its investment in digital platforms as a means to market directly to end customers.

Risk Area	Risk & Impact	Mitigation & Monitoring
Supply Chain – reliance on key suppliers	Atomos sources components globally for the product range and manufactures products from two key partners to supply the range of hardware products that Atomos sells. There is pressure globally on key components within the products that require carefully planning and sourcing to ensure Atomos has sufficient products to meet demand.	Atomos has implemented a range of tactics, within its control, to ensure an adequate supply of components and ultimately end products are produced. This incorporates increased forward orders and inventory levels for raw materials and finished products on high demand lines as well as 'design-outs' for scarce components. In addition, having two key interchangeable production partners with deep strong relationships is strategically important. Atomos also considers further diversification of production and supply options as critically important for the future and actively reviews alternatives.
Talent – attract and retain	Atomos' operating and financial performance is dependent on the ability to attract and retain top talent in a competitive environment, particularly in technology roles.	Investment in our people and culture enables Atomos to attract and retain key talent and maintain a motivated and effective workforce. External hiring addresses gaps in experience and capability for more technical roles. The senior management remuneration structure is designed to retain key managers and focus them on Atomos' long-term growth potential. In addition, fostering a work environment of high engagement and high performance is also critical to attracting top talent and promoting employee retention.
Economic conditions, Laws and regulations	Atomos is subject to a range of legal obligations in all countries we operate in and, as such, to legal risk. These include, without limitation, taxation, anti-bribery provisions, competition, intellectual property and government tariffs. Failure to comply with such laws could significantly impact Atomos' reputation and expose Atomos to fines and penalties. Covid-19 is a global pandemic that impacted all economies. Demand for Atomos products was also impacted in line with consumer confidence, supply chain disruption and related restrictions.	Local and corporate management monitor economic indicators and changes to legislation. Atomos maintains strong relationships with key stakeholders in these markets and educates relevant employees. Atomos continually evolves its products and services. Its agile approach to product development enables a fast response to changing economic and/or regulatory circumstances.

Board of Directors



Christopher Tait, age 54

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

Skill & Experience

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. Chris is also a Director of Henslow Pty Ltd, an independent advisory firm and Corporate Adviser to the Company.

Board Committee memberships

- Member Audit & Risk
- Member Remuneration & Nomination

Qualifications

BSc. (Econ), Chartered Accountant (ICAEW)



Stephen Stanley, age 63

Non-Executive Director since January 2018, Deputy Chair October 2020

Skill & Experience

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

Board Committee memberships

- Member Audit & Risk
- Chair Remuneration & Nomination

Qualifications

B.Bus. (Accountancy), AICD.



Jeromy Young, age 45

Executive Director since September 2009, Founder

Skill & Experience

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.

Qualifications

BEng. (Hons).



Sir Hossein Yassaie, age 64

Non-Executive Director since September 2016

Skill & Experience

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

Board Committee memberships

- Chair Audit & Risk
- Member Remuneration & Nomination

Qualifications

BSc., Phd.



Megan Brownlow, age 57

Non-Executive Director since July 2021

Skill & Experience

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

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

Board Committee memberships

- Member Audit & Risk

Qualifications

BA (hons), MBA, GAICD



Lauren Williams, age 42

Non-Executive Director since July 2021

Skill & Experience

Lauren is an experienced digital executive and business builder with a passion for consumer facing online businesses. Lauren is an NED of online businesses: Carbar and iSeekplant.

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

Board Committee memberships

- Member Remuneration & Nomination

Qualifications

BA (Econ, Hons) & GAICD

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
S. Stanley	14	15	4	4	6	6
C. Tait	14	15	3	4	5	5
J. Young	14	15	-	-	-	-
H. Yassaie	15	15	4	4	6	6

Company Secretary – Nyla Bacon

Chartered Secretary ACG (CS)

Nyla also has over twenty years' experience as a lawyer and was formerly a partner in financial services in a top tier Australian law firm.

Board skills & composition

The Company undertook an assessment of the mix of skills and attributes desired within the Board composition of Atomos in line with good governance practice and increased the number of directors utilising the skills assessment criteria and gap analysis as an input to the renewal process.

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)]	Options C[(iii)]	Options D[(iv)]	Total
Jeromy Young	7,827,370	432,955	-	399,787	675,000	9,335,112
Chris Tait[(v)]	2,101,734	612,990	257,732	-	-	2,972,456
Sir Hossein Yassaie	1,833,857	612,990	257,732	-	-	2,704,579
Stephen Stanley	866,054	-	-	-	-	866,054
	12,629,015	1,658,935	515,464	399,787	675,000	15,878,201

(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) Exercise price of $1.21, expiry 30 June 2029. Vesting date 30 June 2022, subject to the terms of the Atomos Equity Incentive Plan.

(iv) Exercise price of $0.53, expiry 19 August 2030. Vesting date 19 August 2023, subject to the terms of the Atomos Equity Incentive Plan.

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

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. Exercise price of $1.21, expiry 30 June 2029. Vesting date 30 June 2022, subject to the terms of the Atomos Equity Incentive Plan.

iv. Exercise price of $0.53, expiry 19 August 2030. Vesting date 19 August 2023, subject to the terms of the Atomos Equity Incentive Plan.

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

Remuneration of key management personnel

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

Share options granted to directors and senior management

During and since the end of the financial year, an aggregate of 1,825,000 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
Jeromy Young	675,000	Atomos Ltd	675,000
James Cody	425,000	Atomos Ltd	425,000
Trevor Elbourne	425,000	Atomos Ltd	425,000
Mark Harland	300,000	Atomos Ltd	300,000
	1,825,000		**1,825,000**

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	2,863,292	26-Feb-18	28-Dec-18	12-Apr-28	0.36
Granted: 20 Dec 2018	515,464	20-Dec-18	30-Jun-21	20-Dec-28	0.41
Granted: 02 Dec 2019	402,132	02-Dec-19	30-Jun-22	30-Jun-29	1.60
Granted: 29 Nov 2019	399,787	29-Nov-19	30-Jun-22	30-Jun-29	1.21
Granted: 20 Aug 2020	3,157,270	20-Aug-20	30-Sep-23	30-Jun-30	0.53
Granted: 07 Sep 2020	650,336	07-Sep-20	30-Sep-23	30-Jun-30	0.54
Granted: 30 Nov 2020	675,000	30-Nov-20	19-Aug-23	19-Aug-30	0.53
	8,663,281				

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. 612,990 (2020: 69,160) shares were issued during the year as a result of exercise of options. 257,732 shares were issued since the end of the year as a result of exercise of options (2020: 612,990).

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 30 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 30 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit & Risk Committee, for the following reasons:

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

Auditor's Independence Declaration

The auditor's independence declaration is included after this report on page 37.

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.

Letter from Chair of Remuneration and Nomination Committee

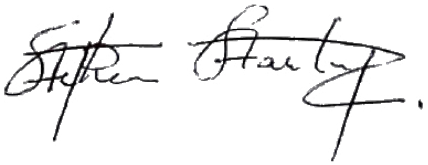
Dear Shareholders,

On behalf of the Board we are pleased to present Atomos' FY2021 Remuneration Report.

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

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

We thank you for your ongoing support.



Stephen Stanley
Chair Remuneration and Nomination Committee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Remuneration Report

Introduction and contents

This remuneration report, which forms part of the directors' report, sets out Atomos' executive remuneration framework as well as the remuneration arrangements of the Key Management Personnel ('KMP') of the Company for the year ended 30 June 2021 ('FY2021').

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

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1. Key Management Personnel

The KMP covered by this report are Atomos' Executive Directors, Atomos' Non-Executive Directors ("NEDs") and other executive management personnel of the Group. Each of the KMP held their position for the whole of FY2021, unless stated otherwise.

Directors	Position
Christopher Tait	Executive Chair
Stephen Stanley	Non-Executive Director, Deputy Chair
Sir Hossein Yassaie	Non-Executive Director
Jeromy Young	Executive Director, Founder

Executive officers	Position
James Cody	Chief Financial Officer
Trevor Elbourne	Chief Technical Officer
Mark Harland (effective 28th October 2020)	Chief Operating Officer
Estelle McGechie (effective 1st June 2021)	Chief Product Officer

Since the end of the reporting period:

- Lauren Williams and Megan Brownlow were both appointed as Non-Executive Directors, effective 1 July 2021; and
- Estelle McGechie has been appointed as the Chief Executive Officer, effective 22 September 2021.

2. Link between Atomos' performance and executive remuneration outcomes

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

FY2021 presented many companies with enormous uncertainty and challenges, amidst the Covid-19 pandemic impacts, globally. The Atomos business was not without impact, with restrictions and uncertainty affecting demand. As the business pivoted, adjusted and realigned its cost base and product and market efforts, the Board strengthened the remuneration framework emphasis to the market environment and shareholder's expectations.

To this end, all executives and directors continued to accept base salary reductions that were put in place at the end of the prior year, until trading trends returned to pre Covid-19 levels, around October 2020.

In addition, the incentive criteria focused the whole business upon a group profit measure, where the business had not previously been profitable and long-term incentive criteria focused on aligning to shareholder criteria of absolute TSR targets and average EBITDA percentage targets over the three-year plan period.

2.1 Vesting outcomes for Atomos equity plans

2.1.1 Atomos' long-term incentive plan - Options granted in December 2018 at exercise price of $0.41, vesting date 30th June 2021

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

2.1.2 Performance based incentive scheme – STI for FY2021

The details of the scheme are available in paragraph 3.2. The profit performance criteria around EBITDA was fully achieved and 50% of the incentive was satisfied in cash and 50% in performance rights for key executives.

Name	Performance Rights - FY21 Short-term incentive scheme
Jeromy Young	207,365
James Cody	129,603
Trevor Elbourne	129,603
Mark Harland	75,419
	541,990

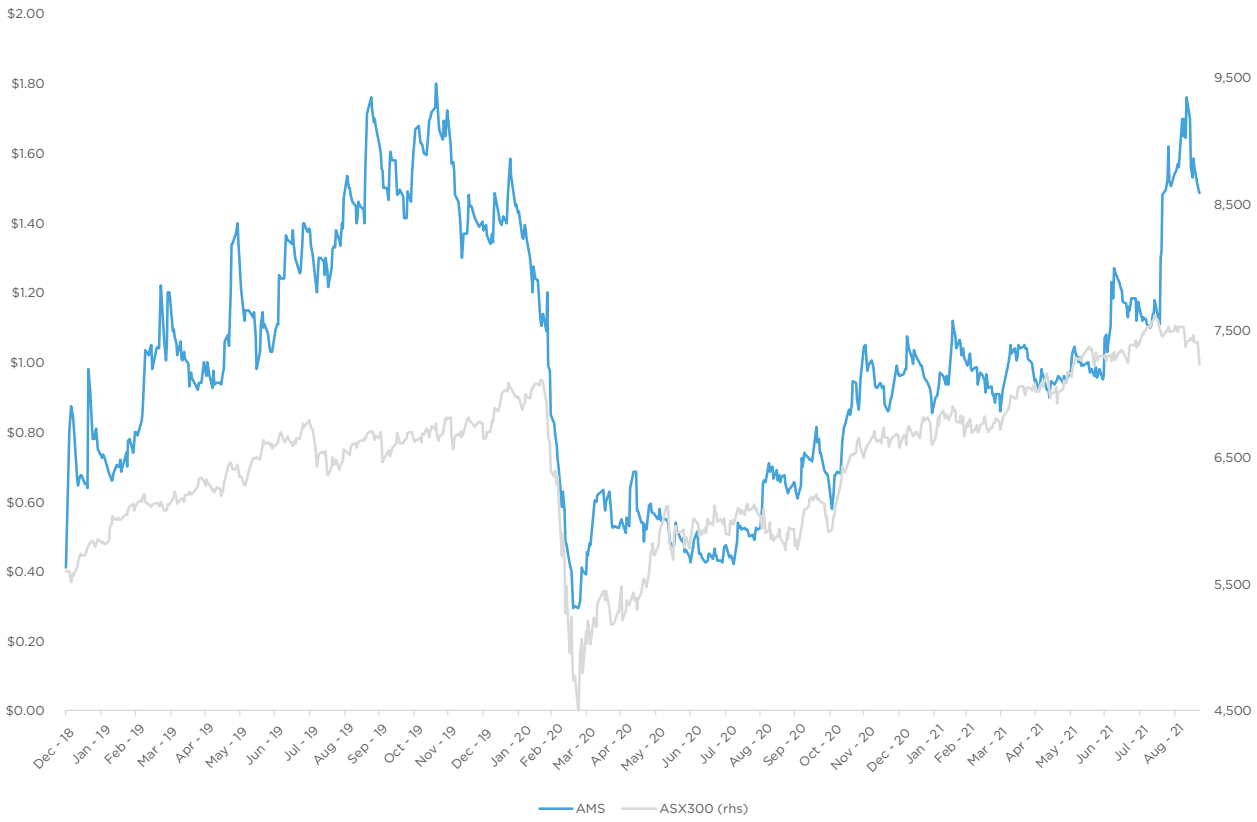
2.2 Atomos' five-year financial performance

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

Item	2017	2018	2019	2020	2021
Revenue	30,264	35,648	53,716	44,740	78,611
EBITDA	(4,950)	(10,519)	1,780	(17,426)	8,175
Net profit/(loss) after tax	(6,638)	(14,758)	(1,132)	(22,340)	4,218

Item	2017	2018	2019	2020	2021
Share price on listing	na	na	0.41	0.41	0.41
Share price at the end of year	na	na	1.03	0.43	1.07
Dividends (cents per share)	-	-	-	-	-
Basic earnings per share	(0.09)	(0.29)	(0.01)	(0.12)	0.02
Diluted earnings per share	(0.09)	(0.29)	(0.01)	(0.12)	0.02

Atomos share price performance since IPO (December 2018) compared to ASX 300.



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

3. Executive remuneration framework, key terms and statutory remuneration

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

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

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

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

3.1 Executive remuneration framework:

Components

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

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

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

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

With the Covid-19 impact, the Board determined that the FY2021 short-term incentive scheme would focus on a single and simple profit measure achievement. The EBITDA metric was based around a percentage of profit post a gateway with a ceiling, accumulated into a pool where executives were allocated units. The scheme framework for the executives, involved any outcome payable in a mix of cash and share based performance rights, allocated by reference to the 30-day VWAP (volume weighted average price) at the commencement of the financial year.

The FY2022 scheme will continue the simple business profit measure range with the addition of a strategic measurable objective as a requirement to achieve the calculated pool full value. This is intended to focus the executive and other participants on key business strategy elements in creating a sustainable business and longer-term value for shareholders. In addition, any payment will continue as a mix of cash and equity with the equity issued in value at the end of the financial year with a one-year "lock-up", i.e. a period during which the holder cannot sell their shares.

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

The performance-based equity incentive scheme for FY2021 is a 3-year scheme to FY2023 with the issue of equity options to executives. The vesting criteria are a combination of absolute TSR targets and 3 Year average absolute EBITDA percentage targets (no pro-rata between). These targets were determined by reference to business plans, benchmarked to market practices and analyst's forecasts.

The performance-based equity incentive scheme for FY2022 to FY2024 is to continue the TSR metric set as absolute targets with the addition of a key strategic objective of recurring revenue objectives to drive alignment with strategy and shareholder value creation.

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

3.4 Executive contract terms

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

Name	Term of Agreement	Notice Period
Executive Officers		
Jeromy Young	No fixed term	Twelve (12) months employer / Six (6) months employee
Estelle McGechie	No fixed term	Six (6) months employer / Six (6) months employee
Mark Harland	No fixed term	Three (3) months employer / Three (3) months employee
James Cody	No fixed term	Six (6) months employer / Three (3) months employee
Trevor Elbourne	No fixed term	Six (6) months employer / Three (3) months employee

3.5 Executive statutory remuneration for FY2021 and FY2020

		Short term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments		
Name	Year	Salary & fees[v]	Annual leave	Cash bonus[vi]	Superannuation	Long service leave	Performance rights[vii]	Options	Total
Executive directors									
C. Tait, Executive Chair[i]	2021	445,000	-	-	-	-	506,825	24,841	976,666
	2020	-	-	-	-	-	-	-	-
J. Young, Founder[ii]	2021	386,875	(37,161)	109,409	34,141	(52,131)	210,196	280,236	931,565
	2020	377,500	27,939	-	33,250	20,645	-	18,685	478,019
Key management personnel									
M. Harland, COO[iii]	2021	199,730	17,002	41,028	16,090	193	51,941	39,986	365,969
	2020	-	-	-	-	-	-	-	-
J. Cody, CFO	2021	286,250	8,370	68,381	24,581	4,301	64,115	2,449	458,447
	2020	274,625	9,419	-	24,130	3,660	-	4,919	316,752
T. Elbourne, CTO	2021	286,250	7,175	68,381	24,581	6,159	64,115	2,449	459,109
	2020	274,625	4,971	-	24,130	6,799	-	4,919	315,444
E. McGechie, CPO[iv]	2021	20,879	-	35,202	-	-	-	-	56,081
	2020	-	-	-	-	-	-	-	-
2021 Total		**1,624,984**	**(4,614)**	**322,401**	**99,393**	**(41,478)**	**897,191**	**349,961**	**3,247,837**
2020 Total		**926,750**	**42,329**	**-**	**81,510**	**31,104**	**-**	**28,523**	**1,110,215**

(i) C. Tait was appointed as an executive director effective 13 May 2020. The fees increased from $27,500 per month to $37,500 per month effective 15 July 2021. The salary and fees are paid to Henslow Pty Ltd., a company in which C. Tait is a director and shareholder. The share-based payments expense disclosed above includes expense for options and performance rights issued to other shareholders of Henslow in relation to services rendered by C. Tait. The remuneration for FY20 is disclosed in the non-executive directors' fees section.

(ii) During the year, J. Young utilised annual and long service leave accrued in prior years, resulting in a net negative movement of $37k for annual leave and $52k for long service leave.

(iii) Appointed as Chief Operating Officer 28 October 2020.

(iv) Appointed as Chief Product Officer 14 June 2021 in USA.

(v) Salary and fees include allowances.

(vi) Represents performance bonus for all KMP except E. McGechie. For E. McGechie, it represents joining bonus.

(vii) The number of performance rights granted during the year were calculated using the agreed remuneration divided by the VWAP at 1 July 2021, $0.53 per share (2020: $1.21 per share). However, the valuation (for accounting purposes) on grant dates resulted in different values. Consequently, the aggregate share-based payments expense for the year disclosed above is higher than the agreed remuneration.

	2021 Grant Date Value	2021 Agreed Remuneration ($) - Performance Rights	2020 Grant Data Value	2020 Agreed Remuneration ($) - Performance Rights
C. Tait	1.01	263,808	-	-
J. Young	1.01	109,409	-	-
M. Harland	0.69	41,028	-	-
J. Cody	0.49	68,381	-	-
T. Elbourne	0.49	68,381	-	-
Total		**551,008**		**-**

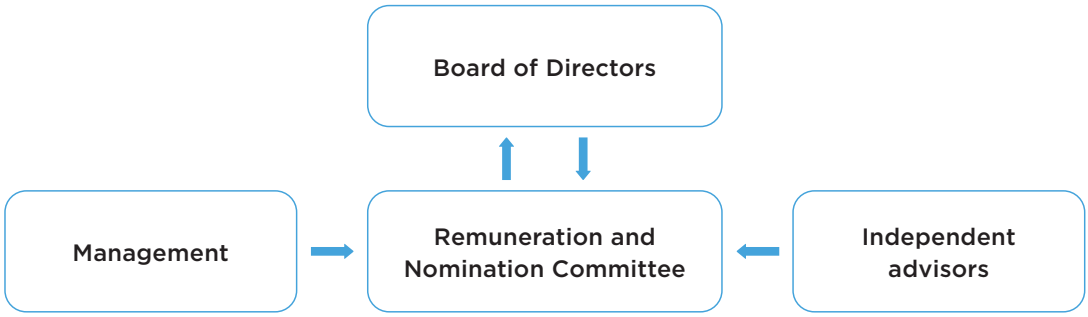
The relative proportions of those elements of remuneration of Key Management Personnel that are linked to performance:

	Fixed remuneration		Remuneration linked to performance	
	2021	2020	2021	2020
Executive Officers				
Chris Tait	46%	-	54%	-
Jeromy Young	40%	96%	60%	4%
Mark Harland	59%	-	41%	-
James Cody	69%	98%	31%	2%
Trevor Elbourne	69%	98%	31%	2%
Estelle McGechie	100%	-	-	-

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

4. Remuneration Governance

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



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

During the year the Remuneration and Nomination Committee specifically undertook a NED fees benchmarking process with external advisors and additionally conducted facilitated executive sessions on executive leadership and development.

4.1 Executive performance evaluations

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

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

4.2 Employees Share Plan - ESP

During the year the Company introduced a complying employee share plan ('ESP') as part of a reward and retention strategy.

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

4.3 Minimum Shareholding Guidelines

Atomos introduced a minimum shareholding guideline that applies to Executive and Non-Executive Directors to promote the alignment of interests with those of shareholders. All directors as at 30 June 2021 were in compliance with the guideline.

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

4.4 Share Trading Policy

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

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

5. Non- Executive Director Fees

Atomos' Non-Executive Director fees aim to appropriately recognise the time and contribution and expertise of each director. The following sets out how the director fees are determined and details the fees paid in FY2021.

5.1 Aggregate Non-Executive Director fee limits

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

5.2 Non-Executive Director fee review

During the year independent advisors provided benchmark information from a Comparator Group with recommendations provided agreed by the Board. This was the first review conducted with small increases recommended. Fees are inclusive of superannuation.

The fees agreed are:

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

5.3 Non-Executive Director shareholding requirement

Refer paragraph 4.3.

5.4 Fee payment structure

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

The directors agreed to a salary reduction during the Covid-19 period in line with the Executive.

5.5 Other fees

The Executive Chair's fee arrangements were negotiated at arms' length in line with the position and role performed as an executive. The Executive Chair performed the role of acting CEO for the whole of FY2021. These fees are not included in director's fees in the table in paragraph 5.6 of this remuneration report. In addition, the Deputy Chair has performed projects in assisting the business and was compensated for that time and effort in the FY2021 allocation of rights up until that date.

5.6 Non-Executive Director fees

		Short term employee benefits	Post-employment benefits	Share-based payments		
Name	**Year**	**Salary & fees**	**Superannuation**	**Performance rights (iii)**	**Options**	**Total**
Non-executive directors (Independent)						
Chris Tait[(i)]	2021	-	-	-	-	-
	2020	95,564	-	96,074	24,909	216,547
Stephen Stanley	2021	62,508	5,938	209,826	24,841	303,112
	2020	36,530	3,470	64,049	24,909	128,958
Sir Hossein Yassaie	2021	58,523	5,451	96,063	24,841	184,878
	2020	45,416	4,104	64,049	24,909	138,479
Bradley Whitcomb[(ii)]	2021	-	-	-	-	-
	2020	7,634	725	-	-	8,359
2021 Total		**121,031**	**11,389**	**305,888**	**49,682**	**487,990**
2020 Total		**185,144**	**8,300**	**224,172**	**74,727**	**492,343**

(i) Chris Tait was appointed as an executive director effective 13 May 2020. The remuneration for FY21 is disclosed in the executive remuneration section. The salary and fees are paid to Henslow Pty Ltd., a company in which Chris Tait is a director and shareholder. The share-based payments expense disclosed above includes expense for options and performance rights issued to other shareholders of Henslow in relation to services rendered by Chris Tait.

(ii) Appointed as Director 1 February 2019, resigned as Director 16 September 2019.

(iii) The number of performance rights granted during the year were calculated using the agreed remuneration divided by the VWAP at 1 July 2021, $0.53 per share (2020: $1.21 per share). However, the valuation (for accounting purposes) on grant dates resulted in different values. Consequently, the aggregate share-based payments expense for the year disclosed above is higher than the agreed remuneration.

	2021	2021	2020	2020
	Grant Date Value	Agreed Remuneration ($) - Performance Rights	Grant Date Value	Agreed Remuneration ($) - Performance Rights
Chris Tait	-	-	1.55	75,000
Stephen Stanley	1.01	109,217	1.55	50,000
Sir Hossein Yassaie	1.01	50,002	1.55	50,000
Total		**159,218**		**175,000**

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

	Fixed remuneration		Remuneration linked to performance	
	2021	2020	2021	2020
Non-executive Directors				
Chris Tait	-	44%	-	56%
Stephen Stanley	23%	31%	77%	69%
Sir Hossein Yassaie	35%	36%	65%	64%
Bradley Whitcomb	-	100%	-	-

6. Other KMP disclosures

6.1 Fully Paid Ordinary Shares – Atomos Limited

The number of ordinary shares in the Company held during the FY2021 reporting period by each of the Group's Key Management Personnel, including their related parties, is set out below:

Chair and Non-Executive Directors:

Name	Balance at start of year	Granted as remuneration	Received on settlement of performance rights	Other changes	Held at the end of reporting period
Chris Tait	1,481,748	-	61,983	58,003	1,601,734
Stephen Stanley	260,000	-	41,322	100,000	401,322
Sir Hossein Yassaie	1,697,766	-	41,322	-	1,739,088
Total	**3,439,514**	**-**	**144,627**	**158,003**	**3,742,144**

Executive KMP:

Name	Balance at start of year	Granted as remuneration	Received on settlement of performance rights	Other changes	Held at the end of reporting period
Jeromy Young	17,827,370	-	-	(10,000,000)	7,827,370
James Cody	409,536	-	-	-	409,536
Trevor Elbourne	481,852	-	-	-	481,852
Mark Harland	-	-	-	-	-
Estelle McGechie	-	-	-	-	-
Total	**18,718,758**	**-**	**-**	**(10,000,000)**	**8,718,758**

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

6.2 Other Equity holdings

Share options

The number of options to acquire ordinary shares in the Company held during the FY2021 reporting period by each of the Group's Key Management Personnel is set out below:

Chair and Non-Executive Directors:

Name	Balance at start of year	Granted as remuneration	Forfeited	Held at the end of reporting period	Balance vested at the end of reporting period	Vested but not exercisable	Vested and exercisable	Options vested during the year
Chris Tait (i)	870,722	-	-	870,722	870,722	-	870,722	257,732
Stephen Stanley	257,732	-	-	257,732	257,732	-	257,732	257,732
Sir Hossein Yassaie	870,722	-	-	870,722	870,722	-	870,722	257,732
	1,999,176	**-**	**-**	**1,999,176**	**1,999,176**	**-**	**1,999,176**	**773,196**

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

Executive KMP:

Name	Balance at start of year	Granted as remuneration	Forfeited	Held at the end of reporting period	Balance vested at the end of reporting period	Vested but not exercisable	Vested and exercisable	Options vested during the year
Jeromy Young	1,915,216	675,000	1,082,474	1,507,742	432,955	-	432,955	-
James Cody	1,139,736	425,000	804,124	760,612	335,612	-	335,612	-
Trevor Elbourne	898,095	425,000	804,124	518,971	93,971	-	93,971	-
Mark Harland	-	300,000	-	300,000	-	-	-	-
Estelle McGechie	-	-	-	-	-		-	-
	3,953,047	**1,825,000**	**2,690,722**	**3,087,325**	**862,538**	**-**	**862,538**	-

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

Performance rights

The number of performance rights held during the FY2021 reporting period by each of the Group's Key Management Personnel, is set out below:

Chair and Non-Executive Directors:

Name	Balance at start of year	Granted as remuneration	Forfeited	Converted to shares	Held at the end of reporting period
Chris Tait (i)	61,983	500,000	-	61,983	500,000
Stephen Stanley	41,322	207,000	-	41,322	207,000
Sir Hossein Yassaie	41,322	94,769	-	41,322	94,769
	144,627	**801,769**	**-**	**144,627**	**801,769**

(i) Chris Tait is a director and shareholder in Henslow Pty Ltd. One quarter of the performance rights are granted to Chirs Tait and the rest are granted to other shareholders of Henslow in respect of services rendered by Chris Tait.

Executive KMP:

Name	Balance at start of year	Granted as remuneration	Forfeited	Converted to shares	Held at the end of reporting period
Jeromy Young	77,479	207,365	77,479	-	207,365
James Cody	-	129,603	-	-	129,603
Trevor Elbourne	-	129,603	-	-	129,603
Mark Harland	-	75,419	-	-	75,419
Estelle McGechie	-	-	-	-	-
	77,479	**541,990**	**77,479**	**-**	**541,990**

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

6.3 Other transactions with Key Management Personnel

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

Henslow

During the FY2021 reporting period Henslow provided corporate broking services and was paid $90,000. Out of pocket expenses reimbursed aggregated to $4,543.

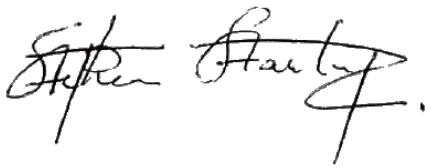
During the FY2020 reporting period, Henslow rendered advisory services for the capital raisings and acquisitions and was paid $1,330,371. Henslow was engaged for corporate broking services effective February 2020 and was paid $37,500. Other advisory fees aggregated to $127,188 and out of pocket expenses reimbursed in connection with all the services totalled $20,756. In aggregate, the total fees (including out of pocket expense) were $1,515,815.

Bluerock

Atomos Group utilises Bluerock for certain consulting services. Fees charged were $15,100 for the year (2020: $12,500).

End of audited Remuneration Report

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



Chair, Remuneration and Nomination Committee

Melbourne, This 29th day of September 2021



Auditors Independence Declaration

Deloitte.

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29 September 2021

Board of Directors
Atomos Limited
33-41 Balmain Street
CREMORNE VIC 3121

Dear Board Members

Auditor's Independence Declaration to Atomos Limited

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

As lead audit partner for the audit of the financial statements of Atomos Limited for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the 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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Corporate Governance Statement

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

This Corporate Governance Statement (Statement) has been approved by the Board and is available on the Company's website under Corporate Governance at https://www.atomos.com/investor and reports against the 4th edition (February 2019) of the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (Governance Principles) for the financial year ending on 30 June 2021 (Reporting Period).

Board of Directors

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

Director	Position and Independence	Appointed as Director
Christopher Tait	Chair Appointed Executive Chair and acting CEO of the Company in March 2020. Reverted to Non-Executive Chair in September 2021. Mr Tait is not considered independent	September 2017
Stephen Stanley	Deputy Chair since October 2020 Independent Non-Executive Director	February 2019
Sir Hossein Yassaie	Independent Non-Executive Director	September 2016
Jeromy Young	Founder, Executive Director Jeromy Young is not considered independent	September 2009
Megan Brownlow	Independent Non-Executive Director	July 2021
Lauren Williams	Independent Non-Executive Director	July 2021

Role of Board

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

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

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

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

Chair

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

Company Secretary

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

Board committees

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

Committee	Membership	Key Roles and Responsibilites
Audit, Finance & and Risk Committee (AFRC)	Sir Hossein Yassaie (Chair September 2020) Stephen Stanley (Chair Feb 2019 – September 2020) Christopher Tait Megan Brownlow (appointed July 2021)	The AFRC committee supports the Board by: • reviewing and recommending the statutory financial reports; • making recommendations in relation to the Group's accounting and financial controls; • recommending appointment of the external auditor and reviewing non-audit services and external audit independence; • reviewing and recommending the risk management framework and monitoring the Group's risk management against the risk management framework and overseeing the Group's insurance programme; • reviewing the Group's key risks and controls and mitigation measures; • reviewing internal controls on key significant risks and processes; and • receiving periodic reports from management on the operation of the Whisteblower Policy and Anti-Bribery and Corruption Policy.

Committee	Membership	Key Roles and Responsibilites
Remuneration and Nomination Committee (RNC)	Stephen Stanley (Chair) Sir Hossein Yassaie Christopher Tait Lauren Williams (appointed July 2021)	The RNC supports the Board by reviewing and recommending: • Atomos' remuneration strategy, framework and design; • remuneration structure, outcomes and termination arrangements for the CEO and KMP; • succession framework and outcomes for KMP; • allocation of the pool of Non-Executive Director fees; • the design and assessment of equity based incentive plans; • Atomos' Diversity Policy, diversity objectives and progress towards the objectives; • the size and composition of the Board and its Committees; • director succession and the processes of skills matrix and gaps for guiding in selection and appointment of new directors and retirement and re-election; • implementing processes for evaluating Board, Chair of the Board, Committee and individual director performance; • and implementing director induction and professional development for the Board.

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

Committee composition requires:

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

The number of times each Committee met during the Reporting Period and the individual attendance of the members at those meetings is set out on page 18 of the Annual Report.

Board composition

Currently the Board comprises five Non-Executive Directors and an Executive Director. Four of the Non-Executive Directors are independent. Christopher Tait is the Chair and was the Executive Chair from March 2020 until September 2021 and together with Jeromy Young, Founder, is not considered independent.

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

During the Reporting Period Lauren Williams and Megan Brownlow were appointed to the Board effective July 1 2021 following an external search process involving specialist advisors. Both of these directors will stand for election at the upcoming AGM and were inducted in accordance with the Company's induction program involving both director and executive meetings and key relevant material. Each new director was invited to join a Board Committee respectively.

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

Board Skills matrix

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

A board skills matrix has been developed to determine if the skills, attributes, experience and diversity of the Board members reflect the range of skills the Board requires. The recent appointments of Megan Brownlow and Lauren Williams to the Board expanded the skills, experience and diversity on the Board.

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

Skills, experience and attributes:



Board diversity

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

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

The Board and Management adheres to the principles outlined in the Diversity Policy when recruiting and this has resulted in an improvement in gender balance within the Company during the Reporting Period.

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

As at the date of this Statement, the proportion of women and men across the levels of Board, senior management and total employees were as follows:

- The proportion of female directors: 33%
- The proportion of female employees who are senior managers / executives: 19%
- The proportion of female employees in the whole organisation: 33%

Board performance evaluation

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

The Board conducted Board and Committee performance evaluations in the Reporting Period with feedback for improvement discussed and implemented.

Risk management and assurance

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

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

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

Shareholder and stakeholder engagement

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

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



Financial Statements

Atomos Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 $'000	Restated 2020 $'000
Revenue	5	78,611	44,740
Cost of sales		(41,173)	(28,640)
Gross profit		**37,438**	**16,100**
Other income	5	1,400	366
Net foreign exchange loss		(487)	(10)
Employee benefits expense	7	(12,867)	(9,002)
Research and development expense		(4,973)	(3,761)
Advertising and marketing expense		(2,530)	(4,635)
Finance costs	7	(237)	(384)
Administration and other expense		(2,098)	(2,883)
Distribution expense		(2,860)	(1,786)
Warranty and royalty expense		(2,965)	(1,731)
Occupancy expense		(161)	(471)
Legal and professional services		(1,722)	(1,453)
Transaction costs		-	(1,226)
Depreciation and amortisation	7	(3,174)	(3,773)
Impairment of assets	7	-	(6,934)
Profit/(Loss) before income tax		**4,764**	**(21,583)**
Income tax expense	8	(546)	(757)
Profit/(Loss) for the period		**4,218**	**(22,340)**
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		(155)	(97)
Other comprehensive loss for the period		**(155)**	**(97)**
Total comprehensive profit/(loss) for the period		**4,063**	**(22,437)**
Earnings per share			
Basic profit/(loss) per share	10	0.02	(0.12)
Diluted profit/(loss) per share	10	**0.02**	**(0.12)**

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

Atomos Limited

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	2021 $'000	Restated 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	11	25,984	18,768
Trade and other receivables	12	12,757	4,668
Inventories	13	16,654	16,808
Other current assets	14	5,233	2,371
Total current assets		**60,628**	**42,615**
Non-current assets			
Property, plant and equipment	15	2,421	2,663
Right-of-use assets	16	2,998	8,963
Intangible assets	17	25,152	25,096
Total non-current assets		**30,571**	**36,722**
Total assets		**91,199**	**79,337**
Liabilities			
Current liabilities			
Trade and other payables	18	20,751	10,223
Borrowings	19	-	139
Provisions	20	1,423	755
Lease liabilities	21	579	1,107
Total current liabilities		**22,753**	**12,224**
Non-current Liabilities			
Trade and other payables	18	1,142	485
Provisions	20	106	130
Lease liabilities	21	2,614	8,288
Deferred tax liability	22	870	1,043
Non-current Liabilities		**4,732**	**9,946**
Total liabilities		**27,485**	**22,170**
Net assets		**63,714**	**57,167**
Equity			
Issued capital	23	101,749	101,538
Foreign currency translation reserve		(105)	50
Share based payments reserve		3,217	944
Accumulated losses		(41,147)	(45,365)
Total equity		**63,714**	**57,167**

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

Atomos Limited

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Notes	Issued capital (Ordinary shares) $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Share based payments reserve $'000	Total equity $'000
Balance at 1 July 2019		44,057	(23,025)	147	2,030	23,209
Transactions with owners						
Share-based payments		-	-	-	263	263
Issue of new share capital	23	58,362	-	-	-	58,362
Transaction costs relating to issue of share capital	23	(2,230)	-	-	-	(2,230)
Transfer to issued capital on issuance of shares for services, exercised options, settled performance rights	23	1,349	-	-	(1,349)	-
Total transactions with owners		**57,481**	**-**	**-**	**(1,086)**	**56,395**
Comprehensive income						
Loss for the period (Restated)		-	(22,340)	-	-	(22,340)
Other comprehensive income		-	-	(97)	-	(97)
Total comprehensive income		**-**	**(22,340)**	**(97)**	**-**	**(22,437)**
Balance at 30 June 2020		**101,538**	**(45,365)**	**50**	**944**	**57,167**
Balance at 1 July 2020		101,538	(45,365)	50	944	57,167
Transactions with owners						
Share-based payments		-	-	-	2,273	2,273
Issue of new share capital	23	221	-	-	-	221
Transaction costs relating to issue of share capital	23	(10)	-	-	-	(10)
Total transactions with owners		**211**	**-**	**-**	**2,273**	**2,484**
Comprehensive income						
Profit for the period		-	4,218	-	-	4,218
Other comprehensive income		-	-	(155)	-	(155)
Total comprehensive income		**-**	**4,218**	**(155)**	**-**	**4,063**
Balance at 30 June 2021		**101,749**	**(41,147)**	**(105)**	**3,217**	**63,714**

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

Atomos Limited

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Operating activities			
Receipts from customers		73,333	49,541
Payments to suppliers and employees		(63,391)	(63,129)
Interest received		35	26
Income taxes paid		(161)	(124)
Net cash generated by / (used in) operating activities	**24**	**9,816**	**(13,686)**
Investing activities			
Payments for property, plant and equipment		(845)	(3,127)
Payments for right-of-use assets		(33)	(64)
Payments for intangible assets		(1,085)	(3,196)
Payment for acquisition of subsidiary	25	-	(5,617)
Net cash used in investing activities		**(1,963)**	**(12,004)**
Financing activities			
Proceeds from issue of equity instruments in the company	23	221	44,010
Payment for equity raise costs		(10)	(2,230)
Interest paid on borrowings and lease liabilities		(237)	(384)
Repayment of lease liabilities		(762)	(664)
Repayments of borrowings (net)		-	(1,361)
Net cash (used in) /generated by financing activities		**(788)**	**39,371**
Net change in cash and cash equivalents		7,065	13,681
Cash and cash equivalents, beginning of period		18,768	5,112
Exchange differences on cash and cash equivalents		151	(25)
Cash and cash equivalents, end of period	**11**	**25,984**	**18,768**

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

Notes to the Consolidated Financial Statements

1. General information

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

The principal activities of the Group were the manufacture and sale of video equipment. There have been no significant changes in the nature of these activities during the year. The address of its registered office and principal place of business is 33-41 Balmain Street, Cremorne, Victoria 3121.

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

The Consolidated Financial Statements for the year ended 30 June 2021 were approved and authorised for issue by the board of Directors on Wednesday 29th of September 2021.

2. Adoption of new and revised Australian Accounting Standards

2.1 Change in accounting policy

Following clarifying guidance from the International Financial Reporting Interpretations Committee (IFRIC), Atomos adopted a change in accounting policy in relation to the treatment of configuration and customisation costs related to cloud computing arrangements, commonly referred to as Software as a Service (SaaS). Under the revised accounting policy, costs that would have been previously capitalised are treated as operating expenditure where the entity cannot demonstrate the ability to control the relevant software. In accordance with Australian Accounting Standards the change in accounting policy has been adopted retrospectively and prior comparative periods have been restated. The tables below show the impact of the change in accounting policy on previously reported financial results:

Impact on Consolidated Statement of Financial Position	30-Jun-20 $'000	SaaS Restatement $'000	Restated 30-Jun-20 $'000
Assets			
Other current assets	2,613	(242)	2,371
Net assets	**57,409**	**(242)**	**57,167**
Equity			
Accumulated losses	(45,123)	(242)	(45,365)
Total equity	**57,409**	**(242)**	**57,167**

Impact on Consolidated Statement Profit or Loss and Other Comprehensive Income			
Administration and other expense	(2,641)	(242)	(2,883)
Profit/(Loss) before income tax	(21,341)	(242)	(21,583)
Profit/(Loss) for the period	**(22,098)**	**(242)**	**(22,340)**

2.2 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 2020.

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 July 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of material
- Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

Impact of the initial application of Covid 19 Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b. Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c. There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

The Group has benefited from a 6 months waiver of lease payments on its Melbourne premise. The waiver of lease payments of $37,500 for a period of 6 months has been accounted for as a negative variable lease payment in profit or loss. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payments.

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

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

Standard/amendment

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 - Reference to the Conceptual Framework
- Amendments to IAS 16 - Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments as applicable to the Group below.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

The directors of the Company do not anticipate that the application of the above 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 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.

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.

JobKeeper

In response to the economic impact from the COVID-19 pandemic crisis, the Australian Government introduced the JobKeeper payment scheme to assist eligible employers with payroll subsidy. The Group self-assessed the eligibility criteria and enrolled in the JobKeeper payment scheme in May 2020. Atomos nominated around 34 eligible employees under the scheme. The Group was eligible until December 2020. $0.5 million (2020: $0.3 million) of JobKeeper payments from the Australian Taxation Office was included in determining the profit for the year, all of which was received by 30 June 2021. $0.5 million (2020: $0.3 million) have been accounted as other income in the statement of profit or loss and other comprehensive income. At year end there was a receivable recorded of Nil (2020: $0.1 million) in relation to incoming payments.

The JobKeeper payments represent a form of government grant and is accounted for under AASB 120. Atomos recognises this grant as receivable when there is reasonable assurance that the Group will comply with the conditions attached to the grant and the grant will be received.

The impact on the financial position, financial performance and cash flows of the entity have been described below:

	Excluding JobKeeper $'000	Jobkeeper $'000	Including Jobkeeper $'000
Other income	916	484	1,400
Profit before income tax	4,280	484	4,764
Net increase in cash and cash equivalents	6,494	571	7,065
Cash and cash equivalents at year end	25,413	571	25,984

Atomos Limited (ABN - 25 139 730 500) received JobKeeper payments for an average 31 employees (2020: 26). No voluntary repayments were made other than to reconcile the amounts received from the ATO with the company's records.

3.5 Leases

The Group as lessee

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

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

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

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

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

During the period, the Group had one lease modification that was not recognised as a separate lease in accordance with the requirements of IFRS 16. During the period the right-of-use asset and lease liability associated with the lease was derecognised for the partial termination from the decrease in scope by $5.6m and $6m respectively resulting in a gain on modification of $0.4m. A further decrease in the lease liability and right-of-use asset of $0.3m was adjusted to reflect the revised present value of minimum remaining lease payments.

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

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

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

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

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

3.6 Foreign currencies

Foreign currency transactions and balances

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

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

3.7 Short-term and long-term employee benefits

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

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

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

3.8 Share based payments

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

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

3.9 Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

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

Current and deferred tax for the year

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

3.10 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 acquired in a business combination

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

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

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

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

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

Capitalised product development costs – useful life of amortisation

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

3.12 Business combinations

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

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

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

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

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

3.13 Goodwill

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

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

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

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

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, two CGU's, have been identified.

3.15 Inventories

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

3.16 Provisions

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

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

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

Warranties

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

3.17 Financial Instruments

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

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

Financial assets

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

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

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

Effective interest rate method

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

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

Loans and receivables

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

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.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities representing trade and other payables and borrowings 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.

3.18 Cash and cash equivalents

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

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

3.19 Comparative Figures

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

3.20 Goods and Services Tax (GST)

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense; or

ii. for receivables and payables in the statement of financial position which are shown inclusive of GST.

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

3.21 Rounding of amounts

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

4.1 Critical judgements in applying accounting policies

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

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

Impairment of assets

The Group assesses different projects for impairment and where the projects have ceased or stalled, or the likelihood of expected benefits exceed the carrying values, the Group books an impairment charge. After accounting for such impairment, the Group assesses the balance recoverable amount of the capitalised development costs based on a value-in-use model, using a discounted projected cash flow model. There was no such impairment during the year.

The value in use calculation used cash flow projections from financial budgets for the 2022 financial year as reviewed by the Board. In establishing the 2022 budget, due consideration was given to the economic uncertainty associated with Covid-19. The cash flows beyond the budget period have been extrapolated over a further 4 years and into perpetuity using a steady 2% long term growth rate (2020: 2%) which is consistent with the expected long-term growth of the company.

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

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

- Long term growth rate of 2%, sensitivity applied showed sufficient headroom also at 1%. The post tax discount rate used is 13% (2020: 13%). The discount rate is derived from the Groups average weighted cost of capital adjusted for varying risk profiles. Sensitivity analysis indicated that headroom continues to be present when varying this from the rate between 10% and 16%
- As the global outbreak of Covid-19 continues to progress and evolve, it is extremely challenging to predict the full extent of the impact on the Group with certainty. The Group has built in contingency in the forecasts used in this value in use, by applying a level of contingency as a base level 2022 forecast in an aim to build in risk and uncertainty in the cash flows in the next 12 months

The Group believes the assumptions used in the value in use model reflect an appropriate balance between the Group's experience to date and the uncertainty associated with the Covid-19 pandemic.

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

Amortisation of Intangible Assets

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

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

4.2 Key sources of estimation uncertainty

Trade receivables collectability

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

Inventory net realisable value

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

Warranties

Management estimates the expected cost of warranty obligations under local sale of goods legislation 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.

JobKeeper

The Australian Taxation Office provided guidance materials (LCR 2020/1 and PCG 2020/4) on the importance of maintaining proper records and evidence of eligibility for JobKeeper payment entitlement, particularly around the calculation of projected decline in GST turnover. LCR 2020/1 states that anticipated GST turnover needs to be a reasonable projection. If there is a significant difference between the projected and actual turnover, the ATO may make further enquiries to examine records and calculations to determine whether the projection was in fact a reasonable one, in view of the commercial circumstances. Accordingly, Atomos self-assessed the eligibility criteria and enrolled in the JobKeeper payment scheme in May 2020. Atomos assessed key drivers of the business to determine the projected turnover fall for March 2020. Atomos is involved in the business of manufacture and sale of video equipment.

Based on the above, Atomos has recognised the JobKeeper receipts aggregating to AUD $0.5 million per paragraph 12 of AASB 120 Accounting for government grants and disclosure of government assistance. Accordingly, JobKeeper payments have been recognised in profit or loss on a systematic basis over the period in which the entity recognises as expenses the wages and salaries for which the JobKeeper payments are intended to compensate. JobKeeper payments that relate to compensation of salaries and wages is recognised as other income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

5. Revenue – at a "point in time"

	2021 $'000	2020 $'000
Revenue		
Sale of goods	78,075	43,850
Sale of software upgrades	153	-
Other revenue	383	890
Total revenue	**78,611**	**44,740**
Other income		
Interest	35	26
Government subsidies	820	340
Gain on modification of lease	470	-
Other income	75	-
Total other income	**1,400**	**366**
Total revenue and other income	**80,011**	**45,106**

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. Profit for the year

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

	2021 $'000	2020 $'000
Impairment		
Capitalised product development costs	-	5,610
Plant and equipment	-	1,056
Leasehold improvements	-	268
Total impairment	**-**	**6,934**
Depreciation and amortisation		
Leasehold improvements	102	42
Plant and equipment	981	784
Motor vehicles	4	4
Capitalised product development costs	454	1,350
Patents and Product IP	302	176
Trademarks and Brand Name	233	136
Customer Relationships	40	23
Right of use assets	1,058	1,258
Total depreciation and amortisation	**3,174**	**3,773**
Finance costs		
Interest and costs associated with borrowing facilities	86	99
Interest on lease liabilities	151	285
Total interest expense for financial liabilities not at FVTPL	237	384
Other financial items – Transaction costs	-	1,226
Total other financial items	-	1,226
Total finance costs	**237**	**1,610**
Employee benefits expense		
Post-employment benefits	841	739
Share-based payments	2,273	263
Other employee benefits	14,726	11,761
Total employee benefits expense	17,840	12,763
Less: amount included within Research and development expense on the Statement of Profit or Loss	(4,973)	(3,761)
Employee benefits expense per Statement of Profit or Loss	**12,867**	**9,002**

Employee benefit expenses are net of $0.1 million (2020: $0.2 million) received towards payroll tax relief.

8. Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Atomos at 30% (2019: 30%) and the reported tax expense in profit or loss are as follows:

	2021 $'000	Restated 2020 $'000
Profit before tax	4,764	(21,341)
Domestic tax rate for Atomos Ltd - 30%		
Expected tax payable	(1,429)	6,402
Adjustments:		
Effect of income that is not assessable in determining taxable profit	(37)	32
Effect of expenses that are not deductible in determining taxable profit	(692)	(569)
Effect of Research and Development tax offset	333	673
Effect of Tax rate differential on Research and Development tax offset recognised	-	(188)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(132)	(177)
Other Adjustments	66	(159)
Prior Years Unders/Overs	28	(788)
Effect of tax deduction on costs capitalised	-	219
Utilisation of tax losses and recognition/(de-recognition) of deferred tax balances	1,317	(6,202)
Actual tax (expense) / benefit	**(546)**	**(757)**

Tax expense comprises:		
· current tax (expense) / benefit	**(719)**	**(757)**
· deferred tax (expense) / benefit	173	-
Actual tax (expense) / benefit	**(546)**	**(757)**

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

The current tax expense of $719k for the year relates to non-Australian based fully owned subsidiaries where a taxable profit was reported. The deferred tax benefit is in relation to reversal of deferred tax liability on amortisation of intangible assets, except goodwill arising on acquisition of Timecode Systems Limited.

9. Dividends

There were no dividends paid or declared to equity holders during or since the year ended 30 June 2021. (2020: Nil).

10. Earnings per share

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

	2021 $'000	2020 $'000
Profit/(Loss) attributable to the owners of the Company	4,218	(22,340)

Weighted average number of shares used in calculating basic EPS	No. 218,334,278	2020 179,398,780
Weighted average of potential dilutive ordinary shares		
Options and Performance Rights	5,076,227	-
Weighted average number of shares used in calculating diluted EPS	**223,410,505**	**179,398,780**

In 2020, the potential ordinary shares were deemed anti-dilutive as the Company was in a loss position and were therefore excluded from the weighted average number ordinary shares for the purposes of diluted earnings per share.

11. Cash and cash equivalents

	2021 $'000	2020 $'000
Cash at bank and in hand	25,867	8,518
Cash at bank on deposit	117	10,250
Cash and cash equivalents	**25,984**	**18,768**

12. Trade and other receivables

	2021 $'000	2020 $'000
Current		
Trade receivables, gross	12,814	4,181
Less: loss allowance	(134)	(119)
Trade receivables, net	12,680	4,062
Other receivables	77	606
	12,757	**4,668**

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

	2021 $'000	2020 $'000
Balance at beginning of year	119	69
Impairment loss recognised	15	50
Amounts written off	-	-
Balance 30 June	**134**	**119**

An analysis of trade receivables that are past due is outlined in note 31.3.

13. Inventories

	2021 $'000	2020 $'000
Stock on hand – raw materials and components	8,833	7,035
Stock on hand - finished goods	7,821	9,773
	16,654	**16,808**

14. Other current assets

	2021 $'000	Restated 2020 $'000
Prepayments	5,087	2,313
Security deposits	146	58
	5,233	**2,371**

15. Property, plant and equipment

	2021 $'000	2020 $'000
Carrying amounts of:		
Leasehold improvements	464	367
Plant and equipment	1,948	2,283
Motor vehicles	9	13
Written down value	**2,421**	**2,663**

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 2020	678	5,120	31	5,829
Additions	199	646	-	845
Disposals	-	-	-	-
Balance 30 June 2021	**877**	**5,766**	**31**	**6,674**
Accumulated depreciation & impairment				
Balance 1 July 2020	(311)	(2,837)	(18)	(3,166)
Depreciation	(102)	(981)	(4)	(1,087)
Disposals	-	-	-	-
Balance 30 June 2021	(413)	(3,818)	(22)	(4,253)
Carrying amount 30 June 2021	**464**	**1,948**	**9**	**2,421**
Cost				
Balance 1 July 2019	22	2,632	31	2,685
Additions	656	2,471	-	3,127
Impact of acquisition	-	17	-	17
Disposals	-	-	-	-
Balance 30 June 2020	**678**	**5,120**	**31**	**5,829**
Accumulated depreciation & impairment				
Balance 1 July 2019	(1)	(997)	(14)	(1,012)
Depreciation	(42)	(784)	(4)	(830)
Impairment	(268)	(1,056)	-	(1,324)
Disposals	-	-	-	-
Balance 30 June 2020	(311)	(2,837)	(18)	(3,166)
Carrying amount 30 June 2020	**367**	**2,283**	**13**	**2,663**

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 2021 (2020: None).

16. Right of use assets

	Buildings $'000	Vehicles $'000	Total $'000
Cost			
Balance 1 July 2020	10,195	26	10,221
Additions	894	42	936
Disposals/Modifications	(6,765)	-	(6,765)
Balance 30 June 2021	**4,324**	**68**	**4,392**
Accumulated depreciation			
Balance 1 July 2020	(1,244)	(14)	(1,258)
Depreciation	(1,044)	(14)	(1,058)
Disposals/Modifications	922	-	922
Balance 30 June 2021	(1,366)	(28)	(1,394)
Carrying amount 30 June 2021	**2,958**	**40**	**2,998**
Cost			
Balance 1 July 2019	-	-	-
Impact of initial adoption of AASB 16	556	26	582
Additions	9,505	-	9,505
Impact of acquisition	134	-	134
Balance 30 June 2020	**10,195**	**26**	**10,221**
Accumulated depreciation			
Balance 1 July 2019	-	-	-
Depreciation	(1,244)	(14)	(1,258)
Balance 30 June 2020	(1,244)	(14)	(1,258)
Carrying amount 30 June 2020	**8,951**	**12**	**8,963**

The Group leases property and vehicle. The average lease term is four years. Three (2020: Two) leases were entered into during the current financial year. These new leases resulted in additions to right-of-use assets of $0.9 million during the year (2020: $9.5 million). During the period, the Group had one lease modification that was not recognised as a separate lease in accordance with the requirements of IFRS 16. The right-of-use asset and lease liability associated with the lease was derecognised for the partial termination from the decrease in scope by $5.6m and $6m respectively resulting in a gain on modification of $0.4m. A further decrease in the lease liability and right-of-use asset of $0.3m was adjusted to reflect the revised present value of minimum remaining lease payments.

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

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

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

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

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

	2021 $'000	2020 $'000
Amounts recognised in profit or loss		
Depreciation on right-of-use assets	1,058	1,258
Interest expense on lease liabilities	151	285
Expense relating to short term or low value leases	55	307
	1,264	**1,850**

The total cash outflow for right of use assets amount to $33k (2020: $0.1 million).

17. Intangible assets

	2021 $'000	2020 $'000
Carrying amounts of:		
Goodwill	15,068	15,068
Capitalised product development costs	5,339	4,708
Patents and Product IP	4,357	4,659
Trademarks and Brand Name	331	564
Customer Relationships	57	97
Written down value	**25,152**	**25,096**

Movements in carrying amounts

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

	Goodwill $'000	Capitalised product development costs $'000	Patents and Product IP $'000	Trademarks and Brand Name $'000	Customer Relationships $'000	Total $'000
Cost						
Balance 1 July 2020	15,068	22,390	4,835	700	120	43,113
Additions	-	1,085	-	-	-	1,085
Disposals	-	-	-	-	-	-
Balance 30 June 2021	**15,068**	**23,475**	**4,835**	**700**	**120**	**44,198**
Accumulated amortisation & impairment						
Balance 1 July 2020	-	(17,682)	(176)	(136)	(23)	(18,017)
Amortisation	-	(454)	(302)	(233)	(40)	(1,029)
Disposals	-	-	-	-	-	-
Balance 30 June 2021	-	(18,136)	(478)	(369)	(63)	(19,046)
Carrying amount 30 June 2021	**15,068**	**5,339**	**4,357**	**331**	**57**	**25,152**
Cost						
Balance 1 July 2019	-	19,194	-	-	-	19,194
Additions	-	3,196	-	-	-	3,196
Impact of acquisition	15,068	-	4,835	700	120	20,723
Disposals	-	-	-	-	-	-
Balance 30 June 2020	**15,068**	**22,390**	**4,835**	**700**	**120**	**43,113**
Accumulated amortisation & impairment						
Balance 1 July 2019	-	(10,722)	-	-	-	(10,722)
Amortisation	-	(1,350)	(176)	(136)	(23)	(1,685)
Impairment	-	(5,610)	-	-	-	(5,610)
Disposals	-	-	-	-	-	-
Balance 30 June 2020	-	(17,682)	(176)	(136)	(23)	(18,017)
Carrying amount 30 June 2020	**15,068**	**4,708**	**4,659**	**564**	**97**	**25,096**

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

The recoverable amount of each CGU (or Group of CGU's) has been determined based on a value in use calculation which use cash flow projections from financial budgets for the 2022 financial year as reviewed by the Board. In establishing the 2022 budget, due consideration was given to the economic uncertainty associated with Covid-19. The cash flows beyond the budget period have been extrapolated over a further 4 years using appropriate growth rates for the forecast period and 2% long term growth rate into perpetuity (2020: 2%) which is consistent with the expected long-term growth of the company.

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

The Group believes the assumptions used in the value in use model reflect an appropriate balance between the Group's experience to date and the uncertainty associated with the Covid-19 pandemic.

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

18. Trade and other payables

	2021 $'000	2020 $'000
Current:		
Trade payables	17,907	9,887
Short term incentives payable	2,145	-
Sundry payables and accrued expenses	699	336
	20,751	10,223
Non-current:		
Taxes payable	1,142	485
Total trade and other payables	**21,893**	**10,708**

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

19. Borrowings

	2021 $'000	2020 $'000
Current (Secured):		
Paycheck Protection Plan	-	139
Total current borrowings	**-**	**139**
Financing arrangements		
Unrestricted access was available at the reporting date to following lines of credit:		
Total facilities		
Financial institution – export line of credit facility	5,054	5,000
Financial institution – credit card facility	65	65
	5,119	**5,065**
Used at reporting date		
Financial institution – export line of credit facility	-	-
Financial institution – credit card facility	42	1
	42	**1**
Unused at reporting date		
Financial institution – export line of credit facility	5,054	5,000
Financial institution – credit card facility	23	64
	5,077	**5,064**

In 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.

The borrowing limit was changed from A$5m to US$3.8m during the year. For the disclosure above, US$3.8m is translated to AUD using the year-end exchange rate. The facility expires on 15th July 2022.

20. Provisions

	2021 $'000	2020 $'000
Current:		
Warranty[i]	712	230
Employee benefits[ii]	711	525
	1,423	**755**
Non-current:		
Employee benefits[ii]	41	20
Make good[iii]	65	110
	106	**130**

i. Warranty claims

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

ii. Employee benefits

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

iii. Make good

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

Movement in provisions	Warranty provision $'000	Make good provision $'000
At 1 July 2020	230	110
Additional provision during the period	1,377	30
Amounts used/written back in the period	(895)	(75)
Increase/decrease due to discounting from passage of time	-	-
Closing carrying value	**712**	**65**

21. Lease liabilities

	2021 $'000	2020 $'000
Lease liabilities		
Maturity analysis		
Year 1	579	1,107
Year 2	423	886
Year 3	306	872
Year 4	270	893
Year 5	279	939
Onwards	1,336	4,698
	3,193	**9,395**
Analysed as:		
Current	579	1,107
Non-current	2,614	8,288
Total	**3,193**	**9,395**

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

22. Deferred tax assets and liabilities

Net deferred tax assets relating to losses and timing differences continue to be de-recognised in the statement of financial position due to uncertainty as to the timing of their recoupment from sufficient future taxable income. During the year the Group reversed the deferred tax liability in relation to intangible assets arising on acquisition of $0.2 million. Deferred taxes arising from temporary differences can be summarised as follows:

	01-July-2020 $'000	Recognised in other comprehensive income $'000	Recognised in profit and loss $'000	Deferred tax liability arising on acquisition $'000	30-June-2021 $'000
Unrealised FX (gains) losses	(40)	-	91	-	51
Doubtful debts	23	-	(11)	-	12
Inventories	153	-	47	-	200
Prepayments	-	-	(3)	-	(3)
Property, Plant and Equipment	-	-	-	-	-
Right-of-use assets	(2,571)	-	1,941	-	(630)
Intangible assets	(369)	-	(319)	-	(688)
Unused tax losses	12,589	-	(2,018)	-	10,571
Interest deductions	189	-	-	-	189
Equity raising costs	906	-	(274)	-	632
Operating Lease Liability	2,699	-	(2,012)	-	687
Make Good Provision	33	-	(14)	-	20
Accrued expenses	117	-	354	-	471
Employee provisions	161	-	728	-	889
Net deferred taxes asset	13,890	-	(1,490)	-	12,400
Net Deferred taxes derecognised	(12,847)	-	1,317	-	(11,530)
Net deferred taxes liability	**1,043**	**-**	**(173)**	**-**	**870**

	01-July-2019 $'000	Recognised in other comprehensive income $'000	Recognised in profit and loss $'000	Deferred tax liability arising on acquisition $'000	30-June-2020 $'000
Unrealised FX (gains) losses	(39)	-	(1)	-	(40)
Doubtful debts	21	-	2	-	23
Inventories	14	-	139	-	153
Prepayments	(1)	-	1	-	-
Property, Plant and Equipment	-	-	-	-	-
Right-of-use assets	-	-	(2,571)	-	(2,571)
Intangible assets	298	-	(1,710)	1,043	(369)
Unused tax losses	5,283	-	7,306	-	12,589
Interest deductions	189	-	-	-	189
Equity raising costs	617	-	289	-	906
Operating Lease Liability	-	-	2,699	-	2,699
Make Good Provision	-	-	33	-	33
Accrued expenses	128	-	(11)	-	117
Employee provisions	135	-	26	-	161
Net deferred taxes asset	6,645	-	6,202	1,043	13,890
Net Deferred taxes derecognised	(6,645)	-	(6,202)	-	(12,847)
Net deferred taxes liability	**-**	**-**	**-**	**1,043**	**1,043**

23. Issued capital

	2021 $'000	2020 $'000
Ordinary shares – fully paid	101,749	101,538

Ordinary shares

	2021		2020	
	Shares	$'000	Shares	$'000
Balance at beginning of year	**217,665,489**	**101,538**	**151,957,624**	**44,057**
Shares issued to employees, consultants, directors	204,133	-	611,910	-
Shares issued on exercise of options	612,990	221	69,160	25
Shares issued towards placements	-	-	55,789,486	43,985
Shares issued for acquisition of TCS	-	-	9,237,309	14,352
Equity, raising costs, net of income tax	-	(10)	-	(2,230)
Transfer to issued capital from share based payments reserve on issuance of shares for services, exercised options, settled performance rights	-	-	-	1,349
Balance at end of year	**218,482,612**	**101,749**	**217,665,489**	**101,538**

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

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

At 30 June 2021, Directors, executives and senior employees held options over 5,086,501 ordinary shares of the Company (2020: 9,327,493). 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.

24. Reconciliation of cash flows from operating activities

a. Reconciliation of cash flows from operating activities

	2021 $'000	Restated 2020 $'000
Cash flows from operating activities		
Profit/(Loss) for the year	4,218	(22,340)
Adjustments for:		
Depreciation and amortisation expense	3,174	3,773
Doubtful debt expense	16	50
Obsolete stock provision	182	591
Waiver of paycheck protection loan	(139)	-
Share-based payments expense	2,273	263
Impairment of assets	-	6,934
Finance costs recognised in profit and loss	237	384
Unrealised foreign currency expense	(306)	102
Gain on modification of lease	(470)	-
Reversal of deferred tax liability	(173)	-
	9,012	(10,243)
Movements in working capital:		
Increase in inventories	(28)	(7,793)
(Increase)/decrease in trade and other receivables	(8,105)	3,306
(Increase)/decrease in other assets	(2,862)	624
Increase in trade and other payables	11,185	187
Increase in provisions	614	233
Net cash generated by / (used in) operating activities	**9,816**	**(13,686)**

b. Non-cash financing transactions

During the financial year, there were no non-cash financing activities (2020: $Nil).

	2021 $'000	
	Leases	Borrowings
Opening balance	9,395	139
Additions	903	-
Repayments	(999)	-
Waiver	-	(139)
Interest	237	-
Lease modification	(6,343)	-
Closing	**3,193**	**-**

25. Business Combinations

In December 2019 (FY 2020), the Group acquired 100% of the issued capital of Timecode Systems Ltd (TCS), a UK-based company that has developed unique and patented technology that enables multiple audio and video capture devices to wirelessly synchronise together. The acquisition furthers Group's vision to enhance and democratise video content creation where traditionally multiple devise synchronisation, which represents a key aspect of the overall control of such distributed systems, has been difficult, expensive and time consuming.

	2020 $'000
Consideration	
Cash	5,664
Shares	14,352
Total consideration	**20,016**

Net cash outflow arising on acquisition	
Consideration paid in cash	5,664
Less: Cash and cash equivalents balances acquired	(47)
Total consideration	**5,617**

	Fair value recognised on acquisition $'000
Assets	
Current assets	
Cash and cash equivalents	47
Trade and other receivables	102
Inventories	186
Other current assets	202
Total current assets	**537**
Non-current assets	
Patents and Product IP	4,835
Trademarks and Brand Name	700
Customer Relationships	120
Property, plant and equipment	17
Right of use assets	134
Total non-current assets	**5,806**
Total assets	**6,343**
Liabilities	
Current liabilities	
Trade and other payables	218
Lease liabilities	26
Total current liabilities	**244**
Non-current Liabilities	
Deferred tax liability	1,043
Lease liabilities	108
Non-current Liabilities	**1,151**
Total liabilities	**1,395**
Total identifiable assets and liabilities at fair value	**4,948**
Goodwill arising on acquisition	15,068
Total goodwill and identifiable assets and liabilities at fair value	**20,016**

The consolidated loss for FY2020 included $0.5 million attributable to TCS and the consolidated revenue for FY2020 included $0.4 million in respect of TCS.

Had the acquisition of TCS been affected at 1 July 2019, the revenue of the Group from continuing operations for the year ended 30 June 2020 would have been higher by $0.5 million, and the loss for the year from continuing operations would have been higher by $0.05 million. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on a yearly basis and to provide a reference point for comparison in future years.

In FY2020 transaction costs of $1.0 million were expensed to the Statement of Profit or Loss and Other Comprehensive Income and formed part of operating cash flows in the Statement of Cash Flows.

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

- improvement in normalised EBITDA
- growth in total shareholder return
- service to the company

Employee share options issued

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

Option series	Number	Grant date	Vesting date	Expiry date	Exercise price ($)	Fair value at grant date ($)
Granted: 26 Feb 2018	3,476,282	26-Feb-18	28-Dec-18	12-Apr-28	0.36	0.33
Granted: 20 Dec 2018	5,049,292	20-Dec-18	30-Jun-21	20-Dec-28	0.41	0.24
Granted: 02 Dec 2019	402,132	02-Dec-19	30-Jun-22	30-Jun-29	1.60	0.98
Granted: 29 Nov 2019	399,787	29-Nov-19	30-Jun-22	30-Jun-29	1.21	0.93
Granted: 20 Aug 2020	3,157,270	20-Aug-20	30-Sep-23	30-Jun-30	0.53	0.30
Granted: 07 Sep 2020	650,336	07-Sep-20	30-Sep-23	30-Jun-30	0.54	0.46
Granted: 30 Nov 2020	675,000	30-Nov-20	19-Aug-23	19-Aug-30	0.53	0.77
Total consideration	**13,810,099**					

Fair value of share options granted during the year

The weighted average fair value of the share options granted during the financial year is $0.39 (2020: $0.93). 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 (weighted average):

Grant date share price: **$0.62**	Exercise price: **$0.53**
Expected volatility: **70%**	Options life: **10 years**
Dividend yield: **Nil**	Risk-free interest rate: **0.88%**

Movements in share options during the year

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

	2021 Number of Options	2021 Weighted average excercise Price ($)	2020 Number of Options	2020 Weighted Average Excercise Price ($)
Balance at the beginning of the year	9,327,493	0.48	9,995,955	0.39
Granted during the year	4,482,606	0.53	801,919	1.41
Forfeited during the year	(4,276,096)	0.41	(1,401,221)	0.41
Exercised during the year	(612,990)	0.36	(69,160)	0.36
Expired during the year	-	-	-	-
Balance at the end of the year	**8,921,013**	**0.54**	**9,327,493**	**0.48**

3,636,488 (2020: 3,476,282) options have vested and are exercisable as at the end of the 2021 reporting year. The remaining options issued have not yet vested.

Share options exercised during the year

612,990 (2020: 69,160) share options were exercised during the year.

27. Interests in subsidiaries

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

	Country of incorporation and principal place of business	Principal activity	Group proportion of ownership interests	
			30 June 2021	30 June 2020
Atomos AU Pty Ltd	Australia	Executive, marketing & finance	100%	100%
Atomos Engineering Pty Ltd	Australia	Engineering	100%	100%
Atomos GmbH	Germany	Global trading & service	100%	100%
Atomos Group Services Pty Ltd	Australia	Group administration	100%	100%
Atomos Global Pty Ltd	Australia	Procurement & production	100%	100%
Atomos IP Pty Ltd	Australia	Intellectual property	100%	100%
Atomos China	China	Trading (China) & services	100%	100%
Atomos Design kk	Japan	Engineering & business development	100%	100%
Atomos Japan Co. kk	Japan	Dormant	100%	100%
Atomos Inc	United States	Services	100%	100%
Atomos Global (UK) Ltd	England	Engineering & services	100%	100%
Timecode Systems Limited (acquired in December 2019)	England	Sales, engineering, procurement	100%	100%

28. Related party transactions

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

Transactions with key management personnel

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

	2021 $'000	2020 $'000
Short-term employee benefits:		
· salaries including bonuses	2,064	1,155
· non-monetary benefits	-	-
Total short-term employee benefits	**2,064**	**1,155**
Long- term employee benefits:	(42)	31
Total long-term employee benefits	**(42)**	**31**
Post-employment benefits:		
· superannuation	111	90
Total post-employment benefits	**111**	**90**
Share-based payments	1,603	327
Total remuneration	**3,736**	**1,603**

Other transactions with Key Management Personnel

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

Henslow

During the 2021 financial year Henslow provided corporate broking services and was paid $90,000. Out of pocket expenses reimbursed aggregated to 4,543. The amount payable at the end of year was $7,500.

During the 2020 reporting period, Henslow rendered advisory services for the capital raisings and acquisitions and was paid $1,330,371. Henslow was engaged for corporate broking services effective February 2020 and was paid $37,500. Other advisory fees aggregated to $127,188 and out of pocket expenses reimbursed in connection with all the services totalled $20,756. In aggregate, the total fees (including out of pocket expense) were $1,515,815.

Bluerock

Atomos Group utilise Bluerock for certain consulting services. Fees charged were $19,750 for the year (2020: $12,500).

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

29. Contingent liabilities

There are no contingent assets or liabilities as at 30 June 2021 that will have a material effect on the Group.

30. Auditor remuneration

	2021 $	2020 $
Audit or review of the financial statements – Deloitte		
Remuneration for audit or review of financial statements	120,500	137,088
Other services – Deloitte		
taxation services	60,000	72,425
other assurance services	5,000	-
due diligence for acquisition	-	97,350
other	-	10,336
Total other services remuneration	**65,000**	**180,111**
Total auditor's remuneration	**185,500**	**317,199**

31. Financial instrument risk

31.1 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.

31.2 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.

31.3 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 the financial assets recognised at the reporting date, as summarised below:

	2021 $'000	2020 $'000
Classes of financial assets		
Carrying amounts:		
· cash and cash equivalents	25,984	18,768
· trade and other receivables	12,757	4,668
Total consideration	**38,741**	**23,436**

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

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

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

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

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

	2021 $'000	2020 $'000
Within terms	12,332	2,722
Past due		
Past due under 30 days	413	445
Past due 30 days to under 60 days	69	326
Past due 60 days and over	-	688
Total	**12,814**	**4,181**

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.

31.4 Liquidity risk analysis

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

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

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

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

	Within 6 months $'000	6 - 12 months $'000	1 - 5 years $'000	5+ years $'000
At 30 June 2021				
Trade payables	17,907	-	-	-
Short term incentives payable	2,145	-	-	-
Taxes payable	-	-	1,142	-
Sundry payables and accrued expenses	699	-	-	-
Total	**20,751**	**-**	**1,142**	**-**
At 30 June 2020				
Export line of credit facility	139	-	-	-
Trade payables	9,887	-	-	-
Taxes payable	-	-	485	-
Sundry payables and accrued expenses	336	-	-	-
Total	**10,362**	**-**	**485**	**-**

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

32. Capital management policies and procedures

The Group's capital management objectives are:

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

by pricing products commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position. Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

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

	2021 $'000	2020 $'000
Total equity	63,714	57,167
Cash and cash equivalents	(25,984)	(18,768)
Capital	**37,730**	**38,399**
Total equity	63,714	57,409
Borrowings and other financial liabilities	-	139
Overall financing	**63,714**	**57,548**
Capital-to-overall financing ratio	**59%**	**67%**

33. 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'):

	2021 $'000	2020 $'000
Statement of financial position		
Current assets	28,390	31,770
Total assets	54,584	56,285
Current liabilities	(3,572)	(1,150)
Total liabilities	(3,572)	(1,150)
Net assets	**51,012**	**55,135**
Issued capital	101,749	101,538
Accumulated losses	(53,974)	(47,363)
Reserves	3,237	960
Total equity	**51,012**	**55,135**
Statement of profit or loss and other comprehensive income		
Profit / (loss) for the year	(6,611)	(1,415)
Other comprehensive income	-	-
Total comprehensive income	**(6,611)**	**(1,415)**

The Parent Entity has no capital commitments at 30 June 2021 (2020: $Nil).
The Parent Entity had no contingent liabilities at 30 June 2021 (2020: $Nil).

34. Subsequent events

There are no 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
Chair

Melbourne, this 29th day of September 2021

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 2021, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

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Key Audit Matters (continued)

Key Audit Matter	How the Key Audit Matter was addressed in the audit
Impairment of Goodwill and other intangible assets For the year ended 30 June 2021, the Group had recognised goodwill and other inangible assets of $25 million as disclosed in Note 17. Goodwill and other intangible assets not yet available for use are tested, at least annually for impairment where the carrying value of these assets is compared to the higher of the "value in use" or the fair value less costs to sell. In determining the value in use management is required to exercise judgement to determine the future cash flow projections including; • 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 appropriateness of management's identification of the Group's CGU's to which goodwill is allocated; • Evaluated the 'value in use' discounted cash flow model developed by management to assess the recoverable amount of the intangible assets including assessing the following assumptions: - forecast cash flows (which include revenue, operating costs, working capital and capital expenditure and the impact of COVID-19); - growth rates attributed to future cash flows; - the discount rate used to present value 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 discounted cash flow 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 discounted cash flow 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 changes to free cash flows, discount and long term growth rates, revenue growth and changes to timings of cash flows. 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 2021 the Group had intangible assets (excluding goodwill) of $10 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 classes of intangible assets were being amortised with the period the benefits are expected to be realised, including 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.

Deloitte.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

Deloitte.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 23 to 35 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Atomos Limited, for the year ended 30 June 2021, 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, 29 September 2021

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 29 September 2021 (Reporting Date).

Number of holders of equity securities

Ordinary share capital

220,610,141 fully paid ordinary shares are held by 5,007 individual shareholders.

All ordinary shares carry one vote per share.

Options

8,663,281 options are held by 36 individual option holders.

Options do not carry a right to vote.

Distribution of holders of equity securities

Holdings Ranges	Holders	Total Units	%
1-1,000	999	650,249	0.290
1,001-5,000	1,965	5,330,491	2.420
5,001-10,000	796	6,164,858	2.790
10,001-100,000	1,116	32,084,484	14.540
100,001-9,999,999,999	131	176,380,059	79.950
Totals	**5,007**	**220,610,141**	**100.000**

Unmarketable Parcels

Total Shares	UMP Shares	UMP Holders	% of issued shares held by UMP holders
220,610,141	12,999	121	0.00589%

Substantial shareholders

Fully paid

Ordinary shareholders	Ordinary shares
NATIONAL NOMINEES LIMITED	23,727,776
MS CLAIRE LOUISE YOUNG <YOUNG FAMILY A/C>	17,731,333
J P MORGAN NOMINEES AUSTRALIA	17,452,013
HSBC CUSTODY NOMINEES	16,466,200
DOMAZET FT3 PTY LTD	14,609,978

Shares under escrow

2,045,228 fully paid ordinary shares escrowed until 2 December 2021.

Twenty largest holders of quoted equity securities

Name/Address 1	Balance as at 29-09-2021	%
NATIONAL NOMINEES LIMITED	30,971,083	14.039%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	21,105,542	9.567%
CITICORP NOMINEES PTY LIMITED	16,931,223	7.675%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,442,341	5.640%
UBS NOMINEES PTY LTD	10,545,924	4.780%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	8,821,977	3.999%
MS CLAIRE LOUISE YOUNG <YOUNG FAMILY A/C>	7,938,698	3.599%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	6,706,909	3.040%
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	6,219,086	2.819%
DOMAZET FT3 PTY LTD <THE DOMAZET FAMILY A/C NO 3>	5,540,000	2.511%
NATIONAL NOMINEES LIMITED <DB A/C>	3,898,529	1.767%
CLOSEHAVEN PTY LTD	3,750,000	1.700%
MS YURONG XI	2,312,361	1.048%
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	1,937,025	0.878%
MR ALEXANDER GONTMAKHER	1,772,646	0.804%
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LTD <NO 1 ACCOUNT>	1,662,637	0.754%
N A G SUPER PTY LTD <NADIA & ALEX SUPER FUND A/C>	1,415,294	0.642%
MS SUSAN ELIZABETH BANNISTER	1,238,485	0.561%
MR GUY BERRYMAN	1,167,277	0.529%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,118,865	0.507%
Total Securities of Top 20 Holdings	147,495,902	66.858%
Total of Securities	**220,610,141**	

Company Directory

Company

Atomos Limited
33-41 Balmain Street,
Cremorne VIC 3121
Email: info@atomos.com
Web: www.atomos.com

Registered Office

33-41 Balmain Street
Cremorne VIC 3121

ASX Code

AMS

Directors

Chris Tait
Executive Chair

Jeromy Young
Executive Director, Founder

Sir Hossein Yassaie
Independent Non-executive Director

Mr Stephen Stanley
Independent Non-Executive Director,
Deputy Chair

Ms Megan Brownlow
Independent Non-executive Director

Ms Lauren Williams
Independent Non-executive Director

Company Secretary

Nyla Bacon

Auditor

Deloitte Touche Tohmatsu
477 Collins Street
Melbourne VIC 3000

Australian Legal Adviser

Maddocks Lawyers
Level 27, Angel Place
Sydney NSW 2000

Registry

Boardroom Pty Ltd
Level 12, 225 George Street
Sydney NSW 2000

