Atomos Ltd

Appendix 4D & Financial Statements for the half-year ended 31 December 2019

ACN: 139 730 500
ASX Code: AMS

Contents

Appendix 4D – Half-yearly report

Reporting period

Reporting period:	Half-year ended 31 December 2019
Previous corresponding period (PCP):	Half-year ended 31 December 2018

Results for announcement to the market

Revenue and loss after tax for the half-year ended 31 December 2019	$'000	Increase/ (Decrease) On PCP	VAR%
Revenue from ordinary activities	32,628	8,380	35%
Loss from ordinary activities after tax attributable to members	(2,418)	126	5%
Loss for the period attributable to members	(2,418)	126	5%

Dividends

No dividends have been paid or declared since the start of the financial year (2018: nil). No recommendation for payment has been made.

Overview of operating results

Atomos reported a strong first half result compared to the same period last year ('YoY'), with key highlights as follows:

- Revenue of $32.6m, up 35% YoY led by continued strong sales of Ninja V
- Gross profit of $13.9m, up 32% YoY
- Gross profit percentage margin at 42.7% was slightly lower than anticipated due to the impact of tariffs on imports to the US and discounting required to maintain momentum following disruption to production in Q2.

For a further explanation of the results above please refer to the accompanying Directors' Report.

Appendix 4D – Half-yearly report (continued)

Net tangible assets per security

	31-Dec-19	31-Dec-18
Net tangible assets per security	$0.19	$0.09
Total number of shares on issue at period end	186,704,375	151,957,624

(*) For the purposes of calculating net tangible assets per security, the carrying values of the Right-of-use assets and the related lease liabilities have been excluded along with other intangible assets.

Entities over which control has been gained or lost during the period

Name of the entity	Timecode Systems Limited
Date on which control was gained	2 December 2019

	$'000
Contribution of entity to the reporting entity's profit/(loss) from ordinary activities before income tax for the period	(55)

Associates and joint venture entities
There are no associates or joint venture entities.

Dividend reinvestment plans
The Company currently does not have a dividend reinvestment plan.

Independent audit review
This report is based on the condensed consolidated financial statements which have been subject to independent audit review by Deloitte. The independent audit review report is included within the Company's Interim Report which accompanies this Appendix 4D.

Accounting standards
This report has been compiled using Australian Accounting Standards and International Financial Reporting Standards.

Other information required by Listing Rule 4.3A
Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 31 December 2019 Interim Report (which includes the Directors' Report) which accompanies this Appendix 4D.

Directors' Report

The Directors of Atomos Limited ('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 half-year ended 31 December 2019.

Directors

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

Mr Jeromy Michael Young
Sir Hossein Yassaie
Mr Christopher John Tait
Mr Stephen John Stanley
Mr Bradley Evan Whitcomb (resigned 16 September 2019)

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

Dividends

No dividends have been paid or declared since the start of the financial year (2018: nil). No recommendation for payment has been made.

Company Overview

Atomos is a global video technology company founded in 2009 and which listed on the ASX on 28 December 2018 (ASX:AMS).

Atomos enhances video content creation by producing products that connect the imaging and computer worlds, from the point of capture (camera) through to displaying (monitor), processing and recording of the latest high-quality video onto affordable computer media for creative enhancement and distribution of content.

The Company designs, develops and commercialises, award winning, simple to use and affordable monitor recorder products. They enhance video content creation, ensuring content creators have access to advanced video monitoring, processing and recording technologies, regardless of the camera or production technology they use.

By using the processing and recording capability of Atomos products, video creators can achieve enhanced recording quality, on sharp deep colour displays for greater flexibility and control onto lower-cost media creating a more streamlined workflow than the camera's standard functionality is capable of.

Review of operations

During the first half of FY20 the Company enjoyed strong sales growth which was driven by the continued popularity of the Ninja V product as well as the launch of Shogun 7.

Atomos completed a capital raise for $7.5 million at the end of FY19 via an institutional placement which was settled in the first week of FY20.

Directors' Report (continued)

In December 2019 the Company completed the strategic acquisition of Timecode Systems Ltd, 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 consideration comprised of GBP 3.02 million (equivalent to A$5.66 million) in cash and 9,237,309 Atomos fully paid ordinary shares. Atomos raised approximately $22.57 million via a two-tranche institutional placement to fund the cash component and to strengthen the Company's balance sheet.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 5 of this financial report and forms part of this Directors' Report.

Rounding of amounts

Atomos is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the Instrument.

Signed in accordance with a resolution of the Directors, pursuant to section 306(3) of the *Corporations Act 2001*:

On behalf of the Directors

Mr Stephen Stanley
Director
Melbourne
25th day of February 2020

Deloitte.

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25 February 2020

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

Dear Board Members

Atomos Limited

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

As lead audit partner for the review of the financial report of Atomos Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2019

	Notes	Consolidated Half-year ended 31-Dec-19 $'000	31-Dec-18 $'000
Revenue	4	32,628	24,248
Cost of sales		(18,694)	(13,731)
Gross profit		**13,934**	**10,517**
Other income	4	12	2
Other gains/(losses)		(283)	1,045
Employee benefits expense		(3,999)	(3,497)
Research and development expense		(2,485)	(1,745)
Advertising and marketing expense		(2,725)	(1,755)
Finance costs		(216)	(1,907)
Administration and other expense		(1,913)	(1,464)
Distribution expense		(1,005)	(691)
Occupancy expense		(291)	(331)
Legal and professional services		(360)	(434)
Transaction costs		(1,219)	-
Initial Public Offering expense		-	(1,307)
Depreciation and amortisation		(1,596)	(571)
Loss before income tax		**(2,146)**	**(2,138)**
Income tax expense		(272)	(154)
Loss for the period		**(2,418)**	**(2,292)**
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		(81)	(2)
Other comprehensive loss for the period		**(81)**	**(2)**
Total comprehensive loss for the period		**(2,499)**	**(2,294)**
Earnings per share			
Basic loss per share	7	(1.5) cents	(2.3) cents
Diluted loss per share	7	(1.5) cents	(2.3) cents

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

Condensed Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	31-Dec-19	30-Jun-19
		Consolidated as at	
		$'000	$'000
Assets			
Current assets			
Cash and cash equivalents		16,022	5,112
Trade and other receivables		13,085	8,024
Inventories		14,867	9,606
Other current assets		4,139	2,995
Total current assets		**48,113**	**25,737**
Non-current assets			
Property, plant and equipment		4,116	1,673
Right-of-use assets	8	9,421	-
Intangible assets	9	30,074	8,472
Total non-current assets		**43,611**	**10,145**
Total assets		**91,724**	**35,882**
Liabilities			
Current liabilities			
Trade and other payables		15,079	10,521
Borrowings	10	1,500	1,500
Provisions		428	610
Lease liabilities	11	949	-
Total current liabilities		**17,956**	**12,631**
Non-current Liabilities			
Provisions		263	42
Lease liabilities	11	8,640	-
Deferred tax liability		1,043	-
Non-current Liabilities		**9,946**	**42**
Total liabilities		**27,902**	**12,673**
Net assets		**63,822**	**23,209**
Equity			
Issued capital	13	86,979	44,057
Foreign currency translation reserve		66	147
Share based payments reserve		2,220	2,030
Accumulated losses		(25,443)	(23,025)
Total equity		**63,822**	**23,209**

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

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2019

	Notes	Issued capital (Ordinary shares)	Accumulated losses	Foreign currency translation reserve	Share based payments reserve	Total equity
		$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018		28,987	(21,066)	352	1,013	9,286
Transactions with owners						
Share-based payments		-	-	-	536	536
Conversion of convertible notes		9,457	-	-	-	9,457
Issue of new share capital		6,000	-	-	-	6,000
Transaction costs relating to issue of share capital		(387)	-	-	-	(387)
Total transactions with owners		**15,070**	**-**	**-**	**536**	**15,606**
Comprehensive income						
Loss for the period		-	(2,292)	-	-	(2,292)
Other comprehensive income		-	-	(2)	-	(2)
Total comprehensive income		**-**	**(2,292)**	**(2)**	**-**	**(2,294)**
Balance at 31 December 2018		**44,057**	**(23,358)**	**350**	**1,549**	**22,598**
Balance at 1 July 2019		44,057	(23,025)	147	2,030	23,209
Transactions with owners						
Share-based payments		-	-	-	190	190
Issue of new share capital		44,442	-	-	-	44,442
Transaction costs relating to issue of share capital		(1,520)	-	-	-	(1,520)
Total transactions with owners		**42,922**	**-**	**-**	**190**	**43,112**
Comprehensive income						
Loss for the period		-	(2,418)	-	-	(2,418)
Other comprehensive income		-	-	(81)	-	(81)
Total comprehensive income		**-**	**(2,418)**	**(81)**	**-**	**(2,499)**
Balance at 31 December 2019		**86,979**	**(25,443)**	**66**	**2,220**	**63,822**

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

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2019

		Consolidated	
		Half-year ended	
		31-Dec-19	31-Dec-18
	Notes	$'000	$'000
Operating activities			
Receipts from customers		28,903	23,156
Payments to suppliers and employees		(35,546)	(27,551)
Interest received		12	2
Income taxes paid		(84)	(114)
Net cash used in operating activities		**(6,715)**	**(4,507)**
Investing activities			
Payments for property, plant and equipment		(2,905)	(216)
Payments for intangible assets		(1,766)	(976)
Payment for acquisition of subsidiary	12	(5,617)	-
Net cash used in investing activities		**(10,288)**	**(1,192)**
Financing activities			
Proceeds from issue of equity instruments in the company		30,090	6,000
Payment for equity raise costs		(1,520)	(1,003)
Proceeds from issue of convertible notes		-	6,455
Interest paid		(216)	(13)
Repayment of lease liabilities		(441)	-
Repayments of borrowings		-	(1,592)
Net cash inflow from financing activities		**27,913**	**9,847**
Net change in cash and cash equivalents		10,910	4,148
Cash and cash equivalents, beginning of period		5,112	1,447
Cash and cash equivalents, end of period		**16,022**	**5,595**

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

Notes to the Condensed Consolidated Financial Statements

1. General information

Atomos is a public company limited by shares, incorporated and domiciled in Australia. Atomos is the Group's ultimate holding Company. The Group listed on the ASX on 28 December 2018 (ASX:AMS).

The principal activities of the Group were the manufacture and wholesaling 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.

The Consolidated Financial Statements for the half-year ended 31 December 2019 were approved and authorised for issue by the board of Directors on 24th February 2020.

2. Significant Accounting Policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half year report does not include the type of notes normally included in the annual report. This should be read in conjunction with the most recent financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical costs. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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 financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2019 annual report for the financial year ended 30 June 2019, except for the impact of the new accounting policies and the Standards and interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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;

2. Significant Accounting Policies (continued)

Business Combinations (continued)

- 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. The directors have provisionally accounted for the acquisition in the manner described and therefore expect potential adjustments to the fair value of net assets acquired in the 30 June 2020 financial statements.

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.

2. Significant Accounting Policies (continued)

AASB 16 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).

2. Significant Accounting Policies (continued)

AASB 16 Leases (continued)

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Group did not make any such adjustments during the periods presented.

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

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

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).

Amendments to Accounting Standards and new interpretations that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include

- AASB 16 Leases
- Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatment

The Group has adopted the new lease accounting standard AASB 16 Lease from 1 July 2019. AASB 16 introduces significant changes to lessee accounting by removing the classification of leases as either operating or finance leases as required by AASB 117 and instead introduces a single lessee accounting model.

2. Significant Accounting Policies (continued)

AASB 16 Leases (continued)

Amendments to Accounting Standards and new interpretations that are mandatorily effective for the current reporting period (continued)

Applying that model, a lessee is required to:

- Recognise assets and liabilities for all leases with a term of more than 12 months in the Consolidated Statement of Financial Position initially measured at the present value of the future lease payments, unless the underlying asset is of low value;
- Recognise amortisation of lease assets separately from interest on lease liabilities in the Statement of Profit or Loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the Consolidated Cash Flow Statement.

The Group has elected to apply the modified retrospective approach for leases. For leases, which were classified as operating leases under AASB 117, the Group has recognised right-of-use assets and lease liabilities as at the transition date (1 July 2019).

The Group did not have any leases previously classified as finance leases on the adoption date.

The Group has elected to apply the recognition exemption for leases of any low-value assets or short-term leases.

The effect on 1 July 2019 of the recognition of the new right-of-use assets and lease liabilities is disclosed below. The Group has applied option 2B to measure the right-of-use asset to match the lease liability. The difference on adoption relates primarily to make good which is recorded in accordance with IAS137.

	1-Jul-19
	$'000
Increase in right-of-use assets	574
Increase in liabilities	574

3. 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

4. Revenue – at point in time

	Consolidated Half-year ended 31-Dec-19 $'000	Consolidated Half-year ended 31-Dec-18 $'000
Revenue		
Sale of goods	32,108	23,984
Other revenue	520	264
Total revenue	**32,628**	**24,248**
Other income		
Interest	12	2
Total other income	**12**	**2**
Total revenue and other income	**32,640**	**24,250**

5. Change in accounting estimates

There were no significant changes in accounting estimates during the period.

6. Dividends

There were no dividends paid or declared to equity holders during or since the half-year ended 31 December 2019. There were no dividends paid during the comparative period.

7. Earnings per share

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Parent Company (Atomos Ltd) as the numerator. The weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	Consolidated Half-year ended 31-Dec-19 $'000	Consolidated Half-year ended 31-Dec-18 $'000
Loss attributable to the owners of the Company	(2,418)	(2,292)
	No.	**No.**
Weighted average number of shares used in earning per share calculation	166,231,277	108,937,061

8. Right-of-use assets

	Consolidated Buildings $'000	Consolidated Vehicle $'000	Consolidated Total $'000
Cost			
At 1 July 2019	-	-	-
Impact of initial adoption of AASB 16	548	26	574
Additions	9,324	-	9,324
Impact of acquisition	134	-	134
At 31 December 2019	**10,006**	**26**	**10,032**
Accumulated depreciation			
At 1 July 2019	-	-	-
Charge for the half-year	604	7	611
At 31 December 2019	**604**	**7**	**611**
Carrying amount	**9,402**	**19**	**9,421**

9. Intangible assets

	Goodwill	Patents and Product IP	Consolidated Trademarks and Brand Name	Capitalised development costs	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
At 1 July 2019	-	-	-	19,194	19,194
Additions	-	-	-	1,767	1,767
Additions from acquisition	14,967	4,836	700	-	20,503
At 31 December 2019	**14,967**	**4,836**	**700**	**20,961**	**41,464**
At 1 July 2018	-	-	-	17,400	17,400
Additions	-	-	-	976	976
At 31 December 2018	**-**	**-**	**-**	**18,376**	**18,376**
Accumulated amortisation					
At 1 July 2019	-	-	-	(10,722)	(10,722)
Charge for the half-year	-	(25)	(19)	(624)	(668)
At 31 December 2019	**-**	**(25)**	**(19)**	**(11,346)**	**(11,390)**
At 1 July 2018	-	-	-	(9,729)	(9,729)
Charge for the half-year	-	-	-	(402)	(402)
At 31 December 2018	**-**	**-**	**-**	**(10,131)**	**(10,131)**
Carrying amount					
At 31 December 2019	**14,967**	**4,811**	**681**	**9,615**	**30,074**
At 31 December 2018	-	-	-	8,245	8,245

10. Borrowings

	Consolidated as at 31-Dec-19	30-Jun-19
	$'000	$'000
Current (Secured):		
Export line of credit facility (i)	1,500	1,500
Total current borrowings	**1,500**	**1,500**

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

Financing arrangements

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

	31-Dec-19	30-Jun-19
Total facilities		
Financial institution – export line of credit facility	5,000	1,500
Financial institution – credit card facility	65	65
	5,065	**1,565**
Used at reporting date		
Financial institution – export line of credit facility	1,500	1,500
Financial institution – credit card facility	44	52
	1,544	**1,552**
Unused at reporting date		
Financial institution – export line of credit facility	3,500	-
Financial institution – credit card facility	21	13
	3,521	**13**

11. Lease liabilities

	Consolidated as at 31-Dec-19 $'000
Lease liabilities	
Maturity analysis	
Year 1	949
Year 2	810
Year 3	871
Year 4	867
Year 5	921
Onwards	5,171
	9,589
Analysed as:	
Current	949
Non-current	8,640
Total	**9,589**

12. Business combinations

In December 2019, the Group acquired 100% in 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.

	$'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)
Net cash outflow	**5,617**

12. Business combinations (continued)

The fair values of the identifiable assets and liabilities of TCS as at the date of acquisition were:

	Fair value recognised on acquisition $'000
Assets	**Provisional**
Current assets	
Cash and cash equivalents	47
Trade and other receivables	102
Inventories	186
Other current assets	288
Total current assets	**623**
Non-current assets	
Patents and Product IP	4,836
Trademarks and Brand Name	700
Property, plant and equipment	108
Right of use assets	134
Total non-current assets	**5,778**
Total assets	**6,401**
Liabilities	
Current liabilities	
Trade and other payables	175
Lease liabilities	26
Total current liabilities	**201**
Non-current Liabilities	
Deferred tax liability	1,043
Lease liabilities	108
Non-current Liabilities	1,151
Total liabilities	**1,352**
Total identifiable assets and liabilities at fair value	**5,049**
Goodwill arising on acquisition	**14,967**
Total goodwill and identifiable assets and liabilities at fair value	**20,016**

Included in the loss for the half-year is $54,552 attributable to TCS. Revenue for the half-year includes $85,627 in respect of TCS.

Had the acquisition of TCS been effected at 1 July 2019, the revenue of the Group from continuing operations for the six months ended 31 December 2019 would have been higher by $536,172, and the loss for the half-year from continuing operations would have been higher by $52,913. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on a half-yearly basis and to provide a reference point for comparison in future half-years.

Transaction costs of $1.0 million have been expensed to the Statement of Profit or Loss and Other Comprehensive Income and are part of operating cash flows in the Statement of Cash Flows.

Given the acquisition occurred close to the half year end, both the net asset value and the allocation of the purchase price to acquire assets are provisional. As permitted by AASB 3 – Business Combinations the acquisition accounting will be finalised within 12 months of the acquisition date.

13. Issued capital

	31-Dec-19 $'000	30-Jun-19 $'000
Ordinary shares – fully paid	86,979	44,057

Movements in issued capital

	Half year ended 31-Dec-19		Half year ended 31-Dec-18	
	No.	**$'000**	**No.**	**$'000**
Balance at beginning of period	151,957,624	44,057	105,722,865	28,987
Shares issued to employees	651,442	25	395,400	-
Shares issued to certain convertible noteholders	-	-	3,693,067	-
Conversion of convertible notes to ordinary shares	-	-	27,512,146	9,457
Shares issued in accordance with prospectus dated 30 November 2018	-	-	14,634,146	6,000
Shares issued towards placements	24,858,000	30,065	-	-
Shares issued for acquisition of TCS	9,237,309	14,352	-	-
Equity, raising costs, net of income tax	-	(1,520)	-	(387)
Balance at end of period	**186,704,375**	**86,979**	**151,957,624**	**44,057**

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

14. Related party transactions

Transactions with director-related entities

Chris Tait is a shareholder and director of Henslow. Henslow was retained during the half-year as Corporate Adviser and was paid a fee of $55,000 (inclusive of GST).

In addition, Henslow provided mergers and acquisitions advice and received $286,000 (inclusive of GST) as fees.

There have been no other significant transactions since the end of the last annual reporting where disclosure is necessary for an understanding of the interim period.

15. Contingent assets and liabilities

In the Directors' view, there are no contingent assets or liabilities that will have a material effect on the Group in the future.

16. Subsequent events

No matters or circumstances have arisen since the end of the period 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 Atomos Limited will be able to pay its debts as and when they become due and payable; and

b. 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.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the Corporations Act 2001.

On behalf of the Directors

Mr Stephen Stanley
Director
Melbourne
25th day of February 2020

Deloitte.

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Independent Auditor's Review Report to the Members of Atomos Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Atomos Limited (the "Company"), which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Atomos Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Atomos Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants
Melbourne, 25 February 2020

Company directory

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ASX Code
AMS

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

Company Secretary
Lisa Dadswell

Auditor
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