Atomos Limited

Appendix 4D & Interim Financial Statements for the half-year ended 31 December 2022

ACN: 139 730 500
ASX Code: AMS

Contents

Appendix 4D – Half-yearly report

Reporting period

Reporting period: Half-year ended 31 December 2022
Previous corresponding period (PCP): Half-year ended 31 December 2021

Results for announcement to the market

Revenue and loss after tax for the half-year ended 31 December 2022	$'000	Increase / (Decrease) On PCP	VAR%
Revenue from ordinary activities	21,127	(19,796)	(48%)
Profit from ordinary activities after tax attributable to members	(48,227)	(48,548)	NM
Profit for the period attributable to members	(48,227)	(48,548)	NM

Dividends

No dividends have been paid or declared since the start of the financial year (2021: nil). No recommendation for payment has been made.

Overview of operating results

Atomos reported a disappointing first half result, with key highlights as follows:

- Revenue of $21.1m, 48% lower than the PCP
- Gross Profit of $4.8m, $14.6m lower than the first-half of last year
- Operating expenses of $17.6m (before non-recurring items) higher than 1H FY22 ($17.0m)
- Reported earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) a loss of $12.7m (1H FY21: $2.3m profit)
- Underlying EBITDA a loss of $10.7m (1H FY21: $3.2m profit) which excludes the non-recurring costs
- Non-recurring costs of $34.5m (1H FY21: $0.8m) which include restructuring costs ($0.3m), CEO separation and legal costs ($1.8m), impairment of associate ($1.8m) and impairment of intangible assets ($30.7m)

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-22	31-Dec-21
Net tangible assets per security	$0.06	$0.18
Total number of shares on issue at period end	401,821,079	222,351,285

(*) 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 from the calculations.

Control has been gained or lost during the period

There are no entities over which control has been gained or lost during the period.

Associates and joint venture entities

During the half-year ended 31 December 2022, the Company entered into a subscription agreement for the acquisition of a 20% interest in UK based MAVIS Broadcast Limited. MAVIS technology underpins the suite of solutions offered by the Atomos Cloud Studio subscription plans. The acquisition allows the Company to enable a step-change in Atomos' product offering with innovative cloud service solutions that enable collaboration workflows for the masses.

The strategic investment also includes the provision of exclusive rights granted to the Company including:

- Exclusive access to MAVIS technology and their built-for-purpose video streaming protocol and live production in the cloud solution
- Pre-emptive rights to additional investment in MAVIS for five years
- A seat on the board of MAVIS Broadcast Limited

During the half-year, the Company exercised the first option of the subscription agreement and provided consideration for acquiring a 10% interest in MAVIS Broadcast Limited. A second option is available to the Company to acquire a further 10% interest. If the Company decides not to exercise the second option, the pre-emptive rights to additional investment in MAVIS for five years and the seat on the board of MAVIS Broadcast Limited are waived.

Atomos has yet to commercialise the majority of the products which will utilise MAVIS technology and therefore have recognised $1.8m as an impairment of associate during the half-year within the Group's Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income. The Company will continue to assess the carrying value of the investment in associate once the level of subscription revenue generated by the Atomos Cloud Studio products and services has been established.

Atomos owns 10% of MAVIS Broadcast Limited.

Dividend reinvestment plans

The Company currently does not have a dividend reinvestment plan.

Independent review

This report is based on the condensed consolidated interim financial statements which have been subject to independent review by Deloitte. The independent review report, which is in the form of a disclaimer of conclusion, 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 2022 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 interim financial statements of the consolidated entity, being Atomos and its Controlled Entities ('the Group') for the half-year ended 31 December 2022.

Directors

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

Ms Megan Brownlow
Mr Trevor Elbourne (effective 30th September 2022)
Mr Paul Greenberg (effective 15th February 2023)
Mr Stephen Stanley (up to 29th September 2022)
Mr Christopher Tait (up to 28th February 2023)
Ms Lauren Williams (up to 29th September 2022)
Sir Hossein Yassaie

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

Dividends

No dividends have been paid or declared since the start of the financial year (2022: 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 delivers award-winning, simple to use monitor-recorder content creation products. These products give content creators a faster, higher quality and more affordable production system.

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

With the introduction of online services to augment the capabilities of its physical products, Atomos empowers filmmakers and video creators with innovative tools, within a flexible ecosystem of subscription based services that can grow with customers' needs.

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

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

Review of operations

During the first half of FY23 the Company experienced very weak sales as a result of a deterioration in economic conditions in the industry and slower than anticipated momentum from the company's most recently released products. The Company also experienced lower gross margins attributed by higher cost of sales from promotional pricing and higher inventory obsolescence provisioning.

One of the consequences of the economic downturn in the industry is that our channel partner customers have become very focussed on their own inventory levels and we've seen a concerted effort to 'de-stock' from many of our customers. This 'de-stocking' is temporary, and we expect an uplift in sales as our channel partners realise their target inventory levels.

The COVID pandemic created significant supply chain challenges within the semi-conductor industry and the company's inventory levels rose significantly.

Management acted quickly to address these challenges by reducing the fixed costs of the business by approximately 30% and ensuring that inventory management is optimised such that incremental purchases are limited to what is actually required to achieve the planned sales.

The financial statements have been prepared on the going concern basis which assumes the continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

In the opinion of the directors, the ability of the Group to continue as a going concern is dependent on the following;

- The Group achieving short term revenue growth, inventory reduction and associated cash inflow forecasts.
- The Group complying with the financial covenants associated with the debt facility, and being able to make repayments in line with the repayment schedule as detailed in note 13.
- The Group adhering to the payment plans agreed with key suppliers, and having access to their continued supply beyond that on standard payment terms.
- No significant payout of legal costs being incurred in the defence against the claim from the former CEO.

As detailed in the going concern note on page 14, if the Group is unable to achieve successful outcomes in respect of the above matters and the additional actions, then there would be a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Directors' Report (continued)

Review of operations (continued)

The Company uses Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) which is a non-IFRS term to measure performance. Additionally, the reported result includes a number of items that were significant and/or not considered to be in the ordinary course of business. The tables below detail the calculation of EBITDA and quantify the impact of these items to provide a view of the underlying trading result for the half-year ended 31 Dec 22 and pcp.

	Half-year ended 31-Dec-22 Reported $'000	Items that were significant and/or not in the ordinary course of business [1] $'000	Underlying Result $'000
Revenue	21,127	-	21,127
Cost of sales	(16,368)	-	(16,368)
Gross profit	**4,759**	**-**	**4,759**
Gross Margin %	**23%**	**-**	**23%**
Operating Expenses	(17,640)	2,077	(15,563)
Other Income	167	(22)	145
EBITDA	**(12,714)**	**2,055**	**(10,659)**
Depreciation and amortisation	(2,105)	-	(2,105)
Impairment charge	(32,474)	32,474	-
Finance costs	(1,301)	-	(1,301)
Profit before income tax	(48,594)	34,529	(14,065)
Income tax expense	367	-	367
Profit/(loss) for the year	**(48,227)**	**34,529**	**(13,698)**

[1] **Items that were significant and/or not in the ordinary course of business (Half-year ended 31-Dec-22)**	**$'000**
Operating Expenses	
Redundancies (restructuring)	315
CEO separation and legal claim	1,762
Impairment of associate	1,798
Impairment charge	30,676
Operating Expenses	34,551
Other Income	
Government subsidies	(22)
Total Items that were significant and/or not in the ordinary course of business	**34,529**

	Half-year ended 31-Dec-21 Reported $'000	Items that were significant and/or not in the ordinary course of business [1] $'000	Underlying Result $'000
Revenue	40,923	-	40,923
Cost of sales	(21,558)	-	(21,558)
Gross profit	**19,365**	**-**	**19,365**
Gross Margin %	**47%**	**-**	**47%**
Operating Expenses	(17,071)	928	(16,143)
Other Income	71	(67)	4
EBITDA	**2,365**	**861**	**3,226**
Depreciation and amortisation	(1,771)	-	(1,771)
Finance costs	(85)	-	(85)
Profit before income tax	509	861	1,370
Income tax expense	(188)	-	(188)
Profit for the year	**321**	**861**	**1,182**

[1] **Items that were significant and/or not in the ordinary course of business (Half-year ended 31-Dec-21)**	**$'000**
Operating Expenses	
Founder transition costs	757
Cinemacraft operating expenses	171
Operating Expenses	928
Other Income	
Government subsidies	(67)
Total Items that were significant and/or not in the ordinary course of business	**861**

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 9 of this interim 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

Paul Greenberg
Director
Melbourne
6th day of April 2023

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

477 Collins Street
Melbourne VIC 3000
Australia

Phone: +61 3 9671 7000
www.deloitte.com.au

6 April 2023

The Board of Directors
Atomos Limited
700 Swanston Street
CARLTON VIC 3053

Dear Board Members

Auditor's Independence Declaration - 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 half year financial report of Atomos Limited and its subsidiaries for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Jane Fisher
Partner
Chartered Accountants

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2022

	Notes	Consolidated Half-year ended 31-Dec-22 $'000	31-Dec-21 $'000
Revenue	4	21,127	40,923
Cost of sales		(16,368)	(21,558)
Gross profit		**4,759**	**19,365**
Other income	4	167	71
Net foreign exchange gain		272	104
Employee benefits expense		(6,350)	(6,121)
Research and development expense		(1,626)	(2,556)
Advertising and marketing expense		(2,593)	(2,345)
Finance costs		(1,301)	(85)
Administration and other expense		(2,776)	(1,269)
Distribution expense		(1,597)	(2,136)
Warranty and royalty expense		(617)	(1,613)
Occupancy expense		(138)	(110)
Legal and professional services		(2,215)	(1,025)
Depreciation and amortisation		(2,105)	(1,771)
Impairment of non-financial assets	11	(30,676)	-
Impairment of associate	12	(1,798)	-
Profit/(loss) before income tax		**(48,594)**	**509**
Income tax benefit/(expense)	5	367	(188)
Profit/(loss) for the period		**(48,227)**	**321**
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		370	(90)
Other comprehensive profit/(loss) for the period		**370**	**(90)**
Total comprehensive profit/(loss) for the period		**(47,857)**	**231**
Earnings per share			
Basic profit per share	8	(17.56) cents	0.15 cents
Diluted profit per share	8	(17.56) cents	0.14 cents

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

Condensed Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	Consolidated as at 31-Dec-22 $'000	30-Jun-22 (Restated) $'000
Assets			
Current assets			
Cash and cash equivalents		6,211	5,001
Trade and other receivables	9	4,622	20,654
Inventories		23,904	28,831
Other current assets		4,873	8,710
Total current assets		**39,610**	**63,196**
Non-current assets			
Property, plant and equipment		1,371	1,725
Right-of-use assets	10	6,367	6,177
Inventories		3,973	-
Other non-current assets		2,165	-
Intangible assets	11	-	28,939
Investment		-	28
Investment in associate	12	-	-
Total non-current assets		**13,876**	**36,869**
Total assets		**53,486**	**100,065**
Liabilities			
Current liabilities			
Trade and other payables		14,466	23,227
Borrowings	13	2,060	11,772
Provisions	14	2,569	1,878
Lease liabilities	15	1,050	1,014
Total current liabilities		**20,145**	**37,891**
Non-current Liabilities			
Trade and other payables		1,864	1,475
Borrowings	13	2,301	-
Provisions	14	110	135
Lease liabilities	15	5,594	5,561
Deferred tax liability		-	761
Non-current Liabilities		**9,869**	**7,932**
Total liabilities		**30,014**	**45,823**
Net assets		**23,472**	**54,242**
Equity			
Issued capital	16	119,308	102,492
Foreign currency translation reserve		(81)	(451)
Share based payments reserve		3,718	3,447
Options Reserve		264	264
Accumulated losses		(99,737)	(51,510)
Total equity		**23,472**	**54,242**

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

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2022

	Issued capital (Ordinary shares)	Accumulated losses	Foreign currency translation reserve	Share based payments reserve	Options reserve	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2021	101,749	(41,147)	(105)	3,217	-	63,714
Transactions with owners						
Share-based payments	-	-	-	(69)	-	(69)
Issue of new share capital	759	-	-	-	-	759
Transaction costs relating to issue of share capital	(16)	-	-	-	-	(16)
Total transactions with owners	**743**	**-**	**-**	**(69)**	**-**	**674**
Comprehensive income						
Profit for the period	-	321	-	-	-	321
Other comprehensive income	-	-	(90)	-	-	(90)
Total comprehensive income	**-**	**321**	**(90)**	**-**	**-**	**231**
Balance at 31 December 2021	**102,492**	**(40,826)**	**(195)**	**3,148**	**-**	**64,619**
Balance at 1 July 2022	102,492	(51,510)	(451)	3,447	264	54,242
Transactions with owners						
Share-based payments	-	-	-	271	-	271
Issue of new share capital	17,947	-	-	-	-	17,947
Transaction costs relating to issue of share capital	(1,131)	-	-	-	-	(1,131)
Total transactions with owners	**16,816**	**-**	**-**	**271**	**-**	**17,087**
Comprehensive income						
Loss for the period	-	(48,227)	-	-	-	(48,227)
Other comprehensive income	-	-	370	-	-	370
Total comprehensive income	**-**	**(48,227)**	**370**	**-**	**-**	**(47,857)**
Balance at 31 December 2022	**119,308**	**(99,737)**	**(81)**	**3,718**	**264**	**23,472**

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

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2022

	Consolidated Half-year ended	
	31-Dec-22	**31-Dec-21**
	$'000	**$'000**
Operating activities		
Receipts from customers	37,674	40,414
Payments to suppliers and employees	(39,151)	(46,179)
Interest received	1	-
Income taxes paid	(39)	(81)
Net cash (used in) / generated by operating activities	**(1,515)**	**(5,846)**
Investing activities		
Payments for property, plant and equipment	(282)	(937)
Payments for right-of-use assets	(136)	(33)
Payments for intangible assets	(2,459)	(2,050)
Payments for acquisition of associate	(1,770)	(28)
Payments for reimburseable leasehold improvements	-	(558)
Net cash used in investing activities	**(4,647)**	**(3,606)**
Financing activities		
Proceeds from issue of equity instruments in the company	17,947	759
Payment for equity raise costs	(1,131)	(16)
Repayment of borrowings	(7,927)	-
Interest paid	(785)	(85)
Repayment of lease liabilities	(732)	(421)
Net cash inflow / (outflow) from financing activities	**7,372**	**237**
Net change in cash and cash equivalents	1,210	(9,215)
Cash and cash equivalents, beginning of period	5,001	25,984
Cash and cash equivalents, end of period	**6,211**	**16,769**

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

The end of period cash and cash equivalents includes restricted amounts of $0.48m being bank guarantees held as at 31 December 2022.

Notes to the Condensed Consolidated Financial Statements

1. General information

Atomos Limited (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 700 Swanston Street, Carlton, Victoria 3053.

The Consolidated Interim Financial Statements for the half-year ended 31 December 2022 were approved and authorised for issue by the board of Directors on 6th April 2023.

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 annual 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 the functional currency of 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 2022 annual report for the financial year ended 30 June 2022. Several amendments and interpretations apply for the first time, however they do not have an impact on the interim financial statements.

Where required by Accounting Standards, comparative amounts have been adjusted to conform to changes in presentation in the current financial year.

Going concern

The financial statements have been prepared on the going concern basis which assumes the continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

For the half year ended 31 December 2022, the Group generated revenue of $21.1m (December 2021 $40.9m), incurred a loss after tax of $48.2m (December 2021 profit $0.3m), including non-cash asset impairments of $32.5m, and reported negative cash flows of $1.5m (December 2021 negative $5.8m) and $4.6m (December 2021 negative $3.6m) from operating and investing activities respectively. As at 28 February 2023, the Group had cash and cash equivalents of $3.4m.

During the first half of FY23 the Group experienced very weak sales and slower than anticipated momentum from the company's most recently released products. In light of this, the following initiatives were successfully undertaken:

- The Company raised capital, resulting in a $16.77m cash inflow after costs, during the period;
- Significantly reduced the cost base of the business by approximately 30% compared to the half year period;
- Adjusted production plans and stock management to release working capital through a structured run-down of inventory from currently high levels;
- Restructured existing financing arrangements and sought waivers in respect of covenant compliance as detailed in note 13; and
- Negotiated extended payment terms through entering into payment plans with key suppliers.

Given the continued uncertainties which exist in the current economic environment, management have prepared detailed cash flow forecasts for the next 24 months. The cash flow forecasts have been presented to and approved by the Board.

Management have conducted sensitivity analysis on the forecasts, considering reasonably possible downside impacts on revenue.

The key assumptions in Atomos' forecasts are dependent on:

- The ability to generate the level of revenues forecast and receive payment from customers in accordance with standard trading terms and conditions;
- Adherence to the agreed payment plans and ongoing support from suppliers if these are not met;
- Continued support from the Group's financier, including the provision of waivers if the revised covenants (as detailed in note 13) are breached during the forecast period; and
- No material payout in relation to legal matters described in note 18.

The cashflow forecast assumes trading in the second half of FY23 to be consistent with the first half of FY23. However, the second half of FY23 has commenced trading at levels lower than the first half, which results in an immediate considerable improvement required in trading in order to meet the cash flow forecast, with monthly revenue over $4m forecast from March onwards. The annual revenue growth is expected to improve across FY24 (36% growth) and beyond, in particular with a significant improvement (30%) to revenue forecast for the first half of FY24. It should be noted that the cash flow forecasts assume nil sales from new products to be launched in 2H FY23.

Extended supplier payment plans have been contractually agreed with three of the four major suppliers as a mitigation to short term (next nine months) cashflow risks. These payment plans are being adhered to and are forecast to be adhered to. It is expected that these suppliers will continue to supply and that the Group will be able to meet their payment obligations in terms of standard payment terms over the remainder of the forecast period.

Note 18 details that the Company has been served by former CEO, Estelle McGechie, in relation to an employment related complaint. The cashflow forecast does not consider any potential cash outflows associated with this matter.

The Group is subject to covenant clauses under its secured bilateral term facility. The Group expected to breach covenants at the December 2022 calculation date and obtained a waiver from the financier in anticipation of the breach. These breaches were caused by the Group failing to achieve minimum revenue and profitability thresholds and the consequent impact on leverage and interest cover ratios.

Anticipating further breaches in future, the covenants were recently renegotiated as detailed in note 13 to provide waivers to the earnings-based covenants as well as the addition of two new asset-based covenants and revised minimum revenue targets to be met from 1 April 2023 onwards. It should be noted that the waivers are conditional on adhering to the revised ratios and an accelerated repayment schedule. The waiver also stipulates minimum cleared cash balances to be held by the Group of $1m each month from 31 May 2023. The group is forecasting to meet these revised covenants if the forecasted revenue, inventory reduction and supplier payment plans are achieved. Should the Group fail to comply with the revised covenants and the conditions attached to those covenants, an event of default would arise and the total debt under the term facility would become due and payable. Note 13 provides greater detail of these changes.

In the opinion of the directors, the ability of the Group to continue as a going concern is dependent on the following;

- The Group achieving short term revenue growth, inventory reduction and associated cash inflow forecasts.
- The Group complying with the financial covenants associated with the debt facility, and being able to make repayments in line with the repayment schedule as detailed in note 13.
- The Group adhering to the payment plans agreed with key suppliers, and having access to their continued supply beyond that on standard payment terms.
- No significant payout of legal costs being incurred in the defence against the claim from the former CEO.

If the Group is unable to achieve successful outcomes in respect of the above matters, in the directors' opinion the Group could pursue the following additional actions:

- Further accommodation from suppliers with regards to extending the repayment plans.
- Equity capital raise for up to 10% of issued capital (without requiring shareholder approval).
- Disposal of a business unit which is under discussion but commercially sensitive to detail further.
- Refinance the existing finance facility.
- With shareholder approval, raise further capital.

If the Group is unable to achieve successful outcomes in respect of the above matters and the additional actions, then there would be a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Restatement of prior period comparatives

In June 2022, the Group deferred the recognition of $8.7m of revenue until July 2022 (in the next reporting period). The revenue that was deferred related to sales contracts with customers whereby those customers agreed to a change in shipping terms for the products they had purchased from

Atomos. The Group accounted for this deferral by recognising a $8.7m deferred revenue liability as at 30 June 2022 as well as recognising trade receivables in respect of these transactions.

After the 30 June 2022 financial statements were issued, the Group reviewed the trade receivables that were the subject of this adjustment and concluded that, after considering all information available at that time, the balances recorded did not fairly reflect the effects of the transactions as at 30 June 2022. In light of this review, the Group considers that this adjustment is better presented as a reduction in trade receivables. Therefore, notwithstanding that the Group considers this change to not be material, it has taken the decision to restate each of the affected financial statement line items as follows:

Condensed Consolidated Statement of Financial Position

	30-Jun-22	Restatement	30-Jun-22 (Restated)
	$'000	$'000	$'000
Trade and other receivables	29,343	(8,689)	20,654
Total current assets	**71,885**	**(8,689)**	**63,196**
Total assets	**108,754**	**(8,689)**	**100,065**
Deferred revenue	8,689	(8,689)	-
Total current liabilities	**46,580**	**(8,689)**	**37,891**
Total liabilities	**54,512**	**(8,689)**	**45,823**

The change did not have an impact on the Statement of Profit or Loss, basic and diluted earnings per share, OCI, or the Group's operating, investing and financing cash flows.

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-22	Consolidated Half-year ended 31-Dec-21
	$'000	$'000
Revenue		
Sale of goods	20,677	40,340
Sale of software upgrades	321	382
Other revenue	129	201
Total revenue	**21,127**	**40,923**
Other income		
Interest	1	-
Government subsidies	22	67
Other income	144	4
Total other income	**167**	**71**
Total revenue and other income	**21,294**	**40,994**

5. Income tax expense

	Consolidated	
	31-Dec-22 $'000	31-Dec-21 $'000
(Loss)/Profit before tax	(48,594)	509
Domestic tax rate for Atomos Ltd - 30%		
Expected tax benefit/(payable)	14,578	(153)
Adjustments:		
· Effect of income that is not assessable in determining taxable profit	(320)	(490)
· Effect of expenses that are not deductible in determining taxable profit	(81)	(2)
· Effect of different tax rates of subsidiaries operating in other jurisdictions	(265)	(188)
· Other Adjustments	(130)	-
· Recognition/(de-recognition) of tax losses	(13,415)	645
Actual tax (expense)/benefit	**367**	**(188)**

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.

6. Change in accounting estimates

There have been no significant changes in accounting estimates during the period.

7. Dividends

There were no dividends paid or declared to equity holders during or since the half-year ended 31 December 2022. There were no dividends paid during the comparative period.

8. Earnings per share

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

	Consolidated Half-year ended	
	31-Dec-22 $'000	31-Dec-21 $'000
Profit/(loss) attributable to the owners of the Company	(48,227)	321
	No.	**No.**
Weighted average number of shares used in calculating basic EPS	**274,579,867**	**220,641,404**
Weighted average of potential dilutive ordinary shares		
Options	-	4,071,667
Weighted average number of shares used in calculating diluted EPS	**274,579,867**	**224,713,071**

In the half-year ended 31 December 2022, the potential ordinary shares are deemed anti-dilutive as the Company is in a loss position and therefore excluded from the weighted average number ordinary shares for the purposes of diluted earnings per share.

9. Trade and other receivables

	31-Dec-22 $'000	30-Jun-22 (Restated) $'000
Current		
Trade receivables, gross	5,276	20,034
Less: loss allowance	(887)	(132)
Trade receivables, net	4,389	19,902
Other receivables	233	752
Trade and other receivables	**4,622**	**20,654**

10. Right-of-use assets

	Consolidated Half-year ended Buildings $'000	Vehicle $'000	Total $'000
Cost			
At 1 July 2022	8,543	68	8,611
Additions	813	-	813
Disposals / Modifications	(243)	-	(243)
At 31 December 2022	**9,113**	**68**	**9,181**
At 1 July 2021	4,324	68	4,392
Additions	4,153	-	4,153
Disposals	-	-	-
At 31 December 2021	**8,477**	**68**	**8,545**
Accumulated depreciation			
At 1 July 2022	2,392	42	2,434
Charge for the half-year	615	8	623
Disposals / Modifications	(243)	-	(243)
At 31 December 2022	**2,764**	**50**	**2,814**
At 1 July 2021	1,366	28	1,394
Charge for the half-year	442	-	442
Disposals	-	-	-
At 31 December 2021	**1,808**	**28**	**1,836**
Carrying amount			
At 31 December 2022			**6,367**
At 31 December 2021			6,709

11. Intangible assets

	Consolidated Half-year ended					
	Goodwill $'000	Patents and Product IP $'000	Trademarks and Brand Name $'000	Customer Relationships $'000	Capitalised development costs $'000	Total $'000
Cost						
At 1 July 2022	15,068	4,835	700	120	28,491	49,214
Additions	-	-	-	-	2,459	2,459
At 31 December 2022	**15,068**	**4,835**	**700**	**120**	**30,950**	**51,673**
At 1 July 2021	15,068	4,835	700	120	23,475	44,198
Additions	-	-	-	-	-	-
At 31 December 2021	**15,068**	**4,835**	**700**	**120**	**23,475**	**44,198**
Accumulated ammortisation & impairment						
At 1 July 2022	-	(780)	(602)	(103)	(18,790)	(20,275)
Charge for the half-year	-	(151)	(98)	(17)	(456)	(722)
Impairment Charge	(15,068)	(3,904)	-	-	(11,704)	(30,676)
At 31 December 2022	**(15,068)**	**(4,835)**	**(700)**	**(120)**	**(30,950)**	**(51,673)**
At 1 July 2021	-	(478)	(369)	(63)	(18,136)	(19,046)
Charge for the half-year	-	(151)	(117)	(20)	(321)	(609)
At 31 December 2021	-	**(629)**	**(486)**	**(83)**	**(18,457)**	**(19,655)**
Carrying amount						
At 31 December 2022	-	-	-	-	-	-
At 31 December 2021	15,068	4,206	214	37	5,018	24,543

AASB 136 Impairment of Assets requires goodwill and intangible assets with an indefinite useful life to be assessed at the end of each reporting period where there is any indication that an asset may be impaired. A review of indicators of impairment using both external and internal sources of information has been undertaken. For the purpose of the impairment assessment a single Cash Generating Unit ("CGU"), being the Atomos Global Group, has been identified.

As at 31 December 2022, there were indicators of impairment due to the poor financial performance of the Group during the half-year period and the current market capitalisation position. As a result, the recoverable amount of the assets relating to the CGU have been assessed using a value-in-use discounted cash flow model. This model uses cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond five-year periods are extrapolated using a terminal growth rate.

During the period, the carrying value exceeded the recoverable amount and an impairment charge of $30.676 million has been recognised in respect of Goodwill, Patents and Product IP and Capitalised Development Costs. This impairment charge has been included within the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The decrease in the recoverable amount reflects current future cashflow expectations due to the slower than anticipated momentum from the company's most recently released products, coupled with the de-stocking from channel partners, which impacts forecast near term financial performance.

The key assumptions used in the model are:

- Long term growth rate of 2%
- Post tax discount rate of 14.1%
- Average revenue growth rate across the forecast period of 17%

The recoverable amount is highly sensitive to changes in the revenue growth assumption. Whilst non-current intangible assets have been impaired in totality, improvements in forecast revenue growth may result in reversals of the impairment charge for intangible assets other than goodwill in the future. The impairment charge recognised in respect of goodwill cannot be reversed in future periods.

12. Investment in associate

During the half-year ended 31 December 2022, the Company entered into a Subscription Agreement for the acquisition of a 20% interest in UK based MAVIS Broadcast Limited. MAVIS technology underpins the suite of solutions offered under the Atomos Cloud Studio suite of products. This technology will enable a step-change in the Atomos product offering with innovative cloud service solutions that enable collaboration workflows for the masses.

The strategic investment also includes the provision of exclusive rights granted to the Company including:

- Exclusive access to MAVIS technology and their built-for-purpose video streaming protocol and live production in the cloud solution
- Pre-emptive rights to additional investment in MAVIS for five years
- A seat on the board of MAVIS Limited

During the half-year, the Company exercised the first option of the subscription agreement and provided consideration of $1.8m in acquiring 10% interest to MAVIS Broadcast Limited. A second option is available to the Company in acquiring a further 10% interest. If the Company decides not to exercise the second option, the pre-emptive rights to additional investment in MAVIS for five years and the seat on the board of MAVIS Broadcast Limited are waived.

The Company's interest in MAVIS is accounted for using the equity method in the half-yearly report. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate. Dividends received or receivable from associates reduce the carrying amount of the investment.

Atomos has yet to commercialise the majority of the products which will utilise MAVIS technology and therefore have recognised $1.8m as an impairment of associate during the half-year within the Group's Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income. The Company will continue to assess the carrying value of the investment in associate once the level of subscription revenue generated by the Atomos Cloud Studio products and services has been established.

13. Borrowings

	Consolidated as at 31-Dec-22 $'000	30-Jun-22 $'000
Current (Secured):		
Secured term bilateral facility	2,060	10,982
Current (Unsecured):		
Trade finance	-	790
Total current borrowings	**2,060**	**11,772**
Non-current (Secured):		
Secured term bilateral facility	2,301	-
Total borrowings	**4,361**	**11,772**

Financing arrangements

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

	31-Dec-22 $'000	30-Jun-22 $'000
Total facilities		
Financial institution – secured term bilateral facility	4,900	12,000
Financial institution – trade finance	-	790
Financial institution – credit card facility	500	500
	5,400	**13,290**
Used at reporting date		
Financial institution – secured term bilateral facility	4,900	12,000
Financial institution – trade finance	-	790
Financial institution – credit card facility	208	249
	5,108	**13,039**
Unused at reporting date		
Financial institution – secured term bilateral facility	-	-
Financial institution – trade finance	-	-
Financial institution – credit card facility	292	251
	292	**251**

The Company measures financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

In December the Company advised its lender that it expected to breach the interest cover and leverage ratios and that it would not achieve the minimum required revenue and EBITDA levels under its facility agreement. Prior to 31 December 2022, the lender agreed to waive each of these covenants in exchange for an increased amortisation payment in December 2022 of $300,000.

In March 2023, the Company obtained the following covenant waivers:

- Testing of the Leverage and interest cover ratios to be waived up to and including the calculation date ending on 30 June 2024; and
- Review events triggered by 12-month trailing EBITDA being less than $4 million or trailing revenue being less than $80 million to be waived until the facility maturity date of 31 December 2024.

These waivers were granted subject to the following conditions:

- The minimum balance of funds held in bank accounts of the obligors to the facility at the end of each calendar month being at least $1 million on and from 31 May 2023;
- The current ratio at the end of each calendar month on and from 31 May 2023 being greater than 1.5x;
- The C&R ratio: (cash plus receivables) / debt, at the end of each calendar month being greater than 1.4x from 31 May 2023 to 30 September 2023 and greater than 1.6x thereafter;
- The CR&I ratio: (cash plus receivables plus inventory) / debt, at the end of each calendar month on and from 31 May 2023 being greater than 5.0x;
- Revenue for the preceding 3 months ending 30 June 2023 and 30 September 2023 being greater than $8.5 million and greater than $9.5 million for each subsequent quarter;
- Atomos using its best endeavours to amend the exercise price of the Arrowpoint share options from 30 cents to 10 cents on or before 30 April 2023; and
- The following principal repayment schedule:
  - $900,000 on or before 20 March 2023 (which has been executed);
  - $600,000 on 30 Jun 2023;
  - $200,000 on 31 July 2023;
  - $800,000 quarterly on and from September 2023 until June 2024

The cashflow forecast as detailed in the going concern note is reflective of the above principal repayment schedule and, if achieved, results in these conditions being met and no further breaches.

14. Provisions

	31-Dec-22 $'000	30-Jun-22 $'000
Current:		
Warranty	646	972
Employee benefits	923	906
Legal fees	1,000	-
	2,569	**1,878**
Non-current:		
Employee benefits (ii)	55	45
Make good (iii)	55	90
	110	**135**

The Company is involved in defending a legal claim brought by former CEO, Estelle McGechie. Management's best estimate of the legal fees to be incurred in defending against the claim, as estimated by the Company's solicitor, could be up to $1,000,000. Accordingly, provision for this amount has been recognised in the financial statements.

15. Lease liabilities

	Consolidated as at	
	31-Dec-22	30-Jun-22
	$'000	$'000
Lease liabilities		
Maturity analysis		
Year 1	1,050	1,014
Year 2	1,019	711
Year 3	882	738
Year 4	807	781
Year 5	687	755
Onwards	2,199	2,576
	6,644	**6,575**
Analysed as:		
Current	1,050	1,014
Non-current	5,594	5,561
Total	**6,644**	**6,575**

16. Issued capital

	31-Dec-22	30-Jun-22
	$'000	$'000
Ordinary shares – fully paid	119,308	102,492

Movements in issued capital

	Half year ended 31-Dec-22		Half year ended 31-Dec-21	
	No.	$'000	No.	$'000
Balance at beginning of period	222,351,585	102,492	218,482,612	101,749
Shares issued to employees, consultants, directors	-	-	1,869,497	-
Shares issued on exercise of options	179,469,494	17,947	1,999,176	221
Equity, raising costs, net of income tax	-	(1,131)	-	(10)
Balance at end of period	**401,821,079**	**119,308**	**222,351,285**	**102,492**

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

17. Related party transactions

Transactions with director-related entities

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

Henslow

Henslow was engaged by Atomos for corporate broking services. Henslow corporate broking fees were $22,500 (exclusive of GST) during the half-year (1H FY22: $45,000).

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

18. Contingent assets and liabilities

The Company was served on 15 September 2022 by former CEO, Estelle McGechie, in relation to an employment related complaint which was filed against the Company in the United States of America. Estimates of the potential legal fees have been booked as a provision as per note 14.

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

19. Subsequent events

In March 2023, the Company successfully negotiated a covenant waiver and amendments to key terms of its secured term bilateral facility (refer note 13 for further detail).

The Company has payment plans in place with certain key suppliers. In March 2023, the terms of these payment plans were renegotiated.

No other 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 interim 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

Paul Greenberg
Director
Melbourne
6th day of April 2023

Deloitte.

Ou Deloitte Touche Tohmatsu
ABN 74 490 121 060

477 Collins Street
Melbourne VIC 3000
Australia

Phone: +61 3 9671 7000
www.deloitte.com.au

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

Disclaimer of Conclusion

We have been engaged to review the half-year financial report of Atomos Limited (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated 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.

We do not express a conclusion on the accompanying half-year financial report of the Group because of the significance of the matter(s) described in the *Basis for Disclaimer of Conclusion* section of our report. We have not been able to obtain sufficient appropriate evidence to enable us to express a conclusion as to whether the accompanying half-year financial report of Atomos Limited is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half year ended on that date; and
(ii) Complying with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Basis for Disclaimer of Conclusion

We draw attention to Note 2 of the half-year financial report, which indicates the Group incurred a loss of $48.2m and reported negative cash flows of $1.5m from operating activities and $4.6m from investing activities. As stated in Note 2, the ability of the Group to continue as a going concern is dependent on their ability to meet short term significant and sustained revenue growth and associated cash flows and continue to obtain forbearance from financiers and suppliers should they be unable to meet contractual payments.

The circumstances as at the date of signing this report are such that we have not been able to obtain sufficient appropriate evidence as to whether the Group will be able to achieve successful outcomes in relation to the initiatives/actions detailed in Note 2. These conditions, along with other matters as set out in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, whether it will be able to realise its assets and discharge its liabilities in normal course of business and at the amounts stated in the half-year financial report. The half-year financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the classification of liabilities that might be necessary should the Group not continue as a going concern.

Given the above, the uncertainties outlined above are so material and pervasive to the half-year financial report that we are unable to express a conclusion on the half-year financial report taken as a whole.

Directors' Responsibilities 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 Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to conduct a review of the Group's financial report in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independence Auditor of the Entity.* However, because of the matters described in the *Basis for Disclaimer of Conclusion* section, we were not able to obtain sufficient evidence to provide a basis for a review conclusion on the financial report.

Deloitte.

We are independent of the Group in accordance with 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 annual 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 review report.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jane Fisher

Jane Fisher
Partner
Chartered Accountants
Melbourne, 6 April 2023

Company directory

Company
Atomos Limited
700 Swanston Street,
Carlton VIC 3053
Email: info@atomos.com
Web: www.atomos.com

Registered Office
700 Swanston Street,
Carlton VIC 3053

ASX Code
AMS

Directors
Mr Paul Greenberg - Chair
Sir Hossein Yassaie – Independent Non-executive Director
Ms Megan Brownlow - Independent Non-executive Director
Mr Trevor Elbourne – Executive Director

Company Secretary
Vanessa Chidrawi

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