Atomos Limited

Appendix 4D & Interim Financial Statements for the half-year ended 31 December 2023

ACN: 139 730 500
ASX Code: AMS

Contents

Appendix 4D – Half-yearly report

Reporting period

Reporting period:	Half-year ended 31 December 2023
Previous corresponding period (PCP):	Half-year ended 31 December 2022

Results for announcement to the market

Revenue and loss after tax for the half-year ended 31 December 2023	$'000	Increase / (Decrease) On PCP	VAR%
Revenue from ordinary activities	17,413	(3,714)	(18%)
Profit from ordinary activities after tax attributable to members	(7,534)	40,693	84%
Profit for the period attributable to members	(7,534)	40,693	84%

Dividends

No dividends have been paid or declared since the start of the financial year (2022: nil). No recommendation for payment has been made.

Overview of operating results

Whilst Atomos reported weaker revenues for the first half, EBITDA (excluding Impairment in the PCP), was significantly improved with better margins and tighter expense control. Key highlights were as follows:

- Revenue of $17.4m, 18% lower than the PCP
- Gross Profit of $5.5m, $0.7m higher than the PCP
- Operating expenses of $11.4m (before non-recurring items) lower than 1H FY23 ($17.6m)
- Reported earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) a loss of $5.8m (1H FY23: $12.7m loss)
- Underlying EBITDA a loss of $5.5m (1H FY23: $10.7m loss) which excludes the non-recurring costs
- Non-recurring costs of $0.3m (1H FY23 $34.5m), which consists of debt facility novation and legal fees ($0.2m) and fees related to strategic review and potential capital raising ($0.1)

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-23	31-Dec-22
Net tangible assets per security	0.01	$0.06
Total number of shares on issue at period end	402,230,851	401,821,079

(*) 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
There are no associates or joint venture entities.

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 Moore Australia Audit (Vic). 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 2023 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 2023.

Directors

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

Mr Paul Greenberg
Sir Hossein Yassaie
Mr Trevor Elbourne (resigned 4th January 2024)
Mr Jeromy Young (effective 4th January 2024)
Mr Peter Barber (effective 14th February 2024)

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 (2023: 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 FY24 the Company continues to experience weak sales as a result of the ongoing deterioration in economic conditions, slower than anticipated momentum from the company's most recently released products, working capital constraints impacting finished goods available, supply chain challenges and disruptions from the Writers Guild of America strike. While revenues were weaker, the Company experienced higher gross margins attributed by improvements to the mix of margin across our product range, including higher margins from our new products.

Despite these challenges, we have taken several measures to stabilise and re-position Atomos for growth including:

- Reduction in fixed operating costs by approximately 45% compared to 1H FY2023
- Reduction of inventory by approximately 61% since FY2023
- Re-assignment of debt facility under improved terms, including the waiver of financial covenants

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 successful completion of the recapitalisation plan.
- 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.

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.

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 23 and pcp.

	Half-year ended 31-Dec-23 Reported $'000	Items that were significant and/or not in the ordinary course of business [1] $'000	Underlying Result $'000
Revenue	17,413	-	17,413
Cost of sales	(11,956)	-	(11,956)
Gross profit	**5,457**	**-**	**5,457**
Gross Margin %	**31%**	**-**	**31%**
Operating Expenses	(11,448)	358	(11,090)
Other Income	167	-	167
EBITDA	**(5,824)**	**358**	**(5,466)**
Depreciation and amortisation	(850)	-	(850)
Finance costs	(760)	-	(760)
Profit before income tax	(7,434)	358	(7,076)
Income tax expense	(100)	-	(100)
Profit/(loss) for the year	**(7,534)**	**358**	**(7,176)**

[1] **Items that were significant and/or not in the ordinary course of business (Half-year ended 31-Dec-23)**	**$'000**
Operating Expenses	
Debt facility novation and legal fees	224
Fees related to strategic review and potential capital raising	134
Operating Expenses	358
Total Items that were significant and/or not in the ordinary course of business	**358**

	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	**34,529**

Principal Risks

Atomos considers ongoing risk management to be a core component of the management of the Group. The Group's Audit and Risk Management Committee are responsible in administering and maintaining the Group's risk management program. For further details of Atomos' risk management policy, the policy is made available on Atomos' website at https://www.atomos.com/investor-center/.

Risk Area	Risk & Impact	Mitigation & Monitoring
Launch of new products fail to meet market expectations	Atomos always aims to produce products that meet the expectations of customers. Atomos faces a broad range of factors that impact the success of new product launches, including: pricing, changes in customer "user" preferences; competition; our ability to design, develop and deliver products or to support technology changes; delays to product launches affecting reputation and customer confidence, as well as the effectiveness of marketing efforts.	Atomos is continually innovating and developing its strategy for effectively managing the product life cycle and by ensuring upgrades of new product features and technologies are brought to market in a timely manner. A new series of products are anticipated to be deployed in FY24. A structured product roadmap is maintained which includes the introduction of new products for new segments and customer demands specifically around connectivity and workflow solutions in the highly changing video technology marketplace. Key ecosystem partners in camera manufacturing are rapidly rolling out new innovations and our integrations to support their new products is critical for ensuring Atomos becomes a stronger and more resilient business.
Insufficient investment in R&D	Atomos operates in a rapidly changing competitive environment and must ensure continuous efforts are maintained in the improvement of existing products and development of new products. Insufficient attraction and retention of talented development staff and under-allocation of resources hinder these efforts. Continuous investment is required in the base product range as well as to bring new products and solutions to market for new and existing market segments.	Atomos has continually focused on high quality products and adding new products to the range. Development research and investment are key to remaining at the leading edge of providing feature rich, affordable products with high user demand. We constantly monitor market and competitive trends in all parts of the ecosystem, building strong relationships with end user ambassadors and influencers.
Supply chain disruptions	Atomos sources components globally for the product range and actively manages component cost to ensure margin retention across the mix of products. A supply shortage in key components can lead to significant cost increases in sourcing alternatives and can negatively impact margin.	Atomos procurement processes include the review of supplier arrangements and component sourcing constraints prior to including a particular component in a product as well as on an ongoing basis. Other key strategies include the development of alternative supplier strategies and stock-piling of key components with longer lead times.

Dependence on key distributors	Atomos markets and sells its product range predominantly through an international high profile video technology distributor network. This network is a key supportive sales and marketing channel. While Atomos has a wide end customer user base, the loss of a key distributor could materially impact Atomos's sales efforts.	Atomos is in constant communication and regularly monitors distributor performance. At the same time Atomos evaluates additional distributors for new and existing markets and products to ensure an effective sales and marketing channel. Atomos is increasing its investment in digital platforms as a means to market directly to end customers.
Ineffective sales and marketing strategy	Atomos continues to adopt a growth strategy supported by a sales and marketing plan. Atomos' growth is dependent on the ability to reach target customers and capitalising on strategic opportunities. Attracting and retaining talented executives and staff, unclear business strategies, and competitors seizing such opportunities undermine Atomos ability to retain and grow the business and its market share.	Atomos implements various methods to ensure that strategic opportunities are not missed. Atomos ensures that there are sufficient resources allocated to marketing and promotional efforts taking into consideration Atomos' long-term growth potential. Atomos also continuously works with its global channel partners in promoting and increasing the brand awareness of Atomos and its product range.
Ineffective product lifecycle management	Atomos operates in a rapidly changing competitive environment and inherently Atomos products remain at constant risk of being rendered unattractive by competitive offerings. New Atomos product launches also bring the potential risk of making existing Atomos products unattractive.	Atomos ensures that the lifecycle management of its products are monitored closely supported by production plan. The product management team also performs analysis on competing products prior to the investment and development of new products and gives Atomos the opportunity to implement improvements to existing products where required to meet the needs of customers.
Higher costs of production	Atomos sources components globally for the product range and manufactures products from select key partners to supply the range of hardware products that Atomos sells. Economic pressures and the scarcity of key components give way to the potential of higher costs of production.	Atomos consistently monitors the cost of components and the quantum of inventory held ensuring that sufficient components are maintained.
Reputational damage	Atomos are required to consistently provide products and product support that meets the expectations of its customers. Atomos must also ensure that key partnerships held with its suppliers and channel partners are well maintained.	Atomos continuously aims to provide and improve its product range and support to meet the expectations of customers. Atomos also invests in our people and culture with the aim of attracting and retaining a talented and effective workforce that help to fulfil customer expectations.
Talent – attract and retain	Atomos's operating and financial performance is dependent on the ability to attract and retain top talent in a competitive environment, particularly in technology roles.	Investment in our people and culture enables Atomos to attract and retain key talent and maintain a motivated and effective workforce. External hiring addresses gaps in experience and capability for more technical roles. The senior management remuneration structure is designed to retain key managers and focus them on Atomos's long-term growth potential. In addition, fostering a work environment of high engagement and high performance is also critical to attracting top talent and promoting employee retention.
Product warranty	Atomos products can be susceptible to design flaws which Atomos are liable to replace where the product is under	Atomos performs extensive product testing pre-production and also maintains quality control processes during production to minimise faulty products.

	warranty. Products which fail can result in a significant cost to Atomos.	
Cyber security	During FY2023, Atomos announced the introduction of Atomos Cloud providing customers with cloud-based workflow capabilities. Atomos are cognisant of the possibility of data breaches of customers personal information and the resulting impacts.	Atomos Cloud remains in the early stages of adoption and Atomos plan to engage with external professionals to assist in the identification and implementation of mitigants to ensure that customer information remains protected.

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 11 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
28th day of February 2024

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AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ATOMOS LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2023, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Moore Australia

MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit and Assurance

Melbourne, Victoria

28 February 2024

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2023

	Notes	Consolidated Half-year ended 31-Dec-23 $'000	31-Dec-22 $'000
Revenue	4	17,413	21,127
Cost of sales		(11,956)	(16,368)
Gross profit		**5,457**	**4,759**
Other income	4	167	167
Net foreign exchange gain/(loss)		317	272
Employee benefits expense		(4,970)	(6,350)
Research and development expense		(1,060)	(1,626)
Advertising and marketing expense		(1,005)	(2,593)
Finance costs		(760)	(1,301)
Administration and other expense		(989)	(2,776)
Distribution expense		(1,127)	(1,597)
Warranty and royalty expense		(563)	(617)
Occupancy expense		(162)	(138)
Legal and professional services		(1,218)	(2,215)
Transaction costs		(671)	-
Depreciation and amortisation		(850)	(2,105)
Impairment of non-financial assets		-	(30,676)
Impairment of associate		-	(1,798)
Profit/(loss) before income tax		**(7,434)**	**(48,594)**
Income tax benefit/(expense)	5	(100)	367
Profit/(loss) for the period		**(7,534)**	**(48,227)**
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		(116)	370
Other comprehensive profit/(loss) for the period		**(116)**	**370**
Total comprehensive profit/(loss) for the period		**(7,650)**	**(47,857)**
Earnings per share			
Basic profit per share	8	(2.00) cents	(17.56) cents
Diluted profit per share	8	(2.00) cents	(17.56) 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 2023

	Notes	Consolidated as at 31-Dec-23 $'000	30-Jun-23 $'000
Assets			
Current assets			
Cash and cash equivalents		1,492	2,943
Trade and other receivables	9	3,156	5,166
Inventories		10,842	15,366
Other current assets		3,085	5,274
Total current assets		**18,575**	**28,749**
Non-current assets			
Property, plant and equipment		1,104	1,359
Right-of-use assets	10	4,709	5,269
Other non-current assets		1,372	-
Financial assets	11	1,798	1,798
Total non-current assets		**8,983**	**8,426**
Total assets		**27,558**	**37,175**
Liabilities			
Current liabilities			
Trade and other payables		9,868	13,919
Borrowings	13	5,262	3,359
Provisions	14	2,641	2,538
Lease liabilities	15	1,024	1,011
Total current liabilities		**18,795**	**20,827**
Non-current Liabilities			
Trade and other payables		2,006	1,320
Provisions	14	89	91
Lease liabilities	15	4,593	5,167
Non-current Liabilities		**6,688**	**6,578**
Total liabilities		**25,483**	**27,405**
Net assets		**2,075**	**9,770**
Equity			
Issued capital	16	119,301	119,301
Foreign currency translation reserve		(412)	(296)
Share based payments reserve		3,027	3,072
Options Reserve		264	264
Accumulated losses		(120,105)	(112,571)
Total equity		**2,075**	**9,770**

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 2023

	Notes	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 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							
Profit 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**
Balance at 1 July 2023		119,301	(112,571)	(296)	3,072	264	9,770
Transactions with owners							
Share-based payments		-	-	-	(45)	-	(45)
Total transactions with owners		**-**	**-**	**-**	**(45)**	**-**	**(45)**
Comprehensive income							
Loss for the period		-	(7,534)	-	-	-	(7,534)
Other comprehensive income		-	-	(116)	-	-	(116)
Total comprehensive income		**-**	**(7,534)**	**(116)**	**-**	**-**	**(7,650)**
Balance at 31 December 2023		**119,301**	**(120,105)**	**(412)**	**3,027**	**264**	**2,075**

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2023

	Consolidated Half-year ended	
	31-Dec-23	**31-Dec-22**
	$'000	**$'000**
Operating activities		
Receipts from customers	19,453	37,674
Payments to suppliers and employees	(21,112)	(39,151)
Interest received	12	1
Income taxes paid	(351)	(39)
Net cash (used in) / generated by operating activities	**(1,998)**	**(1,515)**
Investing activities		
Payments for property, plant and equipment	(35)	(282)
Payments for right-of-use assets	-	(136)
Payments for intangible assets	-	(2,459)
Payments for acquisition of associate	-	(1,770)
Net cash used in investing activities	**(35)**	**(4,647)**
Financing activities		
Proceeds from issue of equity instruments in the company	-	17,947
Payment for equity raise costs	-	(1,131)
Proceeds of borrowings	2,100	-
Repayment of borrowings	(570)	(7,927)
Interest paid	(317)	(785)
Repayment of lease liabilities	(631)	(732)
Net cash inflow / (outflow) from financing activities	**582**	**7,372**
Net change in cash and cash equivalents	(1,451)	1,210
Cash and cash equivalents, beginning of period	2,943	5,001
Cash and cash equivalents, end of period	**1,492**	**6,211**

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 monies held on term deposit in support of bank guarantees issued to landlords of office premises.

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 2023 were approved and authorised for issue by the board of Directors on 28th February 2024.

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.

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 2023 annual report for the financial year ended 30 June 2023. 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 2023, the Group generated revenue of $17.4m (December 2022 $21.1m), incurred a loss after tax of $7.5m (December 2022 loss $48.2m), and reported negative cash flows of $2.0m (December 2022 negative $1.5m) from operating activities. The Group had a net current liability position at 31 December 2023 of $0.22m (30 June 2023 net current asset position of $7.92m).

During the first half of FY24 the Group experienced 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:

- Significantly reduced the cost base of the business by approximately 45% compared to the previous half year period, resulting from the commencement of the Company's restructuring plans;
- Adjusted production plans and stock management to continue release of working capital through a structured run-down of inventory from currently high levels;
- Re-assignment of the debt facility under improved terms, including the waiver of financial covenants; and
- Received continued support from key suppliers through payment plans.

Given the continued uncertainties which exist in the current economic environment, management have prepared detailed cash flow forecasts for the next 18 months. The cash flow forecasts have been presented to and approved by the Board.

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;
- Increasing the Domazet FT3 Pty Ltd debt facility to provide short-term working capital;
- Successful completion of the recapitalisation plan to be announced to the market shortly (a capital raising mandate has been signed with Henslow and the process is at an advanced stage);
- Successful delivery of ongoing cost reduction measures;
- Continued adherence to the agreed payment plans and ongoing support from suppliers if these are not met; and
- No material payout in relation to legal matters described in note 18.

The cashflow forecast assumes trading in the second half of FY24 to be higher than the first half of FY24. Revenue achieved in January 24 was 25% higher than January 23 at $3.2m. For full year FY24, the Company's fixed operating costs are expected to be 20% less than FY23.

During 1H FY24 the Group's debt facility was acquired by Domazet FT3 Pty Ltd (detailed in note 13) and the terms under the amended debt facility were considerably more favourable to the Group, including:

- An increase to the available facility limit to $5.0 million with no line fee.
- Waiver of all financial covenants in place.
- No scheduled amortisation.
- Improved terms on the capitalisation of interest.

Extended supplier payment plans have been agreed with two major suppliers as a means of managing cashflow. 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.

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

- The Group continues to rationalise the business by achieving short term revenue growth, inventory reduction and cost reduction with the view of returning to positive cash inflows from operations.
- Successful completion of a recapitalisation plan whether via relisting on the ASX or whilst remaining suspended.
- Increasing the debt facility provided by Domazet FT3 Pty Ltd to $8.0m.
- 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.
- The launch of new products introduced by returning founder for release Q4 2024 which are delivered on time and on budget.

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.
- Source a working capital facility, assuming the Domazet FT3 Pty Ltd is repaid from proceeds of recapitalisation plan.
- Prepayments of new product launches can be sought from distribution partners.
- Further cost reductions to the fixed cost base are executed should sales continue to be below expectations.

In the event the Company is unable to achieve the matters set out above, there is a material uncertainty whether it will be able to continue as a going concern. 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.

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

	Consolidated Half-year ended	
	31-Dec-23	31-Dec-22
	$'000	$'000
Revenue		
Sale of goods	16,980	20,677
Sale of software upgrades	383	321
Other revenue	50	129
Total revenue	**17,413**	**21,127**
Other income		
Interest	12	1
Government subsidies	-	22
Gain on modification of lease	48	-
Other income	107	144
Total other income	**167**	**167**
Total revenue and other income	**17,580**	**21,294**

5. Income tax expense

	Consolidated	
	31-Dec-23	31-Dec-22
	$'000	$'000
(Loss)/Profit before tax	(7,434)	(48,594)
Domestic tax rate for Atomos Ltd - 30%		
Expected tax benefit/(payable)	2,230	14,578
Adjustments:		
· Effect of income that is not assessable in determining taxable profit	(617)	(320)
· Effect of expenses that are not deductible in determining taxable pro1	13	(81)
· Effect of different tax rates of subsidiaries operating in other jurisdict	313	(265)
· Other Adjustments	(38)	(130)
· Recognition/(de-recognition) of tax losses	(2,001)	(13,415)
Actual tax (expense)/benefit	**(100)**	**367**

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 2023. 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-23	31-Dec-22
	$'000	$'000
Profit/(loss) attributable to the owners of the Company	(7,534)	(48,227)
	No.	**No.**
Weighted average number of shares used in calculating basic EPS	**401,847,949**	**274,579,867**
Weighted average of potential dilutive ordinary shares		
Options	-	-
Weighted average number of shares used in calculating diluted EPS	**401,847,949**	**224,713,071**

In the half-year ended 31 December 2023, 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-23	30-Jun-23
	$'000	$'000
Current		
Trade receivables, gross	2,913	4,785
Less: loss allowance	(381)	(400)
Trade receivables, net	2,532	4,385
Other receivables	624	781
Trade and other receivables	**3,156**	**5,166**

10. Right-of-use assets

	Consolidated Half-year ended Buildings $'000	Vehicle $'000	Total $'000
Cost			
At 1 July 2023	8,264	68	8,332
Additions	-	-	-
Disposals / Modifications	(31)	-	(31)
At 31 December 2023	**8,233**	**68**	**8,301**
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**
Accumulated depreciation			
At 1 July 2023	3,007	56	3,063
Charge for the half-year	553	7	560
Disposals / Modifications	(31)	-	(31)
At 31 December 2023	**3,529**	**63**	**3,592**
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**
Carrying amount			
At 31 December 2023			**4,709**
At 31 December 2022			6,367

11. Financial assets

	31-Dec-23 $'000	30-Jun-23 $'000
Unlisted ordinary shares - designated at fair value through profit or loss	1,798	1,798
Closing fair value	**1,798**	**1,798**

12. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

Assets and liabilities held for sale are measured at fair value on a non-recurring basis. There were no transfers between levels during the financial year. The carrying amount of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

At 31 December 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Equity instruments held at fair value through profit or loss	-	-	1,798	1,798
Total	**-**	**-**	**1,798**	**1,798**
At 30 June 2023				
Assets				
Equity instruments held at fair value through profit or loss	-	-	1,798	1,798
Total	**-**	**-**	**1,798**	**1,798**

Valuation techniques for fair value measurements categorised within Level 2 and Level 3

The valuation of equity instruments held at fair value relating to the investment in MAVIS Broadcast Limited is based on the consideration in acquiring 10% interest in the respective company which took place during the year. The fair value of the investment is further supported by historical capital raises and offers of acquisition which MAVIS received.

13. Borrowings

	Consolidated as at 31-Dec-23 $'000	30-Jun-23 $'000
Current (Secured):		
Secured term bilateral facility	5,093	3,121
Current (Unsecured):		
Credit card facility	169	238
Total current borrowings	**5,262**	**3,359**
Total borrowings	**5,262**	**3,359**

Financing arrangements

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

Total facilities		
Financial institution – secured term bilateral facility	5,000	3,121
Financial institution – credit card facility	500	500
	5,500	**3,621**
Used at reporting date		
Financial institution – secured term bilateral facility	5,000	3,121
Financial institution – credit card facility	169	238
	5,169	**3,359**
Unused at reporting date		
Financial institution – credit card facility	331	262
	331	**262**

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 October 2023 the Company's debt funding arrangement provided by Arrowpoint Capital Finance 103 Pty Ltd (Arrowpoint) was acquired by Domazet FT3 Pty Ltd (Doma), a substantial holder of the Company.

The Company, Arrowpoint and Doma entered into a Deed of Novation, Assignment and Amendment that provides for Doma's acquisition of the debt facility from Arrowpoint.

Under the deed, the terms of the debt facility were considerably more favourable to the Company, including:

- An increase to the available facility limit to $5.0 million with no line fee.
- Waiver of all financial covenants in place.
- No scheduled amortisation.
- Improved terms on the capitalisation of interest.

The balance held as at 31 December 2023 consists of the principal amount ($5.0m) and capitalised interest ($0.1m)

The cashflow forecast as detailed in the going concern note is reflective of the above, in addition to the recapitalisation plan contemplated.

14. Provisions

	31-Dec-23 $'000	30-Jun-23 $'000
Current:		
Warranty	683	511
Employee benefits	767	836
Onerous Contracts	1,191	1,191
	2,641	**2,538**
Non-current:		
Employee benefits	34	36
Make good	55	55
	89	**91**

15. Lease liabilities

	Consolidated as at	
	31-Dec-23 $'000	**30-Jun-23 $'000**
Lease liabilities		
Maturity analysis		
Year 1	1,218	1,405
Year 2	990	1,057
Year 3	884	927
Year 4	746	823
Year 5	758	744
Onwards	1,557	1,936
	6,153	**6,892**
Analysed as:		
Current	1,024	1,014
Non-current	4,593	5,561
Total	**5,617**	**6,575**

16. Issued capital

	31-Dec-23	30-Jun-23
	$'000	$'000
Ordinary shares – fully paid	119,301	119,301

Movements in issued capital

	Half year ended 31-Dec-23		Half year ended 31-Dec-22	
	No.	$'000	No.	$'000
Balance at beginning of period	401,821,079	119,301	222,351,585	102,492
Shares issued on exercise of options	409,772	-	179,469,494	17,947
Equity, raising costs, net of income tax	-	-	-	(1,131)
Balance at end of period	**402,230,851**	**119,301**	**401,821,079**	**119,308**

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 substantial shareholders

In October 2023, the Company's debt funding arrangement provided by Arrowpoint Capital Finance 103 Pty Ltd was acquired by Domazet FT3 Pty Ltd, a substantial holder of the Company. Refer to note 13 for details.

Transactions with director-related entities

There have been no significant transactions since the end of the last annual reporting period where is disclosure is necessary for an understanding of the interim period (1H FY23: $22,500).

18. Contingent assets and liabilities

Atomos is engaged in legal dispute with the Group's former CEO. The Company notes that there are two matters:

- the former CEO's claim brought in the United States which the Company will vigorously defend as appropriate when the matter comes before the courts; and
- a claim brought by the Company in Australia relating to nonpayment of a loan extended to her. This matter is currently before the courts.

There are no other contingent assets or liabilities as at 30 June 2023 that will have a material effect on the Group.

19. Subsequent events

Since the end of reporting period the Company successfully negotiated an increase in the debt facility to $8.0m along with an extension of the maturity date to 31 March 2025.

There are 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
28th day of February 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ATOMOS LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year interim financial report of Atomos Limited (**the Company**) and its subsidiaries (together **the Group**), which comprises the condensed consolidated statement of financial position as at 31 December 2023, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of material accounting policy information and other explanatory information and the directors' declaration.

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

a. giving a true and fair view of the Group's financial position as at 31 December 2023 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*.

Basis of Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the interim financial report, which identifies that during the half-year ended the Group incurred a consolidated net loss of $7,534,000 (2022: loss $48,227,000) and had net cash outflows from operating activities of $1,998,000 (2022: outflow of $1,515,000). These events and conditions, along with other mattes as set forth in Note 2 indicates a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

The directors of the Company 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 for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2023 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. 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.

Moore Australia

MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit and Assurance

Melbourne, Victoria

28 February 2024

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ASX Code
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Sir Hossein Yassaie – Independent Non-executive Director
Mr Jeromy Young – Executive Director
Mr Peter Barber - Executive Director

Company Secretary
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