Altium

ANNUAL REPORT
2019

Altium Limited
ACN 009 568 772

Contents

Directors

Samuel Weiss	Non-executive Chairman
Aram Mirkazemi	Chief Executive Officer
Sergiy Kostynsky	Executive Director
Raelene Murphy	Non-executive Director
Lynn Mickleburgh	Non-executive Director
Wendy Stops	Non-executive Director

Company secretaries

Alison Raffin (BBus, ACSA)
Kim Besharati (BEc)

Notice of annual general meeting

The details of the annual general meeting of Altium Limited are:	Venue: Sheraton Grand Sydney Hyde Park 161 Elizabeth Street, Hyde Park, Sydney NSW 2000, Australia
Time:	2pm
Date:	6 December 2019

Registered office

Suite 3, Level 6
Tower B, The Zenith
821 Pacific Highway
Chatswood NSW 2067
Australia

Share register

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street, Sydney NSW 2000
Australia 1 300 850 505, Overseas +61 3 9415 4000

Auditor

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000
+61 2 8266 0000

Stock exchange listing

Altium Limited shares are listed on the Australian Securities Exchange (ASX code: ALU)

Website

www.altium.com

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the Group) consisting of Altium Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of Altium Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Samuel Weiss (Chairman)
Aram Mirkazemi
Sergiy Kostynsky
Raelene Murphy
Lynn Mickleburgh
Wendy Stops

Principal activities

During the financial year the principal continuing activities of the Group consisted of the development and sales of computer software for the design of electronic products.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2019 US$'000	2018 US$'000
Final dividend for the year ended 30 June 2018 of AU 14 cents (2017: AU 12 cents)	13,327	12,534
Interim dividend for the half year ended 31 December 2018 of AU 16 cents (2017: AU 13 cents)	14,801	13,099
	28,128	**25,633**

The Directors have declared a final dividend of AU 18 cents per share for the year ended 30 June 2019. The dividend will be paid on 25 September 2019 based on a record date of 4 September 2019. This amounts to a total dividend of US$15.9 million based on the number of shares outstanding.

Review of operations

Overview

Altium achieved double digit revenue growth and expanded its profit margins in the year ended 30 June 2019. This is robust confirmation of the underlying power of the Group's *"Line and Length"* strategy to simultaneously:

- Increase revenue by 20% per annum
- Expand EBITDA margins
- Invest in strategic growth opportunities

Operating revenue was a record US$171.8 million (growth of 23.1%) for the financial year ended 30 June 2019. Altium profit margins achieved record levels with a 41.1% increase in net profit after tax to US$52.9 million, generating earnings per share (EPS) of US 40.57 cents. EBITDA margin was 36.5% for the fiscal year (36.6% on an underlying basis).

Altium's revenue and EBITDA growth is on target to achieve the Group's fiscal year 2020 commitment of $200 million in revenue and 35% EBITDA or better. All segments experienced double digit revenue growth which contributed to increased profits through the strong operating leverage inherent in Altium's business model. The Group further enhanced the performance of the Altium Designer transactional sales engine and invested in solution selling capability for the Altium Nexus product line.

The Altium balance sheet is strong. Operating cash flow contributed US$69.1 million (2018: US$48.5 million) and the Group ended the year with a cash balance of US$80.5 million after dividend payments of US$28.1 million (2018: US$25.6 million), acquisition of Gumstix Inc for upfront consideration of US$2.5 million and contingent consideration payments of US$5.5 million (2018: US$7.5 million) relating to prior period acquisitions. Cash management is an important focus area as we optimize investments in our long-term vision whilst delivering a meaningful return to shareholders.

On the 30 April 2019, Altium completed the acquisition of Gumstix Inc, an American based company specialising in embedded hardware development and manufacturing and conducts its research and development from Gumstix Research (Canada) Ltd. Gumstix will contribute to the Altium transformative vision for a Platform to support design to product realization.

Financial Highlights

$80.5m
Cash
(Up 54%)

$52.9m
NPAT
(Up 41%)

43,698
Subscribers
(Up 13%)

$177.2m
Sales (Up 23%)

40.57c
EPS
(Up 41%)

771
Employees

$56.9m
EBIT
(Up 44%)

$69.1m
Op Cash Flow
(Up 42%)

$171.8m
Revenue (Up 23%)

19%
5 Year Revenue CAGR

A$4.46b
Market Cap

36.5%
EBITDA Margin
(Up from 32%)

Debt
Free

56%
Recurring Revenue

8,015
Altium Designer Seats Sold
(Up 27%)

$62.7m
EBITDA
(Up 40%)

AU34c
Dividend
(Up 26%)

Key Financial Results

	Consolidated		
	2019 US$'000	2018 US$'000	Change %
Revenue (excluding interest)	**171,819**	**140,176**	**22.6%**
Operating expenses (excluding depreciation, amortisation and interest)	(109,098)	(95,307)	14.5%
EBITDA	**62,721**	**44,869**	**39.8%**
EBITDA margin	36.5%	32.0%	
*EBITDA margin underlying**	36.6%	35.5%	
Depreciation and amortisation	(5,842)	(5,296)	
EBIT	**56,879**	**39,573**	**43.7%**
Net Interest	733	130	
Profit before income tax	**57,612**	**39,703**	**45.1%**
Income tax expense	(4,719)	(2,214)	
Profit after income tax	**52,893**	**37,489**	**41.1%**
EPS cents	40.57	28.86	

*The underlying EBITDA margin excludes the re-measurement of contingent consideration, acquisition costs and restructure costs.

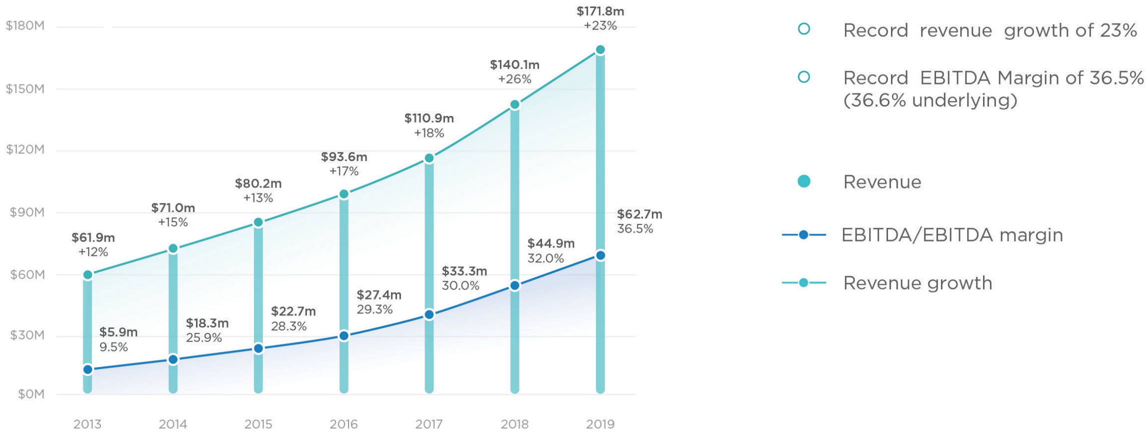
Net Profit After Tax

Net profit after tax increased by 41.1% to US$52.9 million from US$37.5 million in the previous year.

The effective tax rate for the year was 8% (2018: 6%). This reflects the tax utilisation of the deferred tax asset recognised as a result of both temporary differences arising on relocation of Altium's core business assets to the USA. Altium will continue to utilize the tax benefits and re-evaluate the valuation of the deferred tax asset on an annual basis.

	Consolidated		
Product Revenue	2019 US$'000	2018 US$'000	Change %
Altium Designer software licenses	62,377	51,309	22%
Altium Designer subscriptions	58,468	51,522	13%
Octopart search advertising	17,940	11,968	50%
TASKING software licenses	12,293	8,526	44%
TASKING maintenance	5,741	4,709	22%
Altium Nexus	6,635	4,848	37%
Service revenue	3,655	4,833	(25%)
Other	4,710	2,461	91%
Total Product Revenue	**171,819**	**140,176**	**23%**

For more details on revenue, refer to Note 3 of the annual report.



	Consolidated		
Product Sales	2019 US$'000	2018 US$'000	Change %
Altium Designer licenses	65,157	53,088	23%
Altium Designer subscriptions	58,959	53,701	10%
Octopart search advertising	17,940	11,968	50%
TASKING licenses	13,536	10,432	30%
TASKING maintenance	8,324	4,706	67%
Altium Nexus	6,277	3,769	67%
Service sales	3,337	4,624	(28%)
Other	3,656	2,254	62%
Total Product Sales	**177,216**	**144,541**	**23%**

Operational Highlights

Altium achieved US$177.2 million in sales (a 23% increase) and US$171.8 million in product revenue (a 23% increase).

The Board and Systems business revenue grew to US$126.8 million with all regions reporting positive results. EMEA grew revenue to US$44.6 million, an increase of 15% and continued the transformation of its business model to direct transactional sales in key markets. The America's achieved revenue of US$50.9 million which was a 14% growth rate. China results were outstanding with revenue at US$19.8 million, a growth rate of 37%. The Altium focus on our business in China led us to open a new sales office in Beijing and to expand our existing sales centres in Shenzhen and Shanghai. The expansion of our footprint in China will enable us to increase our penetration of the market.

50.9m
AMERICAS GROWTH 14%

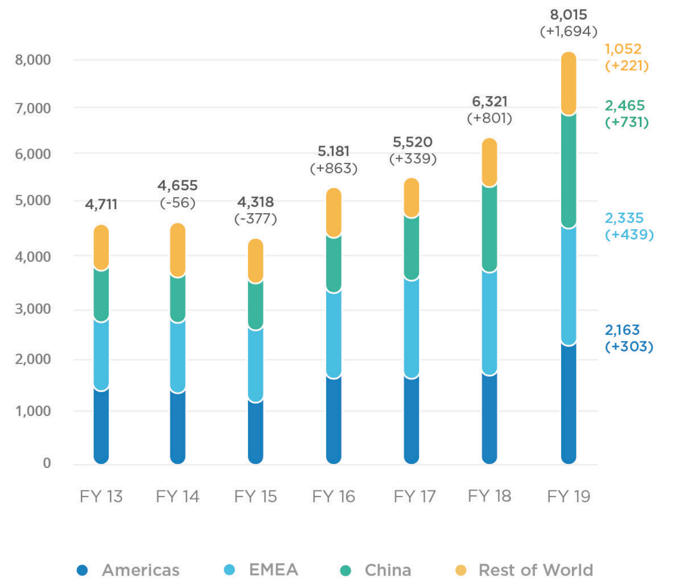
44.6m
EMEA GROWTH 15%

19.8m
CHINA GROWTH 37%

ALTIUM **DESIGNER** 19

The number of Altium Designer license new seats grew by 27% with a total 8,015 seats sold in the year ended 30 June 2019. The subscription pool which includes term based licenses grew by 13% to reach 43,698 subscribers. The run-rate of growth of the subscription pool is consistent with that required to achieve Altium's 2020 financial goal of US$200 million in total revenue.

Altium Designer New Seats Sold



Subscription Pool

ALTIUM **NEXUS**

Altium Nexus delivered US$6.6 million in revenue which was growth of 38% over the prior year. Nexus is the Altium enterprise level product for customers who require structured collaboration with data management functionality. The Nexus team has been building the organisational capability to manage the solutions selling process at a level that will translate into substantial revenue. The Nexus product is configurable to customer needs and processes without creating the need for a substantial increase in overhead structure for customers. The sales process for Nexus requires significant customer interaction and alignment through structured assessment and specific deployment capability.

TASKING

The Microcontrollers and Embedded Systems business grew revenue to US$19.9 million, a 37% increase. Our TASKING embedded software has enjoyed success through its association with Infineon, the semiconductor company that manufactures the TriCore and Aurix chipsets for the automotive industry. TASKING has begun to expand its scope into previously underserved markets in China and India.

Octopart

The Electronic Parts, Search and Discovery business, Octopart, grew revenue to US$17.9 million an increase of 49%. Octopart delivers part level intelligence to the electronic design engineering community and is establishing itself as the number one brand associated with electronic parts search. Octopart has grown in strength since the business was acquired four years ago and is integral to our strategy to transform electronic design and its realization. Investment in Octopart is focused on search optimization and the customer experience as well as the creation of data enhancements for part information.

Product

Altium released Altium Designer 19 and further committed to Altium Nexus development These two products represent the core Altium technology to support and sustain our objective to achieve market leadership. Both products are built on the Altium X2 platform, with a high-speed engine and an enhanced user interface experience. Altium Designer 19 expands on Altium Designer 18 with new and powerful design technologies that simplify the process of creating the most complex printed circuit boards to bring unification to the schematic, layout and post-design processes, all engineered to enhance productivity.

Altium also announced Altium 365, our first move to the cloud through a platform that provides the first step to connect the design space to the supply chain and manufacturing floor. Altium 365 will deliver cloud capability to Altium users.

The Altium technology partnership with the SolidWorks division of Dassault Systemes is delivering revenue at the contract minimum. The product ramp is progressing slowly and is highly dependent on the SolidWorks Channel and marketing efforts. The Altium partnership with Dassault Systemes related to CATIA will provide a fully integrated ECAD capability within the CATIA high end MCAD tool.

Operational Spending

Operational spending increased to US$109.1 million, a growth of 14.5%. Operational spending accelerated into the second half as we continue to ramp up our capability and capacity to support our transformational vision beyond 2020. The spending increase was driven by capability additions for:

- Cyberpods which provide automation and business intelligence for our sales organisation (US$1.4 million),
- Expansion of the Nexus solution Selling Capacity (US$2.0 million),
- China Expansion (US$1.6 million),
- EMEA direct transactional sales capability (US$0.6 million),
- R&D Product Support (US$1.0 million),
- Smart Manufacturing for electronics products (US$1.3 million).

Spending increased half over half by US$9.5 million, a growth of 19.1%. Investments in capacity and capability will continue as we introduce Cloud resources and the adoption rates for Altium Designer increase.

Strategy

The Altium strategy to achieve PCB market leadership by 2020 based on multi-product, multi-channel capability is bearing fruit as revenue growth accelerates. We made good progress toward our subscriber target of 100,000 for market dominance by 2025. The systemization of our transactional sales model, continued improvements to our next generation products and the Altium 365 cloud platform will all contribute to revenue and license growth.

Altium is committed to delivering consistent financial performance based on our *"line and length"* strategy of double-digit revenue growth and expanding EBITDA margins. "Line and length" is the cornerstone of our engineering and go-to-market operations and the bedrock on which we are building other critical capabilities.

Outlook

Altium is dedicated to become the PCB design software market leader (in both dollars and seats) and to achieve US$200 million in revenue by 2020. We have committed ourselves to achieve market dominance by 2025 and to enroll 100,000 subscribers by then.

Specific drivers of growth include:

- The proliferation of electronics through the rise of smart connected devices will underpin growth for our business in the foreseeable future.
- An increase in market share by winning business from organisations that use competitors products and by taking the majority of seats from organisations that are new entrants to the electronic design market.
- The pursuit of partnerships and M&A opportunities to support our long-term vision to create a product design and realisation platform.

Key Risks

Altium recognises and deals with a variety of business risks. Altium has a framework in place which enables it to actively assess and manage risk on an ongoing basis. Neither the risks listed below nor the mitigating actions for them are a comprehensive list.

Strategic risk: Altium has articulated a clear strategy with deliverables well into the future. Our ability to execute on the strategy and deliver on our commitments are critical to future success. Altium devotes significant time and resources to the development, monitoring and review of its strategic direction. The process includes several activities including, dedicated strategy sessions at the board level, ongoing executive review of programs critical to strategy, dashboards to monitor and highlight progress and setbacks, and development of an in-house Business Development team to evaluate strategy and strategic alternatives.

Financial, Compliance and Regulatory risk: Altium operates in many countries around the world and is subject to multiple regulatory and compliance regimes. Altium's ability to manage relations with key regulatory agencies in all of the markets in which it operates, including Australia, Europe and the United States is essential to smooth operations. Altium works with several external experts world-wide to ensure compliance with specific accounting, compliance and regulatory reporting requirements, personal data privacy issues such as GDPR, tax and reporting in Australia and around the world as well as export control requirements worldwide. This network of professionals as well as personnel on the ground in countries we operate helps to ensure ongoing compliance. This compliance framework is monitored and reviewed on a regular basis by the Audit Committee and the Board.

Security of sensitive information: There is an inherent risk related to the potential of cyber-attack on proprietary information and customer data. Altium's business could be impacted significantly by security breaches of customer data through theft, destruction or misappropriation or release of confidential customer data and the potential of confidential proprietary information being stolen. Altium has developed methodology for segregation of data, backup and critical access monitoring.

Ability to attract and retain key personnel: The success of Altium is dependent on the retention of key personnel and members of the senior management, product research and development teams. There is a risk Altium may not be able to attract and retain key personnel due to competitor recruitment pressures which could in turn affect the near term success of executing key strategic and operational goals. Altium's high performance culture and drive for results has been coupled with improvements in its incentive compensation and retention programs to enhance Altium's desirability as an employer of choice.

EMPLOYEES

771

EMPLOYEE GROWTH

174

COUNTRIES

17

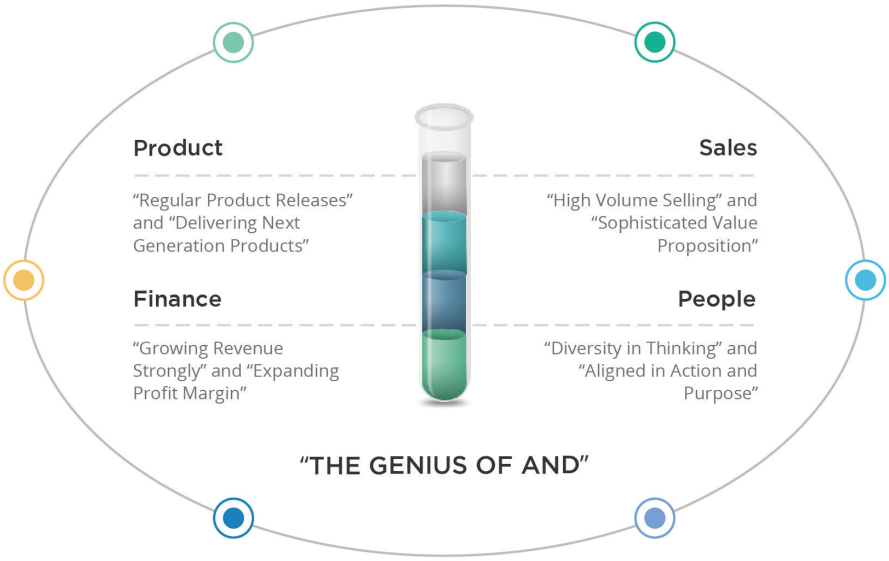
Environmental, Social and Governance (ESG) Report

Altium is a market leading technical software company that encourages sustainable business practices at all of its locations and supports the education of future engineers. Altium operates in many countries around the world with a diverse workforce, all of whom are dedicated to our mission to transform electronics product design and realisation.

Altium Values

Altium values are a key component to our organisational culture. They enable a qualitative measure of our performance, define expected behaviours, guide our strategic and decision making processes and are fundamental to employee alignment.

Our values at Altium are:



- Diversity in Thoughts
- Ingenuity
- Adaptability
- Transparency
- Agility
- Perseverance

Social

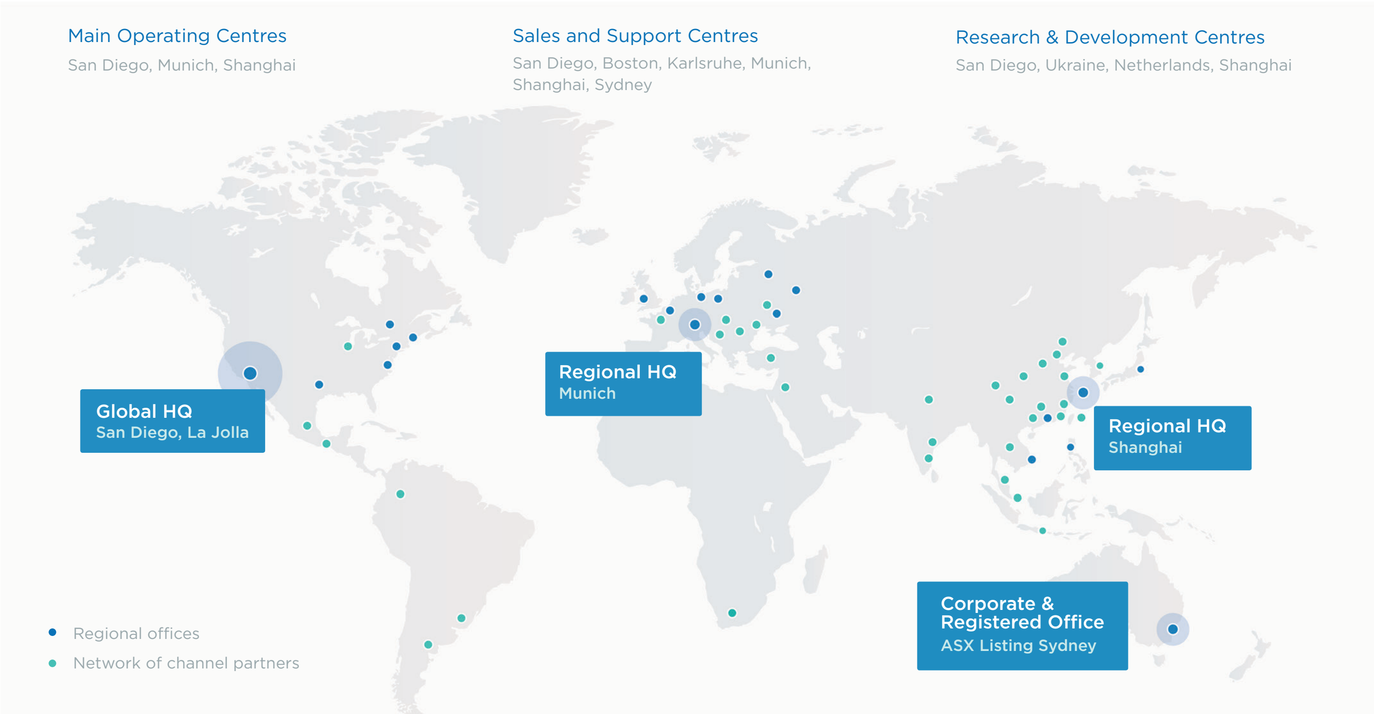
Human capital management is central to the execution of business strategy, revenue and earnings growth, innovation and business continuity.

At Altium, our commitment to being people-driven is an essential part of our business strategy and a key enabler of our sustainability vision. We empower our employees to solve problems and make informed decisions that unlock potential for our customers. We invest in people who are driven to understand, explore and improve. Together, we find better ways to grow with our customers, partners and communities.

Diversity and inclusion

As a growing global organisation, Altium benefits from having a diverse mix of extraordinary individuals drawn from 17 countries, aged from 18 to 73, with wide ranging backgrounds, remarkable skills and perspectives. Our future growth and continued product innovation comes from the talent, motivation and enthusiasm of our people across the world.

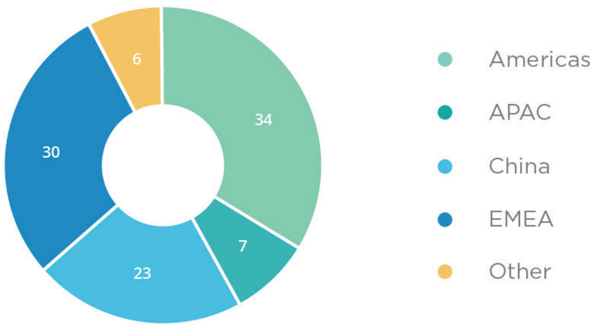
Altium is headquartered in La Jolla, USA, with regional Headquarters in Munich, Germany and Shanghai, China.



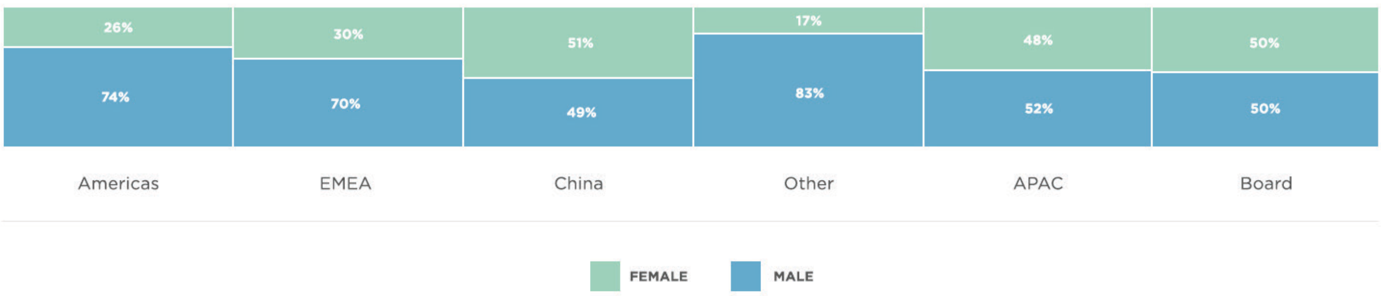
Altium employs approximately 771 (2018: 597) permanent and temporary employees. The majority of our employees are regular, full-time employees. However, we also employ a small percentage of contract employees and third-party contractors to ensure we have the workforce flexibility to respond rapidly to changes in customer demands.

The charts below set out our diversity by region and gender.

Employee by regions (% as at 30 June 2019)



Workforce distribution by region and gender



In the financial year ended 30 June 19, Altium hired 174 employees through growth and acquisitions. Key additions include our Nexus sales team which uses a solution sales model for enterprise accounts, our "CyberPod" teams that focus on the subscriber retention, the expansion of our license compliance operations in China, continued progress in Europe toward our direct sales model and an acquisition in the USA.

Altium has established workforce development and sales enablement efforts which are examples of systematic processes to increase skill and effectiveness in the organisation. We will continue to maintain an open dialogue with employees and monitor employee feedback to determine which programs to implement globally, or regionally, that will drive employee engagement and retention across our organisation.

Professional development

We work with our management teams and determine areas of interest to guide, develop and motivate our teams with both internal and external training. Employees also participate in conferences and tradeshows that allow us to grow our business and improve the individual's knowledge and leadership skills. We provide opportunities for employees to expand the scope of their roles and to upskill their individual capabilities which improves retention and productivity. Employees and Directors are encouraged and given the opportunity to acquire and maintain professional memberships and to attend industry training programs, forums and seminars to enable them to maintain and improve their knowledge and skills whilst accruing their acquired CPD hours.

Employee wellbeing

Altium provides a safe and healthy workplace for its people and visitors. Employees are encouraged to observe and practice working methods that support a healthy and safe work culture and environment. We provide training on anti-harassment and workplace safety and support well-being through online training and classroom experiences. Leaders and managers are expected to support non-discriminatory practices in hiring, promotion and performance management.

A state-of-the-art, healthy workplace makes a significant contribution to the satisfaction and productivity of our employees, as well as to their ability to engage with the needs of our clients. We adhere to the principles of good office design, and ensure that our various locations have a similar look and feel – a strategy that maximises collaboration and growth.

Altium encourages employees to take personal responsibility for their wellbeing, health and relationships. We enable and support this through wellbeing initiatives such as free meals, healthy snacks and a flexible work environment in our offices world-wide. We offer competitive benefits for health, insurance, investment and situationally provide additional items that make the workplace more attractive. In some locations we offer gym access and transportation support to enable better commuting options.

Pay equity and remuneration

Altium 's compensation philosophy and practices are designed to attract, motivate and retain leaders and employees who will drive the success of the business. Altium embraces a pay-for-performance philosophy, irrespective of employee gender, race, ethnicity, religion or disability, by recognizing and rewarding employees for achieving corporate performance goals as well as individual goals and objectives. As a result, we do not track or report on the ratio of basic salary and remuneration of women to men.

Ethical labour

Altium has established measures regarding fair labour practices and guidelines that create a respectful and safe work environment for our employees globally. We are committed to treat all of our employees with respect and we strictly prohibit the use of slavery, forced labour and human trafficking. To prevent the occurrence of forced, compulsory or child labour, we have implemented local labour policies and practices. Any person who applies for employment at Altium does so on a voluntary basis and all employees are legally entitled to leave upon reasonable notice without penalty. In accordance with Altiums's global recruiting guidelines, offers of employment must be conditional upon successful completion of required background checks. Background checks are required to protect the safety of the employees and to ensure that employees meet the standards required by Altium.

The Modern Slavery Act will be applicable in the financial year ended 30 June 2020. Altium has taken steps to ensure compliance.

Community

Altium believes that a sustainable future begins with empowering the next generation of technology innovators. For this reason we have launched two formal initiatives that make professional design tools accessible to student engineers and early-stage startup companies. Through our Altium Academic Program and Altium Launchpad, our Startup Programs, we have eliminated barriers to entry for resource-constrained students and startups with low or no-cost Altium Designer licenses.

The Altium Academic website provides annually renewable term-based licenses for individual students, for university professors to use in classrooms and labs, and competitive student engineering teams such as the SpaceX Hyperloop Pod competition, Formula SAE, Spaceport America and a high-school based competition, FIRST robotics. The team "stories" page proudly showcases the impressive work of young emerging engineers using Altium tools. We issue thousands of licenses to students and universities around the world every year.The startup website enables early-stage startup companies to access heavily discounted tools and free training to give them the best chance of success.

We also award one student team or startup company a direct gift through our Altium Pay-It-Forward Campaign at AltiumLive: Annual PCB Design Summit every year. In the financial year ended 30 June 2019, recipients were Project Vive, a start up company making low-cost speech generating devices that is giving voices to the voiceless at a very low price point. We also awarded Project March, a student team from the Delft Technical University who builds an exoskeleton that enables paraplegics to walk. Last year the team won 1st place at the Cybathon competition, over commercially funded companies.

Startup, Project Vive

Oronos Polytechnique Rocket Team

Delft University of Technology, Project March

Environment

Altium is a service based organisation, with an environmental footprint that is relatively small, primarily comprised of the energy used by our offices and R&D centres, as well as the typical consumables of an office based business.

Altium considers environmental sustainability in its office rental decisions. The building our office occupies in Sydney, Australia has a 5-star NABERS energy rating and a 4-star NABERS water rating. Our Headquarters office in La Jolla, California in the United States is LEED gold certified and has an Energy Star Rating from the Environmental Protection Agency (EPA). Other offices Altium occupies world-wide have energy efficient lighting, along with occupancy detection sensors which turn lights off when a space is not being used. Air conditioners are also zoned and switch off outside office hours. We consider energy efficiency when reviewing options for an expansion or new space.

We see our investment in technology and innovation as a driver of enhanced sustainability. The frequent use of enterprise level video conferencing services such as Zoom and Skype as well as other online meeting technologies, mobile collaboration tools and Chat applications are available in all offices and data centres and minimise the need for travel to multiple sites, reducing our reliance on commercial air travel.

Altium promotes e-communications and investment through new applications and web-based reporting. This enables paper consumption to be cut, as well as reducing mail costs. We encourage our employees and stakeholders to use email, recycled or carbon-neutral paper, and recycle paper waste.

We operate waste recycling bins in all our offices. We reduce our plastic consumption by using water dispensers or water filtered taps to replace plastic bottles

We understand that there is always room for improvement and continuously monitor our office activities to take steps towards a better and more environmentally friendly office.

Supply chain overview

Historically, as a software supplier and search engine operator, Altium has not had to manage a substantive supply chain other than the purchase of office products and supplies. More recently, with the acquisition of Gumstix Inc and Gumstix Research (Canada) Ltd, a small scale assembler of printed circuit boards, and PCB:NG a contract manufacturer of printed circuit boards, the Group has taken on responsibility for the supply chain management of a more traditional manufacturing process. Gumstix Inc operates in San Francisco and Gumstix Research (Canada) Ltd operates in Vancouver, CA and PCB:NG Inc is in New York City. Both plants have a manufacturing process that is environmentally conscientious.

Occupational Health and Safety

The prevention of occupational illness and injury across our global workforce is a priority for Altium's leadership. We are committed to maintaining a safe and healthy workplace for all our employees. Altium is currently reviewing its OH&S policies and procedures.

Governance

Corporate governance policies

Altium is committed to strong and effective governance. The Board decided that Altium should be an early adopter of the new 4th Edition ASX Corporate Governance Principles and Recommendations released in February 2019. The Corporate Governance Statement along with copies of all Board Charters, Policies and the Constitution can be found on the Altium Group website at https://www.altium.com/company/investor-relations/publications-and-reports/key-documents.

Ethics and integrity

Altium's culture of honest and ethical behaviour is supported by the Company's Values and the Group's Code of Conduct which sets out the professional and personal conduct with which all employees are required to comply when dealing with each other, Altium's suppliers and the broader community. This includes promoting a healthy and safe environment, protecting private and confidential information, acting always within the law, and acting in the best interests of the group.

Altium has implemented an Anti Bribery and Corruption Policy which prohibits its personnel from engaging in activity which constitutes bribery or corruption. Altium is committed to conducting business in compliance with all applicable anti-bribery and anti-corruption laws in all countries in which it operates.

Our Whistleblower Policy provides an external service to protect employees from detrimental action if they disclose, in good faith and with reasonable grounds, any unethical or improper conduct, financial impropriety or fraud, contravention of legal provisions or evidence of non-disclosure within the organisation.

In the financial year ended 30 June 2019, Altium received no whistleblowing complaints.

Customer Privacy and data security

Altium has privacy policies in line with European Union GDPR guidelines. GDPR provides specific actions that are required to ensure personal data privacy and to control the use and dissemination of personal data. We ensure the confidentiality, integrity and availability of information held by Altium, including information entrusted to us by our customers and business partners. Protecting Altium and customer information is the responsibility of all our employees. In today's competitive global business environment, it is critical to maintain data privacy in order to prevent threats of various kinds, including error, loss, fraud and espionage. Our approach is designed to avoid security breaches in data controlled by our organisation.

In the financial year ended 30 June 2019, there were no substantiated complaints by regulatory bodies or other parties of breaches of our privacy obligations. We identified no leaks, thefts or losses of customer or supplier data during this time. Amendments to the Privacy Act will be applicable in the financial year ending 30 June 2020. Altium has taken steps to ensure compliance.

Altium is committed to ensure compliance with export control regulations and sanctions requirements for the countries in which we operate. Altium has implanted automated control processes and assigned personnel to ensure compliance with existing regulations.

In addition, Altium uses outside counsel and experts to ensure our compliance programs, security and privacy processes are consistent with industry standards and meet the rigorous requirements in the jurisdictions we transact business.

The board maintains oversight of compliance with all company policies. All material breaches are required to be reported to the board who will monitor the handling and outcomes of these breaches. All Company Charter and Policies are annually reviewed in order to ensure they are still appropriate for the current legal, ethical and governance environment.

Board of Directors

Name
Samuel Weiss

Title
Non-executive Chairman

Qualifications
AB, Harvard College MS,
Columbia Business School
FAICD

Experience
Sam joined the Altium Board as a Non-executive Director on 1 January 2007 and was elected Chairman of the Board on 4 October of that year. Sam is also Chairman of 3PLearning Limited and a Non Executive Director of Citadel Limited. Sam is a highly experienced Company Chairman who has been instrumental in the growth and leadership of Altium Limited over the past ten years as the Group has generated shareholder value through superior technology and strategy, capital and financial controls, and strong corporate governance. His experience in global markets guides the group on its journey to market dominance in electronics design for Printed Circuit Boards.

Expertise
Sam brings to Altium, strong corporate governance experience with specific skills and background in technology, online products and services, consumer marketing, and doing business in global markets. He has a leading edge understanding of multi-channel brand management and go-to-market strategy development and of Internet enabled businesses. Sam is well versed in the human capital, legal and financial intricacies of mergers and acquisitions, corporate re-structuring and business integration and consolidation. He has boardroom expertise in remuneration policy and planning, as well as director level oversight of strategic planning, and organisational design and development.

Other current directorships
Citadel Limited, 3PLearning Limited

Former directorships (last 3 years)
SurfStitch Group Ltd

Special responsibilities
Member of the Audit and Risk Management Committee and the Human Resources Committee

Name
Aram Mirkazemi

Title
Chief Executive Office

Qualifications
BE – Computer Systems Engineering

Experience
Aram has been a driving force at Altium since the early 1990s. Aram commenced his career with Altium as Director of Research and Development from 1991-1999. Following a successful IPO in 1999, Aram left Altium to explore his interest in web-based technology before returning to Altium in 2010 when he was appointed Head of Engineering, and later Chief Technology Officer. Aram was appointed Chief Executive Officer in January 2014 and is an Executive Director of the Board.

Expertise
Aram is at the forefront of the development of Altium's strategic direction and is responsible for leading the company's global business strategy. Aram has a deep understanding of the EDA industry, accumulated through many years of being at the frontline of CAD software development. He also has a strong track record in financial management and stakeholder engagement.

At the heart of his visionary approach to bring about a transformation to the electronics industry is Altium's strong financial performance and Altium's ability to strategically partner within the industry. Under Aram's leadership tenure, Altium has become the fastest growing EDA company.

Other current directorships
None

Former directorships (last 3 years)
None

Special responsibilities
None

Name
Sergiy Kostynsky

Title
Executive Director

Qualification
Bachelor's degree in Applied Mathematics from the National Technical University of Ukraine

Experience
Sergiy has 20 years of extensive experience at a senior management level in CAD software development and web-based technology. Prior to rejoining Altium as VP Engineering in 2010, as part of the Morfik Technology acquisition, Sergiy served as Director, Product Development. Sergiy was also one of the founding members of the Dream Company, a Ukraine component development company which was acquired by Altium in 2001. He is outstanding in creating, directing and managing complex software engineering projects and products, and has been the driving force behind Altium R&D.

Expertise
Sergiy is responsible for driving optimal performance in all aspects of our engineering efforts and leads a global team of high calibre engineers. In his role as CTO, Sergiy is responsible for developing and shaping the technological direction of Altium to underpin the company's bid for PCB market leadership and going beyond to bring about a transformation to electronics design.

Other current directorships
None

Former directorships (last 3 years)
None

Special responsibilities
None

Name
Raelene Murphy

Title
Non-executive Director

Qualification
BBus, FCA, GAICD

Experience
Raelene was appointed to the Altium Board on 21 September 2016. During her career, Raelene has been a partner at a national accounting firm, held senior executive roles in finance with the Mars Group and as CEO of the Delta Group. Prior to becoming a full time Non-executive Director, she served as Managing Director of KordaMentha where she was a lead partner on the Federal Government strategic review of the NBN.

Expertise
Raelene is highly experienced in driving financial and operational performance as an executive, advisor and Non-executive director in a number of industry sectors in the private and public arena. In particular Raelene's expertise has been in M&A and post-acquisition integration, two areas that are germane to the strategic plans of Altium.

Other current directorships
Bega Cheese Limited, Service Stream Limited, Integral Diagnostics Limited and Clean Seas Seafood Ltd

Former directorships (last 3 years)
Tassal Group Limited – resigned March 2018

Special responsibilities
Chair of the Audit and Risk Management Committee and Member of the Human Resources Committee

Name
Lynn Mickleburgh

Title
Non-executive Director

Qualification
BSc (with Honours) in Mathematics, MBA in Business Management

Experience
Lynn joined the Altium Board as a Non-executive Director on 1 March 2017. Lynn brings experience from both Fortune 500 companies and high growth SMB in the technology sector. She was recently Head of Business Optimization at Atlassian Inc. Prior experience includes VP Finance at Citrix Systems, various global and operational leadership roles at Adobe Systems, and Apple Computer.

Expertise
Lynn has many years' experience in transforming and scaling software companies, and brings valuable skills to the Altium Board in B2B multi-channel commerce for SMB and Enterprise, and building agile, scalable business platforms for operational efficiency. Lynn's expertise includes emerging GTM business models, SAAS growth strategies, moving from perpetual to subscription, frictionless customer experiences; and, leveraging people, process and technology to drive margin expansion. Lynn is also well versed in finance and accounting, corporate planning and reporting, data governance and M&A integrations.

Other current directorships
None

Former directorships (last 3 years)
None

Special responsibilities
Member of the Audit and Risk Management Committee and the Human Resources Committee

Name
Wendy Stops

Title
Non-executive Director

Qualification
B. App. Sc. (EDP), GAICD

Experience
Wendy joined the Altium Board on 1 February 2018. Wendy's executive career was as an information technology and management consultant with global leader Accenture from 1981 to 2015. For her final 16 years with Accenture she held various senior management leadership positions, commencing with regional portfolio & client account leadership in the ASEAN and ANZ regions in the Communications, Media and Technology industry group, and extending through to Director of Operations – Asia Pacific; Global Senior Managing Director, Outsourcing – Quality and Risk Management; Global Senior Managing Director, Technology - Quality and Risk Management; and finally as Senior Managing Director, Technology - Asia Pacific. Over her career with Accenture Wendy worked across multiple industry sectors and operated across multiple countries (including living in New York, Singapore and Kuala Lumpur).

Expertise
Wendy brings to Altium extensive experience in the information technology sector in an organisation that grew to become a global industry leader. In doing so Wendy spent many years both working for clients and in management/leadership roles that enables her to bring to the Altium Board her experience in how to develop and build a committed and capable workforce with robust people leadership practices and processes; how to reward and incentivise individuals and groups; how to manage operational risk; and how to industrialise the processes of a growing organisation. Wendy is also well versed in large scale program and project management, client relationship and quality management, software implementation, values and culture, and operating in Asia Pacific; all of which are also of value to Altium Limited.

Other current directorships
Commonwealth Bank of Australia Limited, Coles Group Limited

Former directorships (last 3 years)
None

Special responsibilities
Chair of the Human Resources Committee, Member of the Audit and Risk Committee

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretaries

Alison Raffin
Kim Besharati

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Human Resources Committee		Audit and Risk Management Committee	
	Attended	Held	Attended	Held	Attended	Held
Samuel Weiss	8	8	4	4	5	5
Aram Mirkazemi	8	8	-	-	-	-
Sergiy Kostynsky	8	8	-	-	-	-
Raelene Murphy	8	8	4	4	5	5
Lynn Mickleburgh	8	8	4	4	5	5
Wendy Stops	8	8	4	4	5	5

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report

Letter from the Human Resource Committee Chairman

Dear Fellow Shareholder,

On behalf of the Human Resources (HR) Committee, I am pleased to present to you the Altium Remuneration Report for the year ended 30 June 2019 to provide context about remuneration at Altium and to introduce some changes we are making to support our future plans.

Our objective is to align the interests of all stakeholders of the Group, our shareholders, our people and our customers. Altium's longer term strategy is to:

- Dominate the PCB Design Software Market
- Transform the electronics industry by enabling an Electronic Design to Manufacturing Realization Platform
- Become the single source of truth for all electronic parts data

Our ability to attract, retain and reward our people to commit themselves to achieve our strategic plans is fundamental to our success, both in the past and in future years.

Our remuneration philosophy and principles, as outlined in the report, guides how we have designed our remuneration framework.

Performance and remuneration framework outcomes for the year ended 30 June 2019

The Altium remuneration framework is a mixture of fixed and performance based remuneration including short-term (STI) and long-term incentive (LTI) plans that are designed to hold key employees accountable to achieve corporate and personal objectives in the short-term (current financial year) and to be personally instrumental in the work required to achieve our 2025 goals of $500 million of revenue and 100,000 subscribers of Altium Designer. Our remuneration strategy has evolved over the past seven years and we believe that it is linked intrinsically to the success of the Group. Future success will be as much determined by the clarity of our vision as by the determination of our people and shared financial rewards for both shareholders and key employees whose contributions lead to the achievement of our 2025 vision.

The STI plan is designed to reward participants to achieve financial results that produce returns for shareholders. In the year ended 30 June 2019, the STI plan was changed to introduce individual personal goals. Achievement of those goals can act as a modifier (up or down) to the results achieved from financial targets. The financial targets were growth in Group revenue and EBITDA. Altium achieved 100% of Group revenue and 100% of EBITDA targets. Executive Key Management Personnel (KMP) final STI results, allowing for the personal goal modifier, ranged from 100% to 150% of target STI, whilst the weighted average result across all employees was 119% of target STI.

The LTI plan is designed to provide our key employees (known internally as *The Centurions*) to benefit directly from the value created by their long-term through performance rights. From the year ended 30 June 2019, those performance rights were changed from vesting over three years, to vesting in five years subject to fifth year performance. In this first year of plan change, both new key employees added to the plan and existing employees already in the plan, received a 'transition' award that vests over five years subject to performance hurdles each year. In the year ended 30 June 2019, achievement of our LTI plan targets for revenue and earnings per share was 100% of each.

We have also introduced minimum shareholding requirements.

During the year we changed the award for our Executive Directors, who are already significant shareholders in Altium, from equity to cash. Sergiy Kostinsky was elected as an Executive Director during the previous financial year and his Fixed Annual Remuneration was increased in the year ended 30 June 2019 to reflect his added responsibilities.

Key proposed changes to the remuneration framework in 2020

The STI plan structure will remain the same for the year ended 30 June 2020. Personal objectives will be updated and the Group revenue metric will be revised to business unit revenue, for those in non-corporate level roles. The LTI plan will remain as is.

Beyond 2020

At the AGM held in November 2018, a new future incentive plan titled the Altium Ownership Plan (AOP) was introduced. The purpose and mission of Altium is to lead a transformation of the electronics industry from the origination of a product design through to its realisation as a manufactured printed circuit board. If we are successful in the accomplishment of this mission, which will begin to take effect after the Group has achieved dominance in the market for PCB design tools, it will likely mean that the Group will have achieved a substantial increase in its market value. The intent of the AOP will be to allow the key employees who were instrumental in creating that increase in value in the Group to also benefit from it by issuing as much as five percent of the share capital to them.

We appreciate the feedback received throughout the year and look forward to further engagement in the coming year. I invite you to review the full report, and thank you for your interest.

Wendy Stops

HR Committee Chairman

Contents

The remuneration report is presented in US dollars, unless otherwise stated.

1. Introduction

This remuneration report outlines the performance and remuneration of Key Management Personnel (KMP) for the year ended 30 June 2019.

KMP is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors (Executive and Non-executive).

Key Management Personnel

The table below describes Altium's KMP in the year ending 30 June 2019.

Name	Position	Term as KMP
Chairman	KMP who is not an Executive	
Samuel Weiss	Non-executive Chairman	Full term
Non-Executive Directors	KMP who are not Executives	
Raelene Murphy	Non-executive Director	Full term
Lynn Mickleburgh	Non-executive Director	Full term
Wendy Stops	Non-executive Director	Full term
Executive Directors	Executive KMP	
Aram Mirkazemi	Chief Executive Officer (CEO)	Full term
Sergiy Kostynsky	Executive Director	Full term
Other KMP	Executive KMP	
Henry Potts	Chief Sales Officer	Full term
Joseph Bedewi	Chief Financial Officer (CFO)	Full term

There were no changes in KMP since the end of the reporting period and publication of the Annual Report.

2. Remuneration principles and link to business strategy

Our remuneration philosophy is to create long-term ownership for our Executives, and to establish an "Altium First Mindset".

Our remuneration principles guide remuneration design and decision making, and recognise Altium's specific business needs and strategy, and the changing landscape in which we compete. Altium considers the following:

- The majority of our Executives are based in the USA and therefore we need to balance the competitive environment in the US market with the expectations of Australian shareholders.
- Our remuneration framework needs to establish strong commitment from our people to our long-term ambition to transform the electronics industry.
- Transformation requires an increasingly complex organisation structure of Executives with varied responsibilities, who serve a number of different channels, markets, and end users. This requires both a mutual commitment by them to the overall success of the enterprise as well as a differentiated approach to target setting for remuneration to reward individual, as well as, group performance.
- Our employee base is global, and our remuneration framework needs to deal with the complexities of operating in many different countries and to ensure that we are compliant in local legislation.

The diagram below illustrates the link between our remuneration principles, our strategic intent and fixed annual remuneration (FAR), the short-term incentive (STI) plan and the long-term Incentive (LTI) plan.

Our Remuneration Principles and Our Long-Term Vision

Our vision: To become the dominant provider of electronic design tools for the Printed Circuit Board design industry and to transform how electronics products are designed and realised by the financial year 2025. To achieve this vision we need to:

- Attract, motivate and retain high calibre Executives and employees who want to work in a high performance environment
- Reward the creation of long-term shareholder value and achievement of ambitious Group goals
- Provide market specific competitive rewards, while balancing shareholder expectations
- Tailor reward to the unique requirements of the role
- Provide fair and appropriate rewards, in line with Group and individual performance

Fixed annual remuneration	Short-term incentive plan	Long-term incentive plan
• Base salary plus benefits and statutory entitlements • Reviewed annually, with reference to the relevant market benchmark	• Annual performance-based plan • Vesting based on achievement of Group revenue and EBITDA targets, then outcomes modified (up or down) based on achievement of personal goals • Personal goals are determined individually, in line with the requirements of the role • Delivered as cash, following the end of the fiscal year	• Long-term performance-based plan • Vesting based on achievement of Group earnings per share (EPS) and revenue targets • Delivered as Performance Rights, which vest in five years subject to financial performance • New participants receive a transitional award which will vest in annual tranches over the first five years. In future years these participants will revert to the standard award that vests in five years.
Attract top talent in a competitive environment, considering the capability and experience of individual Executives	Recognise the achievement of annual financial, strategic and organisational objectives tailored to the Group and the role	Encourages Key employees to focus on the creation of enduring value for investors, whilst retaining them for the long-term

Mandatory Shareholding Requirement

Key employees in the LTI plan must accumulate Altium shares equal to a percentage of their FAR (determined by level, ranging from 50% to 500%) over a 5 year period from the date they first enter the LTI plan. Refer to section 3 for more information.

3. Executive remuneration framework and overview of incentive plans

The total remuneration package for Executives is a market competitive and position appropriate mix of guaranteed (fixed) and performance-based (variable) remuneration. Total target remuneration is comprised of two key elements:

- Fixed annual remuneration: Including benefits and statutory entitlements
- Variable remuneration: Including a cash-based STI plan and equity-based LTI plan

Remuneration Framework

Key changes to the remuneration framework during the year ended 30 June 2019 include:

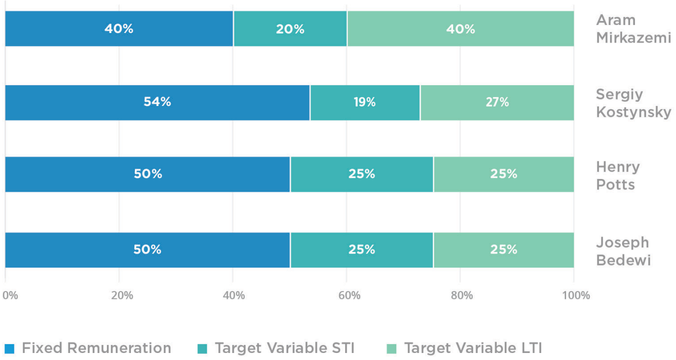
- Inclusion of non-financial personal goals in the STI plan to recognise the individual contribution required to achieve short-term goals, and the cultural and business changes required to achieve long-term goals.
- The number of participants in the LTI plan - *The Centurions* - has been increased to approximately 50 with participants from all regions and all business units of the Group.
- The vesting period for the LTI plan has been extended to five years subject to performance measurement.
- The maximum LTI achievable has been reduced from 150% to 100%
- Introduction of minimum shareholding requirements for key employees in the LTI plan and Non-executive directors.
- Dividend-equivalent payment on unvested LTI rights has been removed

Remuneration mix

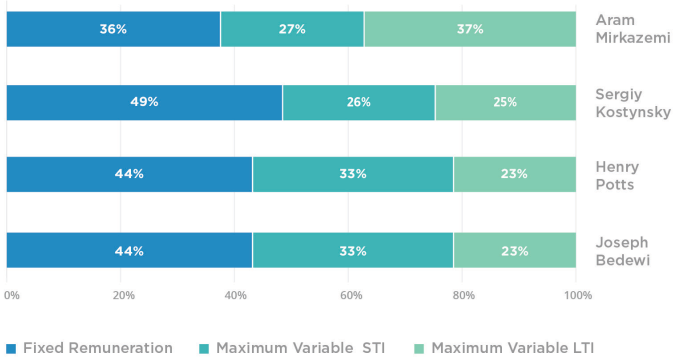
Incentive awards are set at approximately 50% of total remuneration in order to provide a meaningful incentive payment for the successful achievement of both Group and personal goals. The LTI plan is designed to retain key employees whose work is critical for the planning, and implementation of longer term strategic goals for the Group which are ambitious in nature. LTI awards are intentionally designed so that recipients of them share in any increase in the value of the Group that is a result of their individual and collective contribution.

The target mix between variable and fixed remuneration for each Executive is as follows:

Target Remuneration (100% STI, 100% LTI)



Maximum Remuneration (150% STI, 100% LTI)



Fixed Annual Remuneration (FAR)

FAR is a combination of cash and benefits, including statutory entitlements. Retirement benefits are paid in line with local legislation and practice.

Approach to setting fixed annual remuneration

FAR for Executives is set with reference to:

- Local market pay levels for comparable roles
- The individual Executive's skills, experience and contribution (current and potential)
- The size and complexity of the role

While FAR is reviewed annually, there are no guaranteed remuneration increases.

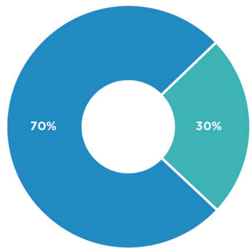
Sergiy Kostinsky was elected as an Executive Director during the previous financial year and his FAR was increased in the year ended 30 June 2019 to reflect his added responsibilities.

Variable remuneration

A summary of the Short-Term Incentive Plan (STI) and Long-Term Incentive (LTI) Plan operated for key employees in 2019 is set out below.

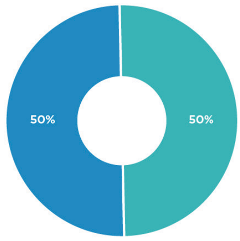
Short-term incentive plan

The table below outlines key features of the 2019 STI plan for key employees.

Design element	Description
The STI plan incentivises the Group to achieve its long held objective to be able to grow in revenue and to grow EBITDA margins. We call this our *"Line and Length"* strategy which has at its heart, the expectation that participants celebrate, endorse and live by the 'power of and' which, in the Altium context, means that the Group can invest for the future and enjoy profitable growth at the same time.	
Purpose	Recognise the achievement of the Group's annual financial, strategic and organisational objectives as well as personal goals tailored to the specific role.
Eligibility	Participation in the STI plan is at the discretion of the Board and is generally driven by the employee's position and ability to impact performance within the Group.
Target / maximum opportunity	Target opportunity is based on a percentage of the Executive's FAR where the percentage is set based on the key employee's potential impact on Group performance. Target STI (100%) is between 36% and 50% of the individual's FAR and the Maximum STI award is 150% of the Target.
Performance metrics (and weightings)	Performance metrics are approved by the Board annually in August. For the year ended 30 June 2019: • 70% of STI is paid for the achievement of Group revenue target • 30% of STI is paid for the achievement of EBITDA margin target • Specific personal goals are established for individual participants based on their role. The overall achievement level for the personal goals can enable the payout level determined by the achievement of the Group revenue and EBITDA targets to be modified up to 150% or down to 0%.  The Board believes that the best way to incentivise behavior to achieve growth in both Group revenue and EBITDA margins is to use them as the principal targets for the STI plan. In the year ended 30 June 2019, the Board has placed a greater focus on revenue to encourage management attention on subscriber growth. Both Group revenue and EBITDA minimum thresholds must be met to receive an award. The minimum award is 50% of target STI, with a linear extrapolation through to 100% target STI. The modifier, as described below, is then applied. Personal goals are established for individual participants based on the key employees position within the Group and related strategic and operational objectives. The rating for an individual's personal goals outcome for the year is used to modify the STI award, either up or down. For example, if a participant fails to achieve his or her individual goals, even if that participant's revenue and EBITDA targets have been achieved, his or her award can be reduced to a level below the target of 100%, theoretically to a level as low as zero. Conversely, the award can be increased from 100% of target up to 150% based on the rating applied to the achievement of personal goals.
Calculation of awards	Calculation is based on achievement of the performance metrics as measured by the annual audited results and manager/CEO assessment of the achievement of individual personal goals.
Award vehicle and timing	The STI is delivered in cash at the end of the performance year (following confirmation of performance outcomes).
Termination and change of control provisions	**Retirement, redundancy, leave by mutual agreement:** • STI awards would generally remain "on foot" (subject to CEO discretion and Board approval) **Termination, resignation:** • STI awards are forfeited • No entitlement to termination payments in the event of termination for misconduct
Malus / Discretion	STI award is subject to Board consideration of the executive's management of risk, involvement in any company reputational matters and malus consideration.

Long-term incentive plan

The table below outlines key features of the 2019 Long-Term Incentive (LTI) plan for key employees.

Design element	Description
The LTI plan is designed to encourage participating employees, *The Altium Centurions*, through both their individual and collective effort and contribution to have an impact on current success whilst creating value for the future. The Group believes that the best way to motivate key employees who create value for shareholders is to enable those individuals to become shareholders themselves so that they benefit from capital appreciation and dividend payments.	
Purpose	Encourages key employees to focus on the creation of enduring value for investors, whilst retaining them for the long-term.
Eligibility	Participants are invited to join the LTI plan every year based upon the recommendation of the CEO, Human Resources Committee and at the discretion of the Board. An invitation in one year does not commit the Group to invite participants in future years.
Target / Maximum	Target opportunity is calculated based on a percentage of the employee's FAR. The percentage is set based on an assessment of the employee's future potential impact and retention value. The target and maximum LTI award is 100% of the target opportunity.
Performance Metrics (and weightings)	• 50% of LTI vests based on the achievement of the Earnings per Share target • 50% of LTI vests based on the achievement of the Group revenue target 
Calculation of the award	Calculation is based on the achievement of the performance metrics as measured by the audited annual results.
Award vehicle and vesting	The award is delivered in Performance Rights. Each Performance Right is a contractual right which entitles the holder to be allocated one fully paid ordinary share in Altium at no cost upon the Performance Right becoming a vested Performance Right in accordance with the performance metrics being met in the year of vesting. The vesting period is 5 years from the year of award. Those entering the LTI plan for the first time will receive an award delivered in Performance Rights subject to meeting performance conditions tested in each year for a period of 5 years. Vesting is approximately applied as follows: • Year 1 -15% • Year 2 - 15% • Year 3 - 20% • Year 4 - 20% • Year 5 – 30% In the year ended 30 June 2019, a similar approach was also applied to all key employees in the LTI plan as a transition from the previous plan that vested over 3 years, to the new plan that vests in the 5th year, with vestings varying by individual.
Termination and change of control provisions	**Retirement, redundancy, leave by mutual agreement:** • LTI awards may remain "on foot" (subject to CEO discretion, Board approval and performance conditions being met) **Termination, resignation:** • All unvested awards are forfeited • No entitlement to termination payments in the event of termination for misconduct
Discretion / malus	LTI award is subject to Board consideration of the employee's management of risk, involvement in any company reputational matters and malus consideration.

Aram Mirkazemi and Sergiy Kostinsky are significant shareholders of Altium Limited shares and well above their minimum shareholding requirements. The board in its discretion approved their new LTI grant for the year ended 30 June 19 to be paid in cash. The grants were made under the Performance Rights Plan.

Performance Rights Plan

The Performance Rights Plan was designed to provide "ownership" incentives for Executives to build a Group with the ability to appreciate in value and to increase its ability to deliver revenue and margin growth and higher earnings over time.

Upon the performance conditions being satisfied the Performance Rights vested in three approximately equal tranches following the end of the financial year with no retesting of performance metrics. The 2018 plan was assessed based on EPS. The final year of vesting under this plan will be in the year ending 30 June 2021.

Minimum shareholding requirements

Altium has a policy to align the interests of its directors and key employees with those of its shareholders. All key employees participating in the LTI plan and all Non-executive Directors are required to reach, and then maintain a minimum shareholding requirement over a period of time.

The minimum shareholding requirement must be met within five years from the date of inclusion in the LTI plan or date of appointment for Non-executive Directors.

Participants are not permitted to sell or transfer shares if the minimum shareholding requirement is not met, with the exception of the need to sell to meet vesting tax requirements, and subject to Board approval.

The minimum shareholdings level is determined as a percentage of base remuneration (FAR) as follows:

Employee level	% of Base Remuneration
Non-executive Directors	200%
CEO	500%
Level 4 Executive	500%
Level 3 Executive	300%
Level 2 Executive	100%
Level 1 Executive	50%

Additional details of the minimum shareholding can be found in Section 8.

4. Link between Group performance and remuneration outcomes

The Altium Remuneration Framework is designed to align key employee remuneration to shareholder returns (in the form of capital appreciation and dividends). The table below shows the Group performance on key financial results and performance metrics over the last five years.

Altium's remuneration strategy has evolved over the past seven years and we believe that it is linked intrinsically to the success of the Group. Strong payout results for STI and LTI have reflected the strong financial performance of the Group. In addition, STI and LTI hurdles have changed over time to better reflect what is most important for Group growth.

	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000	2015 US$'000
Revenue	171,819	140,176	110,865	93,597	80,216
EBITDA	62,721	44,869	33,254	27,430	22,697
EPS	40.57	28.86	21.70	17.89	12.47[1]
Profit for the year	52,893	37,489	28,077	23,020	15,398[1]
Dividend declared - AU cents	34	27	23	20	16
Share price - AU$	34.2	22.51	8.57	6.46	4.43
STI Achievement	100% - 150%[2]	131%	103%	97%	63%
STI performance hurdles	70% Revenue 30% EBITDA	50% Revenue 50% EBITDA	70% Revenue 30% EBITDA	50% Revenue 50% EBITDA	Different metrics related to subscriber growth, EPS and Product development
LTI Achievement	100%	100%	100%	100%	50%
LTI performance hurdles	50% Revenue 50% EPS	EPS	EPS	EPS	50% Subscriber growth 50% EPS

[1] Normalised EPS and Profit for the year excludes deferred tax asset of US$77 million recognised on the transfer of core business assets to the USA.

[2] The maximum STI payable based on the above performance hurdles is 100%, however based on achievement of individual personal goals, the overall achievement level may be modified up to 150% or down to 0%.

Actual remuneration received in the year ended 30 June 2019

The following table sets out the actual value of the remuneration received by Executive KMP members during the year.

The figures in this table are different from those shown in the accounting table in Section 8 which includes an apportioned accounting value for all unvested STI and LTI grants during the year (some of which remain subject to the satisfaction of performance and service conditions and may not ultimately vest). The table below, on the other hand, shows the:

- STI payments to be made in recognition of performance during the year ended 30 June 2019 (with payments made after the audit result release);
- LTI: the value of equity grants that vested during the year ended 30 June 2019. Refer to section 8 for details of which grants vested in the year ended 30 June 2019. The value has been calculated using the share price at the date of vesting multiplied by the rights vested.

		Short-term Benefits			Long-term Benefits (Value at vesting date)		
Executive KMP	Financial year	Cash salary US$	STI US$	Non-monetary US$	LTI US$	Share grant US$	Total US$
Aram Mirkazemi	2019	500,000	375,000	50,464	2,128,725		3,054,189
	2018	500,000	327,276	28,539	1,038,027		1,893,842
Sergiy Kostynsky[1]	2019	350,000	162,500	41,001	514,170		1,067,671
	2018[1]	125,000	163,638	14,285	221,764		524,687
Henry Potts[2]	2019	425,000	233,750	96,062	1,074,097	1,574,189	3,403,098
	2018	1,375,000	278,185	70,459	350,059		2,073,703
Joe Bedewi[3]	2019	360,000	180,000	46,135	329,009		915,144
	2018	360,000	235,639	43,952	71,056	653,658[3]	1,364,305

[1] Sergiy Kostynsky was appointed as KMP on 1 January 2018 when he became an Executive Director, cash salary is included from the position start date and the STI and LTI are not prorated.

[2] Henry Potts received a cash award of $950,000 in the year ended 30 June 2018 and a grant of 100,000 shares in the year ended 30 June 2019. These were part of an agreement to award 400,000 shares (or cash equivalent) which was made to Henry at the time of his appointment, and was subject to time and performance conditions. The performance conditions had a high level of uncertainty at the time of appointment, and consequently the awards were granted annually at the discretion of the Board.

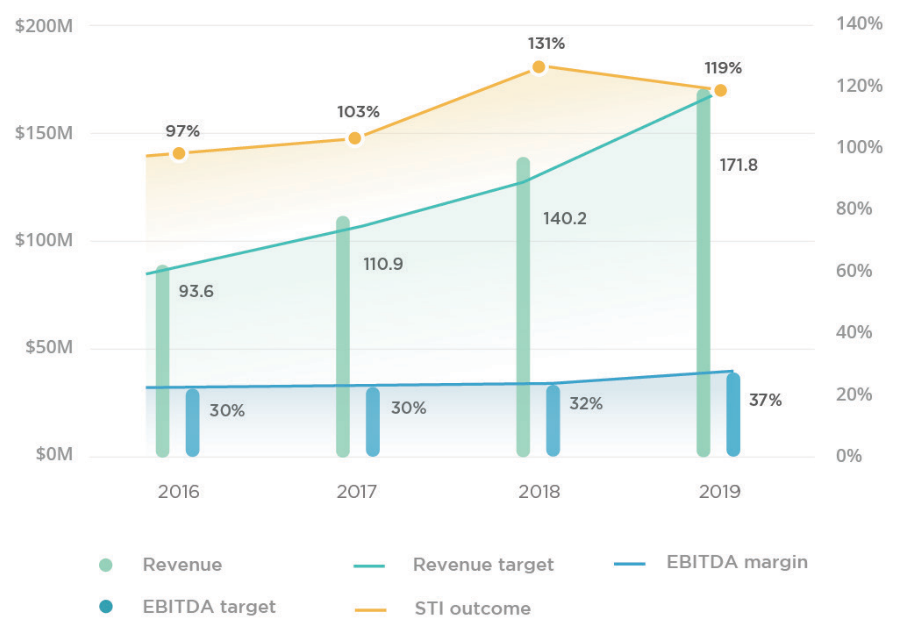
[3] Joe Bedewi received a share grant in the year ended 30 June 2018 of 40,000 shares. This was part of an agreement to award 200,000 shares (or cash equivalent) which was made to Joe at the time of his appointment, and was subject to time and performance conditions. The performance conditions had a high level of uncertainty at the time of appointment, and consequently, the award was granted annually at the discretion of the Board.

Short-term incentive outcomes

For the year ended 30 June 2019, performance was assessed on Group revenue, EBITDA and specific personal goals for each key employee.

Performance metric	50% award (Minimum STI)	100% award (Target STI)	30 June 2019 Result	30 June 2019 Achievement
Revenue 70%	US$168 million	US$170 million	US$171.8 million	100%
EBITDA 30%	35.0%	36.5%	36.5%	100%
Personal Goals	The overall achievement level can be assessed in the range of 0% to 150% and will act as a modifier of the payout level determined for the Revenue and EBITDA		KMP achieved their personal goals to varying degrees	Range of 100% to 150%

Weighted average STI outcome relative to Revenue and EBITDA



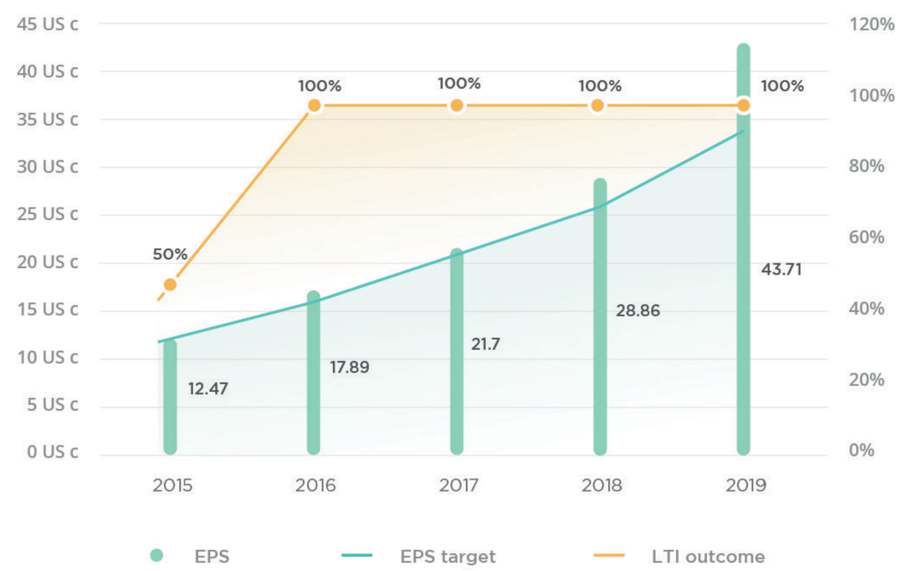
2015 was excluded from the above as the targets were based on subscriber growth and EPS.

Long-term incentive outcomes

For the year ended 30 June 2019, performance was assessed on earnings per share and revenue. Refer to section 8 for details of LTI that vested for each individual during the year ended 30 June 2019.

	50% award (Minimum LTI)	100% award (Target/Max LTI)	30 June 2019 Result	30 June 2019 Achievement
Revenue 50%	US$159.8 million	US$168.2 million	US$171.8 million	100%
EPS 50%	32.9 US cents	34.6 US cents	40.57 US cents	100%

LTI outcome relative to EPS



Revenue was only included as a target in the year ended 30 June 2019 and therefore not included in the above graph.

5. Remuneration governance

Altium has a robust remuneration governance structure, with a separate HR Committee to support the Board in effectively overseeing the remuneration strategy, policies and practices.

All Non-executive Directors attend all Board and committee meetings. As such, members of the HR Committee are fully across any issues or discussions arising during the Audit and Risk Management Committee meetings, and vice versa, enabling a comprehensive assessment of any relevant risk considerations in remuneration decision making.

Board

Oversees remuneration strategy, policies and practices

with advice from:

HR Committee

- Advises the Board on remuneration strategy, policies and practices for the Board, the CEO and Executive Team
- Comprised of four independent directors

to:

- Review and recommend to the Board changes to variable remuneration plans, including consideration of performance thresholds
- Review and recommend to the Board the STI related personal goals for the CEO and KMPs
- Review and recommend to the Board performance and remuneration outcomes for the CEO and Executive team (including incentive payments and awards/vesting)
- Review and recommend to the Board changes to the NED fees
- Review and recommend to the Board the mandatory shareholding policy and its application

The Committee will have the appropriate resources to discharge its duties and responsibilities, including engaging counsel or other experts as it considers appropriate. This may include making requests to management or engaging external remuneration consultants to provide information and guidance.

6. Executive service agreements

Remuneration and other terms of employment for KMP are formalised in service agreements.

Service agreement terms	
Term of agreement	Open agreement with no fixed terms
Notice	CEO has 2 weeks notice and the remaining KMP are at will employed
Severance	Severance would be paid in accordance with local legislation
Sign-on or termination payment	None paid in 2019

7. Non-executive Director remuneration

Non-executive Directors (NEDs) receive fixed remuneration by way of cash fees. No NED participates in any incentive plan.

NED fees reflect the demands made of, and the responsibilities and skills of the NEDs.

NED fees are recommended by the HR Committee and determined by the Board, within the maximum amount of cash salary approved by the shareholders from time to time. The maximum NED fee pool is AU$1,500,000 per annum, and was last approved in a general meeting on 17 November 2015.

All NEDs have open agreements with no fixed term and are subject to shareholder re-election every three years.

The following table outlines the base NED fees and committee fee policy as at 30 June 2019 and 30 June 2018. Fees are inclusive of statutory superannuation. The Chairman does not receive separate committee fees.

Board / Committee	Chairman US$	Member US$
Board	$285,000	$120,000
Audit and Risk Management Committee	$18,750	$11,250
HR Committee	$18,750	$11,250

Table outlining the statutory remuneration for NEDs in the year ended 30 June 19 and 30 June 2018.

Non-executive Director	Financial year	Board and Committee Fees US$	Post employment benefit US$	Board and Committee Fees US$
Samuel Weiss	2019	260,274	24,726	285,000
	2018	260,274	24,726	285,000
Raelene Murphy	2019	150,000		150,000
	2018	150,000		150,000
Lynn Mickleburgh	2019	142,500		142,500
	2018	142,500		142,500
Wendy Stops*	2019	136,986	13,014	150,000
	2018	57,078	5,422	62,500

*Wendy Stops joined the Board on 1st February 2018

NED minimum shareholding requirements

Altium introduced a minimum shareholding requirement for NEDs during the year ended 30 June 19. Within five years of appointment, a NED is expected to hold a minimum shareholding of Altium shares equivalent to 200% of annual fees. The shares may be held personally, within a self managed superfund or by a family trust.

8. Additional statutory disclosure

Statutory remuneration

The remuneration presented in the section below is in accordance with statutory requirements and accounting standards. This includes remuneration costs in relation to both the 2018 and 2019 financial years. The tables are different from the remuneration outcomes table in section 4, which shows the remuneration received in the year ended 30 June 2019 rather than the accrual accounting amounts determined in accordance with the Australian Accounting Standards.

Table outlining the statutory remuneration for Executive KMP in the year ended 30 June 19 and 30 June 2018:

		Short-term Benefits			Long-term Benefits		
Executive KMP	Financial Year	Cash salary US$	STI US$	Non-monetary US$	LTI US$	Share Grant US$	Total US$
Aram Mirkazemi	2019	500,000	375,000	50,464	512,948		1,438,412
	2018	500,000	327,276	28,539	717,142		1,572,957
Sergiy Kostynsky[1]	2019	350,000	162,500	41,001	143,388		696,889
	2018[1]	125,000	163,638	14,285	145,077		448,000
Henry Potts[2]	2019	425,000	233,750	96,062	261,639	2,176,221	3,192,672
	2018[2]	1,375,000	278,185	70,459	269,689		1,993,333
Joe Bedewi[3]	2019	360,000	180,000	46,135	164,781	671,070	1,421,985
	2018	360,000	235,639	43,952	206,035	653,658	1,499,284

[1] Sergiy Kostynsky was appointed as KMP on 1 January 2018 when he became an Executive Director, cash salary is included from the position start date and the STI and LTI are not prorated.

[2] Henry Potts received a cash award of $950,000 in the year ended 30 June 2018 in lieu of shares, a grant of 100,000 shares in the year ended 30 June 2019 and 100,000 were granted that will vest in the year ending 30 June 2020. These were part of an agreement to award 400,000 shares (or cash equivalent) which was made to Henry at the time of his appointment, and was subject to time and performance conditions. The performance conditions had a high level of uncertainty at the time of appointment, and consequently the awards were granted annually at the discretion of the Board.

[3] Joe Bedewi received a share grant in the year ended 30 June 2018 of 40,000 shares. This was part of an agreement to award 200,000 shares (or cash equivalent) which was made to Joe at the time of his appointment, and was subject to time and performance conditions. The remaining 120,000 shares have been granted and will vest over the next 3 years. The performance conditions had a high level of uncertainty at the time of appointment, and consequently, the award was granted annually at the discretion of the Board.

Performance rights and movements held by KMP

The following table summarises performance rights granted and vested for the financial years 2019 and 2018 and provides a reconciliation of performance rights awarded under the LTI plan and performance rights plan that are not yet vested. Vested and transferred rights for 2019 relate to grants made in the financial years ended 30 June 2016, 2017 and 2018.

Name	Financial Year	Balance of unvested performance rights at the beginning of year	Granted during year	Vested and transferred	Balance of unvested performance rights at the end of year
Aram Mirkazemi	2019	161,635	-[3]	(104,861)	56,774
	2018	285,297	50,050	(173,712)	161,635
Sergiy Kostynsky	2019	41,590	-[3]	(25,328)	16,261
	2018	61,745	15,645	(35,800)	41,590
Henry Potts	2019	80,553	251,751[1]	(152,910)	179,394
	2018	98,130	26,596	(44,173)	80,553
Joseph Bedewi	2019	39,622	147,397[2]	(16,207)	170,813
	2018	25,900	62,528	(48,806)	39,622

[1] Henry Potts received a cash award of $950,000 in the year ended 30 June 2018 in lieu of shares, a grant of 100,000 shares in the year ended 30 June 2019 and 100,000 were granted that will vest in the year ending 30 June 2020. These were part of an agreement to award 400,000 shares (or cash equivalent) which was made to Henry at the time of his appointment, and was subject to time and performance conditions. The performance conditions had a high level of uncertainty at the time of appointment, and consequently the awards were granted annually at the discretion of the Board.

[2] Joe Bedewi received a share grant in the year ended 30 June 2018 of 40,000 shares. This was part of an agreement to award 200,000 shares (or cash equivalent) which was made to Joe at the time of his appointment, and was subject to time and performance conditions. The remaining 120,000 shares have been granted and will vest over the next 3 years. The performance conditions had a high level of uncertainty at the time of appointment, and consequently, the award was granted annually at the discretion of the Board.

[3] Aram Mirkazemi and Sergiy Kostinsky are significant shareholders of Altium Limited shares and well above their minimum shareholding requirements. The board in its discretion approved their new LTI grant for the year ended 30 June 19 to be paid in cash.

The fair value of shares granted in the year ended 30 June 2019 was US$15.74. No shares were forfeited during the year ended 30 June 2019 and 30 June 2018.

Values of performance rights over ordinary shares vested for directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Year granted	Number of rights vested	Value of rights vested at vesting date US$
Aram Mirkazemi	2018	17,017	345,453
	2017	23,741	481,953
	2016	64,103	1,301,319
Sergiy Kostynsky	2018	5,319	107,978
	2017	5,935	120,484
	2016	14,074	285,708
Henry Potts	2019	100,000	1,574,189
	2018	9,043	183,577
	2017	10,090	204,832
	2016	33,777	685,688
Joseph Bedewi	2018	7,660	155,501
	2017	8,547	173,508

Holdings and movements in shares held by KMP

The number of shares in the Group held during the financial year by key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the beginning of the year	Received as part of remuneration	Purchase of shares	Disposals/other	Balance at the end of the year
Samuel Weiss	1,940,207			(40,000)	1,900,207
Raelene Murphy	7,791		1,000		8,791
Lynn Mickleburgh	11,600		6,800		18,400
Wendy Stops	40,000		5,000		45,000
Aram Mirkazemi	9,613,543	104,860	-	(200,000)	9,518,403
Sergiy Kostynsky	2,652,468	25,328	-	(275,328)	2,402,468
Henry Potts	-	152,910	-	(102,910)	50,000
Joseph Bedewi	-	16,207	-	(16,207)	-

Minimum shareholding requirements

Details of current minimum shareholdings is set out below:

	Minimum shareholding requirement (% of total fees)	Current shareholding (% of total fees)	Status
Samuel Weiss	200%	16,007%	Meets
Raelene Murphy	200%	141%	Date to meet 21 September 2021
Lynn Mickleburgh	200%	310%	Meets
Wendy Stops	200%	720%	Meets
Aram Mirkazemi	500%	45,703%	Meets
Sergiy Kostynsky	500%	16,479%	Meets
Henry Potts	500%	282%	Date to meet 15 December 2023
Joseph Bedewi	300%	0%	Date to meet 15 December 2023

External remuneration consultants

During the year ended 30 June 2019, Altium made use of external remuneration consultants. No recommendations in relation to KMP remuneration were provided during the year.

All advice received by remuneration consultants are carefully considered by the Human Resources committee. The committee is satisfied that all advice received from remuneration consultants has been given free of undue influence by KMP.

Loans to directors and executives

There are no loans to Directors and executives for the years ended 30 June 2019 and 30 June 2018.

Indemnity and insurance of officers

During the year the group paid a premium of US$386,241 (2018: US$288,182) to insure the Directors and officers of Altium Limited and its subsidiaries. The liabilities insured are legal costs and other expenses that may be incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors or officers of the group.

Proceedings on behalf of the company

No proceedings have been brought or intervened in on behalf of the company with leave of the court under Section 237 of the Corporations Act 2001.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Officers of the company who are former partners of PricewaterhouseCoopers

There are no officers of the company who are former partners of PricewaterhouseCoopers.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Aram Mirkazemi
Director and Chief Executive Officer

Sam Weiss
Non-executive Chairman

19 August 2019
Sydney

Auditor's Independence Declaration

As lead auditor for the audit of Altium Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Altium Limited and the entities it controlled during the period.

Eliza Penny
Partner
PricewaterhouseCoopers

Sydney
19 August 2019

PricewaterhouseCoopers, ABN 52 780 433 757

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Contents

General information

The financial report covers Altium Limited as a consolidated entity consisting of Altium Limited and the entities it controlled. The financial report is presented in US dollars, which is Altium Limited's functional and presentation currency.

Altium Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 3, Level 6
Tower B, The Zenith
821 Pacific Highway
Chatswood NSW 2067
Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 19 August 2019. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, Altium has ensured that its corporate reporting is timely, complete and available globally at minimum cost to the company. All press releases, financial reports and other information are available at the investors section on the Altium website: www.altium.com. For queries in relation to Altium's reporting, please email investor.relations@altium.com.

	Note	Consolidated 2019 US$000	Consolidated 2018 US$000
Revenue	**3**	**172,752**	**140,368**
Expenses			
Employee benefits expense		(70,581)	(63,437)
Share based payments	32	(6,943)	(2,371)
Depreciation and amortisation expense	9 &10	(5,842)	(5,296)
Rental and occupancy expense	4	(5,095)	(4,254)
Marketing expense		(5,038)	(3,516)
Software and equipment expense		(5,026)	(4,333)
Travel expense		(4,857)	(4,463)
Communication expense		(3,511)	(2,679)
Professional advice expense	4	(3,350)	(2,770)
Re-measurement of contingent consideration		55	(4,387)
Finance costs	4	(200)	(62)
Net foreign exchange gain		119	335
Other expenses		(4,871)	(3,432)
Profit before income tax expense		**57,612**	**39,703**
Income tax expense	5	(4,719)	(2,214)
Profit after income tax expense for the year attributable to the owners of Altium Limited	**20**	**52,893**	**37,489**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(349)	(1,136)
Other comprehensive income for the year, net of tax		(349)	(1,136)
Total comprehensive income for the year attributable to the owners of Altium Limited		**52,544**	**36,353**
		Cents	Cents
Basic earnings per share	31	40.57	28.86
Diluted earnings per share	31	40.39	28.80

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

		Consolidated	
	Note	2019 US$000	2018 US$000
Assets			
Current assets			
Cash and cash equivalents	6	80,531	52,459
Trade and other receivables	7	45,833	38,799
Inventories		754	-
Tax receivables		1,498	984
Other assets		2,856	3,187
Total current assets		**131,472**	**95,429**
Non-current assets			
Trade and other receivables	8	2,285	1,662
Property, plant and equipment	9	7,762	5,712
Intangible assets	10	51,534	49,068
Deferred tax assets	11	84,873	82,120
Total non-current assets		**146,454**	**138,562**
Total assets		**277,926**	**233,991**
Liabilities			
Current liabilities			
Trade and other payables	12	16,278	12,147
Tax liabilities		5,705	772
Provisions	13	2,109	6,784
Deferred revenue	15	48,277	43,989
Total current liabilities		**72,369**	**63,692**
Non-current liabilities			
Deferred revenue		6,875	6,035
Provisions	14	6,407	3,974
Deferred tax liability	16	5,833	5,566
Other liabilities	17	1,884	2,098
Total non-current liabilities		**20,999**	**17,673**
Total liabilities		**93,368**	**81,365**
Net assets		**184,558**	**152,626**
Equity			
Contributed equity	18	126,058	125,635
Reserves	19	19,079	12,625
Retained profits	20	39,421	14,366
Total equity		**184,558**	**152,626**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated	Contributed Equity US$'000	Reserves US$'000	Retained Profit US$'000	Total equity US$'000
Balance at 1 July 2017	125,177	12,275	2,510	139,962
Profit after income tax expense for the year	-	-	37,489	37,489
Other comprehensive income for the year, net of tax	-	(1,136)	-	(1,136)
Total comprehensive income for the year	**-**	**(1,136)**	**37,489**	**36,353**
Transactions with owners in their capacity as owners:				
Share-based payments (note 32)	-	1,486	-	1,486
Shares issued on acquisition of Upverter Inc, net of transaction costs	458	-	-	458
Dividends paid (note 21)	-	-	(25,633)	(25,633)
Balance at 30 June 2018	**125,635**	**12,625**	**14,366**	**152,626**

Consolidated	Contributed Equity US$'000	Reserves US$'000	Retained Profit US$'000	Total equity US$'000
Balance at 1 July 2018	125,635	12,625	14,366	152,626
Adjustment for change in accounting policy (note 3-AASB15)	-	-	290	290
Balance at 1 July 2018 - restated	125,635	12,625	14,656	152,916
Profit after income tax expense for the year	-	-	52,893	52,893
Other comprehensive income for the year, net of tax	-	(349)	-	(349)
Total comprehensive income for the year	**-**	**(349)**	**52,893**	**52,544**
Transactions with owners in their capacity as owners:				
Share-based payments (note 32)	-	6,803	-	6,803
Shares issued on acquisition of Upverter Inc, net of transaction costs	423	-	-	423
Dividends paid (note 21)	-	-	(28,128)	(28,128)
Balance at 30 June 2019	**126,058**	**19,079**	**39,421**	**184,558**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Note	Consolidated 2019 US$000	Consolidated 2018 US$000
Cash flows from operating activities			
Receipts from customers (inclusive of tax)		178,215	147,685
Payments to suppliers and employees (inclusive of tax)		(106,819)	(96,578)
Payment for expenses relating to acquisitions		(244)	(572)
		71,152	50,535
Interest received		933	192
Interest and other finance costs paid		(1)	(2)
Net income taxes paid		(3,018)	(2,243)
Net cash from operating activities	30	**69,066**	**48,482**
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	28	(2,421)	(3,681)
Payments on contingent and deferred considerations		(5,471)	(7,455)
Payments for property, plant and equipment	9	(5,095)	(2,824)
Payments for intangibles	10	(17)	(748)
Net cash used in investing activities		**(13,004)**	**(14,708)**
Cash flows from financing activities			
Dividends paid	21	(28,128)	(25,633)
Repayment of borrowings		(7)	(9)
Net cash used in financing activities		**(28,135)**	**(25,642)**
Net increase in cash and cash equivalents		27,927	8,132
Cash and cash equivalents at the beginning of the financial year		52,459	44,273
Effects of exchange rate changes on cash and cash equivalents		145	54
Cash and cash equivalents at the end of the financial year	6	**80,531**	**52,459**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following new accounting standard has been published and it is not mandatory for the 30 June 2019 reporting period and has not been early adopted by the group. The group's assessment of the impact of the new standard is set out below. The date of adoption by the group will be 1 July 2019.

AASB 16 Leases

AASB16 *Leases* is applicable to the Group from 1 July 2019. It requires a lessee to recognise all qualifying leases on the balance sheet in the form of a lease liability and right-of-use asset. The new standard mainly impacts property leases where the group has offices.

The straight-line operating lease expense under AASB 117 *Leases* will be replaced by depreciation of the right to use asset and interest on the lease liability.

The Group will adopt the following approach and practical expedients:

- the modified retrospective approach will be used on transition. Therefore the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained profits at 1 July 2019, with no restatement of comparative information;
- the right-of-use asset will be measured at an amount equal to the lease liability;
- the use of hindsight will be applied when reviewing lease terms under the retrospective option;
- rely on previous assessments on whether leases are onerous;
- optional exemptions for short-term (less than 12 months) and low-value assets will be applied; and
- a single discount rate will be applied to a portfolio of leases with reasonably similar characteristics.

Impact on the consolidated statement of financial position at 1 July 2019

	US$
New lease liability	13-15 million
Right-of-use asset	13-15 million
Leasehold Improvement	1-2 million
Other payables	1-2 million
Retained profits	0-1 million

The weighted average incremental borrowing rate applied to the Group's lease liabilities is 4%.

A lease accounting system has been implemented which will be used to account for the Group's leases on transition and going forward.

In future periods, EBITDA will increase as the operating lease cost was charged against EBITDA whereas under AASB 16 the charge will be included in depreciation and interest, which are excluded from EBITDA (although included in net earnings). Short-term leasing costs, low value asset and non-lease components will continue to be charged against EBITDA.

The consolidated cash flow statement will also be impacted. Operating cash flows will increase under AASB 16 as the element of cash paid attributable to the repayment of principal will be included in financing cash flows. The net increase/decrease in cash and cash equivalents will remain the same.

The Group's activities as a lessor are not material therefore no significant impact is expected.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Altium Limited is a for-profit entity for the purpose of preparing the financial statements

Compliance with IFRS

The consolidated financial statements of the Altium Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Comparative information

Comparative information is reclassified where appropriate to enhance comparability.

Functional currency

Altium Limited has selected US dollars as its functional and presentation currency.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Altium Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Altium Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Employee Share Trust

The group has formed a trust to administer the group's employee share scheme and it is managed by CPU Share Plans Pty Limited. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the group.

Shares held by the Altium Limited Employee Share and Option Plan Trust Deed are disclosed as treasury shares and deducted from contributed equity.

Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into US dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into US dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold a proportionate share of such exchange difference is reclassified to profit and loss, as part of the gain or loss on sale where applicable.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Goods and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated tax, unless the tax incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of tax receivable or payable. The net amount of tax recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The tax components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of tax recoverable from, or payable to, the tax authority.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 2. Operating segments

Description of segments

Management has determined the operating segments based on the reports used by the Board and executive team to make strategic decisions and review operational performance.

The Board and Executive Team consider the financial performance of the business based on product types and the overall economic characteristics of industries in which the Group operates and, as such, have identified the following operating segments:

Reportable Segments	Principal Activities
Board and Systems	Includes results from PCB business for the Americas, EMEA, China and Asia Pacific, Altium Nexus as well as other products sold through partner channels
Microcontrollers and Embedded Systems (previously named Electronic System Solutions)	Includes results from TASKING sales, operations and research and development
Electronic Parts, Search and Discovery business (previously named Cloud Applications)	Includes the results from Octopart and Upverter

The Board and Executive Team continue to consider the financial position of the business from a geographical perspective and as such the assets and liabilities of the group are presented by geographical region for both year ended 30 June 2019 and the comparative period.

Segment performance is evaluated based on earnings before interest expense, tax expense, depreciation and amortisation (EBITDA). Segment sales represent invoiced sales. These are subsequently adjusted for the deferred component which is recognised over the service period to arrive at revenue. Revenue is management's key metric in understanding the results by segment.

Intersegment transactions

Transactions between segments are excluded from the segment information and do not form part of the reports used by the Board and Executive team.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Operating segment information

Consolidated statement of Financial performance 30 June 2019	Boards and Systems US$'000	Microcontrollers and Embedded Systems US$'000	Electronic Parts, Search and Discovery business US$'000	Corporate US$'000	Total US$'000
Revenue					
Segment sales	137,165	22,102	17,948	-	177,215
Net adjustment for deferred revenue recognition	(3,151)	(2,245)		-	(5,396)
Interest income	-	-	-	933	933
Total revenue	**134,014**	**19,857**	**17,948**	**933**	**172,752**
EBITDA	**66,959**	**13,944**	**10,845**	**(29,027)**	**62,721**
Depreciation and amortisation					(5,842)
Net interest					733
Profit before income tax expense					**57,612**
Income tax expense					(4,719)
Profit after income tax expense					**52,893**

Consolidated statement of Financial performance 30 June 2018	Boards and Systems US$'000	Microcontrollers and Embedded Systems US$'000	Electronic Parts, Search and Discovery business US$'000	Corporate US$'000	Total US$'000
Revenue					
Segment sales	112,667	19,862	12,012	-	144,541
Net adjustment for deferred revenue recognition	(3,861)	(504)	-	-	(4,365)
Interest income	-	-	-	192	192
Total revenue	**108,806**	**19,358**	**12,012**	**192**	**140,368**
EBITDA	**83,808**	**7,601**	**3,789**	**(50,329)**	**44,869**
Depreciation and amortisation					(5,296)
Net interest					130
Profit before income tax expense					**39,703**
Income tax expense					(2,214)
Profit after income tax expense					**37,489**

30 June 2019 Consolidated statement of Financial position	Americas US$'000	EMEA US$'000	China US$'000	Asia Pacific US$'000	Corporate US$'000	Total US$'000
Revenue	77,328	62,429	21,407	10,655	933	172,752
Assets						
Segment assets	45,090	33,934	9,886	8,957	93,688	191,555
Unallocated assets:						
Deferred tax asset						84,873
Income tax receivables						1,498
Total assets						**277,926**
Liabilities						
Segment liabilities	31,635	30,248	4,639	7,157	8,138	81,817
Unallocated liabilities:						
Provision for income tax						5,705
Deferred tax liability						5,833
Borrowings						13
Total liabilities						**93,368**

30 June 2018 Consolidated statement of Financial position	Americas US$'000	EMEA US$'000	China US$'000	Asia Pacific US$'000	Corporate US$'000	Total US$'000
Revenue	63,686	47,811	18,766	9,913	192	140,368
Assets						
Segment assets	37,562	25,609	6,909	6,469	74,338	150,887
Unallocated assets:						
Deferred tax asset						82,120
Income tax receivables						984
Total assets						**233,991**
Liabilities						
Segment liabilities	28,974	25,624	3,327	4,927	12,162	75,014
Unallocated liabilities:						
Provision for income tax						772
Deferred tax liability						5,566
Borrowings						13
Total liabilities						**81,365**

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 3. Revenue

	Consolidated	
	2019 US$000	2018 US$000
Software license revenue	82,575	64,420
Subscription and maintenance revenue	64,955	56,996
Search advertising revenue	17,940	11,968
Service revenue	3,655	5,532
Other revenue	2,694	1,260
	171,819	**140,176**
Interest income	933	192
Revenue	**172,752**	**140,368**

Accounting policy for revenue recognition

AASB 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining the quantum and timing of revenue recognition. The AASB equivalent of IFRS 15 Revenue from Contract with Customers replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – either over time or at a point in time – depending on when performance obligations are satisfied.

The Group has applied the new standard on 1 July 2018 using the modified retrospective approach with changes reflected in opening retained profits. The application of the standard did not result in a significant change to the recognition of revenue compared to the previous accounting policy for revenue.

Altium has one performance obligation for each of the revenue streams listed below and has applied the following revenue recognition methods:

1. *Software licenses:* Revenue is recognised at a point in time when license activation is available to the user.

2. *Subscription and maintenance:* Revenue is deferred and is subsequently recognised over the period in which the subscription service is provided. As the billing structure for customers is often bundled with licenses and billed on activation, there is an allocation methodology applied based on stand-alone selling prices to calculate the portion of revenue to be deferred.

3. *Search advertising:* Revenue is recognised at a point in time on a price-per-click basis, this is when a user engages with the search result on the website by clicking on it.

4. *Services revenue:* Revenue from providing services is recognised over the period in which the services are rendered. Services include training and implementation services.

5. *Other revenue - Royalties:* Royalties related to IP are recognised at a point in time when the subsequent sales occurs.

6. *Interest income:* Revenue is recognised on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the assets net carrying amount.

Impact on opening retained profits

For incremental costs incurred in obtaining a contract, such as sales commissions, Altium has chosen to apply the practical expedient available under the standard which permits immediate expensing when the underlying asset is amortised in one year or less, given subscription periods are typically for a 12 month period.

Where revenue is deferred for more than 12 months and an upfront commission has been paid, the commission is capitalised and amortised over the period the revenue is recognised. Altium had US$6 million in long-term deferred revenue as at 30 June 2018 which resulted in an adjustment of US$0.3 million to opening retained profits on adoption of the standard.

Altium had US$6.9 million in long-term deferred revenue as at June 2019 which resulted in an adjustment of US$ 0.2 million to capitalise commissions.

Critical accounting judgements, estimates and assumptions

Revenue for multiple element contracts is allocated based on stand-alone selling prices and then recognised revenue according to the accounting policy for each revenue stream.

Note 4. Expenses

	Consolidated	
	2019 US$000	2018 US$000
Profit before income tax includes the following specific expenses:		
Included in professional advice expense		
Costs associated with acquisitions	**244**	**572**
Finance costs		
Interest and finance charges paid/payable	1	2
Unwinding of the discount on provisions	199	60
Finance costs expensed	**200**	**62**
Operating leases included in income statement		
Office rent	4,339	3,538
Equipment	12	16
Motor vehicle	51	96
Total expense relating to operating leases	**4,402**	**3,650**
Post-employment benefits		
Post-employment benefits: defined contribution	**2,169**	**1,870**
Research and development costs expensed		
Research and development costs incurred	**18,478**	**17,793**

Accounting policy for expenses

Operating lease costs

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Finance costs

All finance costs are expensed in the period in which they are incurred.

Research and development costs

Expenditure on research activities, undertaken with the prospect of obtaining new technical knowledge and understanding, is recognised in the statement of profit or loss and other comprehensive income as an expense when it is incurred.

Expenditure on development activities is charged as incurred, or deferred where these costs are directly associated with either integration of acquired technology or the development of new technology and it is determined that the technology has reached technological feasibility. Costs are deferred to future periods to the extent that they are expected beyond any reasonable doubt to be recoverable. The costs capitalised comprises directly attributable costs, including costs of materials, services and direct labour. Deferred costs are amortised from the date of commercial release on a straight-line basis over the period of the expected benefit, which varies from 2 to 10 years.

Note 5. Income tax expense

	Consolidated	
	2019 US$000	2018 US$000
Income tax expense		
Current tax	8,207	2,397
Deferred tax	(3,057)	202
Adjustment recognised for prior periods	(431)	(385)
Aggregate income tax expense	**4,719**	**2,214**
Deferred tax included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 11)	(2,440)	933
Decrease in deferred tax liabilities (note 16)	(617)	(731)
Deferred tax	**(3,057)**	**202**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	57,612	39,703
Tax at the statutory tax rate of 30%	**17,284**	**11,911**
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	2,082	390
Non-deductible - earnout	88	1,301
Non assessable interest income	15	(3,222)
Other items	829	217
	20,298	**10,597**
Adjustment recognised for prior periods	(431)	(385)
Difference in overseas tax rates	(287)	20,659
Temporary differences not recognised now recognised	(14,252)	(29,554)
Withholding tax	877	1,080
R&D credits	(1,508)	(183)
Foreign exchange differences	22	-
Income tax expense	**4,719**	**2,214**

At 30 June 2019, Altium has utilized unused tax losses carried forwarded from previous years of US$17 million to offset against current year profits.

Altium was selected for a risk review and audit by the Australian Tax Office (ATO) which is part of a program of work being conducted by the ATO for the Top 1000 taxpayers in the large business and international segment. As is the case with all ATO reviews and audits, potential outcomes could include further ATO reviews, resolution or the issue of assessments. As of today, it is not possible to estimate if there is a financial effect of this review.

Critical accounting judgements, estimates and assumptions

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Accounting policy for Income tax

The income tax expense or revenue for the period is tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax asset and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax Consolidation

Altium Limited and its wholly-owned Australian controlled entities formed a tax consolidated group in previous years. As a consequence, these entities are taxed as a single entity and any deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Under tax consolidation, the head entity, Altium Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts using the "separate taxpayer within a group" method. Individual entities adjust for transactions and events impacted by tax consolidation.

In addition to its own transactions, Altium Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have entered into a tax funding agreement under which there is full compensation for Altium Limited assuming these tax assets/obligations.

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	2019 US$000	2018 US$000
Cash at bank	29,520	17,045
Deposit at call	51,011	35,414
	80,531	**52,459**

The value of bank guarantees at 30 June 2019 amounted to US$372,951 (2018:US$1,425,241).

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less or that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 7. Current assets - trade and other receivables

	Consolidated	
	2019 US$000	2018 US$000
Trade receivables	45,404	37,687
Less: Provision for impairment	(369)	(252)
	45,035	37,435
Other receivables	798	1,364
	45,833	**38,799**

Allowance for expected credit losses

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2019 US$000	2018 US$000
3 to 6 months overdue	62	39
Over 6 months overdue	307	213
	369	**252**

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2019 US$000	2018 US$000
Opening balance	252	143
Additional provisions recognised	391	185
Translation differences	-	5
Receivables written off during the year as uncollectable	(274)	(81)
Closing balance	**369**	**252**

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to US$9,319,000 as at 30 June 2019 (2018: US$6,890,000).

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2019 US$000	2018 US$000
0 to 1 month overdue	5,139	2,935
1 to 2 months overdue	1,424	1,275
Over 2 months overdue	2,756	2,680
	9,319	6,890

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables generally have 30 to 90 day terms.

AASB 9 Financial Instruments

This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model based on expected credit losses for the impairment of financial assets. The Group has applied the new standard on 1 July 2018 using a simplified approach for measuring expected credit losses relating to trade receivables using a lifetime expected loss allowance. To measure the expected credit losses, trade receivables are grouped based on region and ageing. Customers with heightened credit risk are provided for specifically based on historical default rates and forward looking information. Where there is no reasonable expectation of recovery, balances are written-off. The application of the standard did not result in any significant impact on the measurement of the allowance for doubtful debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 8. Non-current assets - trade and other receivables

	Consolidated	
	2019 US$000	2018 US$000
Trade receivables	894	687
Other receivables	1,391	975
	2,285	1,662

Note 9. Non-current assets - property, plant and equipment

	Consolidated	
	2019 US$000	2018 US$000
Leasehold improvements - at cost	7,754	5,181
Less: Accumulated depreciation	(3,648)	(2,501)
	4,106	2,680
Plant and equipment - at cost	6,472	5,298
Less: Accumulated depreciation	(2,827)	(2,278)
	3,645	3,020
Plant and equipment under lease	15	27
Less: Accumulated depreciation	(4)	(15)
	11	12
	7,762	5,712

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements US$'000	Plant & equipment US$'000	Leased plant & equipment US$'000	Total US$'000
Balance at 1 July 2017	**2,554**	**2,482**	**18**	**5,054**
Additions	1,135	1,682	7	2,824
Additions through business combinations	5	234	-	239
Exchange differences	16	13	-	29
Depreciation expense	(1,030)	(1,391)	(13)	(2,434)
Balance at 30 June 2018	**2,680**	**3,020**	**12**	**5,712**
Additions	2,965	2,130	7	5,102
Exchange differences	(8)	(55)	-	(63)
Depreciation expense	(1,531)	(1,450)	(8)	(2,989)
Balance at 30 June 2019	**4,106**	**3,645**	**11**	**7,762**

Property, plant and equipment secured under finance leases

Refer to note 24 for further information on property, plant and equipment secured under finance leases.

Accounting policy for property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Plant and equipment are depreciated and leasehold improvements are amortised over their estimated useful lives using the straight-line method. Assets held under finance lease are depreciated over their expected useful lives as owned assets or, where shorter, the term of the relevant lease.

The expected useful lives of the assets are as follows:

Leasehold improvements	3-7 years
Plant equipment	7 years
Office equipment	3-5 years
Computer hardware	2-3 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date or when there is an indication that they have changed.

A carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement profit or loss and other comprehensive income.

Note 10. Non-current assets - intangible assets

	Consolidated	
	2019 US$000	2018 US$000
Goodwill - at cost	29,499	27,151
Intellectual property - at cost	10,315	7,354
Less: Accumulated amortisation	(2,161)	(1,336)
	8,154	6,018
Customer relationships - at cost	16,333	16,333
Less: Accumulated amortisation	(4,445)	(3,110)
	11,888	13,223
Software intangibles - at cost	3,285	3,710
Less: Accumulated amortisation	(1,292)	(1,034)
	1,993	2,676
	51,534	49,068

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill US$'000	Intellectual property US$'000	Customer relationships US$'000	Software intangibles US$'000	Total US$'000
Balance at 1 July 2017	19,612	3,299	14,558	2,990	40,459
Additions	-	-	-	748	748
Additions through business combinations	7,539	3,403	-	-	10,942
Exchange differences	-	(28)	-	(191)	(219)
Amortisation expense	-	(655)	(1,335)	(872)	(2,862)
Balance at 30 June 2018	27,151	6,019	13,223	2,675	49,068
Additions	-	-	-	17	17
Additions through business combinations (note 28)	2,348	2,945	-	-	5,293
Exchange differences	-	9	-	-	9
Amortisation expense	-	(819)	(1,335)	(699)	(2,853)
Balance at 30 June 2019	29,499	8,154	11,888	1,993	51,534

The expected useful lives of the intangible assets are as follows:

Software intangibles	2-5 years
Customer relationships	10 -15 years
Intellectual property	5 -10 years

Impairment tests for goodwill

Goodwill is allocated to the Company's cash generating units (CGUs) identified according to each reportable segment for impairment testing purposes. Altium undertakes an impairment review process annually to ensure that goodwill balances are not carried at amounts that are in excess of their recoverable amounts. This review may be undertaken more frequently if events or changes indicate that goodwill may be impaired.

A segment-level summary of the goodwill allocation is presented below.

	Consolidated	
	2019 US$000	2018 US$000
Goodwill		
Board & Systems - Americas	10,672	8,324
Board & Systems - EMEA	5,383	5,383
Parts Analytics and Search	13,444	13,444
Total	**29,499**	**27,151**

The recoverable amount of the group's intangible assets has been assessed based on value-in-use calculations. The value in use is calculated using a discounted cash flow methodology covering a four year period plus terminal value.

Cash flow forecasts

Cash flow forecasts are post-tax and based on the most recent financial projections covering a maximum of five years. Financial projections are based on assumptions that represent management's best estimates.

Revenue growth rates

Revenue growth rates used are based on management's latest four-year plan. Four-year growth rates averaged between 8.8% to 12.1% for these CGUs (Board & Systems - Americas 8.8%, Board & Systems - EMEA 12.1% and Parts Analytics and Search 11.8%). Sensitivity testing was performed on these CGUs and a reasonably possible decline in these rates would not cause the carrying value of any of these CGUs to exceed its recoverable amount.

Terminal value

The terminal value calculated after year four is determined using the perpetual growth model, having regard to the weighted average cost of capital (WACC) and terminal growth factor appropriate to each CGU. Terminal growth rates used in the financial projections was 2.0%.

Discount rates

Discount rates used are WACC and include a premium for market risks appropriate to each country in which the CGU operates. WACCs averaged 8.9% (Board & Systems - Americas 9.1%, Board & Systems - EMEA 8.6% and Parts Analytics and Search 9.1%).

Sensitivity

Any reasonable change to the above key assumptions would not cause the carrying value of any of the remaining CGU's to materially exceed its recoverable amount.

Accounting policy for intangible assets

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 to 10 years.

Customer relationships

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 to 15 years.

Software intangibles

Software intangibles arise from costs associated with the direct development and implementation on an internal project on new and existing software utilised by the group which demonstrates the technical feasibility of providing future economic benefits and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2 to 5 years.

Critical accounting judgements, estimates and assumptions

Intangibles

On the acquisition of Gumstix Inc, the identifiable intangible assets include intellectual property. The fair value of these assets is determined by historical cost method on salary and expenses related to the input in developing the intellectual property.

Useful life for intangibles

The useful life used to amortise intangible assets relates to the expected future performance of the assets acquired and management's estimate of the period over which economic benefit will be derived from the asset. The basis for determining the useful life for the most significant categories of intangible assets is as follows:

Intellectual property

The useful life is determined by management at the time the intellectual property is acquired and brought into use and is regularly reviewed for appropriateness. For intellectual property, the useful life represents management's view of the expected term over which the Group will receive benefits from the intellectual property. The life is based on historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. Historically changes in useful lives have not resulted in material changes to the Group's amortisation charge.

Customer Relationships

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge. Historically changes to the estimated useful lives have not had a significant impact on the Group's results and financial position.

Software intangibles

The useful life is determined by management's view of the expected future performance of the assets and its relationship to the existing software license and subscription period purchased. Historically changes to the estimated useful lives have not had a significant impact on the group's results and financial position.

Note 11. Non-current assets - deferred tax assets

	Consolidated	
	2019 US$000	2018 US$000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	2,068	688
Property, plant and equipment	(176)	58
Employee benefits	608	235
Employee entitlements	714	-
Intellectual property	79,260	79,011
Revenue received in advance	633	1,019
Provisions	1,054	328
Foreign currency translation	613	534
Tax credits	17	-
Deferred rent	82	163
	84,873	**82,036**
Amounts recognised in equity:		
Transaction costs on share issue	-	84
Deferred tax asset	**84,873**	**82,120**
Amount expected to be recovered within 12 months	26,588	26,995
Amount expected to be recovered after more than 12 months	58,285	55,125
Movements:		
Opening balance	82,120	82,946
Credited/(charged) to profit or loss (note 5)	2,440	(933)
Additions through business combinations (note 28)	314	105
Translation differences	(1)	2
Closing balance	**84,873**	**82,120**

Critical accounting judgements, estimates and assumptions

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Calculation of future taxable amounts involve the use of assumptions and management judgments.

A deferred tax asset can only be recorded for the portion of a potential benefit where utilisation is considered probable. The assessment of future taxable amounts involves the use of assumptions and management judgments. The Group has fully recognised a deferred tax asset of $79.3m in relation to assets previously transferred to USA. It is considered probable that there will be future taxable income in the USA to fully realise these temporary differences.

Note 12. Current liabilities - trade and other payables

	Consolidated	
	2019 US$'000	2018 US$'000
Trade payables	3,492	2,016
Deferred consideration	888	643
Other payables	11,898	9,488
	16,278	**12,147**

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Deferred consideration

The payable represents the obligation to pay consideration following the acquisition of a business or assets and is deferred based on passage of time. It is measured at the present value of the estimated liability.

Note 13. Current liabilities - provisions

	Consolidated	
	2019 US$'000	2018 US$'000
Employee benefits	2,109	1,711
Contingent consideration	-	5,073
	2,109	**6,784**

Contingent consideration

The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2019	Contingent consideration US$'000
Carrying amount at the start of the year	5,073
Amounts transferred from non-current (note 14)	(98)
Payments	(5,271)
Change in provision from re-measurement of contingent consideration	295
Translation differences	1
Carrying amount at the end of the year	-

Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2019 US$'000	2018 US$'000
Long service leave obligation expected to be settled after 12 months	27	12

Accounting policy for provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Bonus plans

The expected cost of bonus payments is recognised when there is a legal or constructive obligation to make such payments as a result of past performance and the obligation can be measured reliably.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Note 14. Non-current liabilities - provisions

	Consolidated	
	2019 US$'000	2018 US$'000
Employee benefits	27	12
Contingent consideration	6,157	3,789
Lease make good	223	173
	6,407	**3,974**

Contingent consideration

The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2019	Contingent consideration US$'000	Lease make good US$'000
Carrying amount at the start of the year	3,789	173
Additional provisions recognised	-	47
Additions through business combinations (note 28)	2,469	-
Amounts transferred to current (note 13)	98	-
Unwinding of discount	151	2
Change in provision from re-measurement	(350)	-
Translation differences	-	1
Carrying amount at the end of the year	**6,157**	**223**

Accounting policy for other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Critical accounting judgements, estimates and assumptions

Contingent consideration is based on future financial targets and other performance metrics of acquired businesses as a result contingent consideration is uncertain both in whether it will be paid and in its total amount.

Note 15. Current liabilities - deferred revenue

	Consolidated	
	2019 US$'000	2018 US$'000
Deferred subscription and maintenance revenue	43,532	40,065
Other deferred revenue	4,745	3,924
	48,277	**43,989**

Note 16. Non-current liabilities - deferred tax liability

	Consolidated	
	2019 US$'000	2018 US$'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Intangible assets	5,833	5,566
Deferred tax liability	**5,833**	**5,566**
Amount expected to be settled within 12 months	690	2,217
Amount expected to be settled after more than 12 months	5,143	3,349
	5,833	**5,566**
Movements:		
Opening balance	5,566	5,276
Credited to profit or loss (note 5)	(617)	(731)
Additions through business combinations (note 28)	884	1,021
Closing balance	**5,833**	**5,566**

Note 17. Non-current liabilities - other liabilities

	Consolidated	
	2019 US$'000	2018 US$'000
Deferred consideration	875	1,716
Other payables	1,009	382
	1,884	**2,098**

Deferred consideration

Represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

Other payables

Represents lease incentives in relation to operating leases. The benefit is deferred and recognised as a reduction of the rental expense on a straight-line basis over the lease term.

Note 18. Equity - Contributed equity

	Consolidated			
	2019 Shares	2018 Shares	2019 US$'000	2018 US$'000
Ordinary shares - fully paid	130,511,522	130,284,942	126,058	125,635

Movements in ordinary share capital

Details	Date	Shares	Issue price AU$	US$'000
Balance	1 July 2017	130,215,813		125,177
Shares issued	23 February 2018	69,129	$8.52	458
Balance	**30 June 2018**	**130,284,942**		**125,635**
Shares issued	24 August 2018	69,129	$8.46	423
Share issued	24 August 2018	28,407	$0.00	-
Share issued	21 December 2018	129,044	$0.00	-
Balance	**30 June 2019**	**130,511,522**		**126,058**

Movements in treasury shares

Details	Date	Shares
Balance	1 July 2017	653,362
Less: Shares transferred to employees		(408,050)
Balance	**30 June 2018**	**245,312**
Less: Shares transferred to employees		(402,763)
Add: Shares issued		157,451
Balance	**30 June 2019**	**-**

Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 19. Equity - reserves

	Consolidated	
	2019 US$'000	2018 US$'000
Foreign currency reserve	(481)	(132)
Equity compensation reserve	19,560	12,757
	19,079	12,625

Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to US dollars.

Equity compensation reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency translation US$'000	Equity compensation US$'000	Total US$'000
Balance at 1 July 2017	1,003	11,272	12,275
Foreign currency translation	(1,136)	-	(1,136)
Share based payments	-	1,486	1,486
Balance at 30 June 2018	**(133)**	**12,758**	**12,625**
Foreign currency translation	(349)	-	(349)
Share based payments	-	6,803	6,803
Balance at 30 June 2019	**(482)**	**19,561**	**19,079**

Note 20. Equity - retained profits

	Consolidated	
	2019 US$'000	2018 US$'000
Retained profits at the beginning of the financial year	14,366	2,510
Change in accounting policy	290	-
Retained profits at the beginning of the financial year – restated	14,656	2,510
Profit after income tax expense for the year	52,893	37,489
Dividends paid (note 21)	(28,128)	(25,633)
Retained profits at the end of the financial year	**39,421**	**14,366**

Change in accounting policy

Retained profits in prior year included the adjustment for commission relating to long-term deferred revenue for US$290,000 (refer to Note 3 AASB15).

Note 21. Equity - dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2019 US$'000	2018 US$'000
Final dividend for the year ended 30 June 2018 of AU 14 cents (2017: AU 12 cents)	13,327	12,534
Interim dividend for the half year ended 31 December 2018 of AU 16 cents (2017: AU 13 cents)	14,801	13,099
	28,128	**25,633**

The Directors have declared a final dividend of AU 18 cents per share for the year ended 30 June 2019. The dividend will be paid on 25 September 2019 based on a record date of 4 September 2019. This amounts to a total dividend of US$15.9 million based on the number of shares outstanding.

Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Note 22. Financial risk management

Financial risk management objectives

The Group activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance'). Risk management includes identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group operating units. Finance reports to the Board on a quarterly basis.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Foreign currency revenues are partially hedged by foreign currency denominated expenses. The Group does not have additional hedges against this risk.

The carrying amount of the Group foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
Consolidated	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Australian dollars	1,059	1,624	(300)	(6)
Euros	737	151	(13)	-
	1,796	1,775	(313)	(6)

The following tables summarise the sensitivity of financial instruments held at statement of financial position date by the Group to the movement in exchange rate of the US dollar to the Australian dollar and Euro, with all other variables held constant. The 10% sensitivity is based on reasonably possible changes, over a financial year.

Sensitivity to foreign currency risk on financial instruments is as follows:

	US$ strengthened			US$ weakened		
Consolidated - 2019	% change	Effect on profit after tax	Effect on equity	% change	Effect on profit after tax	Effect on equity
Australian dollars	10%	48	48	(10%)	(59)	(59)
Euros	10%	46	46	(10%)	(56)	(56)
		94	94		(115)	(115)

	US$ strengthened			US$ weakened		
Consolidated - 2018	% change	Effect on profit after tax	Effect on equity	% change	Effect on profit after tax	Effect on equity
Australian dollars	10%	103	103	(10%)	(126)	(126)
Euros	10%	10	10	(10%)	(12)	(12)
		113	113		(138)	(138)

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

Interest rate risk is the risk that the Group financial position will be adversely affected by movements in interest rates. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate assets and liabilities to maturity.

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	2019		2018	
Consolidated	Weighted average interest rate %	Balance US$'000	Weighted average interest rate %	Balance US$'000
Cash	1.79%	55,885	1.07%	36,688
Receivables	4.96%	-	4.73%	6
Financial lease liabilities	4.31%	(20)	4.50%	(18)
Net exposure to cash flow interest rate risk		55,865		36,676

The following tables summarise the sensitivity of the fair value of financial instruments held at statement of financial position date in the Group, following a movement of 50 to 100 basis points, with all other variables held constant, and based on reasonably possible changes over a financial year.

The sensitivity to movements in interest rates is as follows:

	Basis points increase			Basis points decrease		
Consolidated - 2019	Basis points change	Effect on profit after tax	Effect on equity	Basis points change	Effect on profit after tax	Effect on equity
Net exposure	100	391	391	(50)	(196)	(196)

	Basis points increase			Basis points decrease		
Consolidated - 2018	Basis points change	Effect on profit after tax	Effect on equity	Basis points change	Effect on profit after tax	Effect on equity
Net exposure	100	257	257	(50)	(128)	(128)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

The Group manages its credit risk on trade debtors by ensuring that sales of products and services are made to customers with an appropriate credit history. New customers are subject to credit verification procedures and ongoing customer performance is monitored on a regular basis. The Group has no significant concentrations of credit risk.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Cash transactions are limited to high credit quality financial institutions.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	Weighted average interest rate %	1 year or less US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000	Remaining contractual maturities US$'000
Non-derivatives *Non-interest bearing*						
Trade payables	-	16,380	-	-	-	16,380
Deferred consideration	-	887	875	-	-	1,762
Contingent consideration	-	-	1,985	4,172	-	6,157
Interest-bearing - fixed rate						
Lease liability	4.31%	7	6	7	-	20
Total non-derivatives		**17,274**	**2,866**	**4,179**	**-**	**24,319**

Consolidated - 2018	Weighted average interest rate %	1 year or less US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000	Remaining contractual maturities US$'000
Non-derivatives *Non-interest bearing*						
Trade payables	-	11,773	-	-	-	11,773
Deferred consideration	-	643	867	849	-	2,359
Contingent consideration	-	5,073	1,000	2,789	-	8,862
Interest-bearing - fixed rate						
Lease liability	4.50%	5	6	7	-	18
Total non-derivatives		**17,494**	**1,873**	**3,645**	**-**	**23,012**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 23. Key management personnel disclosures

Directors

The following persons were directors of Altium Limited during the financial year:

Samuel Weiss	Non-executive Chairman
Aram Mirkazemi	Chief Executive Officer
Sergiy Kostynsky	Executive Director
Raelene Murphy	Non-executive Director
Lynn Mickleburgh	Non-executive Director
Wendy Stops	Non-executive Director

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Henry Potts	Chief Sales Officer
Joseph Bedewi	Chief Financial Officer

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2019 US$	2018 US$
Short-term employee benefits	3,325,922	4,200,318
Post-employment benefits	37,740	36,655
Share-based payments	3,930,047	1,991,601
	7,293,709	**6,228,574**

The group has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' report.

Remuneration of Director-related entities

Related entities of Directors employed by any company in the group are paid on normal commercial terms and conditions. No transactions occurred with related entities of Directors during the year ended 30 June 2019 (2018: Nil). Refer to note 32 for further details.

Note 24. Commitments

	Consolidated	
	2019 US$'000	2018 US$'000
Lease commitments - operating Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	4,860	4,429
One to five years	9,928	7,155
More than five years	-	41
	14,788	**11,625**
Lease commitments - finance Committed at the reporting date and recognised as liabilities, payable:		
Within one year	8	5
One to five years	14	13
Total commitment	22	18
Less: Future finance charges	(2)	(2)
Net commitment recognised as liabilities	**20**	**16**

Several finance lease contracts have associated purchase options. Under the terms of the leases, the group can acquire the leased assets for an agreed fair value on the expiry of the leases. This option lapses in the event the group fails to maintain its credit rating at the level prevailing at inception of the lease.

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the company and its network firms:

	Consolidated	
	2019 US$	2018 US$
Audit services - PricewaterhouseCoopers Audit and review of the financial statements	317,200	329,468
Other services - PricewaterhouseCoopers Tax consulting and tax advice	125,919	20,368
	443,119	**349,836**
Other services - network firms Tax compliance services, including review of company income tax return	**25,805**	**26,445**

From time to time the Group will employ accountants to provide consulting services. The group has a policy of seeking competitive tenders for all major projects. The annual audit fee for the group is approved by the Audit and Risk Management Committee.

Note 26. Related party transactions

Parent entity

Altium Limited is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the directors ' report.

Transactions with related parties

This is included in the Remuneration Report, consulting fees are included in cash salary and fees.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Altium Inc.	USA	100.00%	100.00%
Altium Europe GmbH	Germany	100.00%	100.00%
Altium Japan KK	Japan	100.00%	100.00%
Morfik Technologies Pty Ltd	Australia	100.00%	100.00%
Protel AG	Switzerland	100.00%	100.00%
Altium IP Hold Co Pty Ltd	Australia	100.00%	100.00%
Altium IP Co Pty Ltd	Australia	100.00%	100.00%
Altium LLC	USA	100.00%	100.00%
Tasking BV	Netherlands	100.00%	100.00%
Altium BV	Netherlands	100.00%	100.00%
Altium Netherlands BV	Netherlands	100.00%	100.00%
Altium Information Technology (Shanghai) Co. Ltd	China	100.00%	100.00%
Ciiva GmbH	Switzerland	100.00%	100.00%
Octopart Inc.	USA	100.00%	100.00%
Altium UK Limited	United Kingdom	100.00%	100.00%
Altium Sweden AB	Sweden	100.00%	100.00%
Altium Vietnam Company Limited	Vietnam	100.00%	100.00%
Altium Poland Sp.z.o.o	Poland	100.00%	100.00%
Perception Software Inc.	USA	100.00%	100.00%
Altium Canada Limited (previously Upverter Inc.)	Canada	100.00%	100.00%
PCB:NG Inc.	USA	100.00%	100.00%
Gumstix Inc.	USA	100.00%	-
Gumstix Research (Canada) Ltd	Canada	100.00%	-

Note 27. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2019 US$'000	2018 US$'000
Profit after income tax	5,366	8,499
Total comprehensive income	**5,366**	**8,499**

Statement of financial position

	Parent	
	2019 US$'000	2018 US$'000
Total current assets	121,041	73,202
Total assets	**383,665**	**336,032**
Total current liabilities	154,619	90,392
Total liabilities	**155,521**	**92,364**
Equity		
Contributed equity	126,058	125,635
Foreign currency reserve	2,607	2,783
Equity compensation reserve	19,561	12,570
Retained profits	79,918	102,680
Total equity	**228,144**	**243,668**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Altium Limited has provided financial guarantees in respect of credit card facilities and office leases amounting to US$261,518 (2018: US$283,752).

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2019 and 30 June 2018.

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in the relevant notes to the financial statements.

Note 28. Business combinations

On 30 April 2019, the Group acquired 100% of the issued shares in Gumstix Inc and its wholly owned subsidiary Gumstix Research (Canada) Ltd for a fair value consideration of US$4,916,000.

Gumstix Inc is an American based company specialising in embedded hardware development and manufacturing and conducts its research and development from Gumstix Research (Canada) Ltd.

The total fair value consideration is split into cash of US$2,447,000 and performance based contingent consideration over a three year period with a maximum earnout of US$2,469,000.

Details of the acquisitions of Consolidated Gumstix Inc are as follows:

	Consolidated Gumstix Inc US$'000
Cash and cash equivalents	26
Trade and other receivables	87
Inventories	680
Intellectual property	2,945
Deferred tax asset	314
Trade and other payables	(469)
Provision	(9)
Deferred tax liability	(884)
Deferred revenue	(122)
Net assets acquired	2,568
Goodwill	2,348
Acquisition-date fair value of the total consideration transferred	**4,916**
Representing:	
Cash paid or payable to vendor	2,447
Deferred and Contingent consideration	2,469
	4,916
Acquisition costs expensed to profit or loss	233

Gumstix Inc and subsidiary

Contingent Consideration

The contingent consideration arrangement requires the company to pay the former owners of Gumstix Inc consideration up to a maximum total undiscounted amount of $5,000,000 over three years following acquisition inclusive of the initial cash payment of $2,500,000. The quantum of amounts payable under the agreement are based on achieving specific sales targets and specified software integration milestones.

The fair value of the contingent consideration arrangement of US$2,500,000 was estimated calculating the undiscounted future expected cash flows. The estimates are based on assumed probability-adjusted total sales of Gumstix Inc for the three years ending 30 June 2022.

Acquisition related costs

Acquisition related costs of US$233,000 are included in professional advice expense in profit or loss.

Revenue and profit contribution

Gumstix Inc contributed gross revenues of US$384,800 and net loss of US$71,200 to the group for the period from 30 April 2019 to 30 June 2019.

Critical accounting judgements, estimates and assumptions

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the income statement.

Note 29. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group operations, the results of those operations, or the Group state of affairs in future financial years.

Note 30. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2019 US$'000	2018 US$'000
Profit after income tax expense for the year	52,893	37,489
Adjustments for:		
Depreciation and amortisation	5,842	5,296
Share-based payments	6,803	2,371
Unrealised foreign exchange differences	(119)	(451)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(6,603)	(3,958)
Increase in inventories	(74)	-
(Increase)/decrease in deferred tax assets	(3,055)	1,121
Increase / (decrease) in income tax payable	4,415	(1,151)
Increase in deferred revenue	4,423	4,184
Decrease/(increase) in other operating assets	182	(632)
Increase in trade and other payables	4,062	601
Increase in other provisions	297	4,498
Decrease in equity compensation reserve (cash)	-	(886)
Net cash from operating activities	**69,066**	**48,482**

Note 31. Earnings per share

	Consolidated	
	2019 US$'000	2018 US$'000
Profit after income tax attributable to the owners of Altium Limited	52,893	37,489
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	130,368,455	129,888,195
Adjustments for calculation of diluted earnings per share:		
Shares to be issued as part of a business combination	591,246	292,609
Weighted average number of ordinary shares used in calculating diluted earnings per share	**130,959,701**	**130,180,804**
	Cents	Cents
Basic earnings per share	40.57	28.86
Diluted earnings per share	40.39	28.80

For the years ending 30 June 2019 and 30 June 2018 treasury shares were included in the calculation of basic and diluted earnings per share.

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Altium Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 32. Share-based payments

Benefits are provided to employees of the Group in the form of share-based payments, where employees render services in exchange for equity shares. The Remuneration report sets out details relating to Altium share plans on pages 19 to 31.

Performance Rights Plan

The plan for financial year ended 30 June 2019

The plan for financial year ended 30 June 2019 has both EPS and revenue as performance conditions. Upon the performance conditions being satisfied the Performance Rights will vest in 5 years. Those entering the Performance Rights Plan for the first time will receive an award delivered in Performance Rights subject to meeting performance conditions tested in each year for a period of 5 years. Vesting is applied as follows:

- Year 1 -15%
- Year 2 - 15%
- Year 3 - 20%
- Year 4 - 20%
- Year 5 – 30%

For the year ended 30 June 2019, this approach has been applied to all Executives in the Performance Rights Plan (except Aram Mirkazemi and Sergiy Kostinsky) as a transition as they move from the previous plan that vested over 3 years, to the new plan that only vests in the 5th year.

For Aram Mirkazemi and Sergiy Kostinsky, the board, in its discretion, has approved their grants for the Performance Right Plan of year ended 30 June 19 under the old plan which vests over 3 years. The plan will be paid in cash in lieu of shares.

The plans for financial year ended 30 June 2018 and prior

Upon the performance conditions being satisfied in the first year, the Performance Rights vested in three approximately equal tranches following the end of the financial year with no retesting of performance metrics. The 2018 Plan was assessed based on EPS growth targets.

2019

Grant date	Expiry date	Fair value US$	Balance at the start of the year	Granted	Vested	Forfeited	Balance at the end of the year
2018 and prior grants							
16/02/2016	31/08/2018	US$5.75	142,917	-	(142,917)	-	-
05/05/2017	01/09/2018	US$8.44	68,335	-	(68,335)	-	-
05/05/2017	01/09/2019	US$8.44	68,335	-	-	(3,563)	64,772
10/08/2017	31/08/2018	US$8.55	45,107	-	(45,107)	-	-
10/08/2017	31/08/2019	US$8.55	43,780	-	-	(3,098)	40,682
10/08/2017	31/08/2020	US$8.55	43,780	-	-	(3,099)	40,681
08/11/2017	31/08/2018	US$12.55	17,017	-	(17,017)	-	-
08/11/2017	31/08/2019	US$12.55	16,517	-	-	-	16,517
08/11/2017	31/08/2020	US$12.55	16,517	-	-	-	16,517
13/02/2018	31/08/2018	US$14.59	346	-	(346)	-	-
13/02/2018	31/08/2019	US$14.59	336	-	-	-	336
13/02/2018	31/08/2020	US$14.59	336	-	-	-	336

Grant date	Expiry date	Fair value US$	Balance at the start of the year	Granted	Vested	Forfeited	Balance at the end of the year
2019 grant							
15/12/2018	31/08/2019	US$15.74	-	317,995	(129,044)*	(1,014)	187,937
15/12/2018	31/08/2020	US$15.74	-	288,952	-	(1,014)	287,938
15/12/2018	31/08/2021	US$15.74	-	221,787	-	(1,260)	220,527
15/12/2018	31/08/2022	US$15.74	-	131,366	-	(986)	130,380
15/12/2018	31/08/2023	US$15.74	-	197,045	-	(1,479)	195,566
15/02/2019	31/08/2019	US$19.18	-	4,490	-	-	4,490
15/02/2019	31/08/2020	US$19.18	-	4,490	-	-	4,490
15/02/2019	31/08/2021	US$19.18	-	5,479	-	-	5,479
15/02/2019	31/08/2022	US$19.18	-	3,959	-	-	3,959
15/02/2019	31/08/2023	US$19.18	-	5,937	-	-	5,937
			463,323	1,181,500	(402,766)	(15,513)	1,226,544

*129,044 shares granted and vested on 15 December 2018 at the discretion of the board.

2018

Grant date	Expiry date	Fair value US$	Balance at the start of the year	Granted	Vested	Forfeited	Balance at the end of the year
26/08/2014	31/08/2017	US$2.58	75,924	-	(75,924)	-	-
16/02/2016	31/08/2017	US$5.75	148,547	-	(148,547)	-	-
16/02/2016	31/08/2018	US$5.75	148,547	-	-	(5,630)	142,917
05/05/2017	01/09/2017	US$8.44	74,074	-	(74,074)	-	-
05/05/2017	01/09/2018	US$8.44	71,896	-	-	(3,561)	68,335
05/05/2017	01/09/2019	US$8.44	71,896	-	-	(3,561)	68,335
10/08/2017	31/08/2018	US$8.55	-	45,107	-	-	45,107
10/08/2017	31/08/2019	US$8.55	-	43,780	-	-	43,780
10/08/2017	31/08/2020	US$8.55	-	43,780	-	-	43,780
08/11/2017	31/08/2018	US$12.55	-	17,017	-	-	17,017
08/11/2017	31/08/2019	US$12.55	-	16,517	-	-	16,517
08/11/2017	31/08/2020	US$12.55	-	16,517	-	-	16,517
22/01/2018	31/08/2018	US$14.49	-	916	-	(916)	
22/01/2018	31/08/2019	US$14.49	-	889	-	(889)	
22/01/2018	31/08/2020	US$14.49	-	889	-	(889)	
13/02/2018	31/08/2018	US$14.59	-	346	-	-	346
13/02/2018	31/08/2019	US$14.59	-	336	-	-	336
13/02/2018	31/08/2020	US$14.59	-	336	-	-	336
			590,884	186,430	(298,545)	(15,446)	463,323

Share Plan

There were no grants made under Key Employee Share Plan ("Share Plan") in the year ended 30 June 2019.

2018

Grant date	Expiry date	Fair value US$	Balance at the start of the year	Granted	Vested	Forfeited	Balance at the end of the year
01/07/2014	30/06/2017	US$2.40	100,000	-	(100,000)	-	-
30/06/2015	01/07/2017	US$3.39	50,000	-	(50,000)	-	-
28/09/2016	31/08/2017	US$9.24	40,000	-	(40,000)	-	-
08/03/2018	08/03/2018	US$20.92	-	40,000	(40,000)	-	-
			190,000	40,000	(230,000)	-	-

Share Based Payment Expense

	Consolidated	
	2019 US$'000	2018 US$'000
Shares issued under the Share Plan and Performance Rights Plan	6,943	2,371

The Altium Limited Employee Share and Option Plan Trust Deed is used to hold shares for share and option plans. As at 30 June 2019 the trust held nil ordinary shares (2018: 245,312).

Accounting policy for share-based payments

Under the employee share scheme, shares issued under the Altium Key Employee Share Plan Trust to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

The fair value of deferred shares granted to employees for nil consideration under the Performance Rights Plan is recognised as an expense over the relevant service period. The fair value of compensation is determined based on the actual market price of the company's share price at the dates of grant.

Non market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of rights that are exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Aram Mirkazemi
Director and Chief Executive Officer

Sam Weiss
Non-executive Chairman

19 August 2019
Sydney

Independent auditor's report

To the members of Altium Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Altium Limited (the Company) and its controlled entities (together the Group) is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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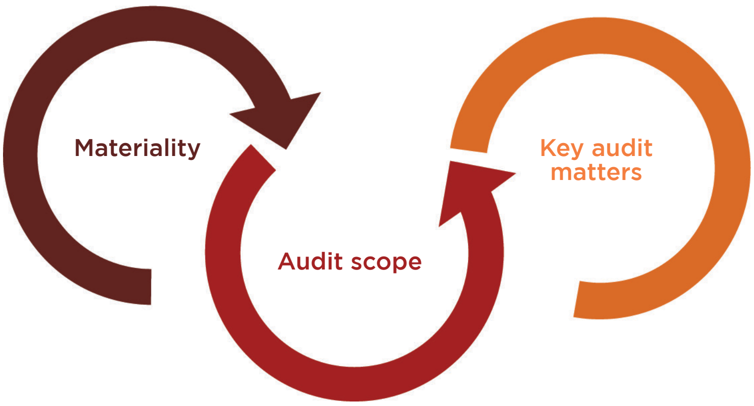
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit Metters
• For the purpose of our audit we used overall Group materiality of $2.9 million, which represents approximately 5% of the Group's profit before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• The Group operates across the Americas, Europe, the Middle East and Africa (EMEA), China and Asia Pacific. The executive team is based in the US with a finance function in Sydney that supports the Group's operations. Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: o Recoverability of Deferred Tax Asset o Carrying value of Goodwill • These are further described in the Key audit matters section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Recoverability of Deferred Tax Asset Refer to note 5 and 11 The Group has recognised a deferred tax asset of $84.9 million as at 30 June 2019. This includes a temporary difference of $79.3 million which is relating to amortization of intellectual property which arose as a result of the relocation of the Group's core business to the USA during 2015. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient taxable profits will be generated in the foreseeable future in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. We considered this a key audit matter due to the quantum of the deferred tax asset and due to the significant judgement required to assess whether there will be sufficient future taxable profits to utilise the tax benefit.	**We performed the following procedures, amongst others:** • Assessed the Group's forecasted profits over the relevant utilisation period and evaluated whether the forecasts were consistent with the approved budget and if they were appropriately adjusted for differences between accounting and taxable profits. • Compared prior forecasted profits to actual results to assess the Group's ability to forecast. • Performed sensitivity analysis using a range of alternative growth rate assumptions to those used in the forecast of future profits. • With the assistance of PwC Tax specialists, considered the Group's ability to claim the deductions for the amortization in compliance with US tax laws. • Tested mathematical accuracy and reperformed the calculations of the deferred tax asset balance.

Carrying value of Goodwill
Refer to note 10

The Group has goodwill of $29.5m as at 30 June 2019. Australian Accounting standards require an annual impairment assessment.

In order to assess the recoverability of these assets, the Group prepared financial models at 30 June 2019 to determine if the carrying value of goodwill was supported by forecast future cash flows, discounted to present value ("the model").

The assessment of impairment was a key audit matter due to the quantum of the goodwill balance as well as the judgements and assumptions applied in estimating forecasted cash flows, growth rates and discount rates.

We performed the following procedures:

- Assessed whether the division of the Group's property, plant and equipment, goodwill and intangible assets into Cash Generating Units (CGUs) to assess impairment was consistent with our knowledge of the Group's operations and internal Group reporting.
- Considered if the impairment model used to estimate the recoverable amount of the assets was consistent with the requirements of Australian Accounting Standards.
- Compared the Group's forecast future cash flows for the period ending 30 June 2020 to the approved budget.
- Assessed the Group's ability to forecast future cash flows for the business by comparing budgets with reported actual results for previous years.
- Assessed whether the terminal growth rate used in the model was consistent with the long term average growth rates of the industry sector in which the Group operates.
- Tested whether the discount rate used in the model appropriately reflected the risks of the CGUs and the specific risks relating to the segments in which they operate.
- Performed sensitivity analysis of the model using a range of alternative growth rate and discount rate assumptions.
- Tested the mathematical accuracy of the model's calculations.
- Evaluated the adequacy of the disclosures made in note 10, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 19 to 32 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Altium Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

EPenny

Eliza Penny
Partner

Sydney
19 August 2019

The shareholder information set out below was current as at 31 July 2019.

a) Number of shareholders

As at 31 July 2019, there were 18,606 Altium Limited shareholders, holding 130,511,522 fully paid ordinary shares listed on the Australian Securities Exchange (ASX) under the ticker ALU.

b) Distribution of equity securities

Analysis of equity security holders by size of holding:

Range	Number of shareholders ALU Ordinary Shares	Number of option holders
1 – 1,000	13,325	-
1,001 – 5,000	4,411	-
5,001 – 10,000	541	-
10,001 – 100,000	281	-
100,001 – and over	48	-
Total	**18,606**	**-**

Less than Marketable Parcel - There were 172 holders of a less than marketable parcel of ordinary shares (minimum $500 parcel at $36.79 per unit, minimum parcel size 14 units).

c) Equity security holders

Twenty largest quoted equity security holders:

Rank	Name	Units Ordinary Shares	% of Share Capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	32,356,073	24.79
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	23,796,197	18.23
3	CITICORP NOMINEES PTY LIMITED	14,481,764	11.10
4	MR ARAM MIRKAZEMI + MRS LAILANI MIRKAZEMI <FAMILY A/C>	6,713,000	5.14
5	NATIONAL NOMINEES LIMITED	6,289,718	4.82
6	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,457,697	1.88
7	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,252,483	1.73
8	MIRKAZEMI HOLDINGS PTY LTD <MIRKAZEMI SUPER FUND A/C>	2,050,000	1.57
9	SERGEY & SLAVA PTY LTD <KOSTYNSKY FAMILY A/C>	1,978,125	1.52
10	MUTUAL APPRECIATION SOCIETY PTY LTD <GARB-WEISS SUPER FUND A/C>	1,900,207	1.46
11	BNP PARIBAS NOMS PTY LTD <DRP>	1,032,515	0.79
12	MR SHAHRAM MIRKAZEMI	590,000	0.45
13	INVIA CUSTODIAN PTY LIMITED <MARC CLAUDE DEPRET A/C>	543,252	0.42
14	MRS NANCI CATHERINE MOORE	526,000	0.40
15	ARAM MIRKAZEMI	525,543	0.40
16	AMP LIFE LIMITED	403,766	0.31
17	MEDVEDYEV PTY LTD <MEDVEDYEV FAMILY A/C>	400,000	0.31
18	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	380,194	0.29
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	360,877	0.28
20	MR SERGIY KOSTYNSKY	358,343	0.27
Total		**99,395,754**	**76.16**

d) Unquoted equity securities

	Number of options on issue	% of Share Capital
Employees	-	-
Directors	-	-
Total options on issue	**-**	**-**

e) Substantial shareholders

The substantial holders in the company are set out below:

Rank	Name	Number of shares	% of Share Capital
1	Mirkazemi Holdings Pty Ltd	9,663,000	7.40
2	Vinva Investment Management	6,646,701	5.09
3	BlackRock Group	6,536,560	**5.00**
Total		**22,846,261**	**17.50**

f) Issue approved under Item 7, s611 Corporations Act

There have been no issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act which have not yet been completed.

g) Securities Purchase On-Market for an Employee Incentive Scheme

There were no securities purchased on-market: under or for the purposes of an employee incentive scheme; or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

h) Voting rights

a) Ordinary shares: On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll shall have one vote for each share represented

b) Options: No voting rights

i) Share buy-back

Altium Limited has not undertaken an on-market buy-back during the last financial year.

j) Securities subject to escrow

There are currently no shares under escrow.

k) Altium major announcements to the ASX*

Date	Announcement
29-Jul-19	Becoming a substantial holder
26-Jul-19	Ceasing to be a substantial holder
25-Jul-19	Becoming a substantial holder
12-Jul-19	Date for FY19 Results & Investor Call Information
13-May-19	Extension of Time to Hold 2019 AGM - Approved by ASIC
12-Mar-19	Change of Director's Interest Notice - Wendy Stops
18-Feb-19	Half Year Investor Presentation Slides
18-Feb-19	Altium Announces Half Year Results to 31 Dec 2018
18-Feb-19	Dividend/Distribution - ALU
18-Feb-19	Half Yearly Report and Accounts
21-Jan-19	Date of Half Yr Results Release and Investor Call Details
31-Dec-18	Change of Director's Interest Notice
21-Dec-18	Appendix 3B
6-Dec-18	Becoming a substantial holder
27-Nov-18	Change of Director's Interest Notice - Sergiy Kostynsky
16-Nov-18	Results of 2018 Annual General Meeting
16-Nov-18	Chairman's Address to Shareholders
16-Nov-18	Technology Presentation
26-Oct-18	Change of Director's Interest Notice - Wendy Stops
15-Oct-18	Change of Director's Interest Notice - Sam Weiss
15-Oct-18	2018 Notice of Annual General Meeting/Proxy Form
15-Oct-18	Annual Report to shareholders
9-Oct-18	Change of Director's Interest Notice - Aram Mirkazemi
20-Sep-18	Change of Director's Interest Notice - Raelene Murphy

* A complete and up-to-date list of all Altium's financial announcements can be found on the ASX website.

l) Annual General Meeting

Date: Friday, 6 December 2019
Time: 2pm
Venue: Sheraton Grand Sydney Hyde Park, 161 Elizabeth St, Sydney NSW 2000, Australia

m) Inquiries about your shareholding

Please contact our share registry, Computershare for all questions in relation to your shareholding, dividends, share transfers and monthly holding statements. Computershare has a website which provides shareholders with access to shareholder forms and provides answers to frequently asked questions. You are also able to update some of your shareholder information online.

Website:	www.investorcentre.com/au
Mailing address:	Computershare Investor Services Pty Limited, GPO Box 2975, Melbourne VIC 3001 Australia
Phone	(Aus) 1300 850 505 (Overseas) +61 (0)3 9415 4000

Computershare Office Addresses

Sydney	Level 3, 60 Carrington Street, Sydney, NSW, 2000
Melbourne	Yarra Falls, 452 Johnston Street, Abbotsford, VIC, 3067
Adelaide	Level 5, 115 Grenfell Street, Adelaide, SA, 5000
Brisbane	Level 1, 200 Mary Street, Brisbane QLD 4000

n) Have you changed your address?

Whenever you change your address it is important to notify the share registry. This can be done in a number of ways, either post or fax the share registry a written request quoting your shareholder number, old address, current address and signature, or visit the Computershare website and change your details online.

o) Inquiries about Altium Limited

Details of Altium Limited's Registered Office are as follows

Address:	The Zenith, Tower B Level 6, 821 Pacific Highway Chatswood NSW 2067 Australia
Phone:	+61 2 9474 7890
Facsimile:	+61 2 9410 0509
Email:	investor.relations@altium.com
Website:	www.altium.com
Company Secretaries:	Alison Raffin and Kim Besharati

p) Altium shareholder communications

Altium publishes information to its shareholders in the annual report and via releases to the ASX. Investor Information can be found on our website www.altium.com/en/altium/investor-relations

Key Altium Governance information can be found on our website:
www.altium.com/company/investor-relations/publications-and-reports/key-documents