Altium

Altium Limited
ACN 009 568 772

ANNUAL REPORT 2020

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 - resigned on 18 November 2019

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:	Virtual - Full details on how shareholders can participate will be provided in the 2020 Notice of AGM
Time:	9am
Date:	19 November 2020

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 2020.

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 - resigned on 18 November 2019

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	
	2020 US$'000	2019 US$'000
Final dividend for the year ended 30 June 2019 of AU 18 cents (2018: AU 14 cents)	16,050	13,327
Interim dividend for the half year ended 31 December 2019 of AU 20 cents (2018: AU 16 cents)	17,584	14,801
	33,634	**28,128**

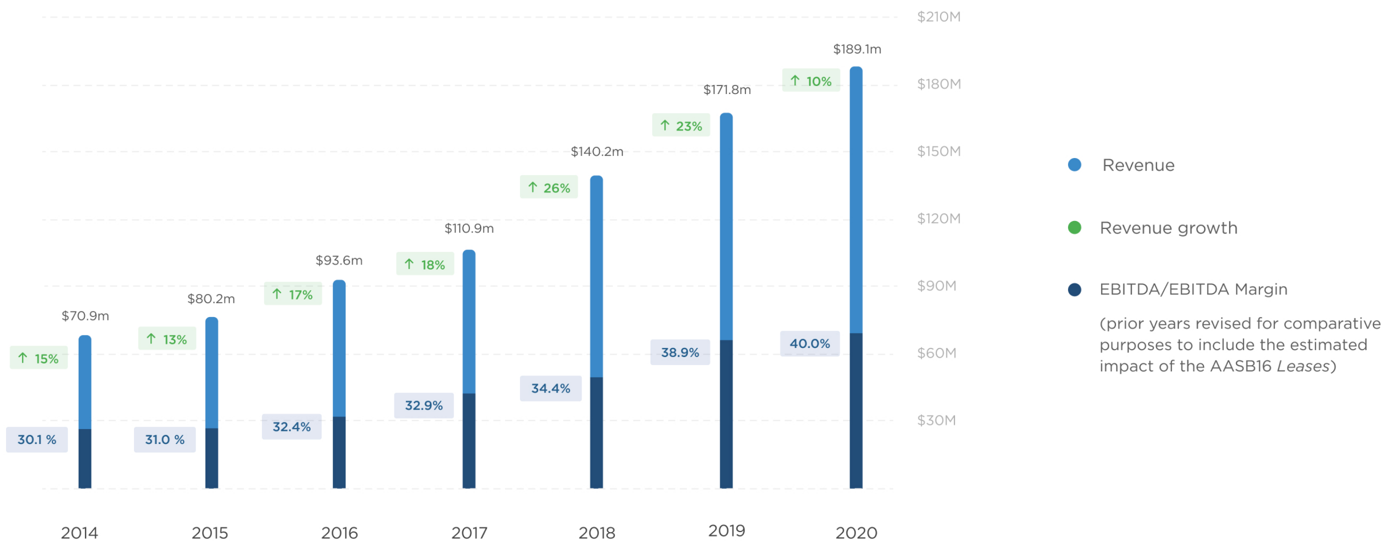
The Directors have declared a final dividend of AU 19 cents per share for the year ended 30 June 2020. The dividend will be paid on 24 September 2020 based on a record date of 4 September 2020. This amounts to a total dividend of US$17.1 million based on the number of shares outstanding.

Review of operations

This update of our operational performance in Financial Year 2020 will cover the following sections:

- Overview
- Impact of COVID-19
- Financial Highlights
- Business Highlights
- Strategy
- Outlook
- Key Risks

Overview



Seven year trajectory of growth in Revenue and Earnings

Financial year 2020 has proven to be an exceptional year. Altium began the year with the momentum of recent years rapid growth and was well on the way to achieve its goal to become the clear market leader in the PCB design tool industry and from that position of strength to enter a new phase of industry dominance and industry transformation. The second half of the year was marked by the backdrop of a world struck hard by a global pandemic.

For the full year, Altium revenue of US$189.1 million, while below our long-standing aspirational goal of US$200 million was a 10% increase over the prior year: up in double digits for the 9th year in a row. Altium was able to meet our Rule of 50 with 40% Earnings before interest, tax, depreciation and amortisation (EBITDA) on a reported basis (underlying EBITDA - after removing the remeasurement of contingent consideration and the impact of AASB16 *Leases* was 35.8%).

Profit before tax grew 12% to $US64.6 million. The tax expense was impacted by a revaluation adjustment to the deferred tax asset (DTA) to reflect a lower future tax rate resulting from United States Foreign Derived Intangible Income (FDII) rules.

Altium has a strong balance sheet. The Group ended the year with a cash balance of US$93.1 million after dividend payments of US$33.6 million (2019: US$28.1 million). Operating cash flow contributed US$56.5 million (2019: US$69.1 million). Cash flow was impacted by extending terms to some customers and providing others with monthly payment plans to assist them as they dealt with the impact of COVID-19 on their businesses, increased cash tax payments, and the impact of obtaining multi-year sales contracts with payment terms over the life of the contract. Cash management is a key focus area for Altium.

Altium adjusted, re-shaped and accelerated plans to launch Altium 365, our digital platform that puts PCB design into the 'Cloud'.

Operating expenses were 8% higher at US$113.5 million compared to the year ended 30 June 2019, adjusted for AASB 16 *Leases*. Most expense growth occurred in the first half and was mainly people related. Second half spending was mitigated as we moved internal resources to invest in product and marketing capability instead of hiring and we adjusted variable spending to reflect the impact of remote operations.

Seats and subscriptions both achieved double digit growth. Seats increased by 15% (9,251) and subscriptions were up a record 17% surpassing our goal of 50,000 subscribers to reach 51,006.

Impact of COVID-19

Altium responded to the COVID-19 pandemic by prioritizing personnel safety and customer support. The Group shifted to a remote work model in March 2020 at all of our locations worldwide and virtually all Altium employees worked from home utilizing tools and software for video, chat and document collaboration. We assembled a preparedness task force that monitored the situation for all regions and developed protocols for office safety, personal hygiene and steps for returning to work when appropriate and abiding by local regulations. A supply chain for personnel protection equipment was established and offices were cleaned and prepared for the return of employees. At the date of this report we are operating a hybrid model with China, Russia, and Poland offices open. Offices in Australia and Germany are partially open. The balance of our workforce is still remote.

As soon as the potential impact of the coronavirus became clear, Altium implemented programs to support customers and enhance our reach in the market. Altium introduced a monthly payment plan and selectively provided extended payment terms to our customers in response to concerns related to cash utilization as customers transitioned to remote work or went into lockdown. The monthly and extended terms impacted our cash flow by increasing our year end Accounts Receivable by approximately US$14.1 million. Altium accelerated the implementation of a Digital Sales Model so customers could place orders directly online - with a single click.

Sales were negatively impacted in the second half by lockdowns around the world and the time it took to close sales increased because of the uncertainty about the duration of lockdowns, the potential effect and timing of economic incentives and the political environment. Altium offset the pandemic's negative factors by providing customers with enhanced pricing designed to ensure that clients had enough licences for all engineers to work from home and encouraged adoption of Altium 365, our cloud based platform so teams working remotely could collaborate as (or usually more) effectively, as if they were sitting side by side in an office.

The negative impact of the pandemic and the associated economic uncertainty meant that we did not meet our long standing goal of US$200 million in revenue during the 2020 financial year. We did take advantage of some economic programs that were provided by governments across the globe as tax relief and government abatements were provided in some countries. The Group received direct benefits of US$0.7 million, was able to defer payments relating to payroll tax, social security and VAT taxes amounting to US$0.8 million and corporate taxes of US$3.8 million, positively impacting cash flow.

Financial Highlights

CASH UP 16%
93.1 $M

PBT UP 12%
64.6 $M

EBITDA UP 13%
75.6 $M

REVENUE UP 10%
189.1 $M

RECURRING REVENUE
60 %

5 YEAR REVENUE CAGR
19 %

EBITDA MARGIN UP FROM 38.9%
40 %

DIVIDEND UP 15%
AU 39 c

MARKET CAP
AU 4.3 b

EMPLOYEES
861

DEBT FREE

NO R&D EXPENSE CAPITALIZATION

Key Financial Results

	Consolidated		
	2020 US$'000	2019 US$'000	Change %
Revenue (excluding interest)	**189,124**	**171,819**	**10.1%**
Operating expenses (excluding depreciation, amortisation and interest)	(113,490)	(104,990)	8.1%
EBITDA	**75,634**	**66,829**	**13.18%**
EBITDA margin[1]	40.0%	38.9%	
EBITDA margin underlying[2]	35.8%	36.6%	
Profit before income tax	**64,642**	**57,612**	**12.2%**
Income tax expense[3]	(33,761)	(4,719)	
Profit after income tax	**30,881**	**52,893**	**(41.6%)**
EPS cents	23.60	40.57	(41.8%)
Normalized EPS[4]	42.45	40.40	5.1%
Rule of 50[5]	50	61	(19.3%)

[1] Prior year has been revised for comparative purposes to include the estimated impact of the AASB16 *Leases*.

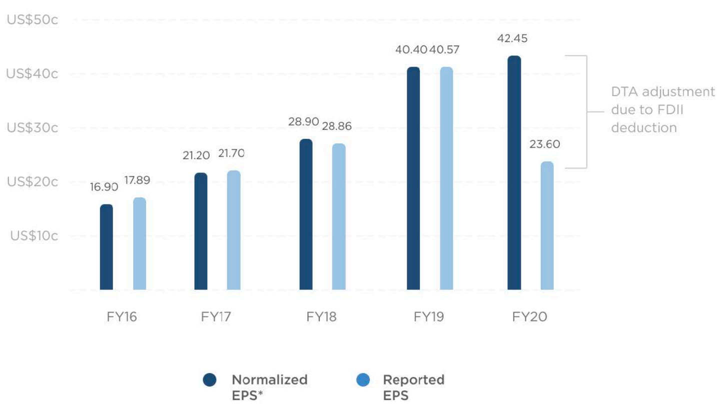
[2] Underlying EBITDA margin excludes the re-measurement of contingent consideration, acquisition costs and the impact of the AASB16 *Leases*.

[3] Income tax expense was impacted by a one time adjustment to the Deferred Tax Asset of US$16.4 million reflecting the impact of US FDII rules.

[4] Normalized EPS removes accounting adjustments for the future value of Altium's IP tax asset. Due to excess tax asset in prior years there was no material movement in the value of DTA.

[5] The combination of the percentage of revenue growth plus EBITDA margin is equal to 50 or greater.

Net Profit After Tax



* Normalized EPS removes accounting adjustments for the future value of Altium's IP tax asset. Due to excess tax asset in prior years there was no material movement in the value of DTA.

Net profit before tax increased by 12% to US$64.6 million from US$57.6 million in the previous year. Net profit after tax of US $30.9 million has been affected by the increase in the tax expense to US$33.8 million.

The tax expense increase is as a result of completion of a restructuring in the United States that enables Altium to claim a deduction for Foreign Derived Intangible Income (FDII). Altium became eligible for the deduction in the year ended 30 June 2020 and it will apply to Altium for fiscal year 2021 onward as tax losses and credits were fully utilized in the year ended 30 June 2019. The tax expense includes a one-time impact of US$16.4 million due to the revaluation of the deferred tax assets and liabilities in the USA to reflect a lower effective future tax rate resulting from the FDII rules. The revaluation reflects the rate that is expected to apply to the period over which the temporary differences unwind.

Business Highlights

Sales and Revenue

	Consolidated		
Product Revenue	2020 US$'000	2019 US$'000	Change %
Sales to customer	**194,258**	**177,216**	**10%**
Board and Systems (Altium Designer, Circuit Studio, SolidWorks PCB)	132,296	126,782	4%
- Americas	53,742	50,856	6%
- EMEA	45,610	44,613	2%
- China	21,282	19,805	7%
- Rest of World	11,662	11,508	1%
NEXUS	15,491	6,637	133%
TASKING	19,815	19,857	0%
Octopart	18,973	17,948	6%
Manufacturing	2,549	595	328%
Total Revenue	**189,124**	**171,819**	**10%**

For more details on revenue, refer to Note 3 of the Annual Report.

Altium sales in fiscal year 2020 were US$194.3 million an increase of 10%. All segments except TASKING experienced year over year growth.

The Board and Systems business revenue grew to US$132.3 million. NEXUS revenue increased to US$15.5 million up 133%. Octopart revenue increased 6% to US$19 million. TASKING revenue was virtually flat at US$19.8 million and manufacturing improved to US$2.5 million due to a full year contribution from Gumstix.

Altium Designer Dominance

Altium Designer is the most widespread PCB design tool used by over 100,000 engineers worldwide.

YEARS OF R&D

30

ALTIUM DESIGNER NEW SEATS SOLD

9,251

SEATS ON SUBSCRIPTION

51,006

ALTIUM DESIGNER IS USED BY COMPANIES

30,000

TOTAL DOMINANCE IN CHINA

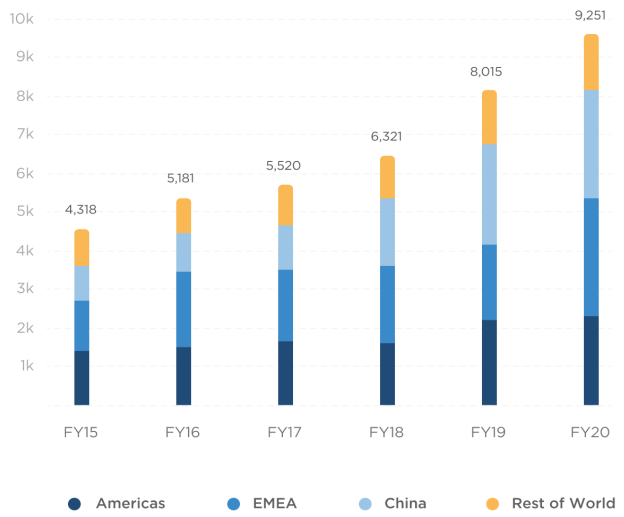
TWICE YEARLY SOFTWARE UPDATES

DIRECT PRESENCE IN MOST MARKETS

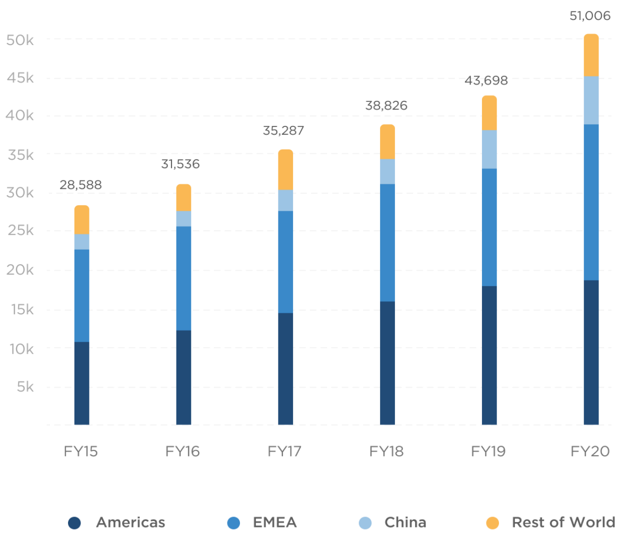
ALTIUM DESIGNER

New seat licenses of Altium Designer grew by 15.4% with a total 9,251 seats sold in the year ended 30 June 2020. The subscription pool which includes term based licenses grew by 17% to reach 51,006 subscribers. Rejoins increased as a percentage of the totals and lapses decreased.

Altium Designer New Seats Sold



Subscription Pool
(All years include term-based licences)



Altium Designer Board and Systems regions all reported positive results. EMEA grew revenue to US$45.6 million, an increase of 2%. Americas achieved revenue of US$53.7 million which was a 6% growth rate. China revenue was US$21.3 million, a growth rate of 7%. We have optimized our License compliance business in China and have sales capacity in place to increase volume in fiscal 2021 and beyond.

ALTIUM NEXUS

Altium NEXUS, for the agile enterprise, delivered US$15.5 million in revenue, a growth of 133% over the prior year. The NEXUS customer base is growing and includes Tesla, Bosch, SpaceX, iRobot and Xylem. NEXUS has worked with existing Altium Designer accounts that need enhanced PCB design capabilities to move them to the next level. NEXUS is part of our controlled approach to increase term based revenue and create greater value for our customers. NEXUS is configurable to fulfill customer needs and processes without creating a substantial increase in overhead structure for customers.

The sales process for NEXUS requires significant customer interaction through a process to assess customer requirements and to determine what will be necessary to deploy the software. To do this, the NEXUS team has established the organisational capacity and capability to manage solutions sales at a level that will increase in scale to incorporate a larger account base.

Octopart

The Electronic Parts, Search and Discovery business, Octopart, delivers part level intelligence to the electronic design engineering community and is well on the way to becoming the number one brand associated with electronic parts search. Octopart revenue grew to US$19 million, an increase of 6%. Octopart was able to increase year over year sales in the second half to a run rate close to 10%, an improvement that offset the minimal growth in the first half. Octopart increased unique visitors to its site during the year, brought in 121 new API customers and increased the number of available CAD models to over 1 million parts. In the future, Octopart will improve search optimization and the customer experience as well as create data enhancements for part models and part information.

TASKING

TASKING, the Altium Microcontroller and Embedded Systems business, is the number one supplier of compiler software for Infineon (the large European semiconductor manufacturer) for its Aurix Tricore chip set for the automotive industry. Fiscal 2020 revenue of US$19.8 million was flat compared to the prior year as the automotive industry was impacted by lockdowns in Europe and the US: in recent months automotive plants have begun to scale up production again. Recurring revenue increased from US$8.9 million to US$11.2 million.

ALTIMADE

Altimade is the new identity for PCB manufacturing at Altium. During the year ended 30 June 2020, Altimade revenue increased to US$2.5 million. Work continues to build production capability at our Brooklyn New York facility; although delayed due to lockdowns, the delivery and installation of critical production machinery is completed. The acquisition of Gumstix immediately prior to 2020 provided a full year of manufacturing operations contributing to the increased revenue for Altimade. Production operations for PCB:NG and Gumstix were impacted by supply chain and contract manufacturing shutdowns due to COVID-19.

Altium 365 Adoption

The world's first digital platform for design and realization of electronics hardware

ACTIVE USERS OVER	ACTIVE ACCOUNTS OVER	CONNECTED TO ALTIUM DESIGNER OVER	LAUNCHED 1 MAY 2020
5,000	2,600	7,000	

Product

Altium released Altium Designer 20, making Altium Designer best in class in almost every aspect of PCB design software. This reflects many years of disciplined execution by our R&D team, first to narrow capability gaps with competitors and then to go beyond to deliver a PCB design tool that is second to none and to increase the productivity of our customers.

Altium released our new cloud platform, Altium 365 in May 2020. The release date was brought forward to enable opportunities early during the spread of the coronavirus so that our customers could benefit from a product and service, that would allow them to *'Work from Anywhere and Connect with Anyone.'*

Altium 365 is a first for the electronics industry. It is a platform that digitally connects electronic design to the supply chain through to the manufacturing floor and has been created for all users from the mass mainstream engineering market to sophisticated enterprise accounts.

The early adoption of Altium 365 has been gratifying; over 2,600 companies and more than 5,000 active users are on the platform. Our focus, as we move from a product to a platform company is to work directly with users to understand and to manage customer expectations. This is critical for us to accelerate customer adoption and active use of Altium 365.

Altium 365 is the platform on which Altium will change its product licences from maintenance-based to capability-based, from perpetual to term to SaaS and it will be the foundation for the transformation of the way that electronics are designed and manufactured.

Operating Expenses

Operating expenses were US$113.5 million, an increase of 8.1%. Spending in the second half of the year was tightly controlled to manage the impact of remote operations and customer lockdowns. Spending emphasis was redeployed to support the introduction and adoption of Altium 365, to deliver a Digital Sales Capability and to ensure the health, safety and effectiveness of our employees working remotely. Altium is committed to spend in line with our "Rule of 50", which is calculated as the percentage of revenue growth plus EBITDA margin being greater than 50.

Headcount costs are our highest expense category; salaries increased by US$13.1 million due to additional headcount added early in the year. During the year ended 30 June 2020, Altium hired 90 people with the majority of it occurring in Boards and Systems areas that support product development and sales. The increased payroll spending was offset by a reduction in the payment of variable compensation which was foregone as a consequence of not achieving our performance target resulting in a reduction of payroll spend of US$5.9 million. Spending was increased by US$1.8 million for software, web hosting and insurance. Altium increased Brand and web advertising by US$2.6 million for campaigns designed to increase our reach and enhance the adoption of Altium 365.

During the financial year, the founders of PCB:NG initiated a lawsuit against the Group because of their perceived inability to meet financial earnout targets. The lawsuit was settled and the founders have been dismissed from the Group. Altium re-measured the PCB:NG earnout to reflect the final settlement amount of US$875,000 which resulted in a writeback of the contingent liability for PCB:NG of US$2.9 million for the year ended 30 June 2020. Altium has invested in new equipment and in modern workflow processes at the PCB:NG facility to establish production quality, capacity and capability that was not possible in the past; PCB:NG is now a key element in support of our strategy to transform PCB design and manufacturing.

Altium will continue to invest in operational efficiencies to increase our penetration in existing markets and with current customers and to enter new markets and sell to new customers.

Strategy

The Altium vision to transform the electronics industry gained pace in the financial year ended 30 June 2020. The introduction of Altium 365 and its impressive early adoption rates have increased our confidence that the need for a robust collaborative platform is real and accelerating.

Our goal to have 100,000 subscribers by 2025 is on track as we passed the halfway mark during the year. We believe that it will make Altium the dominant provider of PCB design tools and from the position of strength that comes with dominance we will be able to lead the transformation of the electronics design industry. Transformation will come from:

Altium 365: Digital Platform for the electronics Industry, bringing the power of CAD & the Cloud together

Connect the Electronics industry Value Chain from parts to manufacturing to increase productivity and reduce financial risk

Altimade: Smart Manufacturing of printed circuit boards on Altium 365

Altium Digital Store: Frictionless engagement for engineers to transact with Altium

Altium Academy: Frictionless engagement for engineers to learn with Altium

Strategic success and the achievement of industry transformation will be measured by:

- Licenses
- Users and Active Users of Altium 365
- Parts search and activity on Octopart and from Octopart to Altium 365
- Revenue generated by use of Altium 365

Outlook

Altium is known for setting long term tough goals and working to achieve them. Our goals remain intact, 100,000 subscribers by 2025 and US$500 million in revenue. We are also committed to providing a more stable predictable revenue model as we move from software to a cloud based platform. This shift will enable a more stable and recurring revenue model in the future. Our transition will be deliberate and measured in line with our adherence to the Rule of 50. Some metrics and milestones that will make sense to monitor as we move along the transformation path include:

- The adoption rate of Altium 365;
- Percentage of recurring revenue;
- Partnership and M&A activity;
- Expansion of our Total Addressable Market (TAM) and our rate of penetration of it.

Key Risks

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

Pandemic Risk: The COVID-19 pandemic brought home the rapid impact on our (or any) business from the widespread contagion of an infectious disease. The human and economic consequences of the continuing response to the pandemic will impact business for some time. The Altium implementation of a worldwide remote working environment will enhance employee safety and effectiveness and mitigated against lost time because of illness. Future COVID-19 related business risks include reduced customer demand, employee absence, customer credit, and a more general economic slowdown. Our response to the Pandemic of increased utilization of collaborative tools, more robust communication and meeting processes will continue as we maintain flexibility during these rapidly changing times.

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 is critical to future success. Altium devotes significant time and resources to the development, monitoring and review of its strategic direction. The process includes dedicated strategy sessions at the board level, ongoing executive review of programs critical to strategy, and dashboards to monitor and highlight progress and setbacks. Strategic initiatives require optimal program management and high levels of collaboration, especially in the current remote work environment.

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 other markets 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. The 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 could be impacted significantly by security breaches of employee or 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 methodologies to segregate data, backup and critical access monitoring and is committed to the highest standards of information security. Altium has appointed a senior level Director of Cyber Security to ensure we maintain our focus on information security. Altium has an internal review and continuous improvement process to ensure that we maintain a high level of cybersecurity and that we review and update privacy policies as regulation changes. Altium has implemented a Human Resources Information System to enable more effective management of employee information worldwide. Oversight of Cyber Risk is led by the Executive Directors of the Board with accountability held by the full Board.

Ability to attract and retain key personnel: The success of Altium is dependent on the retention of key personnel and executives in all of our functions, geographies and business units. There is a risk Altium may not be able to attract and retain key personnel due to competitor recruitment pressure which could in turn affect the near term ability to achieve 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

861

EMPLOYEE GROWTH

90

COUNTRIES

17

Environmental, Social and Governance (ESG) Report

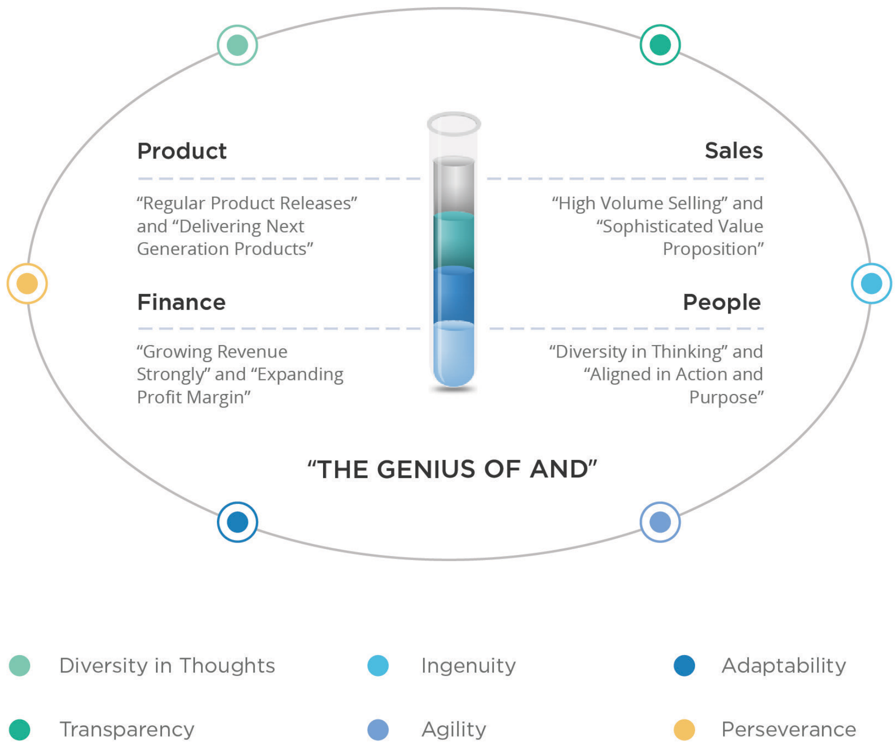
Altium is the global market leader in the development and marketing of technical software for the design of Printed Circuit Boards (PCB). The Group encourages sustainable business practices at all of its locations in more than thirty offices and facilities in seventeen countries. Altium employs a diverse workforce, all of whom are dedicated to our mission to transform electronics design and manufacturing.

This report sets out our thinking and behaviour in regard to key Environment, Social and Governance issues and in particular address our response to the global COVID-19 pandemic.

Altium Values

Altium values are a key component of our culture. They not only enable us to measure our performance in financial terms but they help to define expected behaviours, guide our strategic and decision making processes and are fundamental to employee alignment.

Our values at Altium are:



The ESG report will cover the following sections:

SOCIAL	Employees • Diversity and inclusion • Professional development • Employee wellbeing • Pay equity and remuneration • Ethical labour • Occupational Health and Safety	Customers • Customer experience • Use of data • Customer Privacy and data security • Cyber security	Community
ENVIRONMENT	Environmental impact		
GOVERNANCE	Responsible and ethical business practises		

1. Social

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 want to understand problems, explore innovative solutions, improve the way that we approach and do things and to perform to a high standard. Together, we find better ways to grow with our customers, partners and communities. Our philosophy of empowerment enables our employees to suggest and implement improvements for our work practices, work spaces, the environment and overall employee satisfaction.

1.1 Employees

Diversity and inclusion

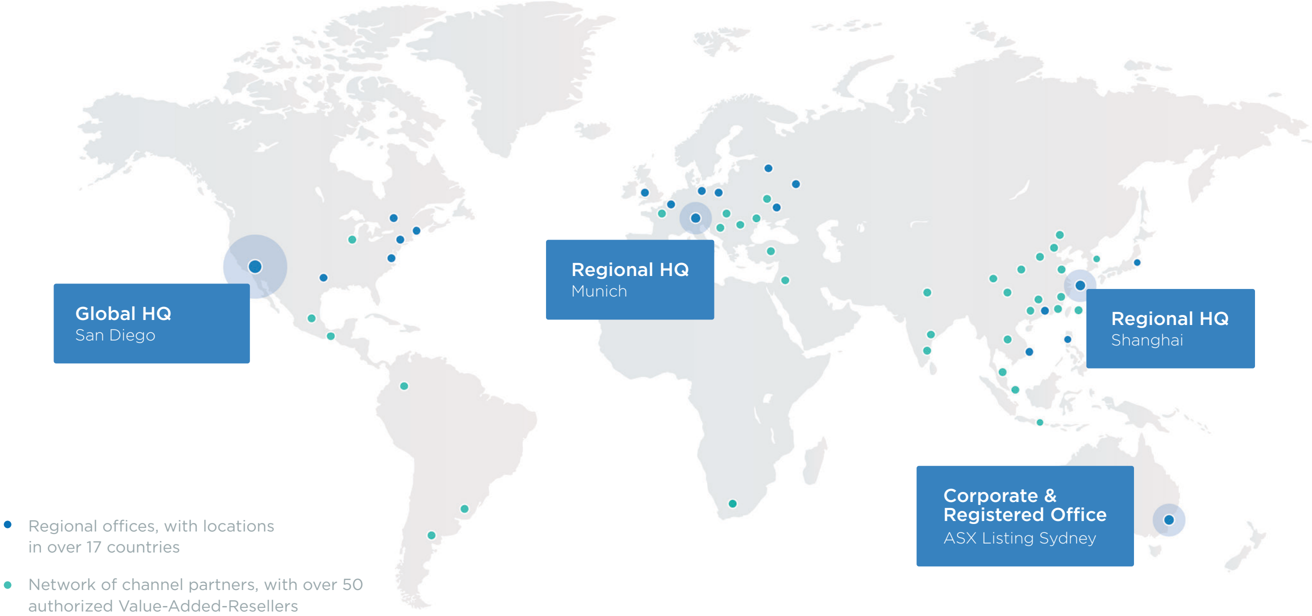
As a growing global organisation, Altium benefits from having a diverse mix of extraordinary individuals drawn from many countries, aged from 18 to 74, with wide ranging backgrounds, remarkable skills and perspectives. Our future growth and continued product innovation will come from the talent, motivation and enthusiasm of our people across the world.

Altium is headquartered in La Jolla, California in the United States, with regional Headquarters in Munich, Germany and Shanghai, China.

Main Operating Centres
San Diego, Munich, Shanghai

Sales and Support Centres
San Diego, Boston, Karlsruhe, Munich, Shanghai, Sydney

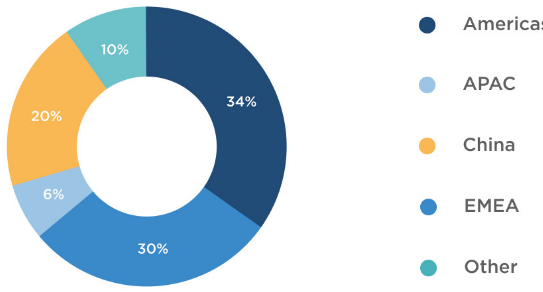
Research & Development Centres
San Diego, Ukraine, Netherlands, Shanghai



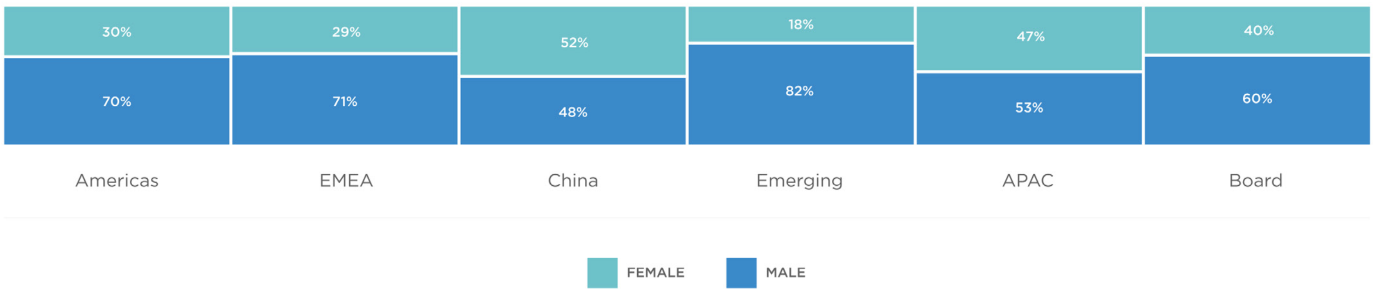
Altium employs 861 (2019: 771) permanent and temporary employees. The majority of our employees are regular, full-time employees. However, we also employ a small percentage of contract employees and third-party contractors to ensure we have the workforce flexibility to respond rapidly to changes in customer demand.

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

Employee by regions (% as at 30 June 2020)



Workforce distribution by region and gender



In the financial year ended 30 June 2020, Altium hired a net additional 90 employees through planned growth. Key additions include:

- employees related to the development of the Altium 365 platform for the design and realisation of electronics products
- the expansion of our marketing team to better engage directly with customers especially with modern digital tools and to enhance the Altium Brand
- Investment in Octopart to improve search optimization and the customer experience as well as the creation of data enhancements for part information.

Workforce development is aligned to functional operational groups at Altium. Our sales enablement efforts use a systemic approach to onboarding of new sales team members that includes salesmanship, Altium product orientation and transactional and solution selling. In addition there is ongoing coaching of sales professionals by line managers and the sales enablement support team. In technical areas, such as Field Application Engineers, there is a development process that certifies individuals in their skills so they can move from one level to another. In our China License Compliance teams, there is a specific approach to individual development with specific curriculum and performance management.

Individual development and certifications occur on a situational or competency requirement basis such as Salesforce education or product orientation. Individual departments provide upskilling, and provide certificates to attest to increasing levels of competency. The *Centurion* group has been provided with a specific leadership development approach led by an external consultant including a group workshop followed by monthly webinars. Individual coaching is available for select team members. Atlum does monthly Update sessions that provide directional information, product awareness, and situational training on items such as our COVID-19 response.

We maintain an open dialogue with employees and monitor employee feedback to determine which programs to implement globally, or regionally, especially to improve employee engagement and retention across our organisation. Since January 2020, Altium has held three CEO Open Forums during which employees have had the chance to hear directly from our CEO, Aram Mirkazemi, about the latest thinking on the vision and the strategic direction of the Group and to ask questions about any subjects of interest to them.

Professional development

We work with our management teams to determine areas of interest to guide, develop and motivate our teams with both internal and external training resources. Employees also participate in conferences and tradeshows that allow us to promote our business and engage with current and future customers whilst improving the individual's knowledge and leadership skills.

Opportunities are made available 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 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 offer 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 company provided 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.

Covid-19 impact

Altium received an early warning about what became the coronavirus pandemic because of our offices in Shanghai, Shenzhen and Beijing, China. Our response in China set the tone and foundation for what became our risk mitigation strategy and employee health and safety plans in our other offices around the globe.

In January 2020 the Spring Holiday in China was extended to help with the quarantine of our staff in the face of the COVID-19 virus as it spread across that country. Altium responded quickly to government regulations and for the health and safety of our workforce in China, we asked all staff to work remotely and closed our offices in Shanghai, Beijing and Shenzhen. Altium also restricted travel to China from other regions until it was deemed safe by local authorities.

In February, as the virus spread to other countries we took precautionary measures to restrict international travel and participation of Altium employees in certain events. By early March we closed our offices to non-employees and further restricted business travel. During this time we implemented protocols to require anyone who believed they might have been in contact with the virus to self-quarantine for 14 days.

As the China lockdown began to be lifted, we opened our 3 China offices to limited capacity in early March. Plans were put in place to bring the China offices back to full operation in a safe manner over the next two months. During this recovery period in China, the virus spread to other parts of the Altium world.

On March 16 we moved all employees in all offices outside of China to work remotely with two exceptions of small manufacturing operations deemed essential supply chain businesses by the US government. Employees were provided, as much as possible, with tools and equipment to operate remotely (primarily in their private homes) as if they were in one of our offices.

Additionally we assembled a preparedness task force that monitored the situation for all regions and developed protocols for office safety, personal hygiene and steps for returning to work following local regulations. A supply chain for personal protective equipment was established and offices were cleaned and readied for potential re-entry of employees.

We have remained in remote operation throughout the fourth quarter of fiscal year 2020 and into the first quarter of fiscal year 2021. Our Sydney office partially opened the last week of June and the Moscow, St. Petersburg, Katowice and Munich Trikot offices reopened in late July. The Kyiv, Tokyo, Hanoi and Ho Chi Minh City offices will be considered for re-opening in August. Due to the continued spread of COVID-19 other offices around the world will remain closed until it is deemed safe for occupancy.

For the past six months the health and well-being of our employees has remained our primary focus; this has been balanced carefully against maintaining productivity and operational success. We have developed an overarching infectious disease policy to govern our response to the pandemic and to guide us in the event of any future recurrences. The flexibility and adaptability of our employees has enabled us to pivot to remote operations very quickly without interruption.

Communication has been key to minimising disruption and ensuring our teams across the globe have felt supported and unified in our approach to maintain health and safety whilst continuing to focus on our strategic and operational goals. We have consistently updated our local regions via virtual meetings and intranet postings relating to changing conditions and restrictions regarding the COVID-19 pandemic.

Pay equity and remuneration

Altium compensation philosophy and practices are designed to attract, motivate and retain leaders and employees who will create a successful 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 to ensure that we operate respectful and safe work environments for our employees globally. We are committed to treating all 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.

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 undertaking a comprehensive review of its OH&S policies and procedures.

1.2. Customers

Customer experience

Altium customers include companies of all sizes, from large multinational corporations to startups and individual consultants. To understand and accommodate the needs of our diverse customer base, we employ a multifaceted approach to measure and improve the experience customers have with Altium and its products.

Customer feedback

Altium employs both quantitative (surveys conducted within our products and via email, analysis of the product usage data, and UX research) and qualitative (user interviews and focus groups) methods to gather and process customer feedback. User feedback is analysed and has a significant impact on our product strategy and development plans.

Customer engagement

Altium actively engages with our user community via our customer portal (AltiumLive), with thousands of users who participate in online discussions and in-person at our annual user conferences (AltiumLive PCB Design Summit) and by participating in and sponsoring user groups all over the world.

The launch of Altium 365 has led to a higher level of customer engagement as we work with Altium 365 users to assist them to put their PCB designs into the *Cloud*. Altium formed a dedicated Customer Success team with representatives located in all major markets (Americas, EMEA, APAC) to work directly with Altium 365 users who can reach us via chat built directly into the Altium 365 platform, via our online customer portal, by email or on the telephone. To achieve scale and engage with all interested customers, Altium conducts Altium 365 onboarding sessions and best practice webinars several times a week in all major regions. We encourage users to share their experiences, tips and tricks on the dedicated section of our online portal, and we have invested in the development of training materials to provide users with the information they need on a self-service basis. As a result over 2,600 companies and 5,000 users have signed up for Altium 365 with new users coming to the platform every day.

Use of data

Altium collects data to enhance our understanding of how our customers utilize Altium products and services. This information enables us to develop and create products and services that better meet the needs of our customers. Altium employs a transparent approach to data collection, all the data we collect is outlined in the Privacy Policy and Terms of Use; in addition, customers can agree voluntarily to share information on how they use our products via our Customer Experience Improvement Program.

The data is passed to our servers via a secure connection and is stored and processed according to the industry standards and regulations. Our data collection and analytics practices are built with a privacy-first mindset, the data is anonymised whenever possible and is not meaningful to anyone outside of Altium. Customers can request their data to be removed from our systems at any time by contacting us at data.compliance@altium.com, we have established processes in place to remove customer data upon request.

Customer Privacy and data security

Altium is committed to ensuring compliance with export control regulations and sanctions requirements for the countries in which we operate. Altium has implemented automated control processes and assigned personnel to ensure compliance with current government regulations. Our stance is that protecting Altium and customer information is the responsibility of all our employees and we ensure that all Altium employees are informed of their individual responsibilities in this regard.

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

The externally published Altium General Terms of Service and Privacy Policy documents highlight the steps taken to ensure customer data privacy and security. The policies and supporting internal procedures have been developed to ensure adherence to current global data protection regulations including the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA). By adhering to these policies and procedures, we ensure the confidentiality, integrity and availability of information held by Altium, including information entrusted to us by our customers and business partners. 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 organization.

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

Cyber security

Managing security across systems, infrastructure and processes is a key aspect of the Company's Risk Management Framework and is managed by the Cyber Security committee which includes representatives from the IT, R&D and Business Operation teams. The Audit and Risk Management Committee of the Board has oversight for this committee and is briefed regularly on the state of cyber security.

The Altium security program applies a risk-based approach to tackling current and emerging cyber security related threats and vulnerabilities. The Cyber Security team regularly assesses cyber security controls based on changes to the threat landscape and breaches affecting other organizations. Altium collaborates with organizations throughout the technology industry globally to continuously improve its security controls. Altium's infrastructure operates using a combination of cloud services built upon Amazon Web Services infrastructure and physical data centers in Frankfurt, Germany and Los Angeles, California, USA. These data centers are geographically separated Tier III and ISO 27001 compliant. The disaster recovery program ensures that services remain available and are recoverable in the case of a disaster. This is accomplished by virtue of a robust technical environment, creating and testing disaster recovery plans, and building back-up and restoration capabilities which are tested regularly.

Altium employees participate in security awareness training via ongoing internal phishing campaigns, training sessions educating users on the cyber threat landscape, how to report suspicious activity, best practices for staying secure and the role they play in keeping Altium secure.

Cyber security is integral to Altium operations. The continually evolving threat landscape demands constant vigilance. Altium will continue to grow technical capabilities and invest in experienced cyber security talent. Employee awareness is an ongoing focus, reinforcing the risks to individuals and the business of cyber threats with the aim of integrating cyber secure practices into employees' daily work. Altium recently filled a new Director of Cyber Security position.

1.3. Community

Altium believes that a sustainable future begins with empowering the next generation of technology innovators. For this reason, we maintain 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 program, we have eliminated barriers to entry for resource-constrained students and startups with low or no-cost Altium Designer licenses. We are in the early stages of launching a new web-based educational and resource center called *Altium Academy*. The *Altium Academy* will allow electronics professionals at every level, from students to seasoned professionals, to access high-quality training and certification materials that are often sorely lacking in traditional university or commercial settings.

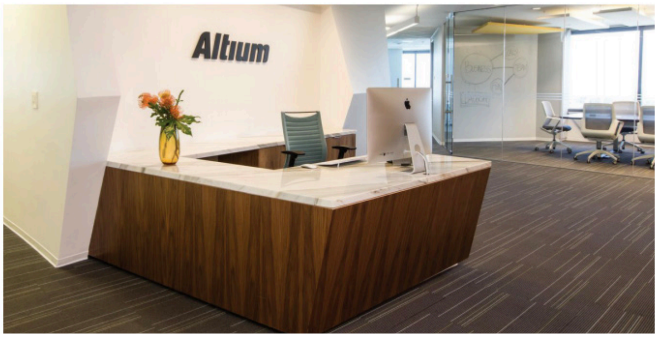
The Altium Academic website provides annually renewable free Altium Designer licenses for individual students, and low-cost bulk licensing for university professors to use in classrooms and labs. We also offer free licenses for competitive student engineering teams such as the SpaceX Hyperloop Pod competition, Formula SAE, Spaceport America, and the popular 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, Launchpad, enables early-stage startup companies to access heavily discounted tools and free training to give them the best chance of success. Finally, we feature students and startup companies on occasion through our Altium Stories. One such story created this year featured Delft University's Project March Team. Using Altium tools, they created a sophisticated exoskeleton that helps people with paraplegia walk and compete in the international Cybathon competition. Project March took first place against commercially funded companies in 2019.

Australian Bushfires

During the recent devastating Australian Bushfires the Altium community rallied around their Australian counterparts to offer their support which included the Group deciding to match all donations made by employees to support those affected by the fires. Altium and employees donated AUD10,000 to Redcross Australia, AUD10,000 to Blazeaid (Community rebuild) and AUD10,640 to Wires (Wildlife).

2. Environment

Altium is a technology based organisation, with an environmental footprint that is relatively small, primarily caused by the energy and consumables used in our offices, R&D centres and a small PCB manufacturing facility. 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 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.

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, Gumstix Research (Canada) Ltd operates in Vancouver, Canada and PCB:NG Inc is in New York City. Both plants have a manufacturing process that is environmentally conscientious.

In fiscal 2021 Altium will review its Procurement practices to ensure that the Company Supply Chain meets appropriate environmental and social standards.

3. Governance

Corporate governance policies

Altium is committed to strong and effective governance. 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 Group's Values and Code of Conduct which set out the professional and personal conduct with which all employees are required to comply when dealing with each other, with suppliers to Altium and with 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.

Anti-bribery and corruption

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

Awareness and understanding of the policy requirements is promoted through mandatory employee training. Reporting of suspected breaches of the policy is encouraged, including through whistleblower channels. Compliance officers have been appointed across the Altium business. Any material violation of the policy is reported to the Board through the Audit and Risk Management Committee.

Whistleblowing

Altium encourages the reporting of any instances of suspected unethical, illegal, fraudulent or undesirable conduct involving Altium businesses, and will ensure that those persons who make a report shall do so without fear of intimidation, disadvantage or reprisal.

The Altium Whistleblower Policy outlines the processes for dealing with disclosures made by employees and stakeholders of any suspected improper conduct within the Altium Group in a confidential and secure manner. Reportable Conduct includes

- dishonest, fraudulent or corrupt activity, including bribery;
- illegal activity (such as theft, drug sale or use, violence, harassment or intimidation, criminal damage to property or in breach of any law or regulation);
- Behaviour that is unethical or in breach of Altium's policies (such as dishonestly altering company records or data, adopting questionable accounting practices or willfully breaching Altium's Code of Conduct or other policies or procedures);
- Circumstances that are potentially damaging to Altium, an Altium employee or a third party, such as unsafe work practices, health risks or abuse of Altium's property or resources;
- abuse of authority;
- causing financial loss to Altium or damage to Altium's reputation or interests;
- harassment, discrimination, victimisation or bullying; or
- any other kind of serious impropriety.

Whistleblowers are protected from victimisation, adverse action or intimidation, and Altium is committed to ensure confidentiality and fairness in all matters raised. 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.

The Board through the Audit and Risk Management Committee receives regular updates of any matters reported through Altium's whistleblower channels. In the financial year ended 30 June 2020, Altium received 2 whistleblowing complaints which were dealt with expeditiously and are considered closed.

Human Rights Policy

On 26 June 2020 the Altium board approved a Human Rights Policy as we believe that respect for human rights is a foundation for our business operations and engagement with our customers, suppliers, employees, stakeholders and communities. As a global operation this view applies wherever we do business. We are committed to maintaining and improving practices and processes, and implementing policies and procedures to ensure that human rights are upheld in all corners of the Altium world. A copy of the full policy is available on the Altium Website.

Modern slavery

The Commonwealth *Modern Slavery Act 2018* has been introduced to combat modern slavery in global supply chains. All Australian entities and foreign entities carrying on business in Australia with at least AU$100 million annual consolidated revenue must comply with the Act requiring reporting entities to prepare an Annual Modern Slavery Statement (MSS) covering their financial year.

Altium's Audit and Renumeration Committee is currently finalising Altium's first Modern Slavery Statetement which will be included with our KEY DOCUMENTS on the Altium website and submitted to the Australian Border force for publication by the required revised deadline of 31 March 2021.

Insider trading

Altium has a Director & Employee Share Trading Policy to ensure that all Designated Officers and Employees are aware of legislation restricting persons trading shares whilst in the possession of Inside Information; the policy also prevents them from providing Inside Information to any other individual or third party.

The Policy outlines Blackout Periods during which designated Officers and Employees are prevented from trading Altium Shares. These Blackout periods are ordinarily from:

- The end of the Half Year until the release of the Audited Half Year Financial Results Announcement to the ASX
- The end of the Full Year to the release of the Audited Annual Financial Results Announcement to the ASX

In addition to these, the Board may change or extend the Blackout Periods at any time they believe that Designated Officers and Employees have access to inside information not available to the market. Even outside of Blackout Periods, all Designated Officers and Employees are prohibited from trading at ANY TIME they have access to Inside Information.

Tax transparency

Altium pursues an approach to tax that is principled, transparent and sustainable for the long-term. Our approach to tax management is to ensure full compliance with all statutory obligations and full disclosure to revenue authorities, maintenance of documented procedures in relation to tax management and reporting to the Board where appropriate. Altium is in the process of developing a formal tax governance and risk management framework which will be managed under the Audit and Risk Management Committee.

Board Oversight

The board maintains oversight of compliance with all Group policies. All material breaches are required to be reported to the board who will monitor the handling and outcomes of these breaches. All Group Charters and Policies are reviewed annually in order to ensure they remain 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. He is also Chairman of 3PLearning Limited. Sam is a highly experienced Company Chairman who has been instrumental in the growth and leadership of Altium Limited over more than 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 helps to guide the group to achieve its strategy to transform the electronics industry through the creation and adoption of an interactive digital platform for the design and manufacture of 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 restructuring 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
3PLearning Limited

Former directorships (last 3 years)
SurfStitch Group Ltd, Citadel Limited

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

Name
Aram Mirkazemi

Title
Chief Executive Officer

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 as Chief Executive Officer in January 2014 and has been an Executive Director of the Board since 2012.

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 research and development. Sergiy was appointed as an Executive Director on 1 January 2018.

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, Integral Diagnostics Limited and Clean Seas Seafood Ltd

Former directorships (last 3 years)
Service Stream Limited - resigned 23 October 2019, 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. From 2015 - 2018 Lynn was Head of Business Optimization at Atlassian Inc, with her prior experience including VP Finance at Citrix Systems and various global and operational leadership roles at Adobe Systems and Apple Inc.

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
Chair of the Human Resources Committee and Member of the Audit and Risk Management 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 2020, and the number of meetings attended by each director were:

	Full Board		Human Resources Committee		Audit and Risk Management Committee		Board Sub Committee	
	Attended	Held **	Attended	Held	Attended	Held	Attended	Held
Samuel Weiss	19	19	4	4	5	5	2	2
Aram Mirkazemi	19	19	-	-	-	-	2	2
Sergiy Kostynsky	19	19	-	-	-	-	-	-
Raelene Murphy	19	19	4	4	5	5	2	2
Lynn Mickleburgh	18	19	3	4	5	5	-	-
Wendy Stops*	3	3	2	2	2	2	-	-

* Wendy Stops resigned as Non-executive Director on 18 November 2019.

** Increased frequency of meetings due to COVID-19 and careful monitoring to ensure continuous disclosure obligations fulfilled.

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 2020. This Report sets out how our remuneration approach has supported Altium's growth as an industry leading and global high-tech company. Specifically, this Report:

- outlines our remuneration framework and principles;
- discusses the impact of COVID-19 on our remuneration; and
- shares how our remuneration framework supports Altium's journey to market dominance and industry transformation.

Altium's vision is to transform the electronics industry by digitally connecting electronic design to the supply chain and to the manufacturing floor. The group's strategy is one of industry transformation through market dominance. In this context, it is critical that our remuneration framework is able to attract, motivate and retain high calibre executives and highly skilled employees with the requisite skill set and passion for a transformative journey. The launch of Altium 365, our new cloud platform, from 1 May 2020 marks the start of this journey. Early adoption of the platform is very promising and the basis from which Altium will pursue dominance and transformation. This means, at a people level, we will expand beyond our traditional confines of the PCB design domain into the supply chain and manufacturing domains. Partnerships and acquisitions will become an increasingly more prominent part of our future as we build out the Altium 365 digital platform.

It goes without saying that Altium employees' commitment to achieve our strategic plans is fundamental to our long-term success. We are fortunate to have a leadership team and a workforce that is passionate about Altium's journey and have been a key part of its industry leading performance for many years.

Altium believes in a remuneration structure that aligns the interests of all stakeholders of the Group, especially our shareholders, our people and our customers. This is accomplished through a combination of fixed and performance based remuneration, including short-term (STI) and long-term incentive (LTI) plans, 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 US$500 million revenue and 100,000 subscribers. Future success will be as much determined by the clarity of our vision as by the determination of our people so that financial rewards accrue to both shareholders and key employees whose contributions lead to the achievement of our 2025 vision.

Performance and remuneration framework outcomes for the year ended 30 June 2020

Despite a relatively strong performance, Altium was not immune from the impact of COVID-19 in fiscal 2020. As the disease spread around the world, the global economic and operating environment changed dramatically. This impacted our customers appetite for both capital and operating expenses, but also created an opportunity for Altium 365, our new cloud platform, that enables seamless collaboration across the entire PCB design process for everyone, including, but perhaps especially those working remotely. Altium chose to continue to employ all of our employees and adopted a strategy to leverage our people to accelerate the delivery of this initiative and set the Group up to emerge from the pandemic in a much stronger position. We were successful in our ability to extend our reach into our customer base and aggressively attract new customers resulting in an increased subscriber base to over 51,000, a critical milestone on our journey to 100,000 subscribers by 2025. Although this is great news for Altium, we did not meet our financial performance targets set for STI or LTI.

Our STI plan remained the same in fiscal 2020 as the prior year. The financial targets were growth in revenue and EBITDA. Due to the impact of COVID-19 on our customers, Altium did not achieve it's revenue or EBITDA targets this year.

The LTI plan was designed and implemented in fiscal 2019, to provide our key employees (known internally as *The Centurions*) the ability to benefit directly from the value created by their long-term contribution through performance rights. It is subject to vesting based on performance criteria established by the Board each year. The LTI vesting hurdle for this year's tranche was based solely on a revenue target due to the focus to achieve Altium's stated goal of US$200 million in revenue by 2020. This goal has been an integral part of the Altium Journey for the past three years and was a key metric for the Group. The LTI performance criteria was not met for the year ended 30 June 2020 resulting in no vesting of shares in August 2020. Due to the extraordinary situation presented by COVID-19 the Board has resolved to defer the LTI award for this year's tranche for re-testing in future years.

Similarly, the Board has chosen to defer the cash LTI awards of our Executive Directors Aram Mirkazemi and Sergiy Kostinsky for re-testing in future years. Our Executive Directors receive a cash award instead of shares, since they are already significant shareholders in Altium.

2021 and Beyond

The STI plan structure will remain the same for the year ended 30 June 2021. Personal objectives will be updated and the revenue metric may be revised to business unit revenue, for those in non-corporate level roles. As a result of employee feedback, and the magnitude of the work ahead of us to transform the electronics industry, we are currently undergoing a review of the LTI plan, including benchmarking against other companies to ensure it achieves our goal to attract and retain key employees, especially in the US where the majority of our *Centurions* are based. We look forward to sharing more on this in the future.

We appreciate your continued support and welcome feedback on this report.

Lynn Mickleburgh
HR Committee Chair

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 2020.

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 during the year ending 30 June 2020.

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	Resigned 18 November 2019
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 have been 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 USA 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 and 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 with 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 transform the electronics industry
- Align the creation of long-term shareholder value and achievement of ambitious Group goals in pursuit of its vision
- Provide market specific competitive rewards, while balancing shareholder expectations
- Tailor reward to the unique requirements of the role and the employee's contribution to Altium's long term success
- Provide appropriate rewards, in line with Group and individual performance
- Have a highly engaged employee base with a unique employee experience

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 benchmarks	• 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 financial hurdles • Delivered as Performance Rights, which vest in five years subject to financial performance • New participants receive a transitional award that vests in annual tranches over five years. In future years these participants receive an annual 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	Encourage 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 2020 include:

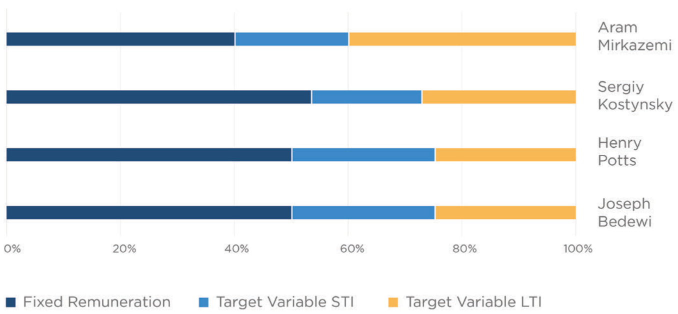
- LTI vesting for this year's tranche was based solely on a revenue target due to the focus to achieve the Altium strategic goal to achieve US$200 million in revenue by 2020. This goal has been an integral part of the Altium journey for the past three years and is a key metric for the Group.
- Due to the COVID-19 pandemic, Altium did not achieve our revenue goal of US$200 million in 2020. The worldwide lockdown environment caused our customers to conserve cash resources, freeze or reduce hiring and pause or delay operating expenses; the work from home environment created challenges for project collaboration, approvals and resourcing.
- Due to the extraordinary situation presented by COVID-19 the Board resolved to defer the LTI award for this year's tranche subject to an employment test and a financial performance test set by the board in future years. This also applies to our Executive Directors who receive cash awards instead of equity as a result of their existing substantial shareholding.

Remuneration mix

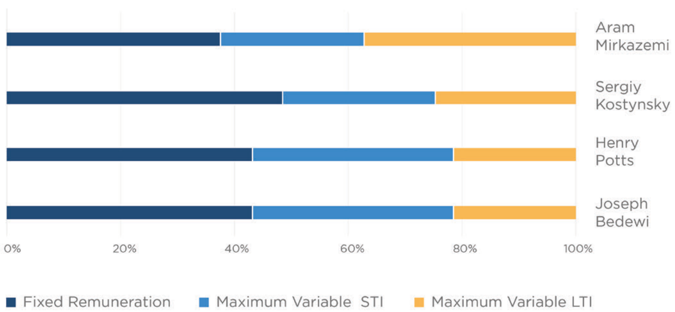
Incentive awards are set at approximately 50% of total remuneration in order to provide a meaningful incentive payment for the successful achievement of both Group and personal goals. The LTI plan is designed to retain key employees whose work is critical for the planning, and implementation of longer 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)



LTI includes only those shares granted in the LTI plan and does not include awards granted at the time of appointment.

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

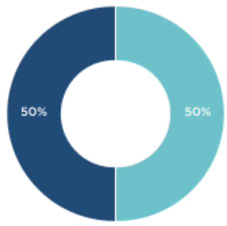
While FAR is reviewed annually, there are no guaranteed remuneration increases.

Variable remuneration

A summary of the Short-Term Incentive (STI) Plan and Long-Term Incentive (LTI) Plan operated for key employees in 2020 is set out below.

Short-term incentive plan

The table below outlines key features of the 2020 STI plan for key employees.

<table>
<tr><th>Design element</th><th>Description</th></tr>
<tr><td colspan="2">The STI plan incentivises the Group to achieve its long held objective to be able to grow both top line revenue and EBITDA margins. We have adopted the "Rule of 50" which is achieved when the percentage of revenue growth and EBITDA margin combine to be over '50.' This strategy has at its heart, the expectation that participants celebrate, endorse and live by the 'Ingenuity of and' which, in the Altium context, means that the Group can invest for the future and enjoy profitable growth at the same time.</td></tr>
<tr><td>Purpose</td><td>Recognise the achievement of the Group's annual financial, strategic and organisational objectives as well as personal goals tailored to the specific role.</td></tr>
<tr><td>Eligibility</td><td>Participation in the STI plan is at the discretion of the Board and closely calibrated with the employee's ability to impact performance within the Group.</td></tr>
<tr><td>Target / maximum opportunity</td><td>The on target award opportunity is based on a percentage of the Executive's FAR and that percentage is set based on the employee's potential impact on Group performance. On target STI (100%) is between 36% and 50% of the individual's FAR and the Maximum STI award is 150% of the target.</td></tr>
<tr><td>Performance metrics (and weightings)</td><td>Performance metrics are approved by the Board annually in August.
For the year ended 30 June 2020:
• 50% of STI is paid for the achievement of group revenue target
• 50% 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 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%.


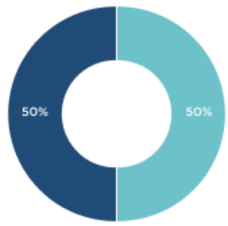
The Board believes that the best way to incentivise behavior to achieve growth in both Group revenue and EBITDA margins is to use them as the principal targets for the STI plan. This means that Altium can grow revenue AND expand margins which aligns with our fundamental principle of the "Rule of 50".

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 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.</td></tr>
<tr><td>Calculation of awards</td><td>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.</td></tr>
<tr><td>Award vehicle and timing</td><td>The STI is delivered in cash at the end of the performance year (following confirmation of performance outcomes).</td></tr>
<tr><td>Termination and change of control provisions</td><td>Retirement, redundancy, leave by mutual agreement:
• STI awards generally remain "on foot" (subject to CEO recommendation and Board approval)
Termination, resignation:
• STI awards are forfeited
• No entitlement to termination payments in the event of termination for misconduct</td></tr>
<tr><td>Malus / Discretion</td><td>STI award is subject to Board consideration of the executive's management of risk, involvement in any company reputational matters and malus consideration.</td></tr>
</table>

Long-term incentive plan

The table below outlines key features of the 2020 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, the endorsement of the Human Resources Committee and with the approval 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)	Performance hurdles are set each year by the Board and historically have included both Revenue and Earnings per share targets which support the Group's ambition to increase both revenue and margins. For the year ended 30 June 2020, the Board set a single LTI hurdle to achieve a revenue target in light of the Group's long stated goal of US$200 million in revenue by 2020. This goal has been an integral part of Altium's journey for the past three years and is a key metric for the Group. 
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%
Termination and change of control provisions	**Retirement, redundancy, leave by mutual agreement:** • LTI awards may remain "on foot" (subject to CEO recommendation, Board approval and perfor-mance conditions being met) **Termination, resignation:** • All unvested awards are forfeited • No entitlement to termination payments in the event of termination for misconduct
Changes/modifications	The LTI performance criteria was not met for the year ended 30 June 2020 resulting in no vesting of shares in August 2020. Due to the extraordinary situation presented by COVID-19 the Board has resolved to defer the LTI award for this year's tranche for re-testing in future years.
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. In light of this, the Non-executive Directors of the Board have resolved to pay all LTI entitlements to the Executive Directors 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 that appreciate in value and to increase the ability of the Group to deliver revenue and margin growth and higher earnings over time. It was last used for share grants in the financial year ended 30 June 2018.

Upon the performance conditions being satisfied the Performance Rights vested in three approximately equal tranches following the end of the financial year subject only to employment testing after the first year. The 2018 plan was assessed based on EPS. The final year of vesting under this plan is for the year ended 30 June 2020.

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 shareholding 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 time and we believe that it is linked intrinsically to the success of the Group. Previous 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 the Group's growth.

	2020 US$'000	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000
Revenue	189,124	171,819	140,176	110,865	93,597
EBITDA	75,634	62,721	44,869	33,254	27,430
EPS	23.60	40.57	28.86	21.70	17.89
Profit for the year	30,881	52,893	37,489	28,077	23,020
Dividend declared - AU cents	39	34	27	23	20
Share price - AU$	32.48	34.20	22.51	8.57	6.46
STI Achievement	0%	100% - 150%[1]	131%	103%	97%
STI performance hurdles	50% Revenue 50% EBITDA	70% Revenue 30% EBITDA	50% Revenue 50% EBITDA	70% Revenue 30% EBITDA	50% Revenue 50% EBITDA
LTI Achievement	0%	100%	100%	100%	100%
LTI performance hurdles	Revenue	50% Revenue 50% EPS	EPS	EPS	EPS

[1] 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 2020

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 2020 (with payments made after the audit result release);
- LTI: the value of equity grants that vested during the year ended 30 June 2020. Refer to section 8 for details of which grants vested in the year ended 30 June 2020. The value has been calculated using the share price at the date of vesting multiplied by the rights vested.

		Fixed Remuneration				Variable Remuneration			
Executive KMP	Financial year	Cash salary US$	Non monetary benefits* US$	Annual Leave US$	Post employment benefits US$	STI US$	LTI US$	Share grant US$	Total US$
Aram Mirkazemi	2020	500,000	37,735	(5,152)		-	1,166,988	-	1,699,571
	2019	500,000	50,464	8,552		375,000	2,128,725	-	3,062,741
Sergiy Kostynsky	2020	350,000	41,266	659		-	334,342	-	726,267
	2019	350,000	41,001	10,288		162,500	514,170	-	1,077,959
Henry Potts[1]	2020	425,000	91,743	8,745	5,318	-	659,491	-	1,190,297
	2019	425,000	91,567	17,748	4,495	233,750	1,074,097	1,574,189	3,420,846
Joseph Bedewi[2]	2020	360,000	61,363	(6,278)	3,738	-	497,553	990,599	1,906,975
	2019	360,000	43,435	7,408	2,700	180,000	329,009	-	922,552

[1] Henry Potts received a grant of 100,000 shares in the year ended 30 June 2019. This was a 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 have been granted annually at the discretion of the Board.

[2] Joseph Bedewi received a share grant in the year ended 30 June 2019 of 40,000 shares. These grants were part of an agreement to award 200,000 shares (or cash equivalent) which was made to Joseph 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 has been granted annually at the discretion of the Board.

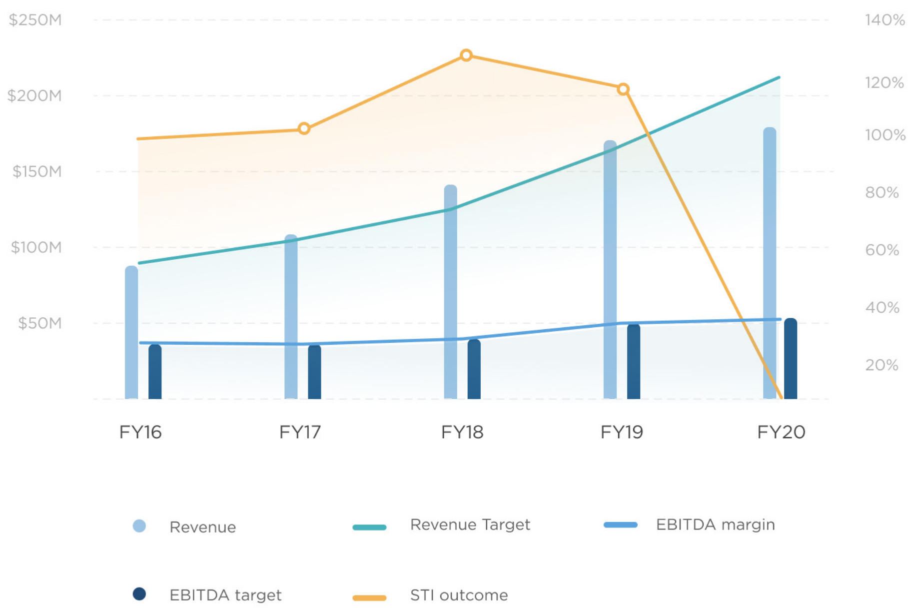
* Non monetary benefits include dental, medical and life insurance.

Short-term incentive outcomes

For the year ended 30 June 2020, performance was assessed on Group revenue, EBITDA and specific personal goals for each key employee. The minimum threshold for STI was not achieved as if 50% of the STI award were to be paid, the EBITDA % would fall below 37%.

Performance metric	50% award (Minimum STI)	100% award (Target STI)	30 June 2020 Result	30 June 2020 Achievement
Revenue 50%	US$207 million	US$210 million	US$189.1million	0%
EBITDA (excluding the impact of AASB16 *Leases*) - 50%	37.0%	37.5%	37.3%	0%
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		0%	0%

Weighted average STI outcome relative to Revenue and EBITDA



Long-term incentive outcomes

For the year ended 30 June 2020, performance was assessed on revenue. Refer to section 8 for details of LTI that vested for each individual during the year ended 30 June 2020.

	50% award (Minimum LTI)	100% award (Target/Max LTI)	30 June 2020 Result	30 June 2020 Achievement
Revenue	None	US$200 million	US$189.1 million	0%[1]

[1] Due to the extraordinary situation presented by COVID-19 the Board resolved to defer the LTI award for this year's tranche for re-testing in future years. This also applies to our Executive Directors who receive cash awards instead of equity as a result of their existing substantial shareholding.

5. Remuneration governance

Altium has a robust remuneration governance structure, with a separate HR Committee to support the Board to oversee the Group's remuneration strategy, policies and practices.

All Non-executive Directors attend all Board and Committee meetings and 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 and support of the:

HR Committee

- Advises the Board on remuneration strategy, policies and practices for the Board, the CEO and Executive team
- Comprised of three 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
- Review and recommend to the Board any other policies it deems fit for the Board to consider

The Committee will have the appropriate resources to discharge its duties and responsibilities, including engaging counsel or other experts that 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 will be paid in accordance with local legislation
Sign-on or termination payment	None paid in the year ending 30 June 2020

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, which was last approved in a general meeting on 17 November 2015.

All NEDs have open agreements with no fixed term.

The following table outlines the base NED fees and committee fee policy as at 30 June 2020 and 30 June 2019. 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 2020 and 30 June 2019.

Non-executive Director	Financial year	Board and Committee Fees US$	Post employment benefit US$	Board and Committee Fees US$
Samuel Weiss	**2020**	**260,274**	**24,726**	**285,000**
	2019	260,274	24,726	285,000
Raelene Murphy	**2020**	**150,000**		**150,000**
	2019	150,000		150,000
Lynn Mickleburgh	**2020**	**146,875**		**146,875**
	2019	142,500		142,500
Wendy Stops[1]	**2020**	**57,078**	**5,422**	**62,500**
	2019	136,986	13,014	150,000

[1]Wendy Stops resigned on 18 November 2019.

Samuel Weiss, Raelene Murphy and Wendy Stops are paid in AUD after conversion from USD at average exchange rates.

NED minimum shareholding requirements

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 2020 and 2019 financial years. The tables are different from the remuneration outcomes table in section 4, which show the remuneration received in the year ended 30 June 2020 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 2020 and 30 June 2019:

		Fixed Remuneration				Variable Remuneration				
Executive KMP	Financial year	Cash salary US$	Non monetary benefits* US$	Annual Leave US	Post employment benefits US$	STI US$	LTI US$	Share grant US$	Total US$	Performance related remuneration as a proportion of total remuneration
Aram Mirkazemi	**2020**	**500,000**	**37,735**	**(5,152)**		**-**	**385,252**	**-**	**917,835**	**42%**
	2019	500,000	50,464	8,552		375,000	512,948	-	1,446,964	61%
Sergiy Kostynsky	**2020**	**350,000**	**41,266**	**659**		**-**	**124,455**	**-**	**516,380**	**24%**
	2019	350,000	41,001	10,288		162,500	143,388	-	707,177	43%
Henry Potts[1]	**2020**	**425,000**	**91,743**	**8,745**	**5,318**	**-**	**159,434**	**765,854**	**1,456,094**	**11%**
	2019	425,000	91,567	17,748	4,495	233,750	261,639	2,176,221	3,210,420	15%
Joseph Bedewi[2]	**2020**	**360,000**	**61,363**	**(6,278)**	**3,738**	**-**	**286,723**	**673,072**	**1,378,618**	**21%**
	2019	360,000	43,435	7,408	2,700	180,000	164,781	671,070	1,429,394	24%

[1] Henry Potts received a grant of 100,000 shares in the year ended 30 June 2019. This was a 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 have been granted annually at the discretion of the Board.

[2] Joseph Bedewi received a share grant in the year ended 30 June 2019 of 40,000 shares. These grants were part of an agreement to award 200,000 shares (or cash equivalent) which was made to Joseph 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 has been granted annually at the discretion of the Board.

* Non monetary benefits include dental, medical and life insurance.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 2020 and 2019 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 2020 relate to grants made in the financial years ended 30 June 2017, 2018 and 2019. The maximum value of the unvested shares has been determined as the amount at the grant date fair value that is yet to be expensed.

Name	Financial Year	Balance of unvested performance rights at the beginning of year	Granted during year	Vested and transferred	Forfeiture	Balance of unvested performance rights at the end of year	Maximum value yet to vest US$
Aram Mirkazemi	**2020**	**56,774**	**-**	**(40,258)**	**-**	**16,516**	**20,708**
	2019	161,635	[1]	(104,861)	-	56,774	283,593
Sergiy Kostynsky	**2020**	**16,261**	**-**	**(11,099)**	**-**	**5,162**	**6,473**
	2019	41,590	[1]	(25,328)	-	16,261	84,210
Henry Potts	**2020**	**179,394**	**-**	**(26,629)**	**-**	**152,765**	**994,357**
	2019	80,553	251,751	(152,910)	-	179,394	2,239,070
Joseph Bedewi	**2020**	**170,813**	**-**	**(60,092)**	**-**	**110,721**	**896,096**
	2019	39,622	147,397	(16,206)	-	170,813	2,386,296

[1] Aram Mirkazemi and Sergiy Kostinsky are significant shareholders of Altium Limited shares and well above their minimum shareholding requirements. The Non-executive Directors of the Board have approved all LTI awards to the CEO and CTO to be paid in cash.

The fair value of shares granted in the year ended 30 June 2019 was US$15.74. No amounts were paid or payable in relation to the performance rights. No rights are vested and exercisable at year end.

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 2020 are set out below:

Name	Year granted	Number of rights vested	Value of rights vested at vesting date US$
Aram Mirkazemi	2018	16,517	409,043
	2017	23,741	587,945
Sergiy Kostynsky	2018	5,163	127,862
	2017	5,935	146,980
Henry Potts	2019	7,763	192,250
	2018	8,777	217,362
	2017	10,090	249,878
Joseph Bedewi	2019	44,110[1]	1,092,383
	2018	7,434	184,103
	2017	8,547	211,666

[1] Joseph Bedewi received a share grant in the year ended 30 June 2019 of 40,000 shares. These grants were part of an agreement to award 200,000 shares (or cash equivalent) which was made to Joseph 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 has been granted annually at the discretion of the Board.

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	1,900,207	-	3,000	(1,000)	1,902,207
Raelene Murphy	8,791	-	-	-	8,791
Lynn Mickleburgh	18,400	-	-	-	18,400
Wendy Stops[1]	45,000	-	-	(45,000)	-
Aram Mirkazemi	9,518,403	-	-	-	9,518,403
Sergiy Kostynsky	2,402,468	-	-	-	2,402,468
Henry Potts	50,000	26,630	-	(13,000)	63,630
Joseph Bedewi	-	60,091	-	(35,091)	25,000

[1] Wendy Stops resigned on 18 November 2019. The amount disclosed in Disposals/other relates to her shareholdings at the date of her resignation.

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%	14,858%	Meets
Raelene Murphy	200%	130%	Date to meet 21 September 2021
Lynn Mickleburgh	200%	273%	Meets
Aram Mirkazemi	500%	42,379%	Meets
Sergiy Kostynsky	500%	15,281%	Meets
Henry Potts	500%	333%	Date to meet 15 December 2023
Joseph Bedewi	300%	155%	Date to meet 15 December 2023

Other transactions with key management personnel

There were no other transactions to KMP during the year ended 30 June 2020 and 30 June 2019.

Voting of shareholders at last year's annual general meeting

Altium received 96.97% of "yes" votes on its remuneration report for the 2019 financial year. The Group did not receive any specific comments at the AGM or during the year on its remuneration practices.

External remuneration consultants

During the year ended 30 June 2020, 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 2020 and 30 June 2019.

Indemnity and insurance of officers

During the year the group paid a premium of US$503,550 (2019: US$386,241) 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 Group who are former partners of PricewaterhouseCoopers.

Rounding of amounts

The Group 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

17 August 2020

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Auditor's Independence Declaration

As lead auditor for the audit of Altium Limited for the year ended 30 June 2020, 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
17 August 2020

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 Group'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 17 August 2020. 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.

		Consolidated	
	Note	2020 US$'000	2019 US$'000
Revenue	**3**	**189,124**	**171,819**
Interest income		855	933
Expenses			
Employee benefits expense		(80,312)	(70,581)
Depreciation and amortisation expense	4	(11,103)	(5,842)
Marketing expense		(7,350)	(5,038)
Software and equipment expense		(6,207)	(5,026)
Share-based payments	31	(4,377)	(6,943)
Communication expense		(4,118)	(3,511)
Professional advice expense	4	(3,877)	(3,350)
Cost of sales		(3,833)	(2,486)
Travel expense		(3,541)	(4,857)
Rental and occupancy expense		(1,510)	(5,095)
Finance costs	4	(744)	(200)
Net foreign exchange gain		1,480	119
Re-measurement of contingent consideration	15	2,886	55
Other expenses		(2,731)	(2,385)
Profit before income tax expense		**64,642**	**57,612**
Income tax expense	5	(33,761)	(4,719)
Profit after income tax expense for the year attributable to the owners of Altium Limited	**20**	**30,881**	**52,893**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(476)	(349)
Other comprehensive income for the year, net of tax		(476)	(349)
Total comprehensive income for the year attributable to the owners of Altium Limited		**30,405**	**52,544**
		Cents	Cents
Basic earnings per share	30	23.60	40.57
Diluted earnings per share	30	23.57	40.39

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

	Note	Consolidated 2020 US$'000	Consolidated 2019 US$'000
Assets			
Current assets			
Cash and cash equivalents	6	93,083	80,531
Trade and other receivables	7	59,655	45,833
Inventories		1,737	754
Tax receivables		1,570	1,498
Other assets		4,148	2,856
Total current assets		**160,193**	**131,472**
Non-current assets			
Trade and other receivables	8	3,343	2,285
Property, plant and equipment	9	7,555	7,762
Right-of-use assets	10	13,558	-
Intangible assets	11	49,690	51,534
Deferred tax assets	12	61,723	84,873
Total non-current assets		**135,869**	**146,454**
Total assets		**296,062**	**277,926**
Liabilities			
Current liabilities			
Trade and other payables	13	16,629	16,278
Lease liabilities	10	5,480	-
Tax liabilities		6,587	5,705
Provisions	14	2,792	2,109
Customer contract liabilities	3	50,193	48,277
Total current liabilities		**81,681**	**72,369**
Non-current liabilities			
Lease liabilities	10	8,453	-
Deferred tax liability	16	8,820	5,833
Provisions	15	2,755	6,407
Customer contract liabilities	3	10,013	6,875
Other liabilities	17	7	1,884
Total non-current liabilities		**30,048**	**20,999**
Total liabilities		**111,729**	**93,368**
Net assets		**184,333**	**184,558**
Equity			
Contributed equity	18	126,851	126,058
Reserves	19	20,851	19,079
Retained profits	20	36,631	39,421
Total equity		**184,333**	**184,558**

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 2018	**125,635**	**12,625**	**14,366**	**152,626**
Adjustment for change in accounting policy	-	-	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 19)	-	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**

Consolidated	Contributed Equity US$'000	Reserves US$'000	Retained Profit US$'000	Total equity US$'000
Balance at 1 July 2019	**126,058**	**19,079**	**39,421**	**184,558**
Adjustment for change in accounting policy (note 1)	-	-	(37)	(37)
Balance at 1 July 2019 - restated	126,058	19,079	39,384	184,521
Profit after income tax expense for the year	-	-	30,881	30,881
Other comprehensive income for the year, net of tax	-	(476)	-	(476)
Total comprehensive income for the year	**-**	**(476)**	**30,881**	**30,405**
Transactions with owners in their capacity as owners:				
Share-based payments (note 19)	-	2,248	-	2,248
Shares issued on acquisition of Upverter Inc, net of transaction costs	793	-	-	793
Dividends paid (note 21)	-	-	(33,634)	(33,634)
Balance at 30 June 2020	**126,851**	**20,851**	**36,631**	**184,333**

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

	Note	Consolidated 2020 US$'000	Consolidated 2019 US$'000
Cash flows from operating activities			
Receipts from customers (inclusive of tax)		189,638	178,215
Payments to suppliers and employees (inclusive of tax)		(126,200)	(106,819)
Payment for expenses relating to acquisitions		-	(244)
		63,438	71,152
Interest received		855	933
Interest and other finance costs paid		(582)	(1)
Net income taxes paid		(7,180)	(3,018)
Net cash from operating activities	**29**	**56,531**	**69,066**
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(2,421)
Payments on contingent and deferred considerations		-	(5,471)
Payments for property, plant and equipment	9	(3,871)	(5,095)
Payments for intangibles	11	(1,253)	(17)
Net cash used in investing activities		**(5,124)**	**(13,004)**
Cash flows from financing activities			
Dividends paid	21	(33,634)	(28,128)
Repayment of principal component of lease liabilities		(5,050)	(7)
Net cash used in financing activities		**(38,684)**	**(28,135)**
Net increase in cash and cash equivalents		12,723	27,927
Cash and cash equivalents at the beginning of the financial year		80,531	52,459
Effects of exchange rate changes on cash and cash equivalents		(171)	145
Cash and cash equivalents at the end of the financial year	**6**	**93,083**	**80,531**

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 Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases

The Group has adopted the new standard of AASB 16 *Leases* 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 is replaced by depreciation of the right to use asset and interest on the lease liability. The Group has adopted the following approach and practical expedients:

Balance Sheet impact on application 1 July 2019:

- the modified retrospective approach is used on transition. Therefore the cumulative effect of adopting AASB 16 is recognised as an adjustment to the opening balance of retained profits at 1 July 2019, with no restatement of com-parative information;
- the right-of-use asset is measured at an amount equal to the lease liability;
- the use of hindsight is 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 is applied; and
- a single discount rate is applied to a portfolio of leases with reasonably similar characteristics.

A lease accounting system has been implemented which is used to account for the Group's leases.

Adjustments recognised on adoption of AASB 16:

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019. The weighted average incremental borrowing rate, calculated by geographic region, applied to the lease liabilities on 1 July 2019 was 4.1%.

	US$'000
Operating lease commitments disclosed as at 30 June 2019	**14,788**
Discounted using the incremental borrowing rate on initial application	(1,098)
Adjustments as a result of inclusion of uncommitted extension options	488
Short-term leases recognised on a straight-line basis as an expense	(6)
Lease liability adjustment recognised as at 1 July 2019	**14,172**

Balance Sheet impact on application 1 July 2019:

	As reported 30 June 2019 US$'000	AASB 16 Adjustments US$'000	Adjusted 1 July 2019 US$'000
Right-of-use assets	-	14,172	14,172
Deferred tax assets	84,873	3,789	88,662
Total assets impact	**84,873**	**17,961**	**102,834**
Provisions	8,516	(324)	8,192
Lease Liabilities - Current	7	3,557	3,564
Lease Liabilities – Non Current	13	10,615	10,628
Deferred tax liabilities	5,833	4,150	9,983
Total liabilities impact	**14,369**	**17,998**	**32,367**
Net assets impact		(37)	
Retained earnings impact		(37)	

The recognised right-of-use assets and lease liabilities relate to the following types of assets:

	30 Jun 2020 US$'000	1 July 2019 US$'000
Right-of-use assets - Buildings	13,558	14,172
Lease liabilities - Buildings	13,933	14,192

The change in accounting policy affected the following key financial measures for 30 June 2020:

Earnings before interest, tax, depreciation and amortisation (EBITDA) has been increased as the operating lease cost was charged against EBITDA whereas under AASB 16 the charge is 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 continue to be charged against EBITDA.

The consolidated cash flow statement is also impacted. Operating cash flows increase under AASB 16 as the element of cash paid attributable to the repayment of principal is included in financing cash flows:

	30 Jun 2020 US$'000
EBITDA increase	5,133
Depreciation expense increase	5,157
Interest expense increase	579
Net profit before tax decrease	(603)
EPS	(0.46) cents
Cash flow from operations increase	5,133

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 Group 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 2020 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 a 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 a 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 or VAT) 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 GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Group 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 three 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 and the manufacturing business
Microcontrollers and Embedded Systems	Includes results from TASKING sales, operations and research and development
Electronic Parts, Search and Discovery	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 2020 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 2020	Boards and Systems US$'000	Microcontrollers and Embedded Systems US$'000	Electronic Parts, Search and Discovery US$'000	Corporate US$'000	Total US$'000
Revenue					
Segment sales	156,003	19,287	18,936	-	194,226
Net adjustment for deferred revenue recognition	(5,667)	528	37	-	(5,102)
Interest income	-	-	-	855	855
Total revenue	**150,336**	**19,815**	**18,973**	**855**	**189,979**
EBITDA	**81,212**	**13,726**	**10,909**	**(30,213)**	**75,634**
Depreciation and amortisation					(11,103)
Net interest					111
Profit before income tax expense					**64,642**
Profit before income tax expense					(33,761)
Profit after income tax expense					**30,881**

Consolidated statement of Financial performance 30 June 2019	Boards and Systems US$'000	Microcontrollers and Embedded Systems US$'000	Electronic Parts, Search and Discovery 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**

30 June 2020 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	89,416	65,747	23,141	10,820	855	189,979
Assets						
Segment assets	52,702	37,150	17,915	22,943	102,059	232,769
Unallocated assets:						
Deferred tax asset						61,723
Income tax receivables						1,570
Total assets						**296,062**
Liabilities						
Segment liabilities	33,659	30,636	4,757	10,729	2,595	82,376
Unallocated liabilities:						
Provision for income tax						6,587
Deferred tax liability						8,820
Lease liabilities and Borrowings						13,946
Total liabilities						**111,729**

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**

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	
	2020 US$'000	2019 US$'000
Software license revenue	91,264	82,575
Subscription and maintenance revenue	69,934	64,955
Search advertising revenue	18,813	17,940
Service revenue	4,222	3,655
Other revenue	4,891	2,694
Revenue	**189,124**	**171,819**

Timing of revenue recognition

Consolidated - 2020	Boards and Systems US$'000	Microcontrollers and Embedded Systems US$'000	Electronic Parts, Search and Discovery US$'000	Total US$'000
At a point in time	67,080	8,662	18,973	94,715
Over time	83,256	11,153	-	94,409
	150,336	**19,815**	**18,973**	**189,124**

Consolidated - 2019	Boards and Systems US$'000	Microcontrollers and Embedded Systems US$'000	Electronic Parts, Search and Discovery US$'000	Total US$'000
At a point in time	63,763	10,958	17,948	92,669
Over time	70,251	8,899	-	79,150
	134,014	**19,857**	**17,948**	**171,819**

Customer contract liabilities

	Consolidated	
	2020 US$'000	2019 US$'000
Deferred subscription and maintenance revenue	45,027	43,532
Other deferred revenue	5,166	4,745
Current customer contract liabilities	**50,193**	**48,277**
Non-current customer contract liabilities	**10,013**	**6,875**
Total customer contract liabilities	**60,206**	**55,152**

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to $48,277,000 (2019: 43,989,000).

Accounting policy for revenue recognition

This 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.

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 on activation of the licence by the user.
2. *Subscription and maintenance:* Revenue is deferred and is subsequently recognised as revenue over the period in which the subscription service is provided. As the billing structure for customers is often bundled with licences 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 or implementation services.
5. *Other revenue - Royalties:* Royalties related to IP are recognised at a point in time when the subsequent sales occurs.

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.

Critical accounting judgements, estimates and assumptions

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

Note 4. Expenses

	Consolidated	
	2020 US$'000	2019 US$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Property, plant and equipment	2,836	2,989
Right-of-use assets	5,157	-
Total depreciation	**7,993**	**2,989**
Amortisation		
Customer contracts	1,334	1,335
Software	708	699
Intellectual Property	1,068	819
Total amortisation	**3,110**	**2,853**
Total depreciation and amortisation	**11,103**	**5,842**

	Consolidated	
	2020 US$'000	2019 US$'000
Included in professional advice expense		
Costs associated with acquisitions	81	244
Finance costs		
Interest and finance charges paid/payable on borrowings	3	1
Interest and finance charges paid/payable on lease liabilities	579	-
Unwinding of the discount on provisions	162	199
Finance costs expensed	744	200
Post-employment benefits		
Post-employment benefits: defined contribution	2,474	2,169
Research and development costs expensed		
Research and development costs incurred	21,986	18,478

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.

Direct expenditure on development activities are expensed as incurred. Costs are capitalised where these costs are purchased externally and 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 only capitalised to the extent that they are expected beyond any reasonable doubt to be recoverable. Capitalised 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	
	2020 US$'000	2019 US$'000
Income tax expense		
Current tax	9,797	8,207
Deferred tax	25,710	(3,057)
Adjustment recognised for prior periods	(1,746)	(431)
Aggregate income tax expense	**33,761**	**4,719**
Deferred tax included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 12)	27,281	(2,440)
Decrease in deferred tax liabilities (note 16)	(1,571)	(617)
Deferred tax	**25,710**	**(3,057)**

	Consolidated	
	2020 US$'000	2019 US$'000
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	64,642	57,612
Tax at the statutory tax rate of 30%	**19,393**	**17,284**
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	863	2,082
Non-deductable earnout	(841)	88
Non-assessable interest income	57	15
Other items	490	829
	19,962	20,298
Adjustment recognised for prior periods	(1,746)	(431)
Difference in overseas tax rates	(1,556)	(287)
Temporary differences not recognised now recognised	1,050	(14,252)
Re-measurement of deferred tax assets and liabilities	16,355	-
Withholding tax	-	877
R&D credits	(329)	(1,508)
Foreign exchange differences	25	22
Income tax expense	**33,761**	**4,719**

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 audit.

The tax expense includes a one-time impact of US$16.4 million due to the re-measurement of the deferred tax assets and liabilities in the USA to reflect a lower effective future tax rate resulting from the Foreign Derived Intangible Income (FDII) rules. The FDII rules will apply to Altium from fiscal year 2021 onwards. The re-measurement reflects the rate that is expected to apply to the period over which the temporary differences unwind.

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's 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 Group'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	
	2020 US$'000	2019 US$'000
Cash at bank	48,688	29,520
Deposit at call	44,395	51,011
	93,083	80,531

The value of bank guarantees at 30 June 2020 amounted to US$362,178 (2019:US$372,951).

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	
	2020 US$'000	2019 US$'000
Trade receivables	59,454	45,404
Less: Allowance for expected credit loss	(610)	(369)
	58,844	45,035
Other receivables	811	798
	59,655	45,833

Allowance for expected credit losses

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

	Consolidated	
	2020 US$'000	2019 US$'000
3 to 6 months overdue	286	62
Over 6 months overdue	324	307
	610	369

Movements in the allowance for expected credit loss are as follows:

	Consolidated	
	2020 US$'000	2019 US$'000
Opening balance	369	252
Additional provisions recognised	465	391
Receivables written off during the year as uncollectable	(224)	(274)
Closing balance	610	369

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

On that basis, the loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables:

30 June 2020	Current US$'000	More than 30 days past due US$'000	More than 60 days past due US$'000	More than 90 days past due US$'000	Total US$'000
Expected loss Rate	0.26%	0.25%	0.28%	14.16%	
Gross carrying amount - trade receivables	43,655	1,405	1,254	3,263	49,577
Contract assets	9,877				9,877
Loss allowance	**140**	**4**	**4**	**462**	**610**

30 June 2019	Current US$'000	More than 30 days past due US$'000	More than 60 days past due US$'000	More than 90 days past due US$'000	Total US$'000
Expected loss Rate	0.06%	0.08%	0.07%	12.07%	
Gross carrying amount - trade receivables	39,425	1,590	1,529	2,860	45,404
Contract assets	16				16
Loss allowance	**22**	**1**	**1**	**345**	**369**

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.

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.

Expected credit loss

The group applies the AASB9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified based on risk profile of customer industry, product type, total outstanding balance and credit terms provided to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Altium introduced "buy now pay later" campaign in order to help our customers through the COVID-19 pandemic.

As a result of these extended credit terms, the group has anticipated a higher than usual estimated credit loss.

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

	Consolidated	
	2020 US$'000	2019 US$'000
Trade receivables	1,646	894
Other receivables	1,697	1,391
	3,343	**2,285**

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

	Consolidated	
	2020 US$'000	2019 US$'000
Leasehold improvements - at cost	7,039	7,754
Less: Accumulated depreciation	(3,090)	(3,648)
	3,949	**4,106**
Plant and equipment - at cost	6,387	6,472
Less: Accumulated depreciation	(2,787)	(2,827)
	3,600	**3,645**
Plant and equipment under lease	14	15
Less: Accumulated depreciation	(8)	(4)
	6	**11**
	7,555	**7,762**

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	Total US$'000
Balance at 1 July 2018	**2,680**	**3,032**	**5,712**
Additions	2,965	2,137	5,102
Exchange differences	(8)	(55)	(63)
Depreciation expense	(1,531)	(1,458)	(2,989)
Balance at 30 June 2019	**4,106**	**3,656**	**7,762**
Reclassification due to AASB 16	(1,123)	-	(1,123)
Additions	2,199	1,672	3,871
Exchange differences	(57)	(54)	(111)
Depreciation expense	(1,176)	(1,668)	(2,844)
Balance at 30 June 2020	**3,949**	**3,606**	**7,555**

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	7-10 years
Office equipment	3-5 years
Computer hardware	2-5 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.

Note 10. Right-of-use assets and lease liabilities

The balance sheet shows the following amounts relating to right-of-use assets and leases:

	Consolidated	
	30 Jun 2020 US$'000	1 Jul 2019 US$'000
Right-of-use asset		
Buildings	13,558	14,172
Lease liabilities		
Current	5,480	3,564
Non-current	8,453	10,628
	13,933	**14,192**

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to right-of-use assets and leases:

	USD$'000
Depreciation of right-of-use assets	5,157
Interest expense	579
Expense relating to short-term or low-value leases	67

The total cash outflow for leases in financial year ended 30 June 2020 was $5,629,000.

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Measurement of the right-of-use asset and lease liability:

The Group primarily leases various office and floor space. Rental contracts are typically made for fixed periods but may have extension options. The weighted average contract term for the year of 2020 was 3 years. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost.

Assets and liabilities arising from a lease are initially measured at net present value of remaining future lease payments. Lease liabilities include the net present value of fixed lease payments less any incentives receivable.

Lease payments are discounted using the incremental borrowing rate calculated by geographic region. The incremental borrowing rate is the rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group is required to remeasure the lease liability and make an adjustment to the right-of-use asset if the lease term is modified, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate. The remeasurement of the lease liability is also applied against the right-of-use asset.

Note 11. Non-current assets - intangible assets

	Consolidated	
	2020 US$'000	2019 US$'000
Goodwill - at cost	29,507	29,499
Intellectual property - at cost	10,340	10,315
Less: Accumulated amortisation	(3,240)	(2,161)
	7,100	**8,154**
Customer relationships - at cost	16,333	16,333
Less: Accumulated amortisation	(5,780)	(4,445)
	10,553	**11,888**
Software intangibles - at cost	4,051	3,285
Less: Accumulated amortisation	(1,521)	(1,292)
	2,530	**1,993**
	49,690	**51,534**

Consolidated	Goodwill US$'000	Intellectual property US$'000	Customer relationships US$'000	Software intangibles US$'000	Total US$'000
Balance at 1 July 2018	**27,151**	**6,019**	**13,223**	**2,675**	**49,068**
Additions	-	-	-	17	17
Additions through business combinations	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**
Additions	-	-	-	1,253	1,253
Exchange differences	8	14	(1)	(8)	13
Amortisation expense	-	(1,068)	(1,334)	(708)	(3,110)
Balance at 30 June 2020	**29,507**	**7,100**	**10,553**	**2,530**	**49,690**

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 Group'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	
	2020 US$'000	2019 US$'000
Goodwill		
Board & Systems - Americas	10,680	10,672
Board & Systems - EMEA	5,383	5,383
Electronic Parts, Search and Discovery	13,444	13,444
Total	**29,507**	**29,499**

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 and a reduced growth based on actual growth rate of 6% in each CGU from the prior financial year to the current financial year taking into consideration the impact of COVID-19. Annual growth rate of 5% was used for all CGUs from years ending 30 June 2021 to 30 June 2024 (Board & Systems - Americas, Board & Systems - EMEA and Electronic Parts, Search and Discovery). 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 Board & Systems - Americas 9.2%, Board & Systems - EMEA 9.3% and Electronic Parts, Search and Discovery 9.3%.

Sensitivity

Any reasonable change to the above key assumptions would not cause the carrying value of any of the remaining CGU's to 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

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.

On the acquisition of Gumstix, 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.

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 12. Non-current assets - deferred tax assets

	Consolidated	
	2020 US$'000	2019 US$'000
Deferred tax asset comprises temporary differences attributable to:		
Tax Losses	1,829	2,068
Property, plant and equipment	47	(176)
Employee benefits	764	608
Leases liabilities	2,840	-
Employee entitlements	9	714
Intellectual property	54,598	79,260
Customer contract liabilities	477	633
Provisions	419	1,054
Foreign currency translation	602	613
Tax credits	138	17
Deferred rent	-	82
Deferred tax asset	**61,723**	**84,873**
Amount expected to be recovered within 12 months	8,391	8,660
Amount expected to be recovered after more than 12 months	53,332	76,213
	61,723	**84,873**
Movements:		
Opening balance	84,873	82,120
Change in accounting policy AASB 16	4,226	-
Credited/(charged) to profit or loss (note 5)	(27,281)	2,440
Additions through business combinations	-	314
Translation differences	(95)	(1)
Closing balance	**61,723**	**84,873**

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 $70 million 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.

The Group has measured the deferred tax assets and liabilities in the USA to reflect a lower effective future tax rate resulting from the Foreign Derived Intangible Income (FDII) rules. The FDII rules will apply to Altium from fiscal year 2021 onwards. The re-measurement reflects the rate that is expected to apply to the period over which the temporary differences unwind.

Note 13. Current liabilities - trade and other payables

	Consolidated	
	2020 US$'000	2019 US$'000
Trade payables	5,225	3,492
Deferred consideration	887	888
Employee liabilities	4,775	6,045
PCB:NG settlement	875	-
Other payables	4,867	5,853
	16,629	**16,278**

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 liability.

Note 14. Current liabilities - provisions

	Consolidated	
	2020 US$'000	2019 US$'000
Employee benefits	2,792	2,109

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 15. Non-current liabilities - provisions

	Consolidated	
	2020 US$'000	2019 US$'000
Employee benefits	42	27
Contingent consideration	2,491	6,157
Lease make good	222	223
	2,755	**6,407**

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 - 2020	Contingent consideration US$'000	Lease make good US$'000
Carrying amount at the start of the year	6,157	223
Amounts transferred to payables	(927)	-
Change in provision from re-measurement	(2,886)	-
Unwinding of discount	147	(1)
Carrying amount at the end of the year	**2,491**	**222**

Altium re-measured PCB:NG Inc earnout to reflect the final settlement amount of USD875,000 paid on 2 July 2020.

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 16. Non-current liabilities - deferred tax liability

	Consolidated	
	2020 US$'000	2019 US$'000
Deferred tax liability comprises temporary differences attributable to:		
Property, plant and equipment	871	-
Intangible assets	5,140	5,833
Foreign currency revaluations	45	-
Lease liabilities	2,764	-
Deferred tax liability	**8,820**	**5,833**
Amount expected to be settled within 12 months	1,870	690
Amount expected to be settled after more than 12 months	6,950	5,143
	8,820	**5,833**
Movements:		
Opening balance	5,833	5,566
Change in accounting policy AASB 16	4,592	-
Credited to profit or loss (note 5)	(1,571)	(617)
Additions through business combinations	-	884
Translation differences	(34)	-
Closing balance	**8,820**	**5,833**

Note 17. Non-current liabilities - other liabilities

	Consolidated	
	2020 US$'000	2019 US$'000
Deferred consideration	-	875
Other payables	7	1,009
	7	**1,884**

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 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			
	2020 Shares	2019 Shares	2020 US$'000	2019 US$'000
Ordinary shares - fully paid	130,965,775	130,511,522	126,851	126,058

Movements in ordinary share capital

Details	Date	Shares	Issue price AU$	US$'000
Balance	**1 July 2018**	**130,284,942**		**125,635**
Shares issued	24 August 2018	69,129	8.46	423
Shares issued	24 August 2018	28,407	-	-
Shares issued	21 December 2018	129,044	-	-
Balance	**30 June 2019**	**130,511,522**		**126,058**
Shares issued - Upverter acquisition	23 August 2019	138,256	8.49	793
Shares issued - Employee Performance Rights	23 August 2019	315,997	-	-
Balance	**30 June 2020**	**130,965,775**		**126,851**

Movements in treasury shares

Details	Date	Shares
Balance	**1 July 2018**	**245,312**
Less: Shares transferred to employees		(402,763)
Add: Shares issued		157,451
Balance	**30 June 2019**	**-**
Add: Shares issued		315,997
Less: Shares transferred to employees		(264,641)
Balance	**30 June 2020**	**51,356**

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	
	2020 US$'000	2019 US$'000
Foreign currency reserve	(957)	(481)
Equity compensation reserve	21,808	19,560
	20,851	**19,079**

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 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**
Foreign currency translation	(476)	-	(476)
Share based payments	-	2,248	2,248
Balance at 30 June 2020	**(958)**	**21,809**	**20,851**

Note 20. Equity - retained profits

	Consolidated	
	2020 US$'000	2019 US$'000
Retained profits at the beginning of the financial year	**39,421**	**14,366**
Adjustment for change in accounting policy	(37)	290
Retained profits at the beginning of the financial year – restated	39,384	14,656
Profit after income tax expense for the year	30,881	52,893
Dividends paid (note 21)	(33,634)	(28,128)
Retained profits at the end of the financial year	**36,631**	**39,421**

Note 21. Equity - dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2020 US$'000	2019 US$'000
Final dividend for the year ended 30 June 2019 of AU 18 cents (2018: AU 14 cents)	16,050	13,327
Interim dividend for the half year ended 31 December 2019 of AU 20 cents (2018: AU 16 cents)	17,584	14,801
	33,634	**28,128**

The Directors have declared a final dividend of AU 19 cents per share for the year ended 30 June 2020. The dividend will be paid on 24 September 2020 based on a record date of 4 September 2020. This amounts to a total dividend of US$17.1 million based on the number of shares outstanding.

Accounting policy for dividends

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

Note 22. Financial risk management

Financial risk management objectives

The Group's 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's 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 consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's 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's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
Consolidated	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Australian dollars	1,304	1,059	(919)	(300)
Euros	77	737	(20)	(13)
	1,381	1,796	(939)	(313)

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 - 2020	% change	Effect on profit after tax	Effect on equity	% change	Effect on profit after tax	Effect on equity
Australian dollars	10%	25	25	(10%)	(30)	(30)
Euros	10%	4	4	(10%)	(4)	(4)
		29	29		(34)	(34)

	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)

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

Interest rate risk is the risk that the Group's 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:

	2020		2019	
Consolidated	Weighted average interest rate %	Balance US$'000	Weighted average interest rate %	Balance US$'000
Cash	1.31%	75,504	1.79%	55,885
Receivables	4.08%	-	4.96%	-
Financial lease liabilities	4.66%	(13,933)	4.31%	(20)
Net exposure to cash flow interest rate risk		61,571		55,865

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 - 2020	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	431	431	(50)	(215)	(215)

	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)

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 Group 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's 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 - 2020	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	-	15,686	-	-	-	15,686
Contingent consideration	-	50	2,491	-	-	2,541
Interest-bearing - fixed rate						
Lease liability	4.66%	5,480	4,756	3,697	-	13,933
Total non-derivatives		**21,216**	**7,247**	**3,697**	**-**	**32,160**

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**

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 (resigned 18 November 2019)	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	
	2020 US$'000	2019 US$'000
Short-term employee benefits	2,488,365	3,325,922
Post-employment benefits	39,204	37,740
Share-based payments	3,648,972	3,930,047
	6,176,541	7,293,709

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.

Note 24. Commitments

	Consolidated	
	2020 US$'000	2019 US$'000
Lease commitments - finance Committed at the reporting date and recognised as liabilities, payable:		
Within one year	6	8
One to five years	7	14
Total commitment	13	22
Less: Future finance charges	(1)	(2)
Net commitment recognised as liabilities	**12**	**20**

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	
	2020 US$'000	2019 US$'000
Audit services – PricewaterhouseCoopers Australia Audit or review of the financial statements	312,678	317,200
Other services – PricewaterhouseCoopers Australia Tax consulting and tax advice*	334,529	125,919
	647,207	443,119
Other services – PricewaterhouseCoopers network firms Tax compliance services, including review of company income tax return	103,846	25,805
Tax consulting and tax advice**	150,000	-
Total auditor remuneration	**901,053**	**468,924**

* The tax consulting and advice services from PwC Australia refer to the provision of compliance support relating to the ATO audit. The Group have leveraged PwC because they have broad historical context.

** The tax consulting and advice services from PwC Network firms refer primarily to support with restructuring in the US and compliance with aspects of US tax reform including Foreign Derived Intangible Income.

From time to time, Altium employs PwC on assignments additional to its statutory audit duties where PwC, through its detailed knowledge of the Group, is best placed to perform the services from an efficiency, effectiveness and cost perspective. The performance of such non-audit related services is always balanced with the fundamental objective of ensuring PwC's objectivity and independence as auditors.

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 2020 %	Ownership interest 2019 %
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%	100.00%
Gumstix Research (Canada) Ltd	Canada	100.00%	100.00%
Altium Software India Private Limited	India	100.00%	-
Altium Insurance Inc.	USA	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	
	2020 US$'000	2019 US$'000
Profit after income tax	116,517	5,366
Total comprehensive income	**116,517**	**5,366**

Statement of financial position

	Parent	
	2020 US$'000	2019 US$'000
Total current assets	87,893	121,041
Total assets	**352,118**	**383,665**
Total current liabilities	36,820	154,619
Total liabilities	**38,045**	**155,521**
Equity		
Contributed equity	126,851	126,058
Foreign currency reserve	2,613	2,607
Equity compensation reserve	21,808	19,561
Retained profits	162,801	79,918
Total equity	**314,073**	**228,144**

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$262,058 (2019: US$261,518).

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2020 and 30 June 2019.

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. Events after the reporting period

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 29. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2020 US$'000	2019 US$'000
Profit after income tax expense for the year	30,881	52,893
Adjustments for:		
Depreciation and amortisation	11,103	5,842
Share-based payments	2,248	6,803
Unrealised foreign exchange differences	543	(119)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(14,990)	(6,603)
Increase in inventories	(983)	(74)
Decrease/(increase) in deferred tax assets	25,771	(3,055)
Increase in income tax payable	811	4,415
Increase in customer contract liabilities	5,054	4,423
(Increase)/decrease in other operating assets	(1,599)	182
Increase in trade and other payables	691	4,062
(Decrease)/Increase in other provisions	(2,999)	297
Net cash from operating activities	**56,531**	**69,066**

Note 30. Earnings per share

	Consolidated	
	2020 US$'000	2019 US$'000
Profit after income tax attributable to the owners of Altium Limited	30,881	52,893
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	130,854,975	130,368,455
Adjustments for calculation of diluted earnings per share:		
Shares to be issued as part of a business combination	138,256	591,246
Weighted average number of ordinary shares used in calculating diluted earnings per share	**130,993,231**	**130,959,701**
	Cents	Cents
Basic earnings per share	23.60	40.57
Diluted earnings per share	23.57	40.39

For the years ending 30 June 2020 and 30 June 2019 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 31. 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 24 to 38.

Performance Rights Plan

Long term incentive plan

The Long term incentive plan is designed to encourage participating employees through both their individual and collective effort and contribution to have an impact on current success whilst creating value for the future.

The plan was introduced in 2019 and has both EPS and revenue as performance conditions. The board has approved a modification to the plan to change the performance conditions to be revenue only for shares vesting in August 2020. Performance metrics for the year ended 30 June 2020 were considered to be a critical milestone for the Group and all focus should be on revenue. The targets for years 2021 onwards remained unchanged.

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. The LTI performance criteria was not met for the year ended 30 June 2020 resulting in no vesting of shares in August 2020. Due to the extraordinary situation presented by COVID-19 the Board has resolved to defer the LTI award for this year’s tranche for re-testing in future years.

Vesting is applied as follows:

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

2020

Grant date	Expiry date	Fair value US$	Balance at the start of the year	Granted	Vested	Forfeited	Extended	Balance at the end of the year
5/05/2017	1/09/2019	US$8.44	64,772	-	(64,772)	-	-	-
10/08/2017	31/08/2019	US$8.55	40,682	-	(40,682)	-	-	-
10/08/2017	31/08/2020	US$8.55	40,681	-	-	-	-	40,681
8/11/2017	31/08/2019	US$12.55	16,517	-	(16,517)	-	-	-
8/11/2017	31/08/2020	US$12.55	16,517	-	-	-	-	16,517
13/02/2018	31/08/2019	US$14.59	336	-	-	(336)	-	-
13/02/2018	31/08/2020	US$14.59	336	-	-	(336)	-	-
15/12/2018	31/08/2019	US$15.74	187,937	-	(187,937)	-	-	-
15/12/2018	31/08/2020	US$15.74	287,938	-	-	(10,068)	(277,870)	-
15/12/2018	31/08/2021	US$15.74	220,527	-	-	(12,405)	-	208,122
15/12/2018	31/08/2022	US$15.74	130,380	-	-	(9,346)	138,935	259,969
15/12/2018	31/08/2023	US$15.74	195,566	-	-	(14,020)	138,935	320,481
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	-	-	-	2,245	6,204
15/02/2019	31/08/2023	US$19.18	5,937	-	-	-	2,245	8,182
31/08/2019	31/08/2019	US$24.89	-	1,598	(1,598)	-	-	-
31/08/2019	31/08/2020	US$24.89	-	1,598	-	-	(1,598)	-
31/08/2019	31/08/2021	US$24.89	-	2,130	-	-	-	2,130
31/08/2019	31/08/2022	US$24.89	-	2,130	-	-	799	2,929
31/08/2019	31/08/2023	US$24.89	-	3,195	-	-	799	3,994
			1,226,544	**10,651**	**(315,996)**	**(46,511)**	**-**	**874,688**

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
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
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	31/08/2021	US$19.18	-	4,490	-	-	4,490
15/02/2019	31/08/2022	US$19.18	-	5,479	-	-	5,479
15/02/2019	31/08/2023	US$19.18	-	3,959	-	-	3,959
15/02/2019	31/08/2019	US$19.18	-	5,937	-	-	5,937
			463,323	1,181,500	(402,766)	(15,513)	1,226,544

Altium Key Employee Share Plan Trust

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 Plan was assessed based on EPS growth targets.

For Aram Mirkazemi and Sergiy Kostinsky, the board, in its discretion, has approved their grants for the Performance Rights Plan of year ended 30 June 2019 under the old plan which vests over 3 years. The plan will be paid in cash in lieu of shares.

Share Based Payment Expense

	Consolidated	
	2020 US$'000	2019 US$'000
Shares issued under the Share Plan and Performance Rights Plan	4,377	6,943

The Altium Share and Option Plan Trust is used to hold shares for share and option plans. As at 30 June 2020 the trust held 51,356 ordinary shares (2019: Nil).

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 Group's financial position as at 30 June 2020 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

17 August 2020
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 2020 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 2020
- 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* (*including Independence Standards*) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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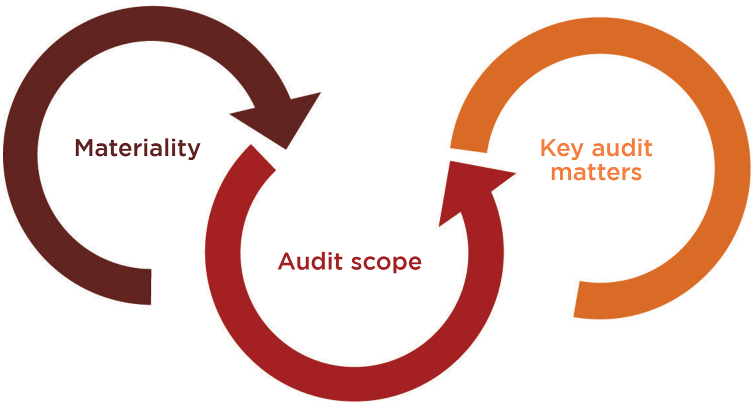
Our audit approach

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

- For the purpose of our audit we used overall Group materiality of $3.2 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.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- 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.

Key audit Metters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
  - Carrying value of Goodwill
  - Calculationof deferred tax balance
  - Revenue recognition
- 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
Carrying value of Goodwill (Refer to note 11) The Group has goodwill of $29.5m as at 30 June 2020. 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 2020 to determine if the carrying value of goodwill was supported by forecast future cash flows, discounted to present value ("the models"). 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, amongst others: • 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 models 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 year ended 30 June 2021 to Group's budget scenarios for the same period. • Assessed the Group's ability to forecast future cash flows for the business by comparing historical budgets with reported actual results for the past three years. • Assessed whether key assumptions such as the revenue and terminal growth rates used in the models were consistent with either historical rates achieved or relevant external information. • With the assistance of PwC Valuation specialists, assessed whether the discount rate used in the models appropriately reflected the risks of the CGUs and the specific risks relating to the segments in which they operate. • Considered the Group's sensitivity analysis on the key assumptions in the models to assess under which assumptions an impairment would occur and whether this was reasonably possible' We also assessed whether the sensitivity analysis sufficiently reflected the uncertainty resulting from the COVID-19 pandemic. • Tested the mathematical accuracy, on a sample basis of the models' calculations. Evaluated the adequacy of the disclosures made in note 11, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Calculation of deferred tax balance (Refer to note 12) The Group has recognised a deferred tax asset of $61.7m as at 30 June 2020. This includes a temporary difference of $54.5m that relates to the amortization of intellectual property which arose as a result of the relocation of the Group's core business to the USA during 2015. In the year, all of the deferred tax assets and liabilities in the USA were re-measured by $16.3m to reflect a lower effective future tax rate resulting from the application of the US Foreign Derived Intangible Income (FDII) rules. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient 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. The calculation of the deferred tax asset was a key audit matter due to the quantum of the asset, the complexity of US tax legislation, and the judgement required to assess whether there will be sufficient future taxable profits to utilise the tax benefit arising from the amortisation of the intellectual property over the remaining amortisation period.	We performed the following procedures, amongst others: • Assessed the Group's forecasted profits over the relevant amortisation period and evaluated whether the forecasts were consistent with the Group's strategic plan 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 future profits. • Performed a sensitivity analysis using a range of alternative growth rate assumptions to those used in the forecast of future profits, including consideration of the uncertainty arising from the COVID-19 pandemic. • 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 in addition to the appropriate federal and state tax rates used to measure the asset. • Tested the mathematical accuracy, on a sample basis, of the calculation of the deferred tax asset balance. • Evaluated the adequacy of the disclosures made in note 12, in light of the requirements of Australian Accounting Standards.
Revenue recognition (Refer to note 3) The Group recognised revenue of $189.1m for the year ended 30 June 2020. As disclosed in note 3, the Group is required to allocate revenue for multiple element contracts based on stand alone selling prices and then recognise revenue according to the accounting policy for each revenue stream. Revenue recognition for multiple element contracts was a key audit matter due to the financial significance of the revenue balance and the judgements and assumptions required to determine the stand-alone selling price allocations.	We performed the following procedures, amongst others: • Evaluated the Group's stand-alone selling price allocation methodology for each material revenue stream, to assess whether the resulting revenue recognition was in accordance with Australian Accounting Standards. • On a sample basis tested revenue transactions to check that the transactions occurred and that they were recognised in accordance with the Group's revenue recognition policies. • Evaluated whether revenue was recorded in the correct period by testing a sample of transactions for evidence of occurrence for a defined risk period before and after year end. • Evaluated the adequacy of the disclosures made in note 3, 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 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 24 to 38 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Altium Limited for the year ended 30 June 2020 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

Eliza Penny
Partner

Sydney
17 August 2020

The shareholder information set out below was current as at 31 July 2020.

a) Number of shareholders

As at 31 July 2020, there were 33,733 Altium Limited shareholders, holding 130,965,775 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:

		Ordinary Fully Paid Shares As at 31 July 2020		
Range	Total holders	Units	% of Issued Capital	Number of Option Holders
1 – 1,000	28,211	7,364,816	5.62	-
1,001 – 5,000	4,701	10,135,276	7.74	-
5,001 – 10,000	519	3,768,652	2.88	-
10,001 – 100,000	254	6,277,953	4.79	-
100,001 – and over	48	103,419,078	78.97	-
Total	**33,733**	**130,965,775**	**100.00**	-

Less than Marketable Parcel
There were 737 holders of a less than marketable parcel of ordinary shares (minimum $500 parcel at $32.85 per unit, minimum parcel size 16 units).

c) Equity security holders as at 31 July 2020

Twenty largest quoted equity security holders

Rank	Name	Units Ordinary Shares	% of Share Capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	38,305,496	29.25
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	20,048,225	15.31
3	CITICORP NOMINEES PTY LIMITED	9,003,432	6.87
4	MR ARAM MIRKAZEMI + MRS LAILANI MIRKAZEMI <FAMILY A/C>	6,713,000	5.13
5	NATIONAL NOMINEES LIMITED	4,777,825	3.65
6	BNP PARIBAS NOMS PTY LTD <DRP>	3,639,783	2.78
7	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,239,566	2.47
8	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,463,565	1.88
9	MIRKAZEMI HOLDINGS PTY LTD <MIRKAZEMI SUPER FUND A/C>	2,050,000	1.57
10	SERGEY & SLAVA PTY LTD <KOSTYNSKY FAMILY A/C>	1,978,125	1.51
11	MUTUAL APPRECIATION SOCIETY PTY LTD <GARB-WEISS SUPER FUND A/C>	1,902,207	1.45
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	789,783	0.60
13	INVIA CUSTODIAN PTY LIMITED <MARC CLAUDE DEPRET A/C>	543,252	0.41
14	MRS NANCI CATHERINE MOORE	540,000	0.41
15	MSHAHRAM BESHARATI + KIM BESHARATI <BESHARATI FAMILY A/C>	535,091	0.41
16	MR SHAHRAM MIRKAZEMI	531,000	0.41
17	ARAM MIRKAZEMI	525,543	0.40
18	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	391,110	0.30
19	MR SERGIY KOSTYNSKY	358,343	0.27
20	MR CHARLES ROBERT DIRCK WITTENOOM	350,175	0.27
Total		**98,685,521**	**75.35**

d) Unquoted equity securities

	Number of options on issue	Number of holders
Employees	-	-
Directors	-	-
Total options on issue	**-**	**-**

There are no holders with 20% or more unquoted equity securities.

e) Substantial shareholders as at 31 July 2020

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	7.38
2	Pinnacle Investment Management Group Limited	8,263,904	6.31
3	BlackRock Group	7,914,471	**6.04**
Total		**25,841,375**	**19.73**

f) Issue approved under Item 7, s611 Corporations Act

Item 7 of s611 of the Corporations Act 2001 (Corporations Act) allows members to approve an acquisition of relevant interests in voting shares that would otherwise contravene the prohibitions in s606.

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

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

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.

Note: Securities issued under an employee incentive scheme that have restrictions on their transfer under the terms of the scheme are not regarded as being subject to voluntary escrow.

k) Altium major announcements to the ASX

Date	Announcement
14-Jul-20	Unaudited Sales and Revenue for the Full Year Ending 30 June
08-Jul-20	Change in substantial holding
22-Jun-20	Altium Announces Business and Market Update
21-May-20	Becoming a substantial holder
12-May-20	Altium Announces Business and Market Update
04-May-20	Ceasing to be a substantial holder
15-Apr-20	Ceasing to be a substantial holder from MUFG
15-Apr-20	Becoming a substantial holder from MUFG
08-Apr-20	Altium Confirms its Strong Operational and Market Position
08-Apr-20	Ceasing to be a substantial holder from MUFG
27-Mar-20	Change of Director's Interest Notice - Sam Weiss
20-Mar-20	Ceasing to be a substantial holder from CBA
13-Mar-20	Change in substantial holding
02-Mar-20	Becoming a substantial holder
24-Feb-20	Becoming a substantial holder from CBA
18-Feb-20	Becoming a substantial holder from MUFG
17-Feb-20	Half Year Investor Presentation Slides
17-Feb-20	Altium Announces Half Year Results & Dividend
17-Feb-20	Dividend/Distribution - ALU
17-Feb-20	Half Year Report
28-Jan-20	Ceasing to be a substantial holder from CBA
23-Jan-20	Ceasing to be a substantial holder
23-Jan-20	Ceasing to be a substantial holder from MUFG
21-Jan-20	Becoming a substantial holder from MUFG
20-Jan-20	Details of Timing for Half Year Results & Investor Call
02-Jan-20	Becoming a substantial holder from CBA
06-Dec-19	2019 AGM - Results of Meeting
06-Dec-19	2019 Chairman's Address to Shareholders
06-Dec-19	Technology Presentation
20-Nov-19	Ceasing to be a substantial holder from MUFG
18-Nov-19	Final Director's Interest Notice - Wendy Stops
18-Nov-19	Director Resignation - Wendy Stops
30-Oct-19	Change of Director's Interest Notice - Sam Weiss
29-Oct-19	Notice of Annual General Meeting/Proxy Form
16-Sep-19	Change of Director's Interest Notice - Sergiy Kostynsky
16-Sep-19	Change of Director's Interest Notice - Aram Mirkazemi
06-Sep-19	Change of Director's Interest Notice - Wendy Stops
03-Sep-19	Becoming a substantial holder from MUFG

Date	Announcement
23-Aug-19	Appendix 3B
19-Aug-19	Appendix 4G
19-Aug-19	2019 Corporate Governance Statement
19-Aug-19	FY19 Full Year Investor Presentation
19-Aug-19	FY19 Full Year Results Announcement
19-Aug-19	Dividend/Distribution - ALU
19-Aug-19	Preliminary Appendix 4E & Final audited 2019 Annual Report
13-Aug-19	Ceasing to be a substantial holder
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

* 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: Thursday, 19 November 2020
Time: 9am
Format: Virtual

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
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