Altium

FINANCIAL

ANNUAL REPORT 2021

ALTIUM LIMITED / ACN 009 568 772

Financial Report

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Corporate Directory

NON-EXECUTIVE CHAIRMAN

Samuel Weiss

CHIEF EXECUTIVE OFFICER

Aram Mirkazemi

EXECUTIVE DIRECTOR

Sergiy Kostynsky

NON-EXECUTIVE DIRECTOR

Raelene Murphy

NON-EXECUTIVE DIRECTOR

Lynn Mickleburgh

Annual general meeting

Thursday, 18 November 2021
9.30am AEDT
Fully Virtual

Company secretaries

Natasha Davidson (BA LLB (HONS) LLM FGIA MAICD) - Appointed 10 June 2021
Alison Raffin (BBus, AGIA ACG)
Kim Besharati (BEc) - Resigned 10 June 2021

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)

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 2021.

PRINCIPAL ACTIVITIES

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

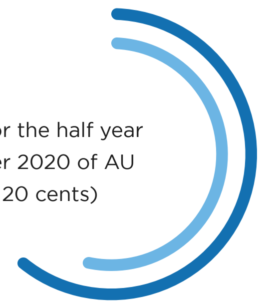
Dividends

Dividends paid during the financial year were as follows:

Final dividend for the year ended 30 June 2020 of AU 19 cents (2019: AU 18 cents)

2021	2020
18,351 US$'000 ^14%	16,050 US$'000

Interim dividend for the half year ended 31 December 2020 of AU 19 cents (2019: AU 20 cents)



2021	2020
19,206 US$'000 ^9%	17,584 US$'000

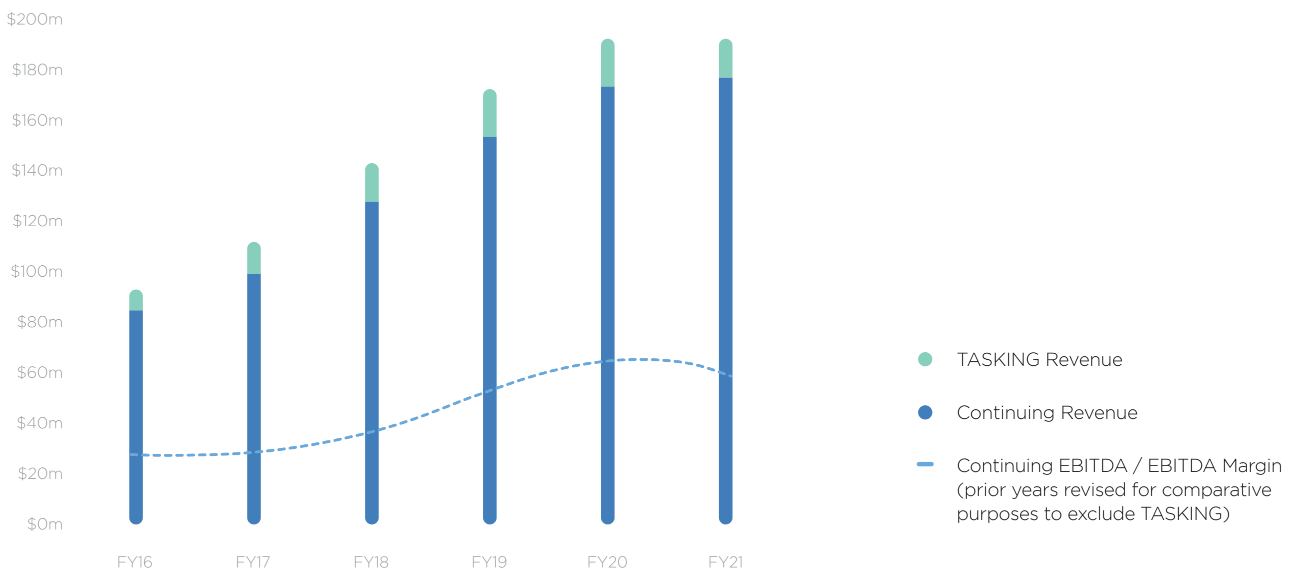
The Directors have declared a partially franked (15%) final dividend of AU21 cents per share for the year ended 30 June 2021. The dividend will be paid on 28 September 2021 based on a record date of 7 September 2021. This amounts to a total dividend of US$20.1 million based on the number of shares outstanding.

Review of operations

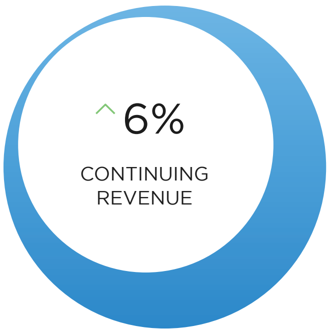
This update of our operational performance in Financial year 2021 will cover the following sections:

Overview	Financial Performance	Business Operations	Products and Technology
Strategy	Key Risks	Outlook	

Overview



Altium achieved full year revenue of US$191.1 million, including the contribution from TASKING prior to its divestment in February 2021.



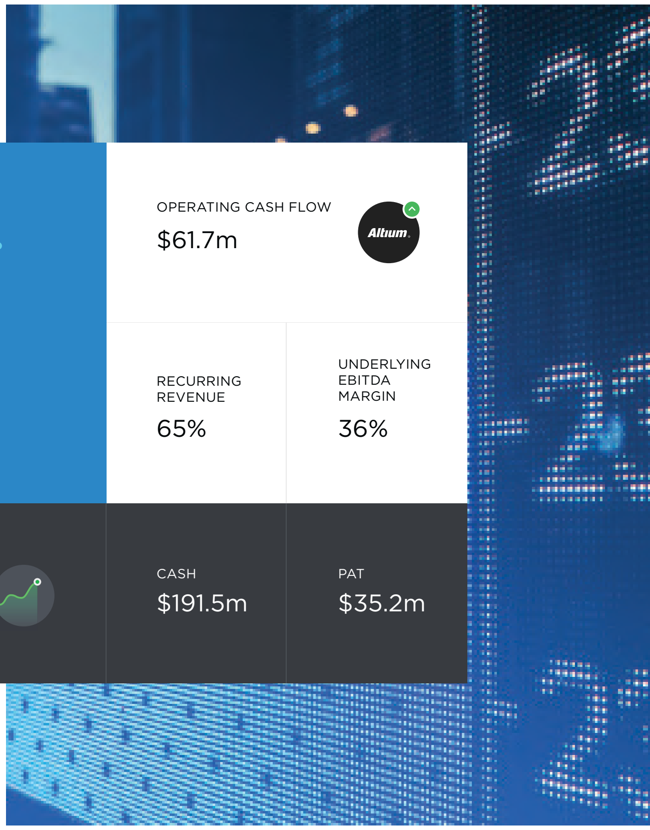
Altium achieved full year revenue of US$191.1 million, including the contribution from TASKING prior to its divestment in February 2021. Continuing revenue of US$180.2 million (growth of 6%) for the year included a strong second half revenue increase of 16%. Earnings before interest, tax, depreciation and amortisation (EBITDA) was US$60.0 million on a reported basis for the continuing business, a 33% margin. After significant investment in product development and cloud infrastructure, Altium achieved an underlying EBITDA margin of 36.1% compared to the prior year of 38.5%.

Octopart and China delivered outstanding performances for the fiscal year, growing revenue by 42% and 11% respectively. Momentum is returning to Altium's core PCB business and the adoption of the Group's cloud platform Altium 365 has accelerated with almost 13,000 monthly active users and over 6,000 monthly active accounts. This use has created strong interest in our recently launched Nexar platform, our ecosystem for industry partners to access Altium 365.

Altium annual recurring revenue (ARR) grew by a record 29% as the transition of our business model from perpetual to term-based and from on-premise to cloud gains momentum. Recurring revenue is 65%, and as Altium 365 reduces churn in subscribers, the Group is on track to achieve its target of 95% recurring revenue, ex-China and developing countries.

Financial Performance

Altium is the fastest growing EDA company in the world with 8 consecutive years of double-digit growth (prior to COVID-19) and expanding margins.



REVENUE
^ 6 %
$180.2m
CONTINUING

OPERATING CASH FLOW
$61.7m

RECURRING REVENUE
65%

UNDERLYING EBITDA MARGIN
36%

DIVIDEND
AU40C

CASH
$191.5m

PAT
$35.2m

TOTAL DOMINANCE IN
China

SEATS ON SUBSCRIPTION
54,394
^ 7%

✓ TWICE YEARLY SOFTWARE UPDATES

✓ DIRECT PRESENCE IN MOST MARKETS

YEARS OF R&D
Over 30

NUMBER OF COMPANIES USING ALTIUM DESIGNER
Over 30,000

Altium Designer Dominance

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

Altium 365 Adoption

The world's first digital platform for design and realization of electronics hardware gaining strong early adoption.

ACTIVE USERS	ACTIVE ACCOUNTS
12,846	6,054

Launched 1 May 2020

*At 1 August 2021

Financial Performance

Key Financial Results - Continuing Operations

	CONSOLIDATED		
	30 JUNE 2021 US$'000	30 JUNE 2020 US$'000	CHANGE %
Total revenue	191,103	189,124	1%
Underlying EBITDA margin (including TASKING)[1]	36.1%	38.5%	
Continuing[2]			
Revenue	180,223	169,309	6%
Operating expenses (excluding depreciation, amortisation and interest)	120,244	107,569	12%
EBITDA	59,979	61,740	(3%)
EBITDA margin	33.3%	36.5%	
Underlying EBITDA margin[3]	34.3%	34.8%	
Profit before income tax	47,662	50,958	(7%)
Income tax expense	12,390	31,232	(60%)
Profit after income tax	35,272	19,726	79%
EPS cents	26.89	15.08	78%

[1] Underlying EBITDA margin underlying (including TASKING) includes:

- the results from the TASKING business for the period prior to divestment and excludes the pre-tax gain on sale of TASKING of $99.7 million
- the impact of one-off costs associated with M&A of US$2.3 million
- the write-back of SolidWorks annual minimum contract payment of US$1.4 million
- the re-measurement of contingent consideration US$2.5 million
- restructuring costs of US$0.5 million.

[2] Results for the divested entity, TASKING, have been excluded and prior year comparatives restated.

[3] Underlying EBITDA margin includes the results of the continuing business for the year and excludes:

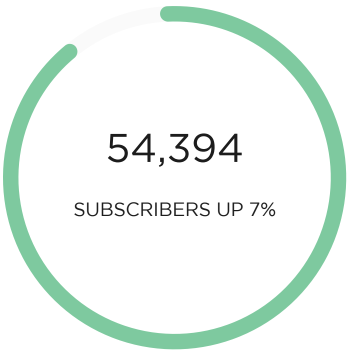
- the impact of one-off costs associated with M&A of US$2.3 million
- the write-back of SolidWorks annual minimum contract payment of US$1.4 million
- the re-measurement of contingent consideration US$2.5 million
- restructuring costs of US$0.5 million.

Revenue - Regional View and 2nd Half Momentum

	CONSOLIDATED					
	30 JUNE 2021 US$'000	30 JUNE 2020 US$'000	CHANGE %	SECOND HALF TO 30 JUNE 2021 US$'000	SECOND HALF TO 30 JUNE 2020 US$'000	CHANGE %
Board and Systems (Altium Designer, CircuitStudio, SolidWorks PCB & Nexus)	150,890	147,787	2%	82,730	75,378	10%
Americas[1]	49,970	53,741	(7%)	26,680	27,940	(5%)
EMEA	48,722	45,611	7%	26,893	24,172	11%
China	23,589	21,282	11%	12,951	8,786	47%
Rest of World	13,899	11,662	19%	7,545	6,015	25%
NEXUS	14,710	15,491	(5%)	8,662	8,464	2%
Octopart	26,963	18,973	42%	16,163	9,928	63%
Manufacturing	2,370	2,549	(7%)	1,359	874	55%
Revenue - continuing operations	180,223	169,309	6%	100,252	86,180	16%
TASKING - discontinued operation	10,880	19,815	(45%)	1,262	10,098	(88%)

[1] Americas revenue includes contribution from SolidWorks which declined from US$2.0 million in the year ended 30 June 2020 to US$0.3 million in the year ended 30 June 2021.

Revenue



Growth in Octopart was underpinned by increased search activity for integrated circuits caused by shortages in the semiconductor industry and resulted in a record setting 16 million clicks, an increase of 41% year on year. Additionally, Octopart's API revenue grew by over 100% year on year, with new enterprise customers including SpaceX, Tesla, Amazon and Arduino. Growth in the Octopart API, to be rebranded as Nexar API, bodes well for future monetization opportunities for our Cloud platform.

China recovered strongly in the second half to deliver 48% revenue growth after a poor first half performance, as its license compliance business corrected to focus on mid-tier businesses rather than small companies.

The rate of change from perpetual license to term-based increased during the year. This is positive for our future recurring revenue, but has had a short-term negative impact on performance in the US and EMEA, where the move to term-based licenses is most prevalent. We estimate that the full year reduction in revenue was approximately US$5 million or 3.0%.

Altium subscription business was resilient during fiscal 2021, with subscriptions up 7% over a twelve-month period to reach over 54,394 subscriptions.

Nexus had a challenging year, down by 5% for the full year to US$14.7 million, mainly due to the effect of COVID in the first half. Nexus returned to positive growth in the second half and closed a significant deal of US$1.8 million with Balluff. Most significantly, Nexus now has the capability to also be hosted on Altium's cloud platform which will support Altium's "land and expand" strategy to make self-discovery, self-start and self-pay a reality to scale Nexus. Nexus on cloud and on premise capabilities are the focus for strategic partnerships with other software engineering firms to expand Altium's share of the higher end of the market.

During the year, Altium sold its TASKING business for US$110 million to allow the Group to concentrate its focus on the expansion of the Altium 365 platform and to drive its adoption for transformation. Proceeds of US$10 million were contingent on achieving revenue targets for the remainder of the financial year and these were fully achieved. At 30 June 2021 this balance was included in receivables and is due to be paid in September 2021.

OPERATING EXPENSES:

During the year Altium invested in its cloud and product development. We aggressively recruited engineers to support our Cloud platform, CAD software and Nexar products and their rapid development.

Altium operating expenses grew by 5% on an underlying basis to US$122.1 million. Underlying costs exclude:

- the one-off impact of US$2.3 million for M&A costs for an unsuccessful bid for Supplyframe Inc, which was acquired by Siemens,
- the impairment of US$1.4 million for the termination of the Dassault Systemes-SolidWorks contract,
- a positive impact from the forfeiture of contingent consideration related to the Gumstix acquisition after participants did not meet service period obligations of US$2.5 million, and
- Restructuring costs relating to the sales bifurcation/"Netflix moment" of US$0.5 million.

Additional costs were incurred during the period for Directors and Officers insurance premiums, which have generally increased across the market as well as compliance costs associated with the ongoing income tax audit by the ATO.

Some cost savings were achieved as a result of COVID-19 restrictions, such as travel and some office related expenses, however, these were somewhat offset by software and communication costs to support our workforce in remote working. There was also a positive impact from the forfeiture of contingent consideration related to the Gumstix acquisition after the vendor did not meet service period obligations.

The Group's EBITDA declined 3% to US$60.0 million resulting in a margin of 33.3% (underlying EBITDA margin of 36.1%). The underlying EBITDA margin excludes the impact of US$2.3 million for M&A costs, the write-back of US$1.4 million related to the termination of the Dassault-SolidWorks contract, the re-measurement of contingent consideration US$2.5 million and restructuring costs of US$0.5 million and the results of TASKING until disposal.

Net profit after tax increased 79% to US$35.3 million. The effective tax rate has reduced to 26%. The prior year tax expense included 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 Australian Tax Office (ATO) has commenced an audit of the years ended 30 June 2014 to 30 June 2018 in regard to the company restructure implemented by Altium in 2015. The ATO is examining the application of the transfer pricing and general anti-avoidance provisions of Australian tax law arising from this restructure. In May 2021, the ATO said that it believed that Altium had understated the Australian tax impact of the restructure.

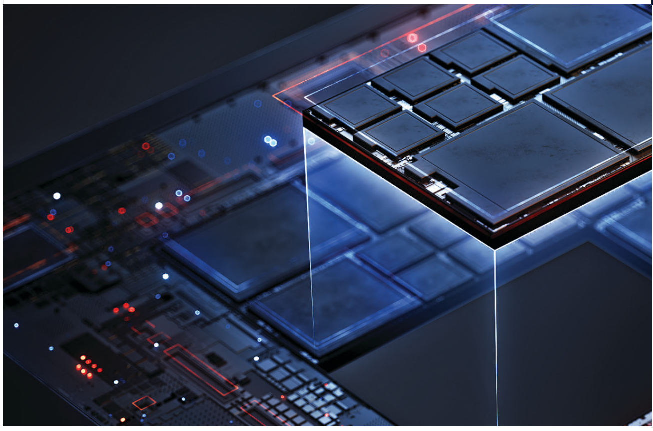
Altium disagrees with the ATO preliminary position and intends to vigorously defend its position. Altium does not consider that it will be required to pay additional tax in relation to this matter. A contingent liability (note 32) is included in the accounts in the event of a future outcome that is inconsistent with the current position.

Business Operations and Organisation

Altium operates two unique and complementary business units:

Board and Systems (BSD)

This is Altium's traditional CAD software business which provides PCB design software solutions and indirectly monetizes Altium 365 by enhancing the value of the subscription associated with PCB design tools.



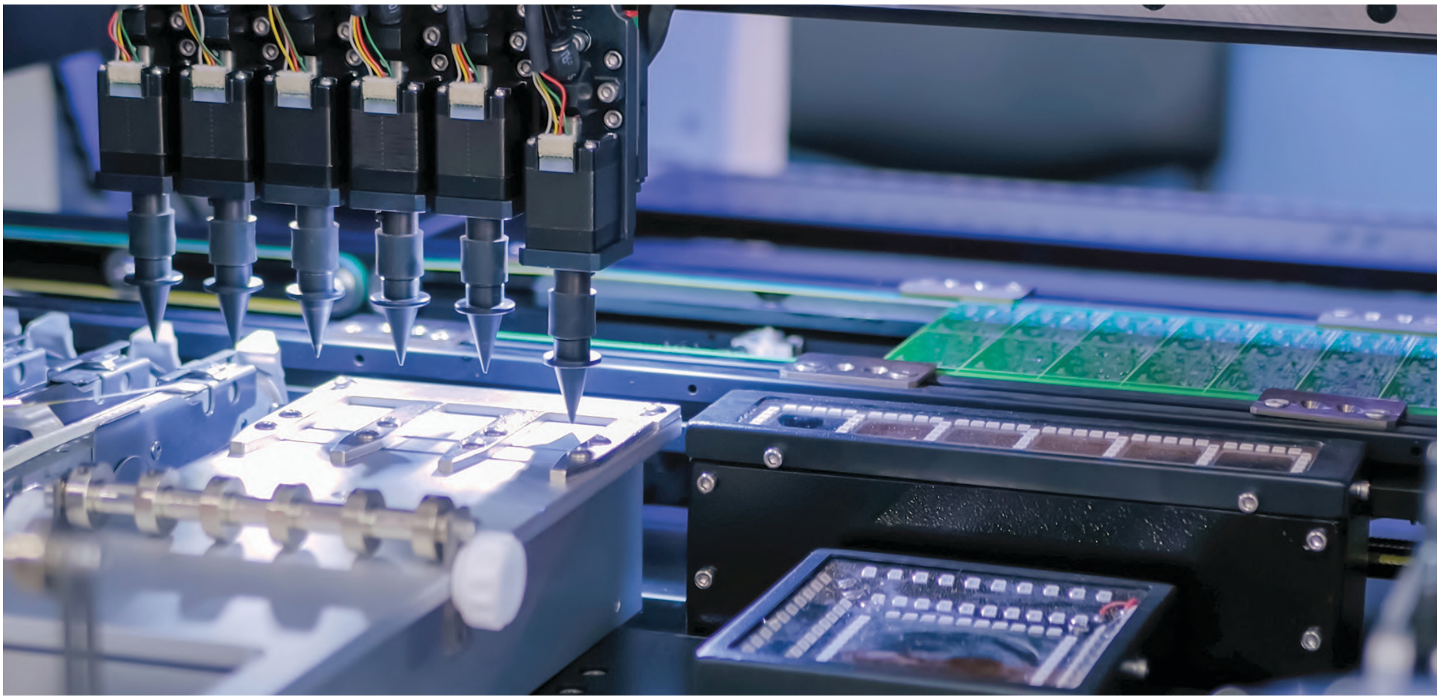
Nexar

This is a new business unit which provides professionals and industry partners access to the vast ecosystem of electronic design and manufacturing users and customers and, in the process, directly monetize their use of Altium 365. NEXAR includes Octopart, and manufacturing units (PCB:NG and Geppetto).

Altium pivoted to the cloud in September 2020 and introduced a number of organisational and business model changes to support the Group's journey to market dominance and industry transformation. We reorganised Altium R&D into CAD software and Cloud teams and we split our sales organisation into high-volume (Digital Sales) and high-touch (Professional Sales) units. The Office of CEO and the Office of President was formed, which included the appointment of a Chief of Staff, President and a new Chief Financial Officer and Chief Operating Officer. These appointments reflect the maturity of Altium leadership with key decision making responsibility shared by a broader group of individuals.

The separation of CAD software from Altium's emerging Cloud business established two complementary engines of growth, CAD software for dominance and Altium 365 cloud platform for transformation and four flywheels: cloud adoption, ecosystem adoption, design tools adoption and design platform adoption. When all four flywheels are operating well, Altium is poised for very positive revenue growth.

NEXAR, an ecosystem for the direct monetization of Altium 365 was set up to enable industry partners to benefit from Altium's growing community of electronic engineers. Nexar is rapidly gaining momentum in the software engineering community and has signed up a wide range of partners, including Arduino, Frontline, Keysight and Samtec.

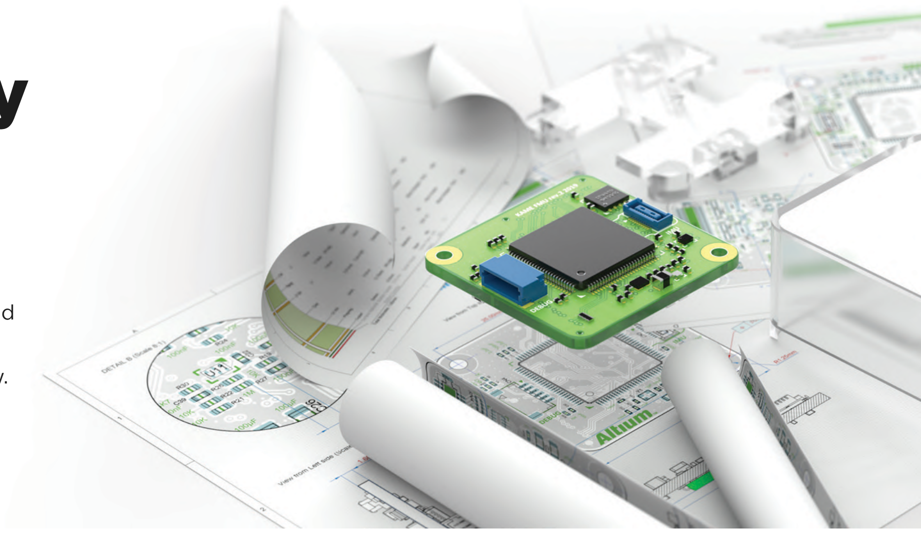


US$3m

INVESTMENT
IN MACROFAB

During the second half of fiscal 2021, Altium invested US$3 million in Macrofab, Inc. as part of a Series B investment round of US$13-14 million led by Edison Partners, LP. Macrofab is a cloud platform for electronics manufacturing that allows customers to access a network of more than 75 factories in the United States, Mexico and Canada. The MacroFab network provides digital certification, processing, and transaction management and the investment will solidify a strategic relationship between Altium and MacroFab to accelerate the development and go-to-market readiness of Altimade (Altium smart manufacturing).

Products and Technology



Altium has moved beyond a single flywheel that powered its market leadership journey in PCB design tools from transactional sales and an annual software release to four flywheels for dominance and transformation. The flywheels and the products and technology that underpin them are described below.

Digital Sales and Design Tool Flywheel

ALTIUM DESIGNER

ALTIUM DESIGNER

Altium Designer has strengthened its value proposition for engineers through deeper integration with Altium 365 and investment in an expanded range of capabilities including: SPICE simulation, rigid-flex design, high-speed and schematics, a more powerful layer stack management, trace tuning and generic components.

Users no longer have to wait for months between releases to get access to new capabilities, but instead get access to them as soon as they are ready. The Altium Designer development team also has benefited from the organisational changes and cloud native approaches that have been embraced by R&D for Altium 365, including monthly release schedules, improved development tools and processes and more QA automation for faster release cycles.

The integration with Altium 365 is more advanced than before, with conflict prevention for concurrent collaboration, project history and a completely overhauled commenting system, all notable step changes in capabilities that have enhanced the user experience and value for our customers.

Professional Sales and Design Platform Flywheel

NEXUS

ALTIUM NEXUS

Nexus gained traction in a wide range and size of industries and companies. Unique in the electronics industry, Nexus provides out of the box configuration for agile enterprise customers tailored to specific needs and requirements without expensive, non-scalable software customization.

Utilizing the common platform architecture approach that Altium takes with technology, the Nexus business process management and workflow capabilities have been deployed on the Altium 365 platform. Nexus customers can take full advantage of Altium's world leading cloud-based collaboration capabilities in combination with structured processes and workflows, enabling agility that is fundamental to our customers' success in the enterprise space.

Nexus can be easily integrated into most enterprise environments such as Siemens Teamcenter, PTC Windchill, Arena PLM and Oracle Agile PLM without expensive software customization.

Altium 365 and Cloud Adoption Flywheel

ALTIUM 365

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

Adoption of Altium 365 is growing strongly; over 6,000 companies and nearly 13,000 users are active on the platform and many customers have embraced Altium 365 and have digitised their design process. It will be a critical part of how Altium will evolve its subscription model from maintenance-based to capability-based and SaaS-like.

SOC2 certification is in progress, which reflects our commitment to ensure Altium 365 is safe and secure for customers who can rely on Altium 365 as a business critical service.

Nexar and Ecosystem Adoption Flywheel

NEXAR

NEXAR delivers a unified API (Application Programming Interface) suited for a wide range of partners to connect their applications and platforms directly to Altium 365. In the last six months Nexar has gone from a pure concept to launch and has quickly picked up pace to achieve Altium's strategic goal for it to become the integration platform for the electronics industry. The technology that underpins Nexar enables it to bring together design, manufacture and supply domains, creating an industry first and providing the foundation for digital continuity that is fundamental to industry transformation.

Nexar R&D is based in Cambridge, UK, and experts in software engineering, user experience, data analytics, and machine learning have joined the Nexar team.

With more than 75 partners in various stages of joining Nexar, there are exciting integrations underway that cover a variety of different areas and specialities, including Computer Aided Manufacturing (CAM), simulation, wiring harness design, manufacturing NPI, MCAD integration, quotation and procurement.

OCTOPART

During the year, Octopart improved its search optimization and customer experience features and created data enhancements for part models and part information that deliver differentiated value for both users and customers. With an unparalleled view of the landscape across the electronics component market, new products and services will enable Octopart to provide users with insights and intelligence to make more informed product decisions.

This year through its connection to NEXAR Octopart technology will become available to the wider electronics ecosystem so that Octopart applications and services can be used in non-Altium web properties by some of the biggest industry players.

Octopart R&D will embed artificial intelligence and machine learning in its next generation products and services, to provide actionable information and insights across the landscape of design and supply chain, the likes of which have not been seen before in the electronics industry.

ALTIMADE

We made good progress with Altimade, our manufacturing services offer, with the first connection between Altium 365 and our Brooklyn, New York assembly facility coming online at the beginning of June 2021. This has enabled the launch of a pilot program for five early adopter customers to use the service to build printed circuit board assemblies. Initial feedback is very positive, with strong praise about the customer experience. In the next phase of Altimade, Altium 365 will be linked electronically with MacroFab, providing seamless connectivity for Altium 365 customers to their manufacturing services partners across North America. This will bring scalability to Altimade and set us on a path to making the differentiated user experience more widely available to the Altium customer base. Our initial service offering will be available to customers in the second half of fiscal 2022.

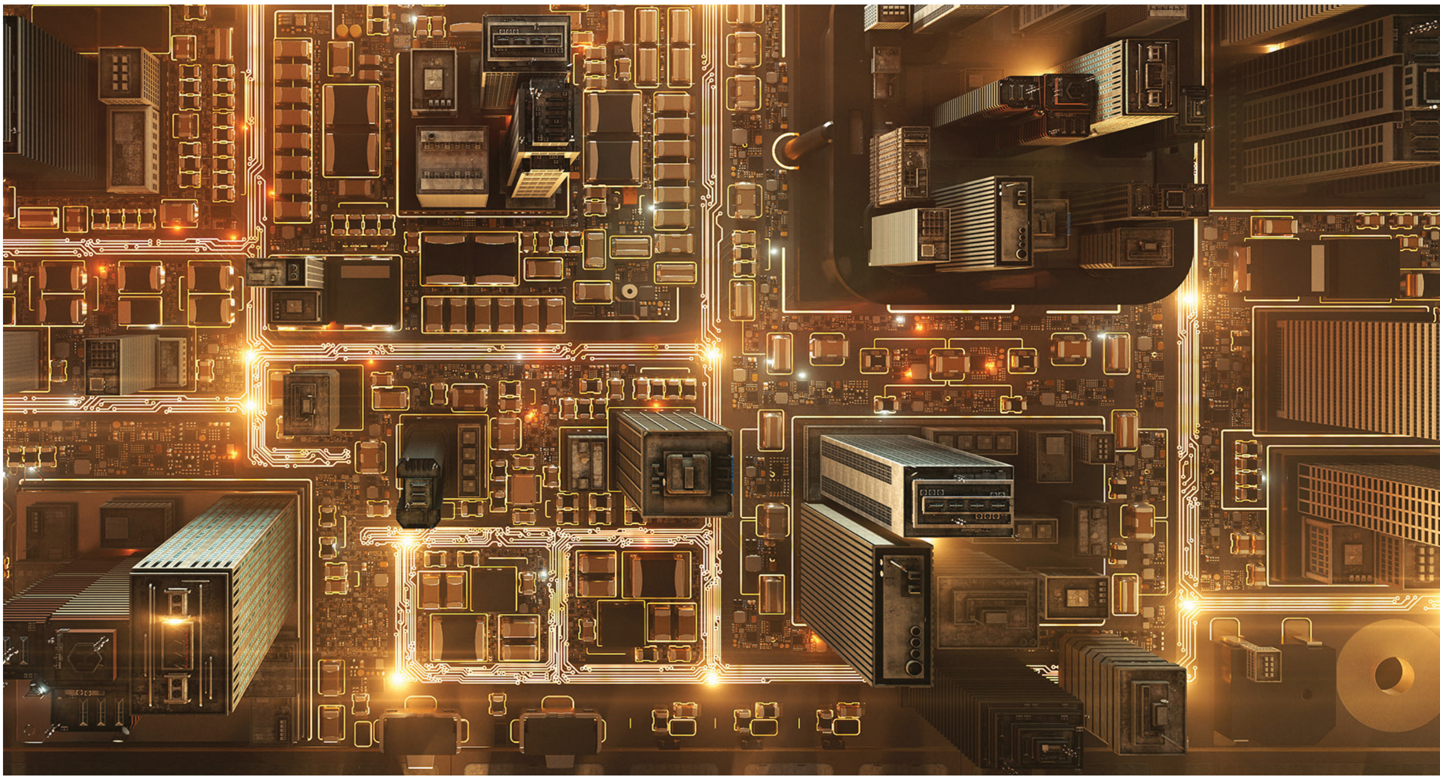
Strategy

The Internet of Things [IOT] is making the fabric of the world around us smarter and more responsive, merging the digital and physical universes.

Steve Ranger
ZDNET, 3 Feb 2020

The IOT comprises billions of devices, each connected to the internet and through it to other devices and each device has a printed circuit board which powers its electronic functionality and each PCB not only needs to be designed using a tool such as Altium Designer, but it needs to be manufactured through a cumbersome process that involves the purchase of individual components, shipping them to a board fabrication company and the building there of the final PCB. Today this process is managed manually and with the extensive use of spreadsheets, site visits and emails.

Our vision is for the Altium 365 web platform and its associated industry connector, Nexar, to digitise the entire PCB design, component sourcing and board manufacturing process from 'end-to-end.' We believe that it has the potential to transform PCB design and manufacturing so that it is consistent with the modern era of the IOT.



To achieve our vision, Altium intends to become the dominant provider of PCB design software tools and by providing compelling reasons, encourage secondary stakeholders to adopt Altium 365 and connect their businesses to the platform that will transform the electronics industry.

The Group's pivot to the cloud is at the heart of this strategy of transformation through dominance. The move to the cloud for our customers and users will be facilitated by four adoption programs:

- Adoption of Design Tools through a digital sales platform for Altium Designer
- Adoption of Design Platform through professional sales of Nexus
- Adoption of Cloud Platform through Altium 365
- Adoption of Ecosystem through Nexar

During fiscal 2022, Altium will extend its digital sales platform and digital stores to mainstream customers, while using strategic partnerships to expand into the high-end of the market.

The benefits of Altium 365 include:

- Reduction of churn
- Increased utilisation of PCB design tools
- Through Nexar, a seamless digital platform to connect design with component sourcing and board manufacturing
- Direct monetization opportunities through premium services and apps

Electronics are at the very heart of the software engineering ecosystem and are the bridge that connects the multiple disciplines of engineering from electronic CAD, to mechanical CAD, to product lifecycle management to computer aided engineering. The unique position of Altium in the engineering ecosystem as an independent and increasingly dominant electronics design tool provider gives the Group the confidence that its strategy will enable the Group to achieve the goals set out for the next five years.

Key Risks

Altium recognises and deals with a variety of financial and non financial 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.

RISK	DESCRIPTION OF RISK	RISK MITIGATION STRATEGY
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.	Altium has successfully implemented a flexible model for workers worldwide that allows both remote and in-person operations depending on the situation and employee's position. The ability to quickly move operations to remote work has enhanced employee safety and effectiveness and mitigated against lost time because of illness.
Strategic and Operational risk	Altium balances delivering long-term strategy alongside short-term commitments. Business risks include focusing on strategic outcomes at the expense of strategic goals. 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, teams dedicated to 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 has dedicated professionals who identify, monitor and mitigate risks within the Altium business globally including our 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. Our compliance framework is monitored and reviewed on a regular basis by the Audit and Risk Committee and the Board.

RISK	DESCRIPTION OF RISK	RISK MITIGATION STRATEGY
Security of sensitive information and Cyber Risk	There is an inherent risk related to the potential of cyber-attack on proprietary information, employee data 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 monitor critical access and is committed to the highest standards of information security. Altium has undertaken a SOC2 readiness assessment and remediation program. The Group appointed a General Counsel who will heighten the corporate focus on privacy and data protection and Security Development Operations team members have been recruited into the development team. Altium has an internal review and continuous improvement process to ensure we maintain a high level of cybersecurity focus and compliance. We conduct global training for our employees to create an environment where risks and threats may be identified, monitored and mitigated. We ensure that our policy suite supporting cybersecurity, data privacy and protection is reviewed and updated periodically. The Audit and Risk Committee assumes primary oversight responsibility and regularly briefs the Board on cybersecurity risk management.
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 further improvements in its incentive compensation, retention and diversity programs to enhance Altium's desirability as an employer of choice.
Economic risk	General recession or other economic factors could lead to slower or even negative growth in the electronics design software market. Market conditions and customer perception may impede or prevent wide-spread adoption of Altium's SaaS based services.	Altium's Sales and Marketing management has tailored activities to better fit diverse market conditions. Altium has implemented an approach that provides compelling benefits to those who adopt the SaaS based model while still allowing traditional software licensing where applicable.

Outlook

Altium is known for setting long-term tough goals and working hard to achieve them. For Market dominance, our resolve to achieve 100,000 subscribers and US$500 million in revenue by 2025 is undiminished.

There has been a short term impact on our trajectory toward these goals caused by the global COVID-19 pandemic but the time of writing, despite the ongoing consequences of COVID-19, we believe that its impact on our business is largely behind us and that the goals will be realised either in 2025 or shortly thereafter.

We are committed to build a more stable, predictable and recurring revenue model as we complete our move from a software only company to one with a wide range of services available on our cloud platform. Our transition will be deliberate and measured. We have begun to report on Annual Recurring Revenue (ARR) which grew by 29% in fiscal 2021. Our flight path and our key financial metrics will focus on revenue, margin and ARR growth and operating cash flow, in addition to adoption metrics for Altium 365.

Changes in state of affairs

Sale of TASKING

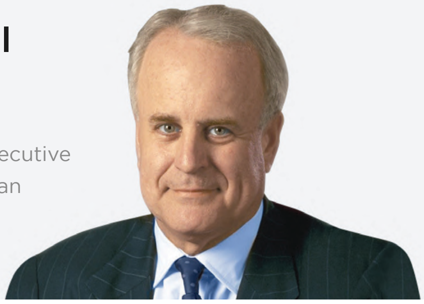
On 11 December 2020, the Group entered into a definitive agreement to sell the TASKING business for US$110 million, with the completion of the sale occurring on 5 February 2021. The transaction was settled in cash with US$100 million received up front and a further US$10 million which is expected to be received in September 2021.

Board of Directors

Altium's team of experienced leaders combine deep knowledge and expertise within the Electronic Design Automation industry with responsible public company management.

Samuel Weiss

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. Until the end of May he was also Chairman of 3PLearning Limited. Sam is a highly experienced Company Chairman who has been instrumental in the growth and leadership of Altium Limited 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)

Citadel Limited

Special responsibilities

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

Aram Mirkazemi

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

Sergiy Kostynsky

President & Chief Technology Officer

Qualifications

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

As President, Sergey is responsible for driving optimal performance in all aspects of Altium's execution including all product and go-to-market domains. Sergey has been the leader and architect of Altium's technology development that underpins the company's bid to achieve market dominance and transform the electronics industry. Under Sergey's leadership, Altium's PCB design tools have become world class and the company's cloud platform Altium 365 is set to revolutionize the way that electronic products are designed and manufactured.

Other current directorships

None

Former directorships (last 3 years)

None

Special responsibilities

None

Raelene Murphy

Non-executive Director

Qualifications

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 Elders Limited.

Former directorships (last 3 years)

Service Stream Limited - resigned 23 October 2019, Clean Seas Seafood Ltd resigned 19 October 2020.

Special responsibilities

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

Lynn Mickleburgh

Non-executive Director

Qualifications

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

Natasha Davidson - Appointed 10 June 2021
Alison Raffin
Kim Besharati - Resigned position 10 June 2021

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 2021, 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	31	31	4	4	3	3	18	18
Aram Mirkazemi	31	31	-	-	-	-	18	18
Sergiy Kostynsky	31	31	-	-	-	-	17	18
Raelene Murphy	31	31	4	4	3	3	18	18
Lynn Mickleburgh	31	31	4	4	3	3	18	18

* 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 Chair of the Human Resources Committee

Dear Fellow Shareholder,

On behalf of the Human Resources (HR) Committee, I am pleased to present the Altium Remuneration Report for the financial year ended 30 June 2021. This report sets out how our remuneration approach supports the Altium vision to transform the electronics industry by connecting Printed Circuit Board (PCB) design to the component parts supply chain and to the manufacture of Printed Circuit Boards.

Specifically, this report:

- outlines Altium's remuneration framework and principles; and
- demonstrates the link between Altium's strategy, performance and the remuneration outcomes for the Executive Key Management Personnel (Executive KMP).

The Altium strategy is based on two pillars; first, to become the dominant provider of software for PCB design and second, to build a cloud solution (Altium 365) for all software engineering users and related parties who have an interest in the design and manufacture of PCBs. Altium 365, once well established and well used, will enable Altium to transform and disrupt electronics manufacture through a seamless digital experience for all users on our new NEXAR platform.

During the financial year ended 30 June 2021, Altium separated management responsibility for its Platform business from its software operations to maximize the opportunity to reach full potential on both fronts. This reorganization resulted in a change in our KMPs as detailed in our report. The Board believes this will help the Group achieve its long-term goals of 100,000 subscribers and US$500 million revenue. We believe that the dual nature of dominance and transformation requires two complementary but different management skill sets to drive Group success. These are characterized by two types of key employees: "*Company Builders*" and "*Professional Operators*".

Company Builders have an entrepreneurial mindset to do whatever it takes to get the job done. This is especially valuable when starting a new business. Their skills are complemented and enhanced by the experience of Professional Operators who bring domain and scaling expertise gained elsewhere. The mixture of entrepreneurial ambition with deep industry expertise will enable us to achieve our aspirations to dominate the mature PCB design tool market and at the same time disrupt the electronics manufacturing industry.

The Group provides a well tailored range of compensation and incentive plan options designed to reflect both the different needs of individual executives and employees but also their common interest in the achievement of the Group's objectives and reflects the competitive landscape for these resources.

At our 2018 AGM we announced our intention to establish the Altium Ownership Plan to attract "exceptional talent (who) will share in the success of Altium as next generation *founders* and their reward will be proportional to the *outcome* rather than solely related to their *effort*." We said at the time that "up to 5% of the Group's issued share capital will be set aside for the Plan for this purpose." The implementation of the Plan will depend upon the ability of the Group and its leadership to deliver on our twin objectives for dominance in our software market and transformation of the electronics industry through the success of our Altium 365/NEXAR Platform.

This is similar in many ways to an IPO event that aligns executive long-term goals with those of shareholders and provides a significant opportunity to the individuals that contributed materially to the Group's success. The Board will engage in extensive consultation with shareholders before the AOP is implemented and if needed, seek shareholder approval.

Altium 2021 Performance

The HR Committee and the Board view the performance of the Group through a number of distinct filters including both the immediate financial results of the current year as well as how the current year fits within the planned trajectory for the Group over a longer, often five year, horizon. After a disappointing end to the financial year ended 30 June 2020 when Altium did not achieve its long-term objective of US$200 million in revenue due to the impact of COVID-19, we spent the 2021 financial year setting ourselves up for the post coronavirus world as already noted with our focus on CAD Software and the Cloud Platform.

The results, from a financial perspective, have gained momentum during the course of the year and we believe that we start the 2022 financial year from a relatively strong position. The successful sale during the year of TASKING which is not directly related to either of our software or platform businesses allows the Group and management to focus 100% of their efforts on our core activities.

Remuneration outcomes in 2021

During the financial year ended 30 June 2021, The Board and HR Committee selected performance measures to support and encourage progress toward our long-term goals of achieving US$500 million revenue and 100,000 subscribers. In line with our long held emphasis on growth in both top line sales and earnings we set KMP hurdles within the employee share rights plan, for Revenue and underlying EBITDA margin, both of which were achieved at the lower end of our target range. We added a new hurdle “adoption” for PCB design subscriptions which aligns our executive compensation to our journey towards 100,000 subscribers. This hurdle was below the target range and was not achieved this year. As we stated in our 2020 Remuneration Report, the performance hurdle for LTI awards that were tested in financial year of 2020 were not met due to the impact of COVID-19 on the Group. Accordingly, the 2020 LTI awards for KMPs and other Senior Executives did not vest in accordance with their terms.

In the year ended 30 June 2021, achievement of our LTI plan targets for KMP was 43.2%.

2022 and Beyond

The HR Committee does not anticipate making material changes to Altium’s remuneration framework in the financial year of 2022. We will continue to set ambitious performance hurdles that align to our transformational vision, the achievement of which will represent material progress towards our long-term goals.

The past year has been challenging for people and organisations around the world because of the ongoing impact of the global COVID-19 pandemic. Altium has been no exception to the difficulties caused by COVID-19. Our people have worked harder, and longer, and been separated from each other in ways that would have been hard to imagine just two years ago. Over the course of the year the spirit, grit and commitment of our people has been most gratifying to both our corporate leadership team and to your Board.

We appreciate the focus and determination of all of our employees through these challenging times, and the continued support of our shareholders of the Group.
We welcome your comments and feedback on this report.

Lynn Mickleburgh
HR Committee Chair

Remuneration Report

CONTENTS

Introduction

This remuneration report sets out the remuneration of Key Management Personnel (KMP) for the year ended 30 June 2021. The remuneration report is presented in US dollars, unless otherwise stated.

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

During the year we reorganised our senior leadership team to more evenly spread responsibility for our results, in both the short and long-term, across a larger team; internally we refer to this as our *Netflix moment*. Sergiy Kostynsky, already an Executive Director of the Group was promoted to President on 5 October 2020 with responsibility for the day to day operations and financial results of Altium.

Sergiy Kostynsky and Martin Ive, who was promoted at the same time to Chief Financial Officer, work closely with the CEO, Aram Mirkazemi and the three of them are the Executive KMP of the Group.

As part of our Netflix moment, Joseph Bedewi and Henry Potts, both of whom remained executives of the Group, were deemed to no longer be KMP.

Altium KMP in the year ending 30 June 2021 are listed below.

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
Executive Directors	Executive KMP	
Aram Mirkazemi	Chief Executive Officer (CEO)	Full term
Sergiy Kostynsky	President and Chief Technology Officer	Full term
Other KMP	Executive KMP	
Martin Ive	Chief Financial Officer (CFO)	Commenced as KMP 5 October 2020
Henry Potts	Chief Sales Officer	Ceased as KMP 5 October 2020
Joseph Bedewi	Former Chief Financial Officer (CFO)	Ceased as KMP 5 October 2020

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

Vision and Remuneration Principles

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.

Remuneration principles:

To execute our 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, recognising most of our Executives are based in the USA, while balancing the expectations of our shareholders
- Tailor reward to the unique requirements of the role and the employee's contribution to Altium's long-term success
- Ensure that our remuneration framework is sufficiently flexible to maintain compliance with local legislation in the various jurisdictions in which we operate
- Provide appropriate rewards, in line with Group and individual performance
- Have a highly engaged employee base with a unique employee experience

Executive remuneration framework and overview of incentive plans

Overview

All Executive KMP are Company Builders and are expected to exemplify extreme drive and an *Altium First* mindset, with a focus on long-term performance. Executive KMP are remunerated with a combination of Fixed and Long Term Incentive Compensation (LTI). Aram Mirkazemi, CEO and Sergiy Kostynsky, President are each substantial shareholders in Altium Limited and their LTI is paid in cash. Martin Ive, CFO awards are in equity grants.

The following table provides a summary of the key elements of the remuneration framework for Executive KMP:

REMUNERATION TYPE	FEATURES	PURPOSE
Fixed annual remuneration (FAR)	• Base salary plus benefits and statutory entitlements • Reviewed regularly, with reference to the relevant market benchmarks	Attract top talent in a competitive environment, considering the capability and experience of individual Executives
Long-term incentive (LTI) plan	• Long-term performance-based plan • Delivered as cash or performance rights, subject to Board discretion, which vest in future years subject to continued employment and achievement of performance targets • Vesting for the financial year ended 2021 based on achievement of a combination of revenue, underlying EBITDA margin, subscriber adoption targets and continued employment	Encourage key employees to focus on the creation of enduring value for investors, whilst retaining them for the long-term

Changes to remuneration in detail

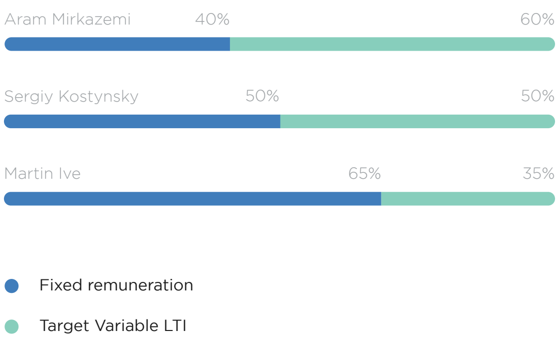
Key changes to executive remuneration during the year ended 30 June 2021 include:

- Sergiy Kostinsky and Martin Ive's base salary was increased during the year to reflect their added responsibilities.
- Executive KMPs no longer receive cash based annual STI awards; all of their variable remuneration is from participation in the LTI plan to reflect their focus on meeting Altium's long-term corporate objectives, including achieving US$500 million in revenue and 100,000 subscribers.
- In the financial year of 2020, the LTI performance rights previously granted to KMPs did not vest due to the extraordinary situation presented by COVID-19.
- Altium introduced a new LTI plan to better align performance hurdles to Altium's long-term strategy, including achieving US$500 million in revenue and 100,000 subscribers. The plan was communicated to employees in March 2021 and final details of the plan will be approved by the Board in August 2021. The new LTI plan is a continuation of the existing plan and it is expected all awards for from the financial years of 2021 to 2023 will vest under the new LTI plan only, if performance hurdles are achieved. At present, Altium does not anticipate that the performance conditions applicable to the existing plan for the financial years of 2022 and 2023 will be achieved.
- Aram Mirkazemi and Sergiy Kostinsky are significant shareholders of Altium Limited shares and well above their minimum shareholding requirements and will continue to be paid in cash under their LTI plan.

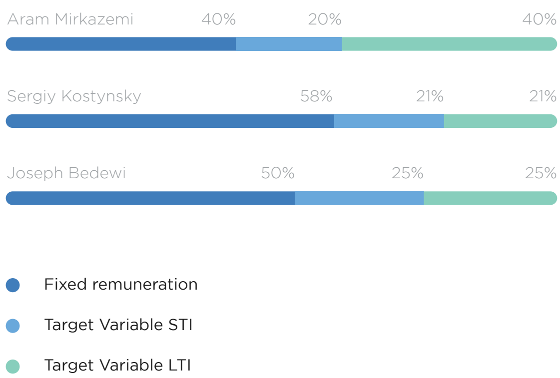
Remuneration mix

Incentive awards are set at 35%-61% of total remuneration in order to provide a meaningful incentive payment for the successful achievement of the Group goals. The target mix between variable and fixed remuneration for each Executive is as follows:

Financial year 2021



Financial year 2020



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

FAR is reviewed annually with reference to the Executive's relative performance within Altium. There are no guaranteed remuneration increases.

Variable remuneration

A summary of the LTI plans are set out below.

DESIGN ELEMENT	DESCRIPTION
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. Target LTI opportunity represents the maximum LTI opportunity.
Performance Metrics (and weightings)	LTI awards vest subject to continued employment as well as achievement against performance hurdles set each year by the Board. Performance measures are selected with the intent to align with Altium's stated long-term corporate objectives. Hurdles are then selected to represent ambitious milestones towards achievement of those long-term objectives. Performance hurdles are commercial in confidence and are disclosed on a retrospective basis once each tranche has been tested.

For the 2021 financial year tranche, the Board set the following measures to determine performance:

Performance Metrics (and weightings)

WEIGHTING	METRIC	VESTING SCHEDULE	WHY MEASURE CHOSEN
One-third	Revenue	• 0% of tranche vests if performance is less than Entry Level • 75% of tranche vests if performance equals Entry Level • 100% of tranche if performance is at least Target Level • Straight-line vesting for performance between Entry and Target Level	Supports achievement of Altium's stated corporate objective of achieving US$500 million in annual revenue
One-third	Subcription adoption for PCB subscribers	• 0% of tranche vests if performance is less than Entry Level • 50% of tranche vests if performance equals Entry Level • 100% of tranche if performance is at least Target Level • Straight-line vesting for performance between Entry and Target Level	Supports achievement of Altium's stated corporate objective of achieving 100,000 subscribers, which will drive recurring revenue growth and facilitate transformation of electronics industry
One-third	Underlying EBITDA margin	• 0% of tranche vests if performance is less than Entry Level • 50% of tranche vests if performance equals Entry Level • 100% of tranche if performance is at least Target Level • Straight-line vesting for performance between Entry and Target Level	Balances performance across the other two measures to ensure revenue growth and subscriber adoption do not come at the expense of profitability

In selecting these measures, the Board considered alternative hurdles including a market-based measure (such as Relative Total Shareholder Return) but believes that performance should be rewarded for real, not relative gains. The Board believes the selected metrics best reflect the drivers of successful execution of Altium's strategy.

Calculation of the award	Calculation is based on the achievement of the performance metrics as measured by the audited annual results, management documentation and Board approval.
Award vehicle and vesting	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 up to a maximum fixed cash value. Upon the performance conditions being satisfied the award will be paid in three approximately equal tranches following the end of the financial year subject only to employment testing after the first year. For other KMP, the award is delivered in performance rights which convert into fully paid ordinary shares in Altium at no cost to the recipient upon vesting. Any KMP who joins the LTI plan for the first time will receive an award of five tranches of performance rights that vest annually. After the first year of joining the plan, it is anticipated that each participant will receive an additional grant that will vest in five year's time subject to performance conditions outlined in a rolling five year framework.
Termination and change of control provisions	**Retirement, redundancy, leave by mutual agreement:** • LTI awards may remain "on foot" subject to Board discretion **Termination, resignation:** • All unvested awards are forfeited • No entitlement to termination payments in the event of termination for misconduct
Changes / modifications	The Board has not modified the vesting outcome for awards tested in the financial year ended 2021
Discretion / malus	The Board recognises that formulaic performance hurdles are unable to account for all circumstances and might result in a nominal remuneration outcome that does not reflect true performance. As a result, the Board retains the right to exercise discretion to adjust outcomes up or down as warranted. The LTI award is also subject to Board consideration of Good Leaver/Status as well as the employee's management of risk, involvement in any company reputational matters and malus consideration.

Minimum shareholding requirements

All KMP who participate 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 offset tax requirements, and subject to Board approval.

The minimum shareholding level is determined as a percentage of base remuneration (FAR). Details of current shareholdings for Executive KMP is set out below:

	MINIMUM SHAREHOLDING REQUIREMENT (% OF BASE REMUNERATION)	CURRENT SHAREHOLDING (% OF BASE REMUNERATION)	STATUS
Aram Mirkazemi	500%	51,459%	Meets
Sergiy Kostynsky	500%	12,988%	Meets
Martin Ive	300%	876%	Meets

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 financial performance 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. 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 during each phase to increase shareholder value and support Altium's long-term vision.

	2021 US$'000	2020 US$'000	2019 US$'000	2018 US$'000	2017 US$'000
Revenue*	191,103	189,124	171,819	140,176	110,865
EBITDA*	68,975	75,634	62,721	44,869	33,254
EPS*	81.56	23.60	40.57	28.86	21.70
Profit for the year*	106,985	30,881	52,893	37,489	28,077
Dividend declared - AU cents	40	39	34	27	23
Share price at 30 June - AU$	36.69	32.48	34.20	22.51	8.57
STI Achievement	N/A	0%	100% -150%	131%	103%
STI performance hurdles	N/A	50% Revenue 50% EBITDA	70% Revenue 30% EBITDA	50% Revenue 50% EBITDA	70% Revenue 30% EBITDA
LTI Achievement	43.2%	0%	100%	100%	100%
LTI performance hurdles	33.4% Revenue 33.3% EBITDA Margin* 33.3% Subscriber Adoption	Revenue	50% Revenue 50% EPS	EPS	EPS

* 2021 is underlying EBITDA and includes the results from TASKING up to 5 February 2021 which was the date it was sold.

Actual remuneration received in the year ended 30 June 2021 (Non-IFRS disclosure)

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 statutory table in Section 8 which includes an 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: No STI was paid in the year ended 30 June 2021 or 30 June 2020.
- LTI: the value of performance rights that vested during the year ended 30 June 2021. Refer to section 8 for details of which grants vested in the year ended 30 June 2021. 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$	LTI US$	SHARE GRANT US$	TOTAL US$
Aram Mirkazemi	2021	500,000	48,575	15,440	-	444,625	-	1,008,640
	2020	500,000	37,735	(5,152)	-	1,166,988	-	1,699,571
Sergiy Kostynsky	2021	387,500	37,026	25,062	-	138,965	-	588,553
	2020	350,000	41,266	659	-	334,342	-	726,267
Martin Ive[1]	2021	256,263	2,556	36,744	24,443	-	-	320,006
Henry Potts[2]	2021	122,596	44,431	(3,498)	2,452	236,284	2,692,085[3]	3,094,350
	2020	425,000	91,743	8,745	5,318	659,491	-	1,190,297
Joseph Bedewi[2]	2021	103,846	25,559	6,278	1,558	200,130	1,076,834[4]	1,414,205
	2020	360,000	61,363	(6,278)	3,738	497,553	990,599	1,906,975

1 Martin Ive commenced as KMP on 5 October 2020, remuneration has been included from that date.

2 Henry Potts and Joseph Bedewi ceased as KMP on 5 October 2020, remuneration has been included up until that date.

3 Henry Potts was granted 400,000 shares (or cash equivalents) at the time of his appointment, that vested over four years and was subject to time conditions. In December 2018 the remaining unvested shares were included in his 2019 LTI Plan and subject to time and performance conditions. In the year ended 30 June 2021, he received the last grant of 100,000 shares which were issued at the discretion of the Board.

4 Joe Bedewi was granted 200,000 shares at the time of his appointment that vested over five years and was subject to time conditions. It is the Group's position that the remaining unvested shares became subject to the 2019 LTI plan in December 2018. In the year ended 30 June 2021, he received the grant of 40,000 shares which were issued at the discretion of the Board. As a consequence of his resignation in April 2021, the vesting condition was not met for the last tranche of these shares, resulting in the forfeiture of this tranche. This is included in the Contingent Liabilities Note 32 in the Annual Report.

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

2021 financial year incentive outcomes

For the year ended 30 June 2021, LTI performance for the executive KMP was assessed on revenue, underlying EBITDA margin and Altium subscriber adoption goals.

PERFORMANCE METRIC	WEIGHTING	ENTRY (50% FOR EBITDA MARGIN AND SUBSCRIBER ADOPTION, 75% FOR REVENUE)	TARGET (100%)	30 JUNE 2021 RESULT	30 JUNE 2021 ACHIEVEMENT
Revenue	33.34%	US$190 million	US$196 million	US$191 million	80%
Underlying EBITDA Margin	33.33%	36.0%	37.0%	36.1%	50%
Subscriber Adoption	33.33%	55,000	57,000	54,394	0%

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 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.

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	Aram Mirkazemi has 2 weeks notice, Martin Ive has 4 weeks notice and all other KMP are employed at will.
Severance	Severance will be paid in accordance with local legislation
Sign-on or termination payment	None paid in the year ending 30 June 2021

Non-executive Director remuneration

AU$1.5m /year

NED FEE POOL

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 2021 and 30 June 2020. Fees are inclusive of statutory superannuation. The Chairman does not receive separate committee fees. The current fees were set in 2016 and given the growth in the Group and the relatively small number of directors will be reviewed in 2022.

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 2021 and 30 June 2020.

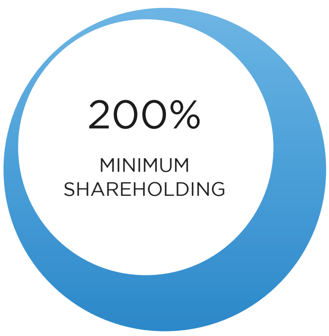
NON-EXECUTIVE DIRECTOR	FINANCIAL YEAR	BOARD AND COMMITTEE FEES US$	OTHER FEES US$	POST EMPLOYMENT BENEFIT US$	BOARD AND COMMITTEE FEES US$
Samuel Weiss	2021	260,274		24,726	285,000
	2020	260,274		24,726	285,000
Raelene Murphy	2021	150,000			150,000
	2020	150,000			150,000
Lynn Mickleburgh	2021	150,000	50,000[1]		200,000
	2020	146,875			146,875
Wendy Stops[2]	2020	57,078		5,422	62,500

[1] Lynn Mickleburgh received a fee of US$50,000 to supervise the Due Diligence of a M&A transaction.

[2] Wendy Stops resigned on 18 November 2019.

Samuel Weiss, Raelene Murphy and Wendy Stops were 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.

	MINIMUM SHAREHOLDING REQUIREMENT (% OF BASE REMUNERATION)	CURRENT SHAREHOLDING (% OF BASE REMUNERATION)	STATUS
Samuel Weiss	200%	18,042%	Meets
Raelene Murphy	200%	203%	Meets
Lynn Mickleburgh	200%	422%	Meets

Statutory disclosures

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 2021 and 2020 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 2021 rather than the accounting values determined in accordance with the Australian Accounting Standards.

Table outlining the statutory remuneration for Executive KMP in the year ended 30 June 2021 and 30 June 2020:

		FIXED REMUNERATION				VARIABLE REMUNERATION			
EXECUTIVE KMP	FINANCIAL YEAR	CASH SALARY US$	NON MONETARY BENEFITS* US$	ANNUAL LEAVE US$	POST EMPLOYMENT BENEFITS US$	EQUITY SETTLED LTI	CASH LTI US$	TOTAL US$	PERFORMANCE RELATED REMUNERATION AS A PROPORTION OF TOTAL REMUNERATION
Aram Mirkazemi	2021	500,000	48,575	15,440	-	-	272,545	836,560	33%
	2020	500,000	37,735	(5,152)	-	-	385,252	917,835	42%
Sergiy Kostynsky	2021	387,500	37,026	25,062	-	-	124,100	573,688	22%
	2020	350,000	41,266	659	-	-	124,455	516,380	24%
Martin Ive[1]	2021	256,263	2,556	36,744	24,443	(7,643)	-	312,363	N/A
Henry Potts[2]	2021	122,596	44,431	(3,498)	2,452	310,840	-	476,821	65%
	2020	425,000	91,743	8,745	5,318	925,738	-	1,456,544	64%
Joseph Bedewi[2]	2021	103,846	25,559	6,278	1,558	(343,384)	-	(206,143)	N/A
	2020	360,000	61,363	(6,278)	3,738	937,505	-	1,356,328	69%

[1] Martin Ive commenced as KMP on 5 October 2020, remuneration has been included from that date.

[2] Henry Potts and Joseph Bedewi ceased as KMP on 5 October 2020, remuneration has been included up until that date.

Henry Potts was granted 400,000 shares (or cash equivalents) at the time of his appointment, that vested over four years and was subject to time conditions. In December 2018 the remaining unvested shares were included in his 2019 LTI Plan and subject to time and performance conditions. In the year ended 30 June 2021, he received the last grant of 100,000 shares which were issued at the discretion of the Board.

Joe Bedewi was granted 200,000 shares at the time of his appointment that vested over five years and was subject to time conditions. It is the Group's position that the remaining unvested shares became subject to the 2019 LTI plan in December 2018. In the year ended 30 June 2021, he received the grant of 40,000 shares which were issued at the discretion of the Board. As a consequence of his resignation in April 2021, the vesting condition was not met for the last tranche of these shares, resulting in the forfeiture of this tranche. This is included in the Contingent Liabilities Note 32 in the Annual Report.

Included in the equity-settled LTI is the reversal of the expense relating to the FY2022 and FY2023 tranche which are not anticipated to vest.

LTI amounts have been restated for the year ended 30 June 2020 to reflect the forfeiture and the true up of estimated grant value based upon the 30 June 2020 share price.

* Non monetary benefits include dental, medical and life insurance. There was no STI paid in the 2021 or 2020 financial years.

Performance rights and movements held by KMP

The following table summarises performance rights granted and vested for the financial years 2021 and 2020 and provides a reconciliation of performance rights awarded under the LTI plan that are not yet vested. The maximum value of the unvested shares has been determined as the amount of the grant date fair value that is yet to be expensed.

NAME	FINANCIAL YEAR	BALANCE OF UNVESTED PERFOMANCE RIGHTS AT THE BEGINNING OF YEAR	VESTED	FORFEITED	OTHER	BALANCE OF UNVESTED PERFOMANCE RIGHTS AT THE END OF YEAR	PERCENT GRANTS VESTED %	PERCENT GRANTS FORFEITED %	MAXIMUM VALUE YET TO VEST US$
Aram Mirkazemi	2021	16,516	(16,516)	-	-	-	100%	0%	-
	2020	56,774	(40,258)	-	-	16,516	71%	0%	20,708
Sergiy Kostynsky	2021	5,162	(5,162)	-	-	-	100%	0%	-
	2020	16,261	(11,099)	-	-	5,162	68%	0%	6,473
Martin Ive[1]	2021	-	-	(2,386)	14,703	12,317	16%	0%	339,498
Henry Potts[2]	2021	145,002	(108,777)	-	(36,225)	-	75%	0%	-
	2020	179,394	(26,629)	(7,763)	-	145,002	15%	4%	943,827
Joseph Bedewi[2]	2021	106,611	(47,434)	-	(59,177)	-	44%	0%	-
	2020	170,813	(60,092)	(4,110)	-	106,611	35%	2%	862,833

[1] Martin Ive commenced as KMP on 5 October 2020, shareholdings have been included in Other on that date.

[2] Henry Potts and Joseph Bedewi ceased as KMP on 5 October 2020, shareholdings have been excluded in Other at that date.

Unvested performance rights have been restated to reflect the forfeiture of the FY2020 tranche for the year ended 30 June 2020.

Aram Mirkazemi and Sergiy Kostynsky 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 President to be paid in cash.

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 2021 are set out below:

NAME	YEAR GRANTED	NUMBER OF RIGHTS VESTED	VALUE OF RIGHTS VESTED AT VESTING DATE US$
Aram Mirkazemi	2018	16,516	444,625
Sergiy Kostynsky	2018	5,162	138,965
Henry Potts[1]	2019	100,000	2,692,084
	2018	8,777	236,284
Joseph Bedewi[2]	2019	40,000	1,076,834
	2018	7,434	200,130

[1] Henry Potts was granted 400,000 shares (or cash equivalents) at the time of his appointment, that vested over four years and was subject to time conditions. In December 2018 the remaining unvested shares were included in his 2019 LTI Plan and subject to time and performance conditions. In the year ended 30 June 2021, he received the last grant of 100,000 shares which were issued at the discretion of the Board.

[2] Joe Bedewi was granted 200,000 shares at the time of his appointment that vested over five years and was subject to time conditions. It is the Group's position that the remaining unvested shares became subject to the 2019 LTI plan in December 2018. In the year ended 30 June 2021, he received the grant of 40,000 shares which were issued at the discretion of the Board. As a consequence of his resignation in April 2021, the vesting condition was not met for the last tranche of these shares, resulting in the forfeiture of this tranche. This is included in the Contingent Liabilities Note 32 in the Annual Report.

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	OTHER	BALANCE AT THE END OF THE YEAR
Samuel Weiss	1,902,207	-	-	-	1,902,207
Raelene Murphy	8,791	-	2,500	-	11,291
Lynn Mickleburgh	18,400	-	5,000	-	23,400
Aram Mirkazemi	9,518,403	-	-	-	9,518,403
Sergiy Kostynsky	2,402,468	-	-	-	2,402,468
Martin Ive[1]	-	-	6,800	119,602	126,402
Henry Potts[2]	63,630	108,777	-	(172,407)	-
Joseph Bedewi[2]	25,000	47,434	-	(72,434)	-

[1] Martin Ive commenced as KMP on 5 October 2020, shareholdings have been included in Other on that date.

[2] Henry Potts and Joseph Bedewi ceased as KMP on 5 October 2020, shareholdings have been excluded in Other at that date.

Other transactions with key management personnel

There were no loans to KMP during the year ended 30 June 2021 and 30 June 2020.

Voting of shareholders at last year's annual general meeting

Altium received 89.44% of "yes" votes on its remuneration report for the 2020 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 2021, Altium made use of external remuneration consultants. No recommendations in relation to KMP's 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's.

Loans to directors and executives

There were no loans to Directors and Executives for the years ended 30 June 2021 and 30 June 2020.

This concludes the remuneration report, which has been audited.

Indemnification and insurance of officers

Altium Limited's constitution provides for the Group to indemnify, to the extent permitted by law, any current Director, Secretary or executive Officer of the Group against:

- any liability incurred by the person in that capacity (except a liability for legal costs);
- legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity; and
- legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an Officer of the Company or a subsidiary, if that expenditure has been approved in accordance with the Group's policy.

During the year the Group paid a premium of US$1,134,842 (2020: US$503,550) to insure the Directors and Officer 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 Group 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 26 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 26 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 in accordance with Altium's Non Audit Services Policy 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.

Rounding

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.

Officers of the company who are former partners of PricewaterhouseCoopers

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

Subsequent events

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Non-IFRS Financial Information

The Review of Operations attached to and forming part of this Directors' Report includes a number of non-International Financial Reporting Standards (IFRS) financial measures.

Non-IFRS financial measures are financial measures other than those defined or specified under all relevant accounting standards and may not be directly comparable with other companies' measures but are common practice in the industry in which the Group operates. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, or more important than, IFRS measures. Altium management and the Directors use these non-IFRS financial measures, including EBIT and EBITDA, to assess the performance of the business and make decisions on the allocation of resources.

Non-IFRS financial information is prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information, while not subject to audit or review, has been extracted from the financial report, which has been audited by our external auditors.

Corporate Governance

A copy of Altium's Corporate Governance Statement can be found on the Altium website at www.altium.com/company/investor-relations/publications-and-reports/key-documents.

Environmental Regulation

The operations of the Group are not subject to any particular or significant environmental regulations under a Federal, State or Territory law.

Approval of Directors' Report

This report is made in accordance with a resolution of Directors.

Aram Mirkazemi
Director and Chief Executive Officer

Samuel Weiss
Non-executive Chairman

3 September 2021

Environmental, Social and Governance (ESG) Report

Message from the Chairman

I am pleased to present to you our environmental, social and governance (ESG) disclosures for the 2021 financial year. Consistent with our vision to become the dominant provider of electronic design tools for the global Printed Circuit Board design industry, we understand that our desire to succeed cannot be at the expense of our people, communities, or customers. To build a truly great company that makes a difference in everyday lives Altium must ensure that our business objectives align with the interests of all stakeholders.

With oversight by the Board of Directors, Altium has enhanced its disclosure of its potential ESG risks and its ESG impact on society and how best to manage them. We also have reviewed and updated our company policies in 2021 to better reflect the expectations of shareholders and other company stakeholders. In 2021 we introduced new provisions in our Nepotism Policy, Occupational Health and Safety (OHS) Policy, Modern Slavery Policy and Modern Slavery Statement, and Non Audit Services Policy.

To enhance the transparency of Altium's ESG risk management we have provided additional detail about human capital management and data security; the two highest priorities for Altium in its ESG risk materiality assessment. Although our business activities do not have the significant climate change or supply chain impact observed amongst many other industries, Altium is working to improve its practices and disclosure regarding these issues as we recognise they are relevant to all businesses.

In financial year 2022 Altium will determine how best to identify and provide detailed reporting on a range of material ESG risks. We will support our reporting with performance data across multiple risks, as well as provide quantitative or qualitative targets for material ESG risks including our carbon footprint.

Our Board of Directors has a gender diversity balance of 60% men and 40% women and this year marks the first time that Altium has set forward looking gender diversity targets for our workforce. We also have provided details about activities that are underway and that are expected to support Altium to enhance our gender diversity mix. Irrespective of these goals, Altium benefits from a team of employees that exhibit diversity in thought and experience across metrics beyond gender and that reflect our truly global workforce.

We welcome your thoughts and comments about these important matters as we enhance how we report on ESG risks and opportunities and how these are being managed to promote sustainable long term value creation.

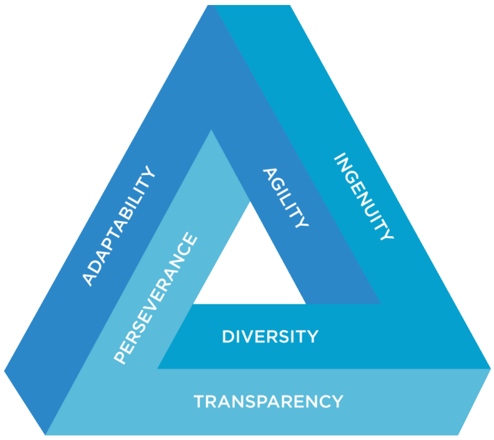
Sam Weiss

Chairman

Altium Core Values

The Genius of AND

The only way to make the “The Genius of AND” work is through **Ingenuity** supported by **Transparency**, **Agility**, **Adaptability** and **Perseverance**.



Product

- Regular Product Releases *and* Delivering Next Generation Products

Sales

- High Volume Selling *and* Sophisticated Value Proposition

Finance

- Growing Revenue Strongly *and* Expanding Profit Margin

People

- Diversity in Thinking *and* Aligned in Action and Purpose

Altium has identified six core values that represent the behaviours and qualities required from all Altium’s employees and our Board of Directors in pursuit of our mission and vision.

Transparency

Demonstrating open and honest two-way communication with others. Showing a willingness to give and receive objective feedback.

Ingenuity

Demonstrating resourcefulness and creative thinking to generate options or solutions. Balancing risks, rewards and conflicting priorities in solving problems.

Agility

Showing an ability to shift quickly to be more effective based on the situation. Demonstrating an ability to fail fast and learn quickly.

Adaptability

Thriving on change and flexibility. Demonstrating a global view and understanding not just how, but why.

Perseverance

Load bearing and demonstrating resolve to move through adversity or obstacles. Remains objective and positive through periods of change. Doesn’t take it "personally".

Diversity in Thoughts

Demonstrates an ability to think "out of the box" and listens to new ideas. Shows an ability to work with complexity and polarities. The "Genius of AND".

Guidelines for employees to observe expected behaviours and ethics are detailed within Altium's Ethical Behaviour Policy, Human Rights Policy, and our Code of Conduct, which was updated in the 2021 financial year. The Altium Director & Employee Share Trading Policy ensures that all employees understand applicable insider trading prohibitions and laws governing trading in Altium shares whilst in the possession of inside information. Altium's Anti Bribery and Corruption Policy prohibits its personnel from engaging in activity which constitutes bribery or corruption and is supplemented by the Altium Gifts and Entertainment Policy.

The Altium Whistleblower Policy, which was updated in the 2021 financial year, outlines the processes to deal with disclosures made by employees and stakeholders of any suspected improper conduct in a confidential and secure manner. Our Protected Disclosure Officers have been trained to understand their obligations in accordance with the Altium Whistleblower Policy and applicable laws.

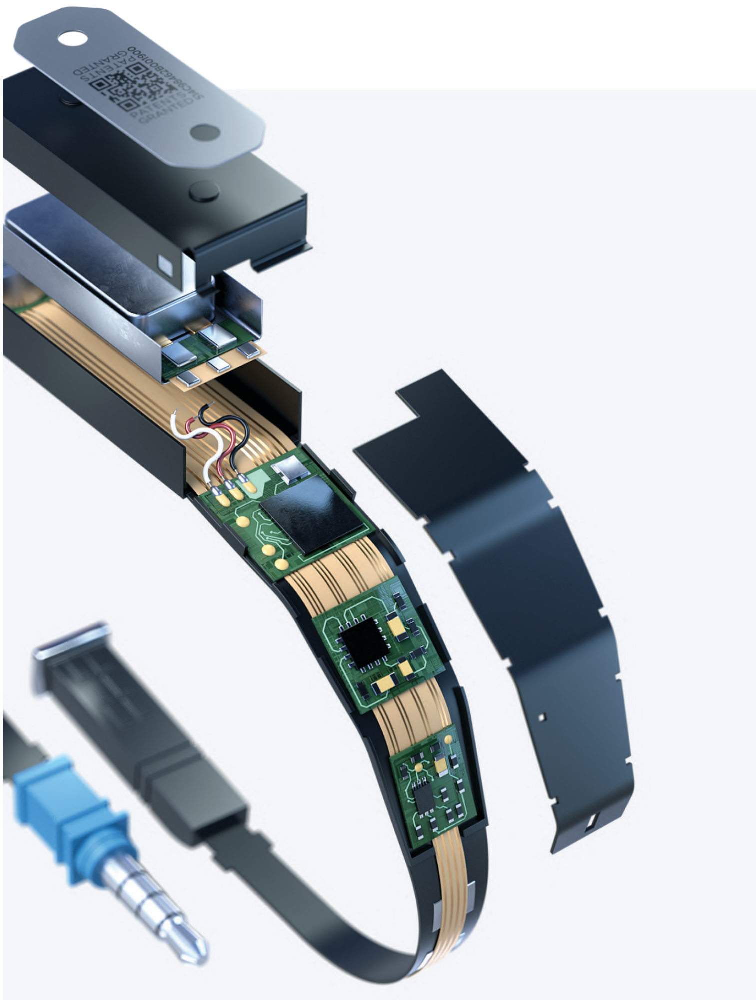
All material breaches of Company policies are reported to the Board through the Audit and Risk Committee.

ALTIUM 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.

Altium has undertaken significant changes to its business to support our drive for transformation of the electronics industry. During the financial year of 2021, a major overhaul of our organisational structure was conducted by separating the Cloud business from the CAD software business and changing our sales force into 'high touch' professional sales and 'high volume' digital sales segments.

To accelerate industry transformation, Altium has set up a new business unit – Nexar – whose mission is to build an ecosystem of software engineers and related parties in one cloud platform 'Altium 365'. The formation of Nexar marks a business transformation that commenced in 2020 when Altium recognised the need to build a modern-day cloud-era organisation to integrate product development and go-to-market functions that had traditionally been siloed and separated Altium's cloud operations from its software business.



Material ESG Reporting Topics

Human capital management is the most significant sustainability-related risk management priority for our business. In addition, data security and customer privacy have been identified as leading risk management priorities.

Although the Group undertakes mitigation strategies for energy and resource consumption in global office facilities, Altium's risk exposure to environmental impact externalities, including climate change, is considered to be relatively low.

Nevertheless, we acknowledge the CDP Framework and intend to report against the CDP Framework as part of our sustainability roadmap. Similarly, the small scale of Altium's assembly operations causes a low level supply chain risk exposure.

Altium intends to conduct a stakeholder engagement program in the financial year of 2022 to seek comments about sustainability reporting disclosures and to better inform the prioritisation of our material environmental and social risks and opportunities.

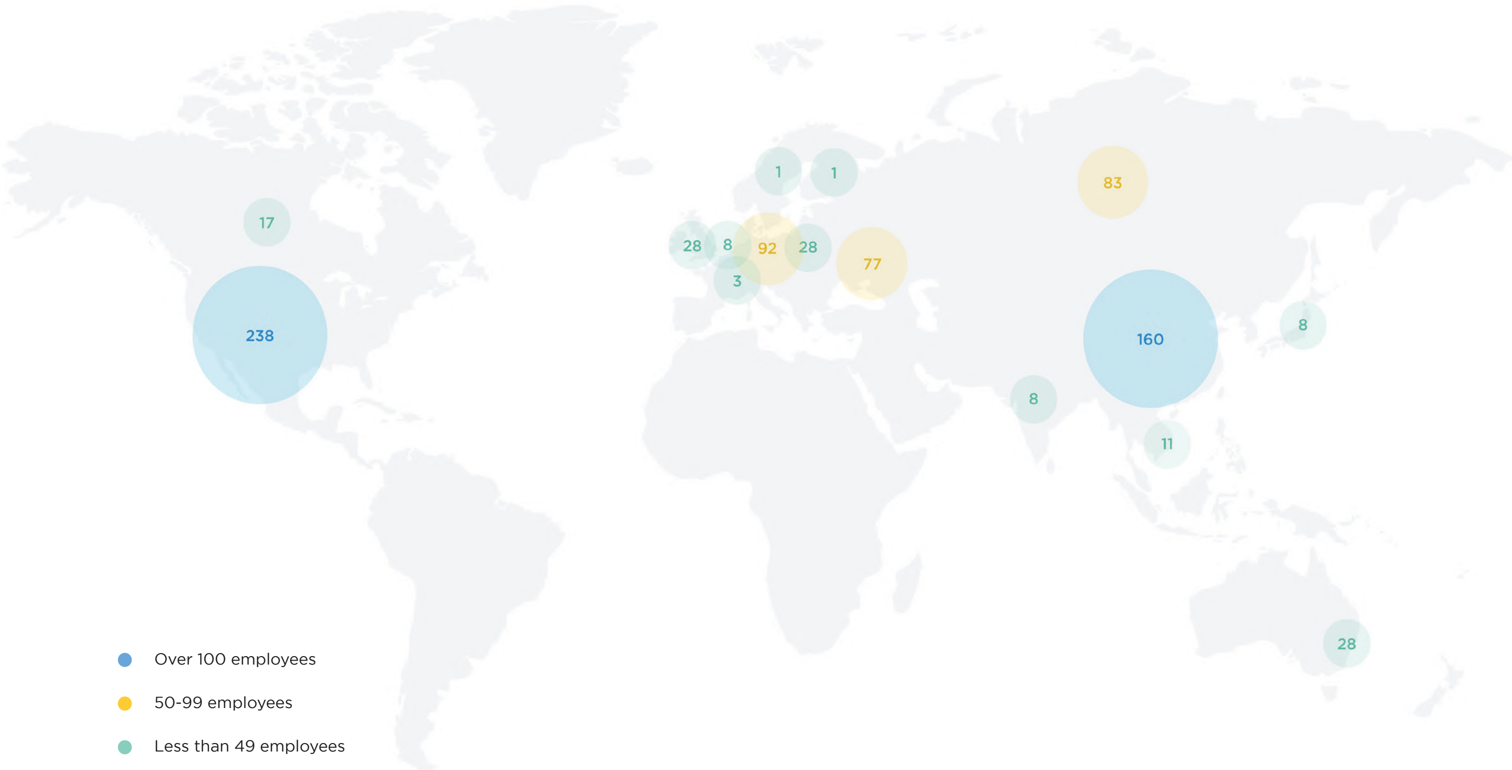
Our People

The Altium culture of performance and inclusion means we invest in people who want to understand problems, explore innovative solutions, improve the way that we approach and do things and perform to an exceptional standard. We empower our employees to solve problems and make informed decisions that unlock maximum potential for our customers.

Our philosophy of empowerment also enables our employees to suggest and implement improvements to our work practices that help increase employee satisfaction. Together, we find better ways to grow with our customers, partners and communities.

The Altium headquarters are in La Jolla, California in the United States, with regional Headquarters in Munich, Germany and Shanghai, China. Altium has offices in 16 countries with over 50 authorised value added resellers.

Headcount by country

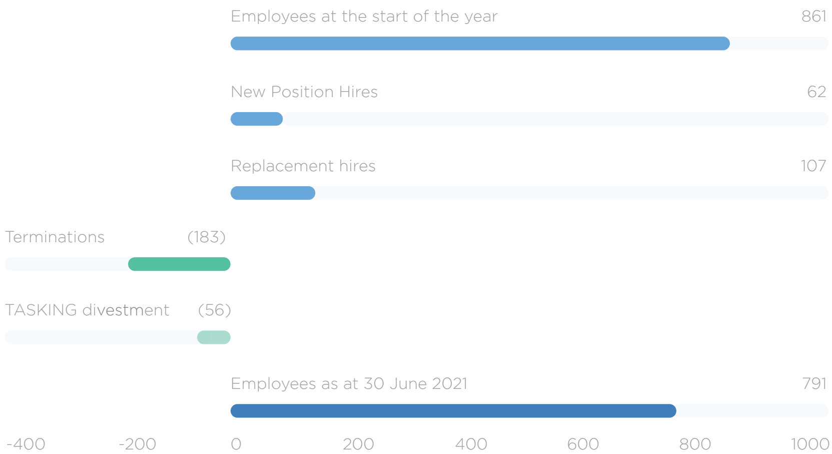


MAIN OPERATING CENTRES	SALES AND SUPPORT CENTRES	R&D CENTRES
United States, Germany, China, Australia	United States, Canada, Germany, UK, Netherlands, Finland, Sweden, Russia, Switzerland, China, Japan, Australia, India	United States, Canada, Ukraine, Russia, Poland, UK, China, Vietnam

Altium employed 791 permanent and temporary employees at the end of the financial year ended 30 June 2021 (2020: 861). The majority of our employees (96%) are full time employees. The balance of employees include a small proportion of contract employees and third-party contractors to ensure that we have the workforce flexibility to respond rapidly to changes in customer demand.

Attracting and retaining industry leading talent is a key component of Altium's growing success and our ability to continue to deliver long-term value creation. More than one-third of the staff hired during the financial year of 2021 were for newly created positions.

FY21 Staff Turnover Statistics



Altium's prosperity depends on the commitment and the dedication of our people and in particular, our leaders. To achieve transformation of the electronics industry, our leadership team requires two complementary but different cohorts to drive our strategic success and long-term shareholder value. These two cohorts are characterised as 'Company Builders' and 'Professional Operators'.

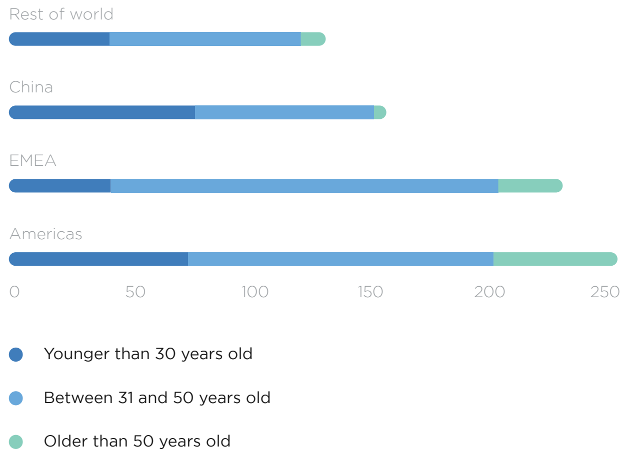
The importance of these two roles cannot be overstated as we enter the next phase of Altium's journey. Both are critical to our success and have an intentional interdependency to deliver superior performance and long-term shareholder value creation.

- Company Builders exemplify extreme drive. Company Builders are at the frontline of all battles and, through their sacrifices, talent, and skills are expected to lay the foundation for success. A Company Builder will bear this weighty expectation in mind each and every time that he or she is confronted with a new challenge at Altium as our long-term success is dependent upon our Company Builders winning the early battles.
- Professional Operators exemplify excellence and competence and apply their expertise and skills to drive Altium's strategic objectives. Professional Operators bring their considerable experience to make judgment calls and to raise the quality of our execution delivery. A Professional Operator will bear this weighty expectation in mind each and every time that he or she is confronted with a new challenge at Altium, as our long-term success is dependent on the wise counsel and high-quality execution of our Professional Operators.

Diversity and Inclusion

Embedded in Altium's Diversity Policy is a focus on promoting an inclusive and balanced workforce. We celebrate the diversity of our people who are from many different countries each possessing wide-ranging backgrounds, skills and experience. We believe our future growth, commitment to transformation and product innovation leverage the talent, motivation and enthusiasm that is derived from a diverse and inclusive workforce. Although Altium maintains a strong commitment to gender diversity, we apply a multifaceted approach to workforce diversity that values individuals regardless of age, race, ethnicity, religion, sexual orientation or disability.

2021 Employee Age Diversity by Region



Some of the activities undertaken during the financial year of 2021 in support of promoting a culture of diversity and inclusion at Altium include:

1. Establishing the Allying Training Initiative:

   Facilitated by an external provider, employees participated in a special education session in response to racial injustices highlighted as part of the Black Lives Matter movement.

2. Establishing Altium's Guiding Principles for Addressing Social Responsibility:

   Developed by the CEO and ratified by the Board and executive team.

3. Fundraising in support of racial challenges in the United States:

   Altium matched employee contributions to four charities (NAACP, Know Your Rights Camp, Black Girls Code, Equal Justice Initiative) that support African American communities in the United States.

4. Establishing a social responsibility page on the company intranet:

   An internal forum for Altium employees highlighting topical issues, including information on Altium's response to the COVID-19 pandemic regarding health and safety concerns, office readiness and supporting resources.

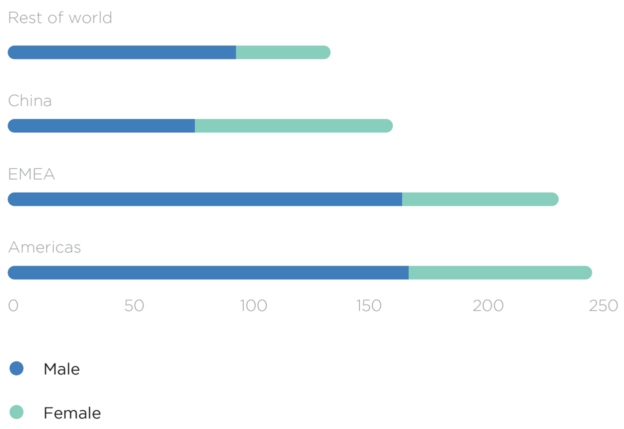
Altium will identify additional ways in which it can celebrate employee diversity, including but not limited to reviewing Altium's diversity policies and practices and identifying additional educational initiatives for employees on inclusion and unconscious bias which are included in our measurable objectives. We will also continue to advertise our employment opportunities across diverse channels and to reach diverse talent pools.

Gender Diversity

Enhancing gender diversity amongst our organisation remains a priority for Altium and we are pleased to report that 37% of our global workforce at the end of the 2021 financial year (2020: 34%), and 40% of our Board of Directors, are female. To further promote gender diversity at Altium the following initiatives and measurable objectives will be adopted:

- Progress toward a gender diversity target for C-suite executives of 30% by 2024;
- Conduct a gender pay equity audit by 2023;
- Conduct global diversity and inclusion surveys to optimise our understanding of the lived experience of our people with respect to belonging and inclusivity by 2023;
- Conduct both conscious and unconscious bias training for all our people managers by 2022; and
- Continue our association with those talent acquisition agencies who champion diversity.
- Benchmark Altium's position and progress on gender diversity against industry peers and Australian listed companies; and.
- Embedding diversity and inclusion awareness into the onboarding experience for all new starters

FY21 Gender Diversity by Region



In February 2021 Altium established the Human Resources Diversity Committee. An effort led by the Human Resources team in North America, it is a fortnightly gathering of female leaders, managers and other contributors to discuss issues for the purpose of promoting women in leadership.

Professional Development

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 Continuing Professional Development (CPD) hours.

In recognition of the value that continuing education may bring to an employee's development and contribution to company performance, Altium provides its workforce with the Education Assistance Program. The program is designed to assist employees in their professional development by encouraging voluntary academic studies that contribute to meeting Altium's business requirements. To incentivise employees to undertake voluntary continuing education, Altium offers financial assistance grants for programs that result in a formal qualification, of up to US$4000 per annum for eligible employees. The decision to grant educational assistance is at the discretion of senior management and subject to approval by the local human resources manager.

For the financial year ended 30 June 2021, the types of programs and seminars that Altium has provided to its employees includes but is not limited to:

- Amazon Marketplace training for administrative sales staff.
- CPA upskilling programs for finance staff in Australia.
- English language courses to employees located across Europe for whom English is not their first language.
- Pluralsight online education training for software developers.

Altium is committed to ensure 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 comply with government regulations. As part of the development initiatives in the 2022 financial year, Altium will provide training to its employees to reinforce their understanding of and compliance with applicable export control regulations and trade sanctions requirements.

In the 2022 financial year, Altium intends to provide online training for our people to comply with our policies, including the Whistleblower Policy, the Code of Conduct, the Anti-Bribery and Corruption and our Communications Policy.

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. In the USA, 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.

Altium offers its employees competitive benefits including health insurance and situationally provides additional items that make the workplace more attractive. During the COVID-19 pandemic, a home office internet access allowance was provided to all staff members. In some locations we offer gym access and transportation support to enable better commuting options. The North American workforce is supported by Altium's Global Employee Assistance Program, which offers employees counselors and support for their mental health which can be accessed through human resources or the company intranet. This program is anticipated to be expanded to Altium's global workforce in the financial year of 2022.

There were no incidents of discrimination reported during the financial year ended 30 June 2021.

Some of the activities undertaken during the financial year of 2021 in support of promoting employee health and wellness at Altium include:

- Providing resources for mental health awareness and support, including virtual meeting events (e.g. lunches) for Altium staff.
- Supporting physical activity programs, including through gym access and complimentary healthy snacks for staff across the regions.

Some additional activities planned for 2022 in support of the health and wellbeing of our employees include promoting community volunteering programs and participating in R U OK? day.

COVID-19 Workforce Management

As jurisdictions around the world roll out mass vaccination programs in the face of the ongoing COVID-19 pandemic, the health and well-being of our employees has remained our primary focus. Altium maintains an overarching infectious disease policy to govern our response to the evolving pandemic and to guide us in the event of continuing recurrences. The flexibility and adaptability of our employees has enabled us to continue with remote and in-office operations uninterrupted since the pandemic began.

Communication remains key to minimising work disruption and to ensure our teams across the globe are supported and unified in our approach to maintain health and safety **and** focus on our strategic and operational goals. The various countries where we operate remain continually informed through virtual meetings and intranet postings regarding changing conditions and restrictions resulting from the global COVID-19 pandemic. During the financial year ended 30 June 2021, all global employees were given access to pre-recorded COVID-19 safety training and written personal safety information.

To prepare for how our workforce will interact over the short and medium term, Altium has adopted key principles that will form the basis upon which employees will work collectively and individually in a post COVID-19 environment:

- **In Person First Work Mode** – the predominant mode for all activities, roles and business practices that require complex decision making, creative thinking and problem solving. When operating in this mode all interactions are to be in person, with the use of virtual meeting facilities by exception only.
- **Remote First Work Mode** – this is to be the predominant work mode for all other activities that are not covered by the In Person First Work Mode, and where there is at least one employee who is remote, even if the remote employee is present in one of Altium's offices. When operating in this mode all interactions are to be facilitated by virtual meetings.

With our emphasis upon the safety and wellbeing of our employees, the extent to which Altium will require its staff to perform duties consistent with an In Person First work mode will be determined on a local basis and subject to the evolving risks presented by the global COVID-19 pandemic.

For those in Remote First Work Mode, including those who are in lockdown, we champion innovative software Working Den to ensure our people are supported mentally, physically and that a measure of social connectivity is maintained.

Ethical Labour Practices

Altium has established measures to support 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 risk of forced, compulsory or child labour, we adhere to our Modern Slavery Policy and also ensure that our hiring practices are in accordance with local labour and employment laws in all countries and jurisdictions where we conduct our business. 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 Altium's global recruiting guidelines, offers of employment are conditional upon successful completion of required background checks, if required. Background checks vary according to country and role and protect the safety of the employees and ensure that employees meet the standards required by Altium.

Customers, Privacy and Data Security

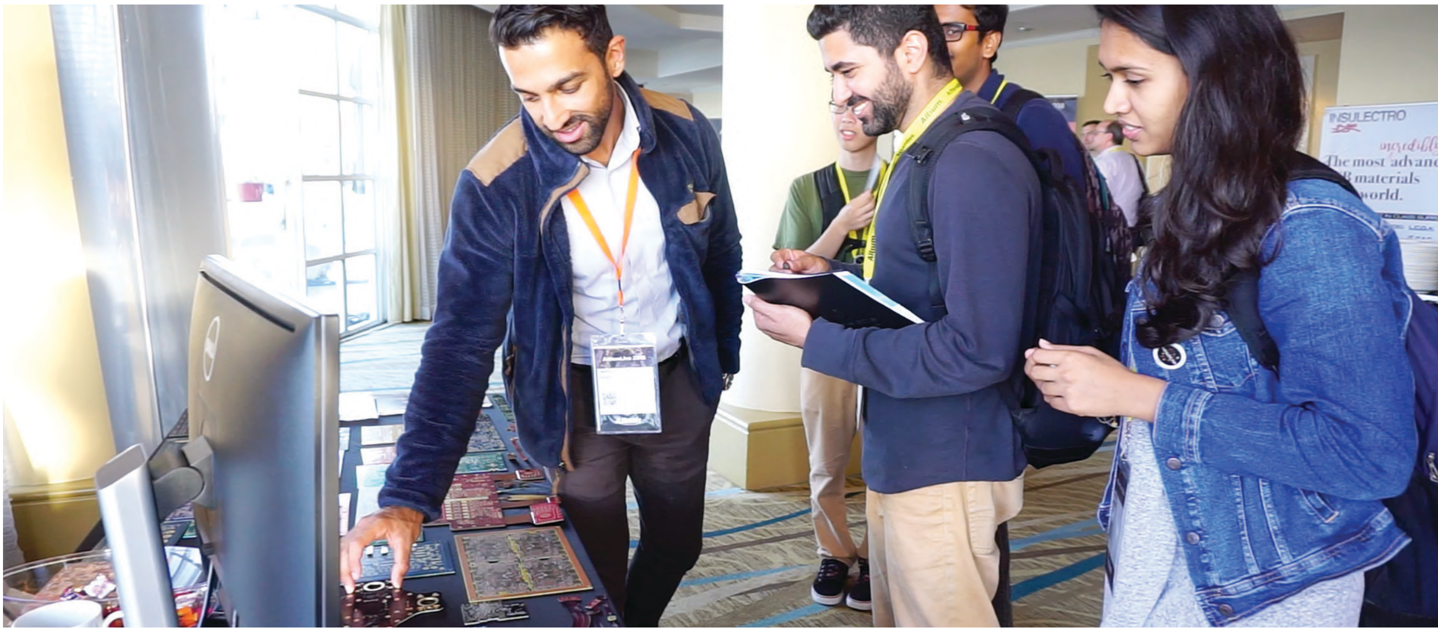
Altium's customers include companies of all sizes, from large multinational corporations and governments, to startups and individual consultants. To understand and accommodate the needs of our diverse customer base, we employ a multifaceted approach to measure and improve the experience customers have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

The Audit and Risk Committee regularly reviews any reported issues or breaches of compliance or controls related to Altium's ongoing compliance with global trade sanctions.

Customer Engagement

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.

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 around the world.



The launch of Altium 365 in May 2020 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 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 6,000 companies and 13,000 users have signed up for Altium 365 with new users coming to the platform every day.

Customer Data

Data privacy and security is a top priority for Altium. We are committed to adhere to global data protection laws and standards in order to ensure that we remain responsible stewards of the data that is under our control. We have a matrixed team of individuals within the Group, and we use external domain expert resources as required, to maintain compliance with global data protection laws.

No customer data is collected by Altium without the consent of customers and individuals that directly engage and accept the terms of our Privacy Policy. Such data is limited to just that data which is required in order to support Marketing, Sales, Finance and post-sales Support related activities. Access to this data is controlled and exposed to internal employees on a need to know basis. We also monitor system interactions to ensure that there is no unauthorized access. We continually work to improve our data privacy practices.

Altium also collects data and other information to enhance our understanding of how our customers use our products and services. This information is a direct input into our research and development activities and enables us to further refine our existing offerings or develop new products and services that better meet the needs of both current and prospective customers.

The data that Altium collects, handles or stores remains subject to our Privacy Policy and Terms of Use, which detail the processes and internal procedures in place to ensure the confidentiality, integrity and availability of information held by Altium, including information entrusted to us by our business partners. It is incumbent upon our customers to voluntarily consent to sharing their information on how they use our products and services pursuant to Altium's Customer Experience Improvement Program. Customers can request that their data be removed from our systems at any time by contacting us at data.compliance@altium.com. In the financial year ended 30 June 2021, Altium has taken steps to ensure compliance with any and all amendments to the Australian Privacy Act (1988).

During the financial year of 2021, there were no instances recorded of any:

- Substantiated complaints by regulatory bodies or other parties being lodged.
- Breaches of Altium's privacy obligations.
- Identified leaks, thefts or losses of customer or supplier data.

Cyber Security and Data Protection

Managing security across technology systems, infrastructure and processes remains a key priority of Altium's Risk Management Framework and is managed by the Cyber Security committee that includes representatives from the Information Technology (IT), Research and Development, and Business Operations teams. The Audit and Risk Committee assumes primary oversight responsibility and regularly briefs the Board on the state of cyber security risk. Altium appointed a Director of Cyber Security as a newly created role during the year. Altium's General Counsel is responsible for advice on legal compliance relating to data privacy, protection and cybersecurity. Where required, Altium consults with external legal counsel and other relevant experts to ensure that our compliance programs, security and privacy processes are consistent with meeting industry specifications across all jurisdictions in which we transact.

Protecting Altium's data security and customer information is the responsibility of all our employees and we ensure that they remain informed of their responsibilities in preventing threats of various kinds, including error, loss, fraud and espionage. Data is passed to our servers by way of a secure connection and is stored and processed in accordance with relevant industry standards and regulations. Our data collection and analytics practices are built with a privacy-first mindset whereby data is anonymised whenever possible so that it cannot be interpreted or otherwise used by anyone outside of Altium. Internal procedures have been developed to ensure compliance with global data protection regulations, including the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA).

Altium's data infrastructure relies upon a combination of cloud services built upon Amazon Web Services (AWS) infrastructure and physical data centers in Frankfurt, Los Angeles and Singapore. These data centers are geographically separated Tier III and ISO 27001 compliant. The AWS disaster recovery program, which relies on a robust technical environment and reliable restoration capability ensures that services are appropriately backed up, recoverable and remain available. Altium follows AWS Well Architected guidelines to achieve high availability and disaster recovery to improve cyber resilience.

The Altium security program applies a risk-based approach to tackling current and emerging cyber security threats and vulnerabilities. Our cyber security team regularly assesses IT protections and procedures based upon identifying changes to the broader threat landscape and reported breaches affecting other organisations. To improve and refine Altium data security protocols we collaborate with other organisations throughout the global technology industry where possible. SOCII compliance readiness for Altium 365 was undertaken during the year. We expect to complete the SOCII audit in the financial year of 2022.

No cyber security breaches were recorded across the organisation in the financial year ended 30 June 2021 (2020: 0).

Altium employees participate in security awareness training through ongoing internal phishing campaigns and training sessions that educate participants on the cyber threat landscape, how to report suspicious activity, best practices for staying secure and the responsibility that each employee assumes in keeping Altium's data and systems secure. For example, to test the resilience of Altium's cyber security practices, the Group may periodically engage a third party to conduct secret 'war games' in an attempt to penetrate the company's IT security systems. An intranet blog post is also regularly updated by Altium with information regarding emerging cyber threats and how these are to be managed.

Environment

Altium is a technology based organisation, with an environmental footprint that is relatively small. Any environmental impact resulting from our operations is primarily related to the energy and consumables used in our offices, R&D centres and a small PCB manufacturing facility. Altium acknowledges the CDP Framework and as part of our 2022 initiatives will consider how to report against the CDP Framework.

Altium considers environmental sustainability in its office rental decisions and when searching for a new office and, to the degree possible, we look for modern office spaces that include features to protect the environment.

Environmental impact mitigation strategies applied by Altium during the financial year ended 30 June 2021 include but are not limited to the following:

- The majority of Altium's offices apply occupancy detection sensors that are used to monitor occupancy and turn lights off when a space is not being used.
- In all Altium offices, recycling bins are made available in the kitchens, next to printers and all staff workspaces.
- Our staff frequently use enterprise level video conferencing services such as Zoom as well as other online meeting technologies and mobile collaboration tools. 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.
- Online services such as DocuSign are used for approval processes throughout the company in order to minimise printing and paper consumption. Altium promotes e-communications and investment through new applications and web-based reporting.
- Frequent usage of virtualisation technologies such as VMware in all Altium offices and data centers. The IT team at Altium is reducing the number of servers and computer systems by using virtualization technologies that allow multiple operating systems to run at the same time on one computer system.
- Water dispensers are placed in all of Altium's offices to reduce the usage of plastic bottles.

Supply Chain

As a software supplier and search engine operator, Altium has not had to manage a physical supply chain other than the purchase of common office products and supplies. In addition to our offices our supply chain risk is related to the following activities:

- Gumstix Inc (San Francisco) and Gumstix Research Ltd (Vancouver) – a small scale assembler of printed circuit boards.
- PCB:NG Inc (New York) – a contract manufacturer of printed circuit boards.

Irrespective of the relatively low materiality of Altium's supply chain risk, our supplier management, risk assessment, reporting and accountability is governed by Altium's Modern Slavery Policy.

In the 2022 financial year Altium will review its Procurement practices to ensure that the Group Supply Chain meets appropriate environmental and social standards.

Community

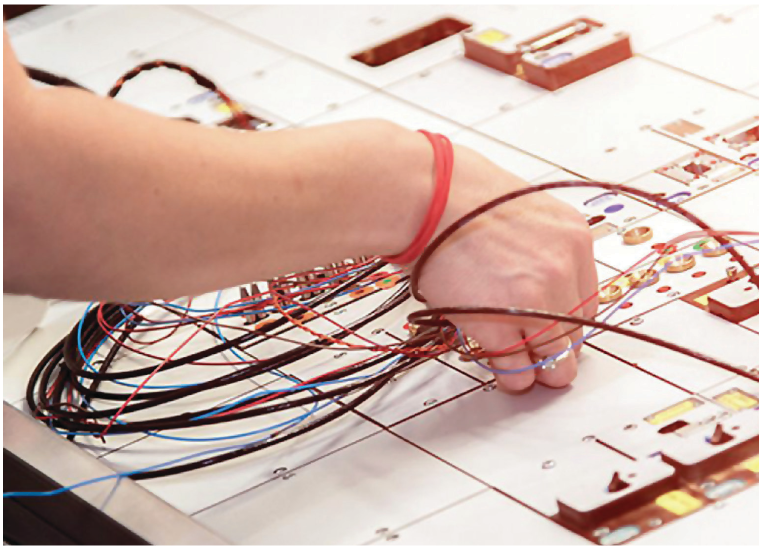
Altium believes that a sustainable future begins with empowering the next generation of technology innovators and making them part of a vital engineering community ecosystem. For this reason, we maintain multiple initiatives that make professional design tools accessible to student engineers and early-stage 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 and Altium 365 licenses.

This year, Altium became a corporate member of ECEDHA (Electrical and Computer Engineering Department Heads Association) that boasts a membership consisting of over 300 University Engineering Department Head Chairpersons. Due to the in-person limitations imposed by Covid-19 restrictions, Altium has actively served on the Corporate Advisory Council to help address the needs of Universities and students engaging in distance learning and education. By offering Council leadership and participating as a panelist at their annual conference during the pandemic, Altium has maintained a vital relationship with universities and students across North America. Additionally, offering our cloud-based Altium 365 solution enabled students to work collaboratively while distance learning was necessary.

Industry associations

Altium is a contributing member of the following associations and industry groups:

- The BSA Software Alliance, which pioneers compliance programs that promote legal software use and advocates for public policies that foster technology innovation and drive growth in the digital economy.
- IPC International, a global non-profit, member-driven organisation and leading source for industry standards, training, industry intelligence and public policy advocacy.
- IEEE, the world's largest technical professional organisation dedicated to advancing technology for the benefit of humanity.
- Open Design Alliance, a non-profit technology consortium whereby members share in the cost of development for complex projects.



Altium ESG case study: Energy Poverty

A lack of access to modern energy services—impacts over 840 million people worldwide. An additional billion people are connected to unreliable power grids, resulting in connectivity losses that adversely impact the public and private sectors alike.

Bboxx is a next generation utility who manufactures, distributes and finances, decentralised solar powered systems in developing countries, scaling through forming strategic partnerships.

The company is positively impacting the lives of more than 1.5 million people with its products and services in over 35 markets.

They create plug-and-play hardware units, designed for easy use by rural households and microbusinesses. The units work seamlessly with Bboxx Pulse®, their IoT technology-enabled comprehensive management platform that helps customers track and pay for their energy usage.

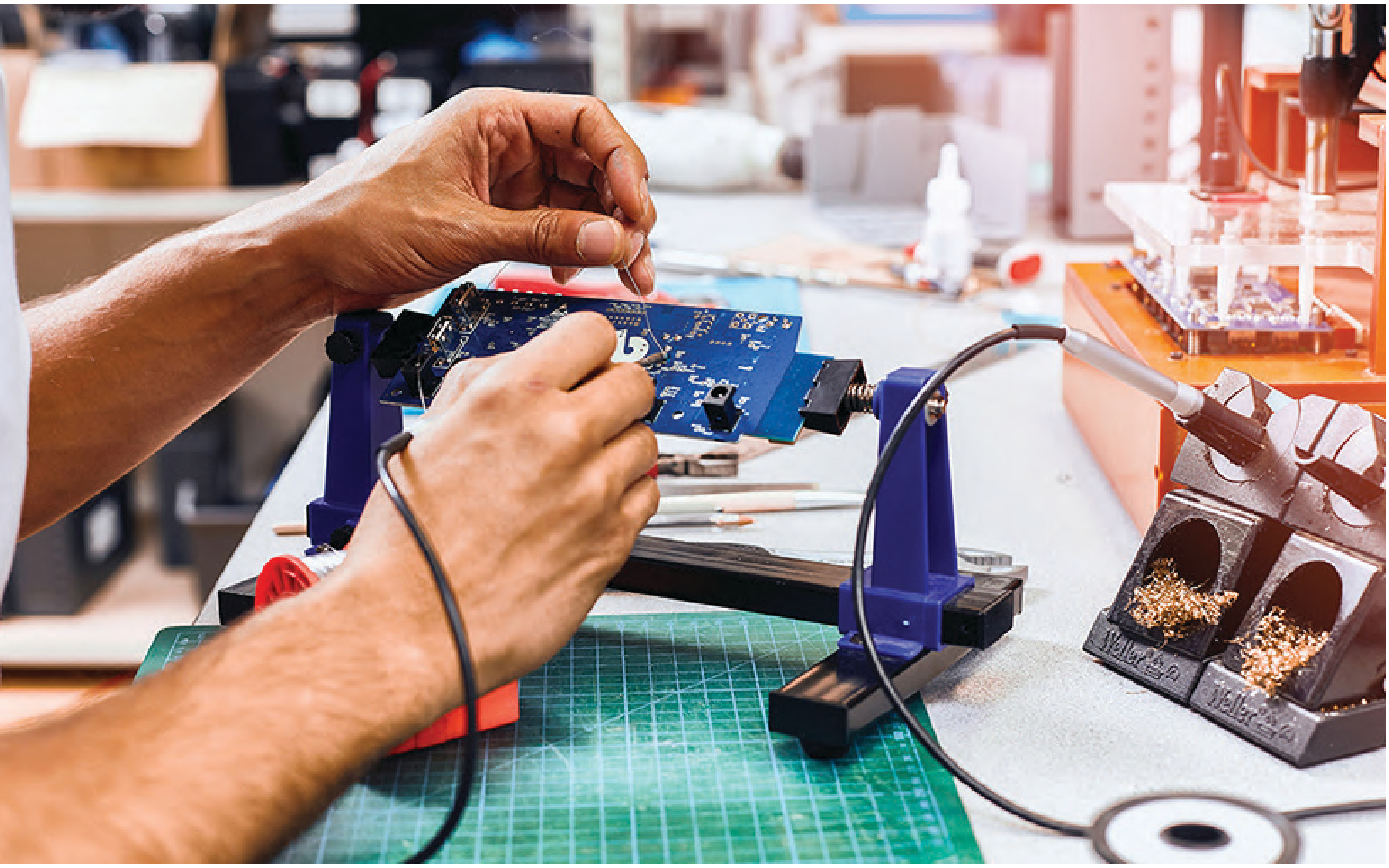
Bboxx have relied on Altium Designer to develop their hardware units for over six years.

”

Bboxx has grown from a solar-centric solution into a next generation utility company, transforming lives and unlocking potential through access to energy. With so much work to do, we needed a tool that our teams could rely on. Our hardware team members felt that Altium was the best option in the industry.

Hassan Khan

Product Marketing Manager at Bboxx



Solar

Morgan Solar was founded in 2007 with the vision to make unsubsidized solar energy more competitive, accessible and cost-effective for a global market and for it to be the most widely used and affordable power source in the world.

In an industry that is becoming more competitive each year, ventures like Morgan Solar have to consistently think outside of the box by developing technologies that push the boundaries of solar energy production. Product costs have decreased significantly over the past decade, increasing the urgency to develop and patent newer, more ubiquitous solar energy solutions.

> **The solar market has changed dramatically — it is moving very, very fast. Compared to where we started in this company, prices have dropped about tenfold, so we've had to constantly innovate to keep up and to try to stay ahead of the curve.**
>
> Dr. Stefan Myrskog
> VP of Control Systems at Morgan Solar

And so, Morgan Solar turned to Altium software to help accommodate less forgiving production timelines and increase product turnover. By incorporating Altium Designer into their workflow, Morgan Solar has been able to increase design efficiency, reduce their time to market, and deliver consistent, high-quality solar energy products. Their engineering team has fine-tuned their design process to optimize the production of high-efficiency solar tracking systems and state-of-the-art solar modules that are not only disrupting the market, but significantly impacting the way we generate and consume electricity.

For electronics designers at Morgan Solar, ease of use and tools that drive design productivity are key in helping to fulfill their brand vision.

"

You have to deliver, and working for a company of this size it's very important to deliver something on time. In the end, all of the features in Altium Designer make the life of the engineer easier, the time to market faster, and give you a trouble-free product.

Gurdarshan Tiwana
Lead Hardware Design Engineer at Morgan Solar

Altium ESG case study: The Upverter Education Initiative

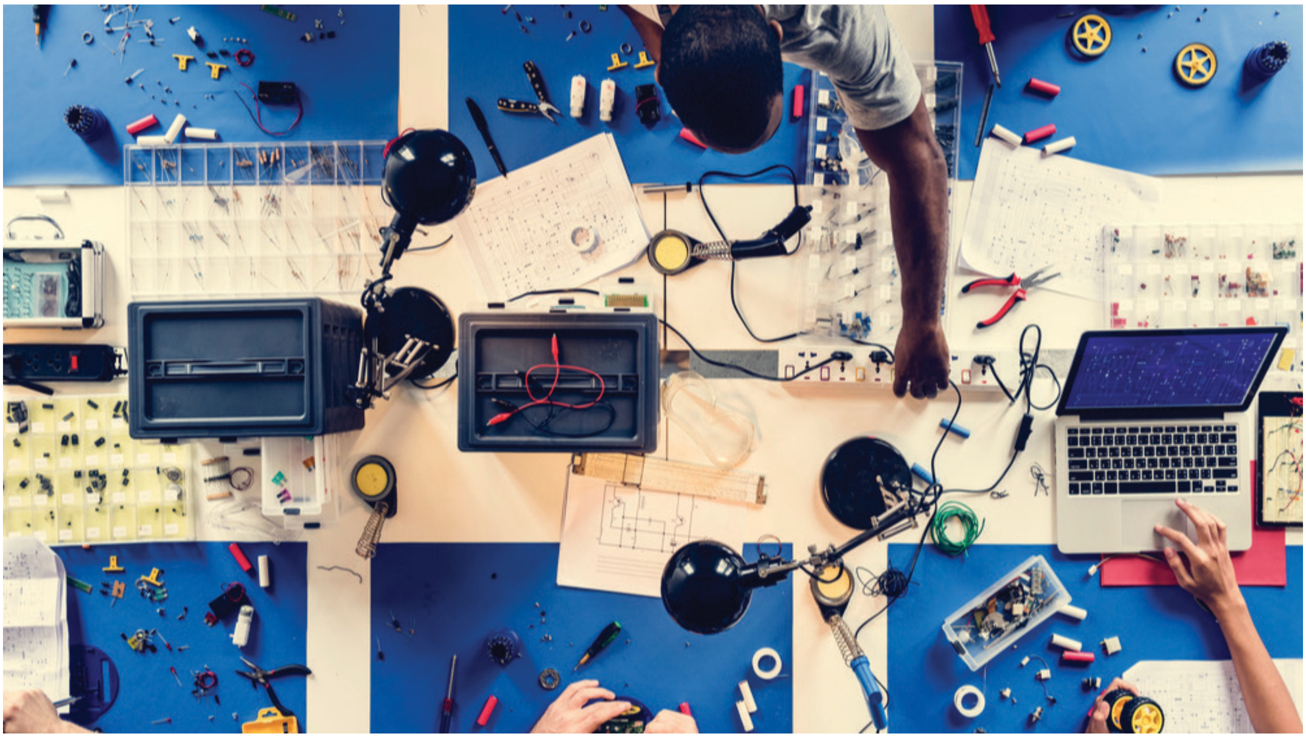
Developed by Altium and launched in September 2020, the Upverter Education initiative is committed to eliminate barriers in science, technology, engineering and mathematics (STEM) education by providing opportunities for students to design and create their own electronic products. The Upverter Education initiative has been adopted in over 50 countries across the globe. As a free electronics design essentials program, it was designed for high school STEM teachers covering everything from engineering to robotics, with guided courses, certification and Upverter, an easy-to-use web-based tool for electronics design.

The program provides participants with award winning curriculum and resources to guide users through the design, prototyping and manufacture of electronics products, and concludes with participants delivering hardware designs. It involves a comprehensive, multi-week curriculum in combination with a guided final project. The program is also expanding to include college-level courses for Altium Designer and Altium 365.

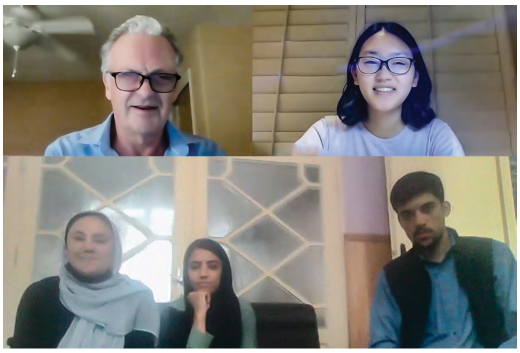
Most recently, Altium launched a more advanced version of Upverter Education. The advanced program—the Upverter Modular Electronics Design—focuses on modular board design, allowing students to grow their knowledge while applying the fundamental concepts, empowering progressive learning in virtual, hybrid, and in-person classroom settings.

Upverter Education recently became a Google Classroom partner as part of the Google for Education initiative. It also partnered with First Robotics and has been included as a free resource in this year's "Virtual Kit" giving robotics teams access to curriculum and tools teaching electronics design.

Upverter Education has been awarded with an EdTech Breakthrough Award for Best Engineering Learning Solution and a GOLD STEVIE® American Business Award.



Altium's Upverter Education initiative has been working tirelessly to help expand STEM education and teach the art of PCB design to students worldwide. In early 2021, we began working with the Digital Citizen Fund (DCF) in support of their goal: to help provide technology and education to women and girls in countries where few opportunities exist.



In partnership with DCF, Upverter Education has been working directly with an all-girls robotics team from Afghanistan, known as the Afghan Dreamers. Over 50 DCF students have enrolled in Upverter Education to date. To help support them, we've met with them via Zoom, What'sApp, and special Slack channels, as well as dedicating one of our interns to help personally guide the students through the program. We're happy to report that most of the team has been evacuated from Kabul, and are in the process of safe passage and resettlement. The Upverter Education team will continue to work with the students moving forward to provide them with the tools and training they need to continue their education.

Auditor's Independence Declaration

As lead auditor for the audit of Altium Limited for the year ended 30 June 2021, 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.

Louise King
Partner PricewaterhouseCoopers

Sydney
3 September 2021

PricewaterhouseCoopers, ABN 52 780 433 757

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Financial Report

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	NOTE	CONSOLIDATED 2021 US$'000	2020 US$'000
Continuing operations			
Revenue	3	180,223	169,309
Operating expenses			
Employee benefits expense		(83,122)	(75,043)
Depreciation and amortisation expense	4	(11,911)	(10,897)
Software and equipment expense		(7,295)	(6,120)
Marketing expense		(6,324)	(7,319)
Communication expense		(5,802)	(4,083)
Professional advice expense		(5,594)	(3,843)
Hardware materials expense		(2,043)	(1,293)
Share-based payments	31	(2,994)	(4,377)
Rental and occupancy expense		(1,931)	(1,447)
Insurance expense		(1,718)	(994)
Collection cost		(1,654)	(548)
Travel expense		(367)	(3,213)
Re-measurement of contingent consideration		2,500	2,886
Other expenses		(3,900)	(2,175)
Total operating expenses		(132,155)	(118,466)
Operating profit		48,068	50,843
Finance income	2	260	855
Finance costs	4	(666)	(740)
Profit before income tax expense		47,662	50,958
Income tax expense	5	(12,390)	(31,232)
Profit after income tax expense from continuing operations		35,272	19,726
Discontinued operations			
Profit after income tax expense from discontinued operations	6	71,713	11,155
Profit after income tax expense for the year attributable to the owners of Altium Limited		106,985	30,881
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	21	(1,282)	(476)
Total comprehensive income for the year attributable to the owners of Altium Limited		105,703	30,405
		CENTS	CENTS
Continuing operations			
Basic earnings per share	30	26.89	15.08
Diluted earnings per share	30	26.85	15.06
Group total			
Basic earnings per share	30	81.56	23.60
Diluted earnings per share	30	81.43	23.57

Results for the divested business have been presented within discontinued operations (refer Note 6), with prior year comparatives restated. The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	NOTE	CONSOLIDATED 2021 US$'000	CONSOLIDATED (AS ADJUSTED) 2020 US$'000
Assets			
Current assets			
Cash and cash equivalents	7	191,541	93,083
Trade and other receivables	8	66,117	57,499
Inventories	9	1,850	1,832
Tax receivables		1,243	1,570
Other assets		5,034	4,148
Total current assets		265,785	158,132
Non-current assets			
Trade and other receivables	10	1,512	1,842
Investments and other assets	11	3,034	-
Property, plant and equipment	12	5,956	7,555
Right-of-use assets	13	10,229	13,558
Intangible assets	14	47,179	49,690
Deferred tax assets	15	49,457	58,058
Total non-current assets		117,367	130,703
Total assets		383,152	288,835
Liabilities			
Current liabilities			
Trade and other payables	16	20,804	16,629
Lease liabilities	13	5,559	5,480
Tax liabilities[1]		27,493	6,587
Provisions	17	3,061	2,887
Customer contract liabilities	3	52,431	48,037
Total current liabilities		109,348	79,620
Non-current liabilities			
Lease liabilities	13	5,493	8,453
Deferred tax liability	19	4,547	5,155
Provisions	18	373	2,755
Customer contract liabilities	3	7,487	8,512
Other liabilities		4	7
Total non-current liabilities		17,904	24,882
Total liabilities		127,252	104,502
Net assets		255,900	184,333
Equity			
Contributed equity	20	127,699	126,851
Reserves	21	22,142	20,851
Retained profits	21	106,059	36,631
Total equity		255,900	184,333

[1] Tax liabilities as at 30 June 2021 include tax payable related to the divestment of the TASKING business (refer to Note 6).

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.
The restatement of comparative period balances is detailed in Note 1.

CONSOLIDATED	NOTE	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		-	-	(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	21	-	2,248	-	2,248
Shares issued on acquisition of Upverter Inc, net of transaction costs	20	793	-	-	793
Dividends paid	22	-	-	(33,634)	(33,634)
Balance at 30 June 2020		126,851	20,851	36,631	184,333

CONSOLIDATED	NOTE	CONTRIBUTED EQUITY US$'000	RESERVES US$'000	RETAINED PROFIT US$'000	TOTAL EQUITY US$'000
Balance at 1 July 2020		126,851	20,851	36,631	184,333
Profit after income tax expense for the year		-	-	106,985	106,985
Other comprehensive income for the year, net of tax		-	(1,282)	-	(1,282)
Total comprehensive income for the year		-	(1,282)	106,985	105,703
Transactions with owners in their capacity as owners:					
Share-based payments	21	-	2,573	-	2,573
Shares issued on acquisition of Upverter Inc, net of transaction costs	20	848	-	-	848
Dividends paid	22	-	-	(37,557)	(37,557)
Balance at 30 June 2021		127,699	22,142	106,059	255,900

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

	NOTE	CONSOLIDATED 2021 US$'000	2020 US$'000
Cash flows from operating activities			
Receipts from customers (inclusive of tax)		193,850	189,638
Payments to suppliers and employees (inclusive of tax)		(118,269)	(126,200)
		75,581	63,438
Interest received		226	855
Interest and other finance costs paid		(657)	(582)
Net income taxes paid		(13,414)	(7,180)
Net cash from operating activities	29	61,736	56,531
Cash flows from investing activities			
Payments on contingent and deferred considerations		(50)	-
Payments for investments	11	(3,000)	-
Payments for property, plant and equipment	12	(1,662)	(3,871)
Payments for intangible assets	14	(839)	(1,253)
Proceeds from sale of TASKING, net of cash disposed, transaction costs and tax paid	6	85,813	-
Net cash used in investing activities		80,262	(5,124)
Cash flows from financing activities			
Dividends paid	22	(37,557)	(33,634)
Repayment of principal component of lease liabilities		(5,524)	(5,050)
Net cash used in financing activities		(43,081)	(38,684)
Net increase in cash and cash equivalents		98,917	12,723
Cash and cash equivalents at the beginning of the financial year		93,083	80,531
Effects of exchange rate changes on cash and cash equivalents		(459)	(171)
Cash and cash equivalents at the end of the financial year	7	191,541	93,083

Cash flows from TASKING have been included up to the date of divestment in 2021. The comparative cash flows remain unchanged.

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

NOTE 1

Overview

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 3 September 2021. 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.

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

The Group has reviewed all new accounting standards and interpretations issued by the Australian Accounting Standards Board ('AASB') and determined none of these standards and interpretations materially impact the Group during the year ended 30 June 2021 and therefore have not been adopted.

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 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.

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 28.

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 2021 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 'Group'.

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 deconsolidated 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.

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 included in the 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.

Adjustment of prior period financial information

Previously the Group had recognised unbilled receivables related to multi-year, non-cancellable subscription arrangements at the contract inception. As practice has further developed since adoption of AASB 15 Revenue from Contracts with Customers, Altium has revisited this policy and concluded accounts receivable will only be recognised when the right to consideration becomes unconditional. As such, the unbilled receivables and corresponding deferred revenue liabilities will no longer be recognised in the statement of financial position. Alternatively, they will be disclosed in the notes to the financial statements under remaining performance obligations. The comparative information as at 30 June 2020 has been adjusted to reflect the impact of this change. As at that date, except as disclosed in the table below, the change does not have any impact on the statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, and the consolidated statement of cash flows.

Deferred tax assets and liabilities have been set-off where permitted in accordance with AASB 112 Income Taxes. The comparative period has been restated to reflect the set-off of deferred tax asset and liability balances.

Inventories and provisions balances have been restated to reflect service warranties being reclassed to provisions, rather than being offset against inventories balances.

	30 JUNE 2020 (AS PREVIOUSLY REPORTED)	ADJUSTMENTS	30 JUNE 2020 (AS ADJUSTED)
Inventories	1,737	95	1,832
Trade and other receivables	59,655	(2,156)	57,499
Total current assets	160,193	(2,061)	158,132
Trade and other receivables	3,343	(1,501)	1,842
Deferred tax assets	61,723	(3,665)	58,058
Total non-current assets	135,869	(5,166)	130,703
Total assets	296,062	(7,227)	288,835
Provisions	2,792	95	2,887
Customer contract liabilities	50,193	(2,156)	48,037
Total current liabilities	81,681	(2,061)	79,620
Deferred tax liability	8,820	(3,665)	5,155
Customer contract liabilities	10,013	(1,501)	8,512
Total non-current liabilities	30,048	(5,166)	24,882
Total liabilities	111,729	(7,227)	104,502

NOTE 2

Operating segments

Description of segments

Management has determined the operating segments based on the reports provided to the Chief Operating Decision Makers ('CODM'), which are used to make strategic decisions and review operational performance. The CODM comprises the Board, Chief Executive Officer and Chief Financial Officer.

The CODM 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
Microcontrollers and Embedded Systems	Includes results from TASKING sales, operations and research. Per Note 6, the TASKING business has been divested and is therefore included in discontinued operations
Nexar	Includes the results from Octopart, Upverter and other products sold through the manufacturing business

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 2021 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.

On 5 October 2020, Altium announced the restructure of its leadership and organisation structure to support the company's growing strategic focus towards the cloud platform. Under the new organisational structure, Altium's go-to-market and product focus is divided between Cloud and Software, each with its own leadership and organisational roadmap which were finalised in the second half of 2021. Consequently, the segment Nexar replaced the previously reported segment Electronic Parts, Search and Discovery. Nexar includes Octopart, Upverter and manufacturing related operations which were previously recognized within the Board and Systems segment. The change in segment definitions resulted in the restatement of comparative information in note 2.

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 2021	BOARD AND SYSTEMS US$'000	NEXAR US$'000	CORPORATE US$'000	TOTAL US$'000
Segment sales[1]	163,606	29,361	-	192,967
Net adjustment for deferred revenue recognition[2]	(12,716)	(28)	-	(12,744)
Total revenue	150,890	29,333	-	180,223
EBITDA	81,588	11,314	(32,923)	59,979
Depreciation and amortisation				(11,911)
Net finance costs[3]				(406)
Profit before income tax expense				47,662
Income tax expense				(12,390)
Profit after income tax from continuing operations				35,272
Profit after income tax from discontinued operations				71,713
Profit after income tax expense for the year attributable to the owners of Altium Limited				106,985

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE 30 JUNE 2020	BOARD AND SYSTEMS US$'000	NEXAR US$'000	CORPORATE US$'000	TOTAL US$'000
Segment sales[1]	153,417	21,522	-	174,939
Net adjustment for deferred revenue recognition[2]	(5,630)	-	-	(5,630)
Total revenue	147,787	21,522	-	169,309
EBITDA	85,257	9,636	(33,153)	61,740
Depreciation and amortisation				(10,897)
Net finance costs[3]				115
Profit before income tax expense				50,958
Income tax expense				(31,232)
Profit after income tax from continuing operations				19,726
Profit after income tax from discontinued operations				11,155
Profit after income tax expense for the year attributable to the owners of Altium Limited				30,881

[1] Segment sales relate to amounts billed to customers.

[2] Adjustment relates to the portion of deferred revenue which has been billed.

[3] Net finance costs includes interest income of US$226,000 (2020: US$855,000), accrued dividends of US$34,000 (2020: nil) and finance costs of $666,000 (2020: US$740,000).

Geographical information

Segment assets and liabilities include balances related to discontinued operations

30 JUNE 2021 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	88,849	58,132	23,614	9,628	-	180,223
Assets						
Segment assets	60,064	41,645	19,382	12,155	199,206	332,452
Unallocated assets:						
Deferred tax asset						49,457
Income tax receivables						1,243
Total assets						383,152
Liabilities						
Segment liabilities	32,127	31,516	5,735	9,071	5,711	84,160
Unallocated liabilities:						
Provision for income tax						27,493
Deferred tax liability						4,547
Lease liabilities						11,052
Total liabilities						127,252

30 JUNE 2020 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AS ADJUSTED)	AMERICAS US$'000	EMEA US$'000	CHINA US$'000	ASIA PACIFIC US$'000	CORPORATE US$'000	TOTAL US$'000
Revenue	85,559	54,489	21,325	7,936	-	169,309
Assets						
Segment assets	50,140	36,194	17,915	22,899	102,059	229,207
Unallocated assets:						
Deferred tax asset						58,058
Income tax receivables						1,570
Total assets						288,835
Liabilities						
Segment liabilities	31,097	29,680	4,764	10,685	2,601	78,827
Unallocated liabilities:						
Provision for income tax						6,587
Deferred tax liability						5,155
Lease liabilities						13,933
Total liabilities						104,502

The restatement of the comparative period balances is detailed in Note 1.

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 CODM. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

NOTE 3

Revenue

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
From continuing operations		
Software license revenue[1]	79,135	79,478
Subscription and maintenance revenue	68,669	62,886
Search advertising revenue	26,820	18,813
Service revenue	2,842	3,594
Hardware revenue	2,370	2,538
Other revenue	387	2,000
Revenue	180,223	169,309

[1] Includes term-based licenses.

Timing of revenue recognition

CONSOLIDATED - 2021	BOARDS AND SYSTEMS US$'000	NEXAR US$'000	TOTAL US$'000
At a point in time	60,845	29,333	90,178
Over time	90,045	-	90,045
	150,890	29,333	180,223

CONSOLIDATED - 2020	BOARDS AND SYSTEMS US$'000	NEXAR US$'000	TOTAL US$'000
At a point in time	66,543	21,522	88,065
Over time	81,244	-	81,244
	147,787	21,522	169,309

Customer contract liabilities

	CONSOLIDATED	
	2021 US$'000	(AS ADJUSTED) 2020 US$'000
Deferred subscription and maintenance revenue	46,713	42,871
Other deferred revenue	5,718	5,166
Current customer contract liabilities	52,431	48,037
Non-current customer contract liabilities	7,487	8,512
Total customer contract liabilities	59,918	56,549

The restatement of the comparative period is detailed in Note 1.

Customer contract liabilities as at 30 June 2020 include balances related to divested operations for US$7,142,000.

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to US$46,603,000 (2020: US$43,989,000).

Transaction price allocated to remaining performance obligations

Remaining performance obligations represents the total contractual commitments for which services will be performed. Remaining performance obligations include deferred revenue, which primarily consists of billings or payments received in advance of revenue recognition and unbilled receivables that have not yet been recognised in the financial statements. The transaction price allocated to remaining performance obligations is approximately US$68.2 million as of 30 June 2021. Approximately 82% of the remaining performance obligations are expected to be recognised over the next 12 months with the remainder recognised thereafter.

	FY2022	FY2023	FY2024	FY2025	FY2026	TOTAL
Value of remaining performance obligations	56,261	8,107	3,173	575	35	68,151
Total	56,261	8,107	3,173	575	35	68,151
	82%	12%	5%	1%	0%	100%

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:

- **Software licenses:** Revenue is recognised at a point in time when access to the license has been granted to the user.
- **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 license 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.
- **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.
- **Services revenue:** Revenue from providing services is recognised over the period in which the services are rendered. Services include training or implementation services.
- **Hardware revenue:** Revenue is recognised when control of the goods has been transferred to the customer.
- **Other revenue:** Includes royalties related to IP which 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.

Incremental costs incurred in obtaining a contract are capitalised for sales of subscriptions over 12 months and amortised over the term of the contract.

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. The stand-alone selling price is determined by considering multiple factors including, but not limited to, prices we charge for similar offerings, market conditions, competitive landscape and pricing practices. Priority is placed on market observable pricing where available.

NOTE 4

Expenses

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Profit before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Property, plant and equipment	3,067	2,726
Right-of-use assets	5,474	5,062
Total depreciation	8,541	7,788
Amortisation		
Customer contracts	1,335	1,334
Software	962	707
Intellectual property	1,073	1,068
Total amortisation	3,370	3,109
Total depreciation and amortisation	11,911	10,897

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Included in professional advice expense		
Costs associated with acquisitions[1]	2,317	81
Finance costs		
Interest and finance charges paid/payable on borrowings	29	3
Interest and finance charges paid/payable on lease liabilities	626	575
Unwinding of the discount on provisions	11	162
Finance costs expensed	666	740
Post-employment benefits		
Post-employment benefits: defined contribution	2,683	2,178
Research and development costs expensed		
Research and development costs incurred	22,150	19,631

[1] Acquisition costs in 2021 included costs associated with a significant, unsuccessful transaction of US$2.26 million. Acquisition costs associated with the TASKING divestment are included in discontinued operations (refer Note 6).

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 to generate future economic benefits and can be reliably measured. 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.

Defined Contribution Plans

Altium operates a number of defined contribution plans for qualifying employees. The assets of these plans are held in separately administered trusts or insurance policies. Altium is required to contribute specified percentages of payroll costs to the retirement benefit plans to fund benefits in accordance with local regulations and practices. Payments to defined contribution retirement plans are charged as an expense as they fall due.

NOTE 5

Income tax expense

		CONSOLIDATED	
	NOTE	2021 US$'000	2020 US$'000
Income tax expense			
Current tax		5,260	7,268
Deferred tax		6,128	25,710
Adjustment recognised for prior periods		1,002	(1,746)
Aggregate income tax expense		12,390	31,232
Deferred tax included in income tax expense comprises:			
Decrease in deferred tax assets	15	7,499	27,281
Decrease in deferred tax liabilities	19	(1,371)	(1,571)
Deferred tax		6,128	25,710

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense from continuing operations	47,662	50,958
Tax at the statutory tax rate of 30%	14,299	15,287
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	717	863
Re-measurement of contingent consideration	(750)	(841)
Other items	394	547
	14,660	15,856
Adjustment recognised for prior periods	1,002	(1,746)
Difference in overseas tax rates	(5,074)	21
Previously unrecognised temporary differences	(54)	1,050
Re-measurement of deferred tax assets and liabilities	2,150	16,355
R&D credits	(710)	(329)
Foreign exchange differences	416	25
Income tax expense	12,390	31,232

During the 2019 financial year, Altium was selected for a risk review followed by an audit by the Australian Tax Office (ATO), which is part of a program of work 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. Further detail regarding the ATO audit has been outlined in Note 32.

During the 2020 financial year, the tax expense included 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.

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 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 judgements, estimates and assumptions utilised in relation to deferred tax asset balances is detailed further in Note 15. Refer to Note 32 for further detail regarding the status of the ATO audit in progress.

Accounting policy for Income tax

The income tax expense or credit 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.

There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Altium recognizes liabilities for uncertain tax positions in accordance with IFRS interpretation IFRIC 23. Where the final tax outcome of these matters is different from the amounts provided, such differences will impact the current and deferred tax provisions in the period in which such an outcome is obtained (refer Note 15 for further detail).

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

Discontinued operations

a. Sale of the TASKING business

On 11 December 2020, the Group entered into an agreement to sell its TASKING business for US$110.0 million, with the completion of the sale occurring on 5 February 2021. The transaction was settled in cash with US$100.0 million received upfront and a further US$10.0 million receivable in fiscal 2022, given fiscal 2021 revenue targets were met in accordance with the sale and purchase agreement.

The carrying value of the assets and liabilities relating to the TASKING business at divestment date were as follows:

	CONSOLIDATED
	5 FEB 2021 US$'000
Assets	
Cash and cash equivalents	2,444
Trade and other receivables	5,940
Property, plant and equipment	211
Right-of-use assets	188
Deferred tax assets	1,996
Other assets	135
Total assets	10,914
Liabilities	
Trade and other payables	265
Lease liabilities	191
Provisions	201
Customer contract liabilities	6,350
Other liabilities	29
Total liabilities	7,036
Net assets	3,878

The associated earnings, for the current and comparative periods, have been classified as discontinued operations in the consolidated statement of profit or loss and other comprehensive income and all related note disclosures.

Segment assets and liabilities in 2020, as disclosed in Note 2, include the TASKING business within discontinued operations.

b. Results of discontinued operations

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Revenue	10,880	19,815
Expenses	(4,004)	(6,127)
Finance costs	(2)	(4)
Total expenses	(4,006)	(6,131)
Gain on divestment before income tax expense	99,678	-
Profit before income tax expense	106,552	13,684
Income tax expense[1]	(34,839)	(2,529)
Profit after income tax expense	71,713	11,155

[1] Tax expense in 2021 includes US$33.8 million tax expense in relation to the gain on divestment of TASKING.

	CONSOLIDATED	
	2021 US$'000[2]	2020 US$'000
Cash flows of discontinued operations		
Net cash inflows from operating activities	6,167	14,029
Net cash outflows from investing activities	(25)	(2)
Net cash outflows from financing activities	(65)	(97)
Net increase in cash generated by discontinued operations	6,077	13,930

[2] Includes cash flows up until the date of the TASKING divestment of 5 February 2021.

c. Gain on divestment of TASKING

	CONSOLIDATED
	2021 US$'000
Proceeds from sale	110,000
Less: carrying value of net assets disposed	(3,878)
Less: transactions and separation costs	(6,579)
Add: foreign exchange gain released to profit	135
Gain on divestment before income tax expenses	99,678
Tax expense	(33,780)
Gain on divestment after tax	65,898

d. Cash proceeds from divestment, net of costs to sell and cash disposed

	CONSOLIDATED
	2021 US$'000
Cash proceeds received from the sale of the TASKING business[3]	100,000
Less: transaction and separation costs paid	(5,186)
Less: cash held by TASKING at date of disposal	(2,444)
Less: tax paid on related to the sale of TASKING	(6,557)
Cash proceeds from divestment, net of cash disposed and transaction costs	85,813

[3] Excludes US$10.0 million additional consideration receivable in fiscal 2022 (refer Note 6a).

NOTE 7

Current assets - cash and cash equivalents

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Cash at bank	137,184	48,688
Deposit at call	54,357	44,395
	191,541	93,083

Cash at bank at 30 June 2021 includes the proceeds received on the sale of the TASKING divestment.

The value of bank guarantees at 30 June 2021 amounted to US$435,988 (2020:US$362,178).

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 8

Current assets - trade and other receivables

	CONSOLIDATED	
	2021 US$'000	(AS ADJUSTED) 2020 US$'000
Trade receivables	56,173	57,298
Less: Allowance for expected credit loss	(648)	(610)
	55,525	56,688
Other receivables	10,592	811
	66,117	57,499

The restatement of the comparative period balances is detailed in Note 1.

Other receivables as at 30 June 2021 includes the US$10.0 million additional consideration to be received in relation to TASKING (refer Note 6).

Allowance for expected credit losses

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

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
0 to 6 months overdue	103	286
Over 6 months overdue	545	324
	648	610

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

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Opening balance	610	369
Additional provisions recognised	1,611	465
Receivables written off during the year as uncollectable[1]	(1,573)	(224)
Closing balance	648	610

[1] Receivables written off during the year ended 30 June 2021 included the write back of the SolidWorks minimum contractual amount for US$1.4 million due to the termination of the agreement with SolidWorks.

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 2021 and 30 June 2020 was determined as follows for trade receivables:

30 JUNE 2021	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	0.09%	0.17%	0.21%	10.75%	
Gross carrying amount - trade receivables	38,997	1,803	931	5,582	47,313
Contract assets	8,860	-	-	-	8,860
Loss allowance	43	3	2	600	648

30 JUNE 2020 (AS ADJUSTED)	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	0.27%	0.25%	0.28%	14.16%	
Gross carrying amount - trade receivables	43,655	1,405	1,254	3,263	49,577
Contract assets	7,721	-	-	-	7,721
Loss allowance	140	4	4	462	610

The restatement of the comparative period balances is detailed in Note 1.

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 AASB 9 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 2021 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.

NOTE 9

Current assets - inventories

	CONSOLIDATED 2021 US$'000	CONSOLIDATED (AS ADJUSTED) 2020 US$'000
Raw materials	1,512	1,474
Work in progress	33	43
Finished goods	527	537
Inventory provision for obsolescence	(222)	(222)
	1,850	1,832

The restatement of the comparative period balances is detailed in Note 1.

Accounting policy for inventories

Inventories on hand are valued using standard costing. The value of inventory is determined using the material and material overhead standard costs of each inventory item and is held at the lower of the standard cost estimate and net realisable value.

NOTE 10

Non-current assets - trade and other receivables

	CONSOLIDATED 2021 US$'000	CONSOLIDATED (AS ADJUSTED) 2020 US$'000
Trade receivables	-	145
Other receivables	1,512	1,697
	1,512	1,842

The restatement of the comparative period balances is detailed in Note 1.

NOTE 11

Non-current assets – investment and other assets

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Investment in unlisted convertible preference shares	3,000	-
Accrued dividend on unlisted convertible preference shares	34	-
	3,034	-

In May 2021, Altium acquired 3,047,021 Series B convertible preference shares in MacroFab Inc at a cost of US$3.0 million. Macrofab Inc provides a cloud platform service for electronics manufacturing.

The shares are entitled to cumulative, non-compounding dividends at a rate of 8% per annum. The shares are convertible into ordinary shares at the option of the holder or automatically if the prescribed conditions are met. The shares are redeemable after the fifth anniversary of closing at the election of the Series B majority. The shares acquired are less than ten per cent of the total share capital in Macrofab Inc, with no voting entitlements.

The shares are recognised as a financial asset valued at fair value through profit and loss. The fair value of the shares is classified as a level 3 fair value in the fair value hierarchy due to the use of unobservable inputs. Altium has elected not to recognize any fair value gains and losses on the shares through other comprehensive income; therefore, any fair value gains or losses will be recognised in profit or loss. As at 30 June 2021, the fair value of the shares approximates the acquisition cost of US$3.0 million; therefore, no fair value gains or losses have been recognised during the year ended 30 June 2021.

Accrued dividends on the shares have been recognised within finance income in Note 2.

NOTE 12

Non-current assets - property, plant and equipment

	CONSOLIDATED 2021 US$'000	CONSOLIDATED 2020 US$'000
Leasehold improvements - at cost	6,578	7,039
Less: accumulated depreciation	(3,616)	(3,090)
	2,962	3,949
Plant and equipment - at cost	6,595	6,387
Less: accumulated depreciation	(3,603)	(2,787)
	2,992	3,600
Plant and equipment under lease	8	14
Less: accumulated depreciation	(6)	(8)
	2	6
	5,956	7,555

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 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)
Discontinued operations	(66)	(52)	(118)
Depreciation expense	(1,110)	(1,616)	(2,726)
Balance at 30 June 2020	3,949	3,606	7,555
Additions	620	1,042	1,662
Exchange differences	(192)	266	74
Discontinued operations	(43)	(225)	(268)
Depreciation expense	(1,372)	(1,695)	(3,067)
Balance at 30 June 2021	2,962	2,994	5,956

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 13

Non-current assets - right-of-use assets and lease liabilities

The statement of financial position shows the following amounts relating to right-of-use assets and leases:

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Right-of-use asset		
Buildings	10,229	13,558
Lease liabilities		
Current	5,559	5,480
Non-current	5,493	8,453
	11,052	13,933

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

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Opening balance	13,558	-
Additions	2,295	18,750
Disposals	(60)	-
Exchange differences	158	(35)
Discontinued operations	(248)	(95)
Depreciation expense	(5,474)	(5,062)
Closing balance	10,229	13,558

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

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Depreciation of right-of-use assets	5.474	5,062
Interest expense	626	575
Expense relating to short-term or low-value leases	491	67

The total cash outflow for leases in financial year ended 30 June 2021 was $6,168,000 (2020: 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, 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 2021 was 3 years. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

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 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.

The Group assesses the recoverability of the right-of-use assets on a biannual basis. If the carrying amount is greater than the estimated recoverable amount, the right-of-use asset is written down immediately to its recoverable amount.

NOTE 14

Non-current assets - intangible assets

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Goodwill - at cost	29,507	29,507
Intellectual property - at cost	10,375	10,340
Less: accumulated amortisation	(4,330)	(3,240)
	6,045	7,100
Customer relationships - at cost	16,333	16,333
Less: accumulated amortisation	(7,115)	(5,780)
	9,218	10,553
Software intangibles - at cost	4,725	4,051
Less: accumulated amortisation	(2,316)	(1,521)
	2,409	2,530
	47,179	49,690

CONSOLIDATED	GOODWILL US$'000	INTELLECTUAL PROPERTY US$'000	CUSTOMER RELATIONSHIPS US$'000	SOFTWARE INTANGIBLES US$'000	TOTAL US$'000
Balance at 1 July 2019	29,499	8,154	11,888	1,993	51,534
Additions	-	-	-	1,253	1,253
Exchange differences	8	14	(1)	(9)	12
Amortisation expense	-	(1,068)	(1,334)	(707)	(3,109)
Balance at 30 June 2020	29,507	7,100	10,553	2,530	49,690
Additions	-	-	-	839	839
Exchange differences	-	18	-	2	20
Amortisation expense	-	(1,073)	(1,335)	(962)	(3,370)
Balance at 30 June 2021	29,507	6,045	9,218	2,409	47,179

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

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

Impairment tests for goodwill

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

Per Note 2, on 5 October 2020, Altium announced the restructure of its leadership and organisational structure to support Altium's growing strategic focus towards the cloud platform. The change in the leadership and organization structure was finalised in the second half of 2021 and prompted Altium to reassess its CGU definitions to ensure they aligned with how management monitors and performs decision-making. Consequently, the CGU Nexar replaced the previously reported CGU Electronic Parts, Search and Discovery. Nexar includes Octopart, Upverter and manufacturing related operations which were previously recognized within the Board & Systems – Americas and Board & Systems - EMEA CGUs.

The change in CGU definitions did not result in a material change in headroom or impairment assessment outcomes.

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

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Goodwill		
Board & Systems - Americas	4,159	4,159
Board & Systems - EMEA	2,331	2,331
Nexar	23,017	23,017
Total	29,507	29,507

The comparative figures have been restated to reflect the change in CGU definition.

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. 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 rate reflecting the impact of COVID-19. An annual growth rate of 5% was used for the Board & Systems CGUs, with a 10% annual growth rate used for the Nexar CGU for years ending 30 June 2022 to 30 June 2025.

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 1.6%.

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 8.5%, Board & Systems - EMEA 9.5% and Nexar 9.4%. In 2020, the WACCs averaged between 9.2% to 9.3%.

Sensitivity

Any reasonable change to the above key assumptions would not cause the carrying value of any of the remaining CGU 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 10 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 included intellectual property. The fair value of these assets is determined by the 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 relation-ship 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 15

Non-current assets - deferred tax assets

	CONSOLIDATED	
	2021 US$'000	(AS ADJUSTED) 2020 US$'000
Deferred tax asset comprises temporary differences attributable to:		
Tax losses	1,112	1,829
Property, plant and equipment	100	47
Employee benefits	939	773
Leases liabilities	2,206	2,840
Intellectual property	45,488	54,598
Customer contract liabilities	731	477
Provisions	1,120	419
Foreign currency translation	472	602
Tax credits	229	138
Deferred tax asset	52,397	61,723
Set-off of deferred tax liabilities pursuant to set-off provisions	(2,940)	(3,665)
Net deferred tax asset	49,457	58,058
Amount expected to be recovered within 12 months	8,790	8,391
Amount expected to be recovered after more than 12 months	43,607	53,332
	52,397	61,723

		CONSOLIDATED	
	NOTE	2021 US$'000	2020 US$'000
Movements:			
Opening balance		61,723	84,873
Change in accounting policy AASB 16		-	4,226
Charged to profit or loss	5	(7,499)	(27,281)
Divestment		(1,967)	-
Translation differences		140	(95)
Closing balance		52,397	61,723

The restatement of the comparative period balances is detailed in Note 1.

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 US$45.5 million in relation to intangible assets previously transferred to USA. This deferred tax asset has been calculated based on future forecast profits and a blended tax rate which factors in the proportion of foreign and domestic income derived. It is considered probable that there will be future taxable income in the USA to fully realise these temporary differences.

In the event the enacted rates, the FDII legislation or current transfer pricing arrangement change in the forecast period, this may impact the timing and magnitude of the deferred tax balance realised.

During the 2020 financial year, the Group remeasured 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.

NOTE 16

Current liabilities - trade and other payables

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Trade payables	6,224	5,225
Deferred consideration	-	887
Employee liabilities	6,881	4,775
PCB:NG settlement	-	875
Other payables	7,699	4,867
	20,804	16,629

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 17

Current liabilities - provisions

	CONSOLIDATED	
	2021 US$'000	(AS ADJUSTED) 2020 US$'000
Employee benefits	2,937	2,792
Service warranties	124	95
	3,061	2,887

The restatement of the comparative period balances is detailed in Note 1.

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 18

Non-current liabilities - provisions

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Employee benefits	72	42
Contingent consideration	-	2,491
Lease make good	301	222
	373	2,755

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. During the year ended 30 June 2021, the performance based contingent consideration related to the acquisition of Gumstix Inc was released due to the forfeiture of these entitlements by the relevant parties.

Movements in provisions

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

CONSOLIDATED - 2021	CONTINGENT CONSIDERATION US$'000	LEASE MAKE GOOD US$'000
Carrying amount at the start of the year	2,491	222
Amounts forfeited	(2,491)	-
Additional provision recognised	-	77
Unwinding of discount	-	2
Carrying amount at the end of the year	-	301

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 19

Non-current liabilities - deferred tax liability

	NOTE	CONSOLIDATED 2021 US$'000	CONSOLIDATED (AS ADJUSTED) 2020 US$'000
Deferred tax liability comprises temporary differences attributable to:			
Property, plant and equipment		811	871
Intangible assets		4,453	5,140
Foreign currency revaluations		87	45
Right-of-use assets		2,043	2,764
Other receivables		93	-
Deferred tax liability		7,487	8,820
Set-off of deferred tax assets pursuant to set-off provisions		(2,940)	(3,665)
Net deferred tax liability		4,547	5,155
Amount expected to be settled within 12 months		2,127	1,870
Amount expected to be settled after more than 12 months		5,360	6,950
		7,487	8,820
Movements:			
Opening balance		8,820	5,833
Change in accounting policy AASB 16		-	4,592
Credited to profit or loss	5	(1,371)	(1,571)
Translation differences		38	(34)
Closing balance		7,487	8,820

The restatement of the comparative period balances is detailed in Note 1.

NOTE 20

Equity - contributed equity

	CONSOLIDATED 2021 SHARES	CONSOLIDATED 2020 SHARES	CONSOLIDATED 2021 US$'000	CONSOLIDATED 2020 US$'000
Ordinary shares - fully paid	131,228,194	130,965,775	127,699	126,851

Movements in ordinary share capital

DETAILS	DATE	SHARES	ISSUE PRICE AU$	US$'000
Balance	1 July 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
Shares issued - Upverter acquisition	25 August 2020	138,256	8.49	848
Shares issued - Employee Performance Rights	25 August 2020	124,163		-
Balance	30 June 2021	131,228,194		127,699

Movements in treasury shares

DETAILS	DATE	SHARES
Balance	30 June 2019	-
Add: Shares issued		315,997
Less: Shares transferred to employees		(264,641)
Balance	30 June 2020	51,356
Add: Shares issued		124,163
Less: Shares transferred to employees		(175,519)
Balance	30 June 2021	-

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 21

Equity – reserves and retained profits

	NOTE	RESERVES FOREIGN CURRENCY TRANSLATION US$'000	EQUITY COMPENSATION US$'000	TOTAL US$'000	RETAINED PROFITS US$'000
Balance at 1 July 2019		(482)	19,561	19,079	39,421
Opening balance adjustment on application of AASB 16		-	-	-	(37)
Revised opening balance at 1 July 2019		(482)	19,561	19,079	39,384
Foreign currency translation		(476)	-	(476)	-
Share-based payments			2,248	2,248	-
Profit after income tax expense for the year		-	-	-	30,881
Dividends paid	22	-	-	-	(33,634)
Balance at 30 June 2020		(958)	21,809	20,851	36,631
Foreign currency translation		(1,282)	-	(1,282)	-
Share-based payments		-	2,573	2,573	-
Profit after income tax expense for the year		-	-	-	106,985
Dividends paid	22	-	-	-	(37,557)
Balance at 30 June 2021		(2,240)	24,382	22,142	106,059

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.

NOTE 22

Equity - dividends

Dividends paid during the financial year were as follows:

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Final dividend for the year ended 30 June 2020 of AU 19 cents (2019: AU 18 cents)	18,351	16,050
Interim dividend for the half year ended 31 December 2020 of AU 19 cents (2019: AU 20 cents)	19,206	17,584
	37,557	33,634

The Directors have declared a partially franked (15%) final dividend of AU21 cents per share for the year ended 30 June 2021. The dividend will be paid on 28 September 2021 based on a record date of 7 September 2021. This amounts to a total dividend of US$20.1 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 23

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:

CONSOLIDATED	ASSETS 2021 US$'000	ASSETS 2020 US$'000	LIABILITIES 2021 US$'000	LIABILITIES 2020 US$'000
Australian dollars	943	1,304	(2,330)	(919)
Euros	821	77	(45)	(20)
	1,764	1,381	(2,375)	(939)

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 - 2021	% CHANGE	INCREASE / (DECREASE) TO PROFIT AFTER TAX	INCREASE / (DECREASE) TO EQUITY	% CHANGE	INCREASE / (DECREASE) TO PROFIT AFTER TAX	INCREASE / (DECREASE) TO EQUITY
Australian dollars	10%	88	88	(10%)	(108)	(108)
Euros	10%	(49)	(49)	(10%)	60	60
		39	39		(48)	(48)

	US$ STRENGTHENED			US$ WEAKENED		
CONSOLIDATED - 2020	% CHANGE	INCREASE / (DECREASE) TO PROFIT AFTER TAX	INCREASE / (DECREASE) TO EQUITY	% CHANGE	INCREASE / (DECREASE) TO PROFIT AFTER TAX	INCREASE / (DECREASE) TO EQUITY
Australian dollars	10%	(25)	(25)	(10%)	30	30
Euros	10%	(4)	(4)	(10%)	4	4
		(29)	(29)		34	34

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 financial instruments exposed to interest rate risk at reporting date:

	2021		2020	
CONSOLIDATED	WEIGHTED AVERAGE INTEREST RATE %	BALANCE US$'000	WEIGHTED AVERAGE INTEREST RATE %	BALANCE US$'000
Cash	0.20%	168,671	1.31%	75,504
Non-current trade receivables	0.58%	3,184	0.46%	1,606
Financial lease liabilities	4.45%	(11,052)	4.66%	(13,933)
Net exposure to cash flow interest rate risk		160,803		63,177

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 - 2021	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	1,103	1,103	(50)	(552)	(552)

	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)

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 - 2021	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	-	20,461	-	-	-	20,461
Interest-bearing - fixed rate						
Lease liability	4.45%	5,486	3,829	2,445	-	11,760
Total non-derivatives		25,947	3,829	2,445	-	32,221

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%	5,422	4,842	4,913	-	15,177
Total non-derivatives		21,158	7,333	4,913	-	33,404

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 24

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	President and Chief Technology Officer
Raelene Murphy	Non-executive Director
Lynn Mickleburgh	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:

Martin Ive (commenced as KMP on 5 October 2021)	Chief Financial Officer
Henry Potts (ceased as KMP on 5 October 2021)	Chief Sales Officer
Joseph Bedewi (ceased as KMP on 5 October 2021)	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	
	2021 US$	(AS ADJUSTED) 2020 US$
Short-term employee benefits	2,218,652	2,422,231
Post-employment benefits	53,179	33,782
Share-based payments	356,458	2,372,950
	2,628,289	4,828,963

Long-term incentive (LTI) amounts have been restated for the year ended 30 June 2020 to reflect the forfeiture and the true up of estimated grant value based upon the 30 June 2020 share price. The LTI of Henry Potts was adjusted from US$159,434 to US$159,884 and the LTI of Joseph Bedewi was reduced from US$286,723 to US$264,433.

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 25

Commitments

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Lease commitments - finance Committed at the reporting date and recognised as liabilities, payable:		
Within one year	96	6
One to five years	10	7
Total commitment	106	13
Less: Future finance charges	-	(1)
Net commitment recognised as liabilities	106	12

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 26

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	
	2021 US$	2020 US$
Audit services – PricewaterhouseCoopers Australia		
Audit or review of the financial statements	481,610	312,678
Other services – PricewaterhouseCoopers Australia		
Tax consulting and tax advice – ATO audit[1]	157,786	334,529
Tax consulting and tax advice – M&A activities[2]	781,204	-
	1,420,600	647,207
Other services – PricewaterhouseCoopers network firms		
Tax compliance services, including review of company income tax return	32,717	103,846
Tax consulting and tax advice[3]	11,435	150,000
Total auditor remuneration	1,464,752	901,053

[1] The tax consulting and advice services from PwC Australia refer to the provision of compliance support relating to the ATO audit.

[2] The tax consulting and advice services from PwC Australia during 2021 financial year related to the divestment of the TASKING business and other acquisition related activities.

[3] 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. To ensure this balance, Altium's Non Audit Services Policy outlines the services that can be undertaken by the auditors and requires that the Audit Committee approves any management recommendation that PwC undertakes non-audit work (with approval delegated to the Chief Financial Officer within specified monetary limits).

NOTE 27

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 24 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 2021 %	OWNERSHIP INTEREST 2020 %
Altium BV	Netherlands	100.00%	100.00%
Altium Canada Limited	Canada	100.00%	100.00%
Altium Europe GmbH	Germany	100.00%	100.00%
Altium Inc.	USA	100.00%	100.00%
Altium Information Technology (Shanghai) Co. Ltd	China	100.00%	100.00%
Altium Insurance Inc.	USA	100.00%	100.00%
Altium IP Co Pty Ltd	Australia	100.00%	100.00%
Altium IP Hold Co Pty Ltd	Australia	100.00%	100.00%
Altium Japan KK	Japan	100.00%	100.00%
Altium LLC	USA	100.00%	100.00%
Altium Netherlands BV	Netherlands	100.00%	100.00%
Altium Poland Sp.z.o.o	Poland	100.00%	100.00%
Altium Software India Private Limited	India	100.00%	100.00%
Altium Sweden AB	Sweden	100.00%	100.00%
Altium UK Limited	United Kingdom	100.00%	100.00%
Altium Vietnam Company Limited	Vietnam	100.00%	100.00%
Ciiva GmbH	Switzerland	100.00%	100.00%
Gumstix Inc.	USA	100.00%	100.00%
Gumstix Research (Canada) Ltd	Canada	100.00%	100.00%
Morfik Technologies Pty Ltd	Australia	100.00%	100.00%
Octopart Inc.	USA	100.00%	100.00%
PCB:NG Inc.	USA	100.00%	100.00%
Perception Software Inc.	USA	100.00%	100.00%
Protel AG	Switzerland	100.00%	100.00%
Tasking BV[1]	Netherlands	-	100.00%
Tasking US LLC	USA	100.00%	-

[1]Tasking BV was sold on 5 February 2021 (refer Note 6).

NOTE 28

Parent entity information

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

Statement of profit or loss and other comprehensive income

	PARENT	
	2021 US$'000	(AS ADJUSTED) 2020 US$'000
Profit after income tax	14,705	110,509
Total comprehensive income	14,705	110,509

Statement of financial position

	PARENT	
	2021 US$'000	(AS ADJUSTED) 2020 US$'000
Total current assets	97,165	87,893
Total assets[1]	356,920	346,110
Total current liabilities	67,690	36,820
Total liabilities	68,284	38,045
Equity		
Contributed equity	127,699	126,851
Foreign currency reserve	2,614	2,613
Equity compensation reserve	24,382	21,808
Retained profits	133,941	156,793
Total equity	288,636	308,065

[1] During 2021, the parent entity performed impairment testing on its investments in subsidiaries and identified an impairment of US$6,008,000. It was identified that this related to the opening investment of the comparative period and has been adjusted retrospectively. The impairment loss recognised in the comparative year is eliminated upon consolidation within the Group's consolidated results.

Summarised financial data of Altium Limited

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements except for investments and receivables from subsidiaries. In the parent entity financial information, investments in subsidiaries are accounted for at cost and receivables from subsidiaries are held at amortised cost. Where appropriate, receivables from subsidiaries have been adjusted for expected credit losses. Dividends received from investments in subsidiaries are recognised as revenue.

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$326,827 (2020: US$262,058).

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

Contingent liabilities

In the ordinary course of business, Altium becomes involved in litigation. Provisions are made for known obligations where the existence of the liability is probable and can be reasonably quantified. Receivables are recognised where recoveries are virtually certain.

As the outcomes of these matters remain uncertain, contingent liabilities exist for any potential amounts payable.

NOTE 29

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

	CONSOLIDATED	
	2021 US$'000	(AS ADJUSTED) 2020 US$'000
Profit after income tax expense for the year	106,985	30,881
Adjustments for:		
Depreciation and amortisation	12,045	11,103
Share-based payments	2,573	2,248
Unrealised foreign exchange differences	781	543
Net gain on divestment	(95,685)	-
Release of Gumstix contingent consideration	2,491	-
Change in operating assets and liabilities:		
Decrease / (Increase) in trade and other receivables	922	(11,333)
Increase in inventories	(18)	(888)
Decrease in deferred tax assets	7,993	25,771
Increase in income tax payable	21,233	811
Increase in customer contract liabilities	3,369	1,397
Increase in other operating assets	(701)	(1,599)
Increase in trade and other payables	5,333	691
Decrease in other provisions	(5,585)	(3,094)
Net cash from operating activities	61,736	56,531

The restatement of the comparative period balances is detailed in Note 1.

NOTE 30

Earnings per share

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Earnings per share - continuing operations		
Profit after income tax attributable to the owners of Altium Limited	35,272	19,726
	CENTS	CENTS
Basic earnings per share	26.89	15.08
Diluted earnings per share	26.85	15.06

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Earnings per share - discontinued operations		
Profit after income tax attributable to the owners of Altium Limited	71,713	11,155
	CENTS	CENTS
Basic earnings per share	54.67	8.52
Diluted earnings per share	54.58	8.51

	CONSOLIDATED	
	2021 US$'000	2020 US$'000
Earnings per share - attributable to the owners of Altium Limited		
Profit after income tax attributable to the owners of Altium Limited	106,985	30,881
	CENTS	CENTS
Basic earnings per share	81.56	23.60
Diluted earnings per share	81.43	23.57

	NUMBER	NUMBER
Weighted average number of ordinary shares during the period		
Used in the calculation of basic earnings per share	131,177,168	130,854,975
Adjustments for calculation of diluted earnings per share:		
Shares to be issued as part of a business combination	-	138,256
Employee performance share rights	213,564	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	131,390,732	130,993,231

For the years ending 30 June 2021 and 30 June 2020 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 23 to 42.

Performance Rights Plan

Equity long term incentive plan

During the year ended 30 June 2021, Altium introduced a "Power of Choice" remuneration model for its senior management team, recognising two different types of employees "Company Builders" and "Professional Operators" and the transformational partnership required between the two to deliver long-term success and value for shareholders.

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.

Altium has introduced a new incentive plan to better align performance hurdles to reflect our focus on meeting Altium's long-term corporate objectives, including achieving US$500 million in revenue and 100,000 subscribers. The plan was communicated to employees in March 2021 and final details of the plan will be approved by the Board in August 2021. The new incentive plan is a continuation of the existing plan and Altium anticipates all awards for the financial year of 2021 to 2023 will vest under the new plan only. At present, Altium does not anticipate that the performance conditions applicable to the existing plan for the financial years ending 2022 and 2023 will be achieved.

The award is delivered in Performance Rights which convert into fully paid ordinary shares in Altium at no cost to the recipient upon vesting. Any participant who joins the LTI plan for the first time will receive an award of five tranches of performance rights that vest annually. After the first year of joining the plan, it is anticipated each participant will receive an additional grant that will vest in five year's time subject to performance conditions outlined in a rolling five year framework.

Vesting for Professional Operators is subject to continued service only whereas vesting for Company Builders is subject to performance hurdles and continued service.

Due to the extraordinary situation presented by COVID-19 the LTI awards for the financial year ended 30 June 2020, did not vest in accordance with their terms. For Senior and Fellow Company Builders a new award of the same number of performance rights granted for the 2020 financial year tranche, which will be made and these performance rights will be divided equally and will be tested with the tranches due to vest for the financial year 2022 to 2023. For Professional Operators, a new grant of the same number of performance rights for the 2020 financial year tranche, which will be made and these Performance Rights will be divided equally and and are due to vest in in the 2021 and 2022 financial years.

For the year ended 30 June 2021, the tranche was tested against performance hurdles set by the Board (for Company Builders only) and continued employment (for both Company Builders and Professional Operators). The performance hurdles were Revenue, EBITDA Margin, Subscription Adoption for PCB users and Altium 365 Adoption. Outcomes for plan participants were measured based on 1-3 performance hurdles, with the number of hurdles dependent on the seniority of the participant. During the year ended 30 June 2021, achievement of our LTI plan performance hurdles ranged from 40.5% to 64.8%.

2021

GRANT DATE	EXPIRY DATE	ESTIMATED FAIR VALUE	BALANCE AT THE START OF THE YEAR	AWARDED	VESTED	FORFEITED	REALLOCATED	BALANCE AT THE END OF THE YEAR
Shares with performance hurdles								
10/08/2017	31/08/2020	US$8.55	40,681	-	(40,681)	-	-	-
08/11/2017	31/08/2020	US$12.55	16,517	-	(16,517)	-	-	-
15/12/2018	31/08/2020	US$15.74	140,000	-	(140,000)	-	-	-
15/12/2018	31/08/2021	US$27.56	211,369	-	-	(79,248)	(94,650)	37,471
15/12/2018	31/08/2022	US$27.56	123,775	-	-	(12,553)	(48,140)	63,082
15/12/2018	31/08/2023	US$27.56	185,657	-	-	(18,831)	(72,208)	94,618
15/02/2019	31/08/2021	US$27.56	2,232	-	-	(725)	(1,014)	493
15/02/2019	31/08/2022	US$27.56	1,218	-	-	-	-	1,218
15/02/2019	31/08/2023	US$27.56	1,826	-	-	-	-	1,826
31/08/2019	31/08/2021	US$27.56	2,130	-	-	(851)	-	1,279
31/08/2019	31/08/2022	US$27.56	2,130	-	-	-	-	2,130
31/08/2019	31/08/2023	US$27.56	3,195	-	-	-	-	3,195
Shares with no performance hurdles								
01/03/2021	31/08/2021	US$20.40	-	54,711	-	-	95,664	150,375
01/03/2021	31/08/2022	US$20.40	-	28,921	-	-	48,140	77,061
01/03/2021	31/08/2023	US$20.40	-	-	-	-	72,208	72,208
			730,730	83,632	(197,198)	(112,208)	-	504,956

2020

GRANT DATE	EXPIRY DATE	ESTIMATED FAIR VALUE	BALANCE AT THE START OF THE YEAR	AWARDED	VESTED	FORFEITED	(AS ADJUSTED) BALANCE AT THE END OF THE YEAR
05/05/2017	01/09/2019	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
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	31/08/2019	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	-	-	(147,938)	140,000
15/12/2018	31/08/2021	US$15.74	220,527	-	-	(9,158)	211,369
15/12/2018	31/08/2022	US$15.74	130,380	-	-	(6,605)	123,775
15/12/2018	31/08/2023	US$15.74	195,566	-	-	(9,909)	185,657
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	-	-	(3,247)	2,232
15/02/2019	31/08/2022	US$19.18	3,959	-	-	(2,741)	1,218
15/02/2019	31/08/2023	US$19.18	5,937	-	-	(4,111)	1,826
31/08/2019	31/08/2019	US$24.89	-	1,598	(1,598)	-	-
31/08/2019	31/08/2020	US$24.89	-	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	-	-	2,130
31/08/2019	31/08/2023	US$24.89	-	3,195	-	-	3,195
			1,226,544	10,651	(315,996)	(190,469)	730,730

LTI amounts have been restated for the year ended 30 June 2020 to reflect that the FY2020 did not vest in accordance with their terms.

Cash long term incentive plan

If the performance conditions are satisfied in the first year, the fixed cash value will vest in three equal tranches over three years following the end of the financial year with no retesting of performance metrics. Aram Mirkazemi and Sergiy Kostynsky are the only members of this plan.

The award granted for the year ended 30 June 2020, was forfeited due to performance hurdles not being met. There is no further amount owing related to this grant.

The award granted for the year ended 30 June 2021, was achieved at 43.2%. The amounts have been included in trade and other payables as at 30 June 2021.

Altium Employee Share and Option 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. Aram Mirkazemi and Sergiy Kostynsky are the only members of this plan and receive cash-settled awards given their material shareholding in Altium.

The award granted for the year ended 30 June 2020, was forfeited due to performance hurdles not being met. There is no further amount owing related to this grant.

The award granted for the year ended 30 June 2021, was achieved at a range from 40.5% to 64.8%. The amounts have been included in trade and other payables as at 30 June 2021.

Share Based Payment Expense

	PARENT	
	2021 US$'000	2020 US$'000
Equity compensation reserves	2,573	4,377
Cash settled	421	-
Shares issued under the share and performance rights plan	2,994	4,377

The Altium Employee Share and Option Plan Trust is used to hold shares for share and performance rights plans. As at 30 June 2021 the trust held - ordinary shares (2020: 51,356).

Accounting policy for share-based payments

Under the employee share scheme, shares are issued under the Altium Employee Share and Option Plan Trust to employees for no cash consideration. Shares may be held by our trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements.

Altium estimates the fair value of the shares awarded to employees when the service period commences and again at each reporting period until the shares are granted. The grant date is established when all conditions relating to the award are provided to the employees. The fair value of the shares at grant date is determined using the actual market price of the company's shares at the grant date. The expense is recognised as an expense over the relevant service period.

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.

Critical accounting judgements, estimates and assumptions

The share-based payment expense is based on expected targets and related forecasts. At present, Altium does not anticipate that the performance conditions applicable to the existing plan for the financial years ending 2022 and 2023 will be achieved.

NOTE 32

Contingent liabilities

In the ordinary course of business, Altium becomes involved in litigation. Provisions are made for known obligations where the existence of the liability is probable and can be reasonably quantified. Receivables are recognised where recoveries are virtually certain. As the outcomes of these matters remain uncertain, contingent liabilities exist for any potential amounts payable. Subsidiaries have contingent unsecured liabilities in respect of guarantees given relating to leases and other obligations totalling US$435,988 (2020: US$362,178).

Joseph Bedewi, the former CFO, has filed a legal claim in the county of San Diego against Altium LLC in relation to his final tranche of 40,000 shares granted pursuant to his employment agreement which vested over five years and was subject to time conditions. In December 2018, it is the Group's position that the remaining unvested shares including that final tranche, became subject to the 2019 LTI plan, which vests in August each year. As a consequence of his resignation in April 2021, the vesting condition was not met for the last tranche of these shares, resulting in the forfeiture of this tranche. Altium has determined it is not probable that the Group has a present obligation and as such no provision has been recognised in the statement of financial position.

During the 2019 financial year, the Australian Tax Office (ATO) performed a risk review as part of their program of work for the Top 1000 taxpayers in the large business and international segment, subsequently commencing an audit in respect of the years ended 30 June 2014 to 30 June 2018.

The focus of the audit is a company restructure implemented by Altium in 2015 which resulted in the relocation of Altium's core business assets to a wholly owned group entity in the USA, including intellectual property valued at US$402.9 million. The ATO is examining the application of the transfer pricing and general anti-avoidance provisions of Australian tax law arising from this restructure.

In May 2021, the ATO provided its preliminary position in respect of the transfer pricing and anti-avoidance provisions and that it believes that Altium has understated the Australian tax impacts of the restructure. The potential tax liability (excluding interest and penalties) that the ATO asserts in respect of the audit years is a range from US$15.9 million to US$118.5m. Altium has engaged external legal advisers in relation to this matter and is in the process of preparing its response to the ATO. Altium disagrees with the ATO's preliminary position and intends to vigorously defend its position and if necessary contest the matter through litigation proceedings which Altium understands may take time to be determined.

Based on information available to the Directors, and noting that discussions with the ATO are in their preliminary stages, Altium does not consider it probable that the company will be required to pay additional tax in relation to this matter. As such no provision was recognised as at 30 June 2021. A contingent liability exists relating to any ultimate future outcome that is inconsistent with Altium's position.

NOTE 33

Events after the reporting period

No matter or circumstance has arisen since 30 June 2021 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.

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 2021 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 Board of Directors

Aram Mirkazemi
Director and Chief Executive Officer

Sam Weiss
Non-executive Chairman

3 September 2021
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 2021 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 2021
- 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 significant accounting policies and other explanatory information
- 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 & 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.

PricewaterhouseCoopers, ABN 52 780 433 757

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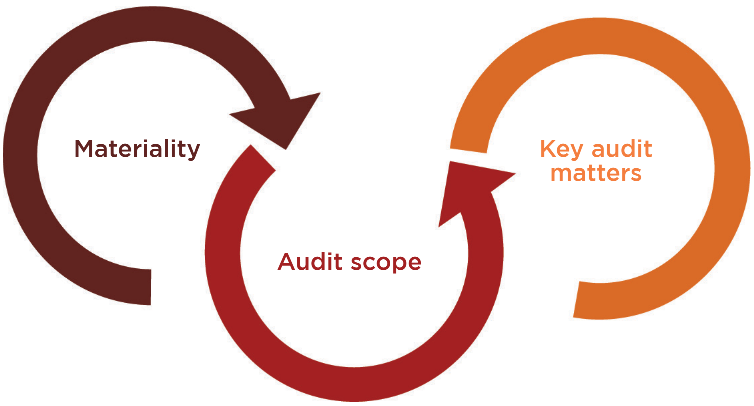
Our audit approach

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

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



Materiality

- For the purpose of our audit we used overall Group materiality of $2.27 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:
  - Contingent liability relating to the potential tax liability on the transfer of assets to the USA
  - Carrying value of Goodwill
  - Calculation of deferred tax asset
  - 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
Contingent liability relating to the potential tax liability on the transfer of assets to the USA (Refer to note 32) The ATO considers the tax liability (excluding interest and penalties) in respect of the audit years ended 30 June 2014 to 30 June 2018 in its position papers to be in the range from US$15.9 million to US$118.5m relating to the transfer of assets to the USA. No provision was recognised as at 30 June 2021 and a contingent liability exists relating to any ultimate future outcome that is inconsistent with Altium's position. Given the significance of the contingent liability to the financial statements and the complexity and associated judgements required by the Group in assessing whether the matter will result in a possible or probable obligation and the adequacy of the related disclosures in the financial report, the contingent liability in respect of the transfer of assets to the US was considered a key audit matter.	To assess the Group's position on recognition and measurement of uncertain tax positions, together with PwC tax experts, we performed the following procedures, amongst others: • Read the Group's evaluation of its position and selected correspondence with the ATO and advice provided by the Group's tax and legal advisors. • Agreed the range disclosed in respect of the years subject to the ATO audit to the ATO position papers (excluding penalties and interest). • Considered the competency, qualifications, experience and objectivity of the Group's tax and legal advisors. • Together with our tax and legal experts, considered the conclusions reached by the Group's external advisors. This included interviewing the advisors and comparing their conclusions to supporting evidence. • Evaluated whether the position gives rise to a liability or contingent liability by considering whether the potential for loss was considered 'probable' or 'possible'. • Evaluated the adequacy of the disclosures made in note 32 in light of the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Carrying value of Goodwill (Refer to note 14) $29.5m The Group has goodwill of $29.5m as at 30 June 2021. 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 2021 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 over the relevant period to the approved budget. • Assessed the Group's ability to forecast future cash flows for the business by comparing historical forecasts with reported actual results for the past three years. • Assessed whether key assumptions such as the revenue and EBITDA growth rates used in the models were consistent with either historical rates achieved, or relevant external information. • Assessed whether the discount rate appropriately reflects the risks of the CGUs and the segments in which the Group operates by considering changes in the business since prior year and relevant external information. • Considered the Group's sensitivity analysis on the key assumptions used in the models to assess under which assumptions an impairment would occur and whether this was reasonably possible. • Tested the mathematical accuracy, on a sample basis of the models' calculations. • Evaluated the adequacy of the disclosures made in note 14, 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 asset (Refer to note 15) $49.5m The Group has recognised a deferred tax asset of $49.5m as at 30 June 2021. This includes a temporary difference of $45.5m that relates to the amortisation of intellectual property which arose as a result of the relocation of the Group's core business to the USA during 2015. The deferred tax assets and liabilities relating to the US operations were re-measured to reflect the forecast profits at a blended tax rate which factors in the proportion of foreign and domestic income 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 approved budget and if they were appropriately adjusted for differences between accounting and taxable profits. • Compared prior forecasted profits to actual results to assess the Group's ability to forecast future profits. • Performed a sensitivity analysis using a range of alternative growth rate assumptions to those used in the forecast of future profits. • With the assistance of PwC Tax specialists, assessed the Group's ability to claim the deductions for the amortisation 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 15, in light of the requirements of Australian Accounting Standards.
Revenue recognition (Refer to note 3 and note 6) $191.1m The Group recognised revenue of $191.1m ($180.2m from continuing operations and $10.9m from discontinued operations) for the year ended 30 June 2021. As disclosed in note 3, the Group is required to allocate revenue for multiple element contracts based on standalone 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 standalone 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 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 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

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 25 to 40 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Altium Limited for the year ended 30 June 2021 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

Louise King

Partner

Sydney

3 September 2021

Information for shareholders as at 31 July 2021

The shareholder information set out below was current as at 31 July 2021

a. Number of shareholders

As at 31 July 2021, there were 31,572 Altium Limited shareholders, holding 131,228,194 fully paid ordinary shares listed on the Australian Securities Exchange (ASX) under the ticker ALU.

b. Distribution of equity securities

		ORDINARY FULLY PAID SHARES AS AT 31 JULY 2021		
RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL	NUMBER OF OPTION HOLDERS
1 – 1,000	26,247	7,025,353	5.35	-
1,001 – 5,000	4,532	9,699,879	7.39	-
5,001 – 10,000	508	3,673,385	2.80	-
10,001 – 100,000	238	5,894,730	4.49	-
100,001 – and over	47	104,934,847	79.97	-
Total	31,572	131,228,194	100.00	-

Less than marketable parcel

There were 417 holders of a less than marketable parcel of ordinary shares (minimum $500 parcel at $33.90 per unit, minimum parcel size 15 units).

c. 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.

d. Equity security holders as at 31 July 2021

Twenty largest quoted equity security holders

RANK	NAME	UNITS ORDINARY SHARES	% OF SHARE CAPITAL
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	39,581,506	30.16
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	20,699,635	15.77
3	CITICORP NOMINEES PTY LIMITED	10,488,047	7.99
4	MR ARAM MIRKAZEMI + MRS LAILANI MIRKAZEMI <FAMILY A/C>	6,713,000	5.12
5	NATIONAL NOMINEES LIMITED	4,939,845	3.76
6	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,771,847	2.11
7	BNP PARIBAS NOMS PTY LTD <DRP>	2,424,536	1.85
8	MIRKAZEMI HOLDINGS PTY LTD <MIRKAZEMI SUPER FUND A/C>	2,050,000	1.56
9	SERGEY & SLAVA PTY LTD <KOSTYNSKY FAMILY A/C>	1,978,125	1.51
10	MUTUAL APPRECIATION SOCIETY PTY LTD <GARB-WEISS SUPER FUND A/C>	1,902,207	1.45
11	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,867,678	1.42
12	MR SHAHRAM MIRKAZEMI	590,000	0.45
13	MRS NANCI CATHERINE MOORE	540,000	0.41
14	INVIA CUSTODIAN PTY LIMITED <MARC CLAUDE DEPRET A/C>	539,252	0.41
15	SHAHRAM BESHARATI + KIM BESHARATI <BESHARATI FAMILY A/C>	535,091	0.41
16	ARAM MIRKAZEMI	525,543	0.40
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	509,234	0.39
18	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	476,689	0.36
19	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	465,500	0.35
20	WOODROSS NOMINEES PTY LTD	451,508	0.34
Total		100,049,243	76.24

e. Substantial shareholders as at 31 July 2021

The substantial holders in the company are set out below:

RANK	NAME	NUMBER OF SHARES	% OF SHARE CAPITAL
1	BlackRock Group	11,942,462	9.10%
2	Mirkazemi Holdings Pty Ltd	9,663,000	7.36%
3	Pinnacle Investment Management Group Limited	9,634,240	7.34%
4	Mitsubishi UFJ Financial Group Inc / First Sentier Investors Holdings Pty Limited*	8,623,548	6.57%
Total		39,863,250	30.37%

* Note, Mitsubishi UFJ Financial Group, Inc. is the ultimate parent of First Sentier Investors Holdings Pty Limited who have also lodged separate substantial shareholder notification. These securities are comprised of 8,167,938 shares in which First Sentier Investors Holdings Pty Limited and its subsidiaries have voting power and 455,610 securities in which First Sentier Investors Holdings Pty Limited's ultimate parent Mitsubishi UFJ Financial Group, Inc. on and from 26 July 2021, has informed it that it has voting power prior to the date of notification.

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 voluntary 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. Annual General Meeting

Date:	Thursday, 18 November 2021
Format:	Virtual

I. Altium major announcements to the ASX*

DATE	ANNOUNCEMENT
14-Jul-20	Unaudited Sales and Revenue for the Full Year Ending 30 June
17-Aug-20	Appendix 4G
17-Aug-20	2020 Corporate Governance Statement
17-Aug-20	FY20 Full Year Investor Presentation
17-Aug-20	Full Year Results Announced to 30 June 2020
17-Aug-20	Dividend/Distribution - ALU
17-Aug-20	Preliminary Appendix 4E & Final Audited 2020 Annual Report
18-Aug-20	Appendix 3Y Change in Directors Interest - Raelene Murphy
25-Aug-20	Proposed issue of Securities - ALU
04-Sep-20	Appendix 3Y Change of Directors Interest - Sergiy Kostynsky
04-Sep-20	Appendix 3Y Change of Directors Interest - Aram Mirkazemi
18-Sep-20	Altium Financial Calendar Update
05-Oct-20	Altium Pivots Org to Cloud - Expands Leadership Capacity
16-Oct-20	2020 AGM VISITOR INFORMATION
16-Oct-20	2020 AGM ONLINE MEETING GUIDE
16-Oct-20	2020 AGM Question Form
16-Oct-20	Notice of Annual General Meeting/Proxy Form
19-Nov-20	Results of Meeting - 2020 AGM
19-Nov-20	2020 AGM - Pre submitted Shareholder Questions & Answers
19-Nov-20	2020 AGM Presentation
19-Nov-20	2020 AGM CEO's Address to Shareholders
19-Nov-20	2020 AGM Chairman's Address to Shareholders
14-Dec-20	Altium Divests TASKING for Future Investment in Altium 365
12-Jan-21	Altium Unaudited Sales and Revenue for the Half Year
29-Jan-21	Appendix 2A
15-Feb-21	Dividend/Distribution - ALU
15-Feb-21	Investor Presentation Half Year FY21
15-Feb-21	Altium Pivot to the Cloud with Growing Momentum for Stronger
15-Feb-21	Appendix 4D & Half Year Accounts
07-Jun-21	Autodesk, Inc. Acquisition Proposal (Rejected)
11-Jun-21	Appointment of Group General Counsel & Joint Co. Secretary
15-Jun-21	Altium Investor Call - Vision for Industry Transformation
18-Jun-21	Investor Presentation-A Winning Strategy for Value Creation
18-Jun-21	Altium Investor Presentation and Trading Update
12-Jul-21	Change of Director's Interest Notice - Lynn Mickleburgh
15-Jul-21	FY21 Financial Results release date and Investor Call detail
19-Jul-21	Altium Responds to Media Speculation

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

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 & Natasha Davidson
Stock Exchange Listing:	Altium Limited is listed on the Australian Securities Exchange (ASX) under the ticker of ALU

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

ALTIUM LIMITED
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