

Altium Limited
Appendix 4E
Preliminary final report

1. Company details

| | |
|-------------------|---------------------------------|
| Name of entity: | Altium Limited |
| ACN: | 009 568 772 |
| Reporting period: | For the year ended 30 June 2016 |
| Previous period: | For the year ended 30 June 2015 |

2. Results for announcement to the market

| | | | US\$'000 |
|--|-----------|---------------|-----------------|
| Operating Revenues | up | 17% to | 93,597 |
| Interest income | down | 68% to | 102 |
| Revenues from ordinary activities | up | 16% to | 93,699 |
| Earnings Before Interest and Tax (EBIT) | up | 15% to | 24,688 |
| Profit before tax | up | 14% to | 24,610 |
| Profit from ordinary activities after tax attributable to the owners of Altium Limited | down | 75% to | 23,020 |
| Profit for the year attributable to the owners of Altium Limited | down | 75% to | 23,020 |

Comments

The profit for the consolidated entity after providing for income tax amounted to US\$23,020,000 (30 June 2015: US\$92,398,000). The profit after tax in the prior year includes the recognition of a deferred tax asset of US\$77,000,000 relating to the transfer of core business assets to the United States of America.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|-------------------------------|------------------------------|
| Net tangible assets per ordinary security | <u>74.71</u> | <u>94.07</u> |

4. Control gained over entities

| | | | |
|---|-------------|------------------|-------------------------|
| Name of entities (or group of entities) | Ciiva GmbH | Octopart Inc | Perception Software Inc |
| Date control gained | 3 July 2015 | 2 September 2015 | 24 March 2016 |

| | US\$'000 |
|--|-----------------|
| Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material) | 1,433 |
| Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material) | - |

5. Dividends

Current period

| | Amount per security Cents | Franked amount per security Cents |
|---|--|--|
| Final dividend for year ended 30 June 2015 paid on 16 October 2015. There was no conduit foreign income component. (AU\$) | 8.000 | - |
| Interim dividend for half year ended 31 December 2015 paid on 6 April 2016. There was no conduit foreign income component. (AU\$) | 10.000 | - |

The Directors have declared a final dividend of AU 10 cents per share (99% franked) for the year ended 30 June 2016. The dividend will be paid on 17 October 2016 based on a record date of 23 September 2016. This amounts to a total dividend of US\$9.9 million based on the total number of shares outstanding.

Previous period

| | Amount per security Cents | Franked amount per security Cents |
|--|--|--|
| Final dividend for year ended 30 June 2014 paid on 23 October 2014. There was no conduit foreign income component. (AU\$) | 8.000 | - |
| Interim dividend for half year ended 31 December 2014 paid on 13 April 2015. There was no conduit foreign income component. (AU\$) | 8.000 | - |

6. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

7. Attachments

Details of attachments (if any):

The Annual Report of Altium Limited for the year ended 30 June 2016 is attached.

8. Signed

Signed _____



Date: 23 August 2016

Aram Mirkazemi
Director and Chief Executive Officer
Sydney

Altium Limited

ACN 009 568 772

Annual Report - 30 June 2016

Altium Limited
Corporate directory
30 June 2016

| | |
|----------------------------------|--|
| Directors | Samuel Weiss - Non-executive Chairman Aram Mirkazemi - Chief Executive Officer Carl Rooke - Non-executive Director Dr David Warren - Non-executive Director |
| Company secretary | Alison Raffin (BBus, ACSA) |
| Notice of annual general meeting | The details of the annual general meeting of Altium Limited are: TBA Time: TBA Date: 18 November 2016 |
| Registered office | Suite 6.03, 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 Darling Park Tower 2, 201 Sussex Street Sydney NSW 2000 +61 2 8266 0000 |
| Stock exchange listing | Altium Limited shares are listed on the Australian Securities Exchange (ASX code: ALU) |
| Website | www.altium.com |

Altium Limited
Directors' report
30 June 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') 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 2016.

Directors

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

Samuel Weiss (Chairman)
Carl Rooke
Dr David Warren
Aram Mirkazemi

Principal activities

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

Dividends

Dividends paid during the financial year were as follows:

| | Consolidated | |
|---|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Final dividend for the year ended 30 June 2015 of AU 8 cents (2014: AU 8 cents) | 7,644 | 7,941 |
| Interim dividend for the half year ended 31 December 2015 of AU 10 cents (2014: AU 8 cents) | 9,987 | 7,945 |
| | <u>17,631</u> | <u>15,886</u> |

The Directors have declared a final dividend of AU 10 cents per share (99% franked) for the year ended 30 June 2016. The dividend will be paid on 17 October 2016 based on a record date of 23 September 2016. This amounts to a total dividend of US\$9.9 million based on the total number of shares outstanding.

Review of operations

Overview

Altium achieved a record result for fiscal 2016. Worldwide revenue grew by 17% to US\$93.6 million and sales increased by 22% to US\$100.4 million. This top-line growth combined with Altium's cost control resulted in profit before tax (PBT) of US\$24.6 million (up 14%) and earnings before interest, tax, depreciation and amortisation (EBITDA) of US\$27.4 million (up 21%). Altium increased its EBITDA margin to 29.3% in fiscal 2016 from 28.3% in fiscal 2015.

Altium maintained a strong balance sheet with cash of US\$38 million, after paying dividends of US\$17.6million (2015: US\$15.8 million) and completing three acquisitions with combined cash consideration of US\$17.0 million.

The acquisitions completed during 2016 were, Octopart Inc, a leading provider of electronics parts data and specialised online inventory search, Ciiva GmbH a provider of cloud-based electronic component management systems and Perception Software Inc, a leading integration solutions provider for electronic CAD and enterprise Product Lifecycle Management (PLM) systems. All three acquisitions will contribute to the pursuit of a leadership position in the emerging world of Systems Design.

Key Financial Results

- Revenue increased by 17% to US\$93.6m, including a 15% increase in Altium Designer license revenue.
- Operating expenses, excluding depreciation, amortisation and interest increased by 15% over the prior year, resulting in 20% increase in EBITDA. Operating costs of acquired entities and the related acquisition costs contributed 9% of the increase in operating expenses, compared to prior year.
- Profit after income tax decreased by 75% to US\$23.0m compared to the prior period. The decrease includes the impact of the tax effect of the utilisation of the deferred tax asset that was recognised on relocation of Altium's core

Altium Limited
Directors' report
30 June 2016

business assets to the USA during the previous financial year. Normalised profit after tax increased 49% from US\$15.4m.

- The onerous lease for office premises in Sydney was terminated during the year. The surrender payment had an adverse impact of US\$1.5m on the operating cash flow, however, there was minimal impact on the operating expenses as the lease expenses had previously been provided.

Key Financial Results

| | 30 Jun 2016 US\$'000 | 30 Jun 2015 US\$'000 | Change % |
|--|-------------------------------------|---------------------------------|---------------------|
| Revenue (excluding interest) | 93,597 | 80,216 | 17% |
| Operating expenses (excluding depreciation, amortisation and interest) | (66,167) | (57,519) | 15% |
| - Existing business expenses* | (61,046) | (57,519) | 6% |
| - Expenses of acquired businesses and acquisition costs | (5,121) | - | |
| EBITDA | 27,430 | 22,697 | 21% |
| EBITDA margin | 29.3% | 28.3% | |
| EBITDA margin existing business* | 31.1% | 28.3% | |
| Depreciation and amortisation | (2,742) | (1,301) | |
| EBIT | 24,688 | 21,396 | 15% |
| Net Interest | (78) | 191 | |
| Profit before income tax | 24,610 | 21,587 | 14% |
| Income tax expense | (1,590) | 70,811 | |
| Profit after income tax | 23,020 | 92,398 | (75%) |
| EPS | 17.89 | 74.84 | |
| Normalised EPS ** | 17.89 | 12.47 | 43% |

* The Key financial results from the existing business exclude the revenue, operating expenses and acquisition related costs of the businesses acquired in the year.

** Normalised EPS excludes deferred tax asset of (2015:US\$77 million) recognized on transfer of core business assets to the USA.

| | 30 Jun 2016 US\$'000 | 30 Jun 2015 US\$'000 | Change % |
|-----------------------------------|---------------------------------|---------------------------------|---------------------|
| Product Revenue | | | |
| Altium Designer software licenses | 35,980 | 31,278 | 15% |
| Altium Designer subscriptions | 36,000 | 35,740 | 1% |
| TASKING software licenses | 5,778 | 3,376 | 71% |
| TASKING maintenance | 3,441 | 3,230 | 7% |
| Service revenue | 4,319 | 4,680 | (7%) |
| Search advertising | 4,467 | - | 100% |
| Other | 3,612 | 1,910 | 89% |
| Total Product Revenue | 93,597 | 80,216 | 17% |

For more details on revenue, refer to Note 4 of the annual report.

Altium Limited
Directors' report
30 June 2016

| | 30 Jun 2016 US\$'000 | 30 Jun 2015 US\$'000 | Change % |
|-------------------------------|-------------------------------------|---------------------------------|---------------------|
| Product Sales | | | |
| Altium Designer licences | 37,039 | 32,198 | 15% |
| Altium Designer subscriptions | 38,881 | 36,628 | 6% |
| TASKING licenses | 6,737 | 3,356 | 102% |
| TASKING maintenance | 4,255 | 2,819 | 51% |
| Service sales | 4,615 | 4,973 | (7%) |
| Search advertising | 4,467 | - | 100% |
| Other | 4,366 | 2,096 | 108% |
| Total Sales | 100,360 | 82,050 | 22% |

Net Profit after tax

Net profit after tax decreased by 75% to US\$23.0m from US\$92.4m in the previous year. Normalised net profit after tax increased 49% from US\$15.4m.

The effective tax rate for the year was 6%. The current period tax rate of 6% reflects the tax effect of the utilisation of the deferred tax asset recognised as a result of temporary differences arising on relocation of Altium's core business assets to the USA during the previous financial year and the effect of permanent differences associated with the transaction. Altium will continue to utilise these tax benefits in future periods, which will reduce the effective tax rate of the Group.

Operational Highlights

During fiscal 2016, Altium delivered another year of double-digit growth; and expanded its profit margin to a market leading level in the EDA industry. For the first time, Altium achieved US\$100 million in sales and is well on track to achieve and to go beyond its previously stated goal of US\$100 million in revenue in 2017.

Altium's Boards and Systems revenue grew to US\$78.8m supported by a strong performance in the America's region with 14% growth in this segment and growth in EMEA of 15% (in local currency). The number of Altium Designer licenses sold increased by 20% to 5,180 seats demonstrating the strength of Altium's transactional sales model. Altium's Microcontrollers and Embedded Systems revenue grew by 29% worldwide to US\$9.9 million. The Makers and Content segment containing the newly acquired Octopart business achieved US\$4.5 million in revenue during fiscal 2016.

Altium's acquisitions of Octopart Inc and Ciiva GmbH in fiscal 2016 are performing well and are fully integrated. Octopart continues to grow and contributed positively to Altium's margin in fiscal 2016. But most importantly, Octopart has accelerated and enhanced the execution of Altium's content strategy. Ciiva is delivering value to Altium customers through tighter integration into our Altium Designer and Vault platform, creating a further point of differentiation between Altium and its competitors.

During the second half of fiscal 2016, Altium completed the acquisition of Perception Software Inc for a purchase price of US\$7.9 million. Perception Software is a leading integration solutions provider for electronic CAD and enterprise Product Lifecycle Management (PLM) systems. Perception will bring over a decade of enterprise integration expertise and technology to the Altium portfolio. The Perception Software team will form the basis of Altium's go-to-market plans for the ATINA product for the enterprise market. Key customers of Perception include Oracle, Cisco, and Google.

During fiscal 2016, Altium announced a technology partnership with the SOLIDWORKS division of Dassault Systemes for the delivery of a new electronic CAD product that is tightly integrated with the SolidWorks mechanical CAD product and which will deliver a unique platform for the design of intelligent products. This new product was released on 1 July 2016. This partnership expands Altium's influence and market reach beyond its historic PCB market. Altium is working with Dassault Systemes to further leverage Altium's electronic CAD (ECAD) expertise with Dassault's enterprise capability. Altium's increased focus in the area of systems design, combined with its pursuit of partnership, will expand Altium's total addressable market over time.

During the past twelve months, Altium's R&D division has continued to prosecute Altium's multi-product, multi-segment strategy. Altium provided an upgrade to its flagship product Altium Designer, maintaining its rhythm of providing annual updates for its customers. Additionally, Altium released PDN Analyzer, its first step on the path to simulation analysis, through an OEM partnership with German company Computer Simulation Technology (CST).

Altium Limited
Directors' report
30 June 2016

Altium's strong fiscal 2016 financial performance positions Altium well to achieve PCB market leadership by 2020. Altium's financial performance over the last twelve months allows Altium to confidently pursue its new goal of US\$150 million in PCB revenue and US\$200 million in total revenue by 2020 to claim market leadership in PCB design.

Strategy

The pursuit of PCB market leadership remains the singular point of focus for Altium. The company is actively rolling out new products, pursuing strategic partnerships and prosecuting an M&A strategy to increase Altium's market reach.

Altium is committed to delivering consistent financial performance based on the successful execution of its "line and length" strategy and the achievement of double-digit sales and revenue growth while expanding margin.

To underpin the company's drive to expand margin, Altium will improve its transactional sales model through greater systematization and will extend this sales model to go direct in key European markets.

Outlook

Altium's strong operating leverage is underpinned by its value discipline culture, unique transactional selling model and its high-release R&D culture. These factors will support Altium's drive to achieve an EBITDA margin above 30% in fiscal 2017.

Altium's business is being positively impacted by the rise of smart connected devices and the emerging market for the Internet of Things.

Altium is committed to achieving market leadership in PCB design software by 2020 (in both dollars and seats) and achieving US\$150 million in PCB revenue and US\$200 million in total revenue. Specific drivers of growth will include:

- Creation of a range of PCB tools that provide more targeted solutions for Altium Designer customers.
- "Closing the Capability Gaps" with our competitors' high-end design tools with a PCB design tool that enhances collaboration and has high performance features for large Enterprise customers.
- Working with Global key accounts on the co-ordinated provision of embedded software solutions from our TASKING division and PCB design tool solutions. TASKING development tools provide compiler solutions for software developers, especially for the automotive industry to program micro-controller based powertrains and for driver assistance and safety related applications worldwide.
- Pursuit of partnerships and acquisitions.
- Rigorous adherence to a high performance culture throughout the Company.

Risk

Factors that may impact sales growth include foreign currency fluctuations, delays in product development, commercial viability of new products, delays in the establishment of a high performance sales organisations and the global economy.

The major currency risk is the EUR/USD due to the large proportion of sales made in Europe. A depreciation of the EUR against the USD would have a negative impact on group sales and revenue.

The timing of new product releases is a key factor in new license and subscription growth. New technology in releases carries inherent risks of delay and quality. Forward planning of the technology requirements for each release and disciplined project management and quality assurance processes mitigate these risks.

As the company diversifies the product base the risk of the commercial viability of new products increases. This risk will be mitigated through in depth market research, as well as continued investment in R&D and a nimble approach to product development to keep pace with market demands.

Sales of PCB and TASKING software solutions require lengthy lead times and sophisticated engagement with customers. Failure to recruit, hire and train the Altium direct sales force, an enterprise sales team and re-seller partners in a timely and effective manner could reduce revenue growth. This risk is mitigated through the due diligence process prior to appointing a new sales representative or reseller and comprehensive training, once appointed.

New financial risks can arise from expanding the geographic reach of the company, broadening the customer base through acquired product lines or new services, and inheriting new or unique contract terms through merger and acquisition activity. Additionally, acquired financial instruments can change the interest rate risk profile of the consolidated group or can

Altium Limited
Directors' report
30 June 2016

introduce credit risk, liquidity risk, and other additional risks that did not previously exist prior to acquisition. This risk is mitigated through the due diligence process undertaken when considering and executing acquisitions as well as regular review and revision of the risk management strategy of the group to accommodate the changing risk profile of the combined entity.

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the first half of the financial year were as follows:

Acquisitions

On 3 July 2015 the Company acquired Ciiva GmbH, an electronic component management solutions company.

On 2 September 2015 the Company acquired Octopart Inc, a leading provider of electronic parts data and specialised online inventory search. The acquisition represents a significant step in the evolution of Altium's content strategy.

On 24 March 2016 the company acquired Perception Software Inc, a designer and developer of software that integrates engineer design tools and project management applications.

Please refer to note 33 for business combinations disclosure.

Segmental reporting

The company has changed the reporting of its financial results from a geographic based model to a product and function focus. This reflects the company's strategy and ambition to expand its reach into the upper and lower ends of the PCB market and the diversification of the company's product offerings in line with its multi-product, multi-channel strategy.

Beginning in this financial year the company will report its financial results based on three reportable operating segments:

- Board and Systems Division;
- Micro-controllers and Embedded Systems; and
- Makers and Content.

The Board and Systems segment includes results from PCB business for the Americas, EMEA, Asia Pacific and Emerging Markets regions as well as other products sold through partner channels. The Emerging Markets region includes results from PCB business for the China, Russia and India regions.

The Micro-controller and Embedded Systems segment includes results from TASKING sales, operations and research and development.

The Makers and Content segment includes the results from Octopart.

The operating segments are aligned with the reports used by the Board and Executive Team to make strategic decisions and review operational performance. This represents a change from previous periods where the Board and Executive Team considered the business from a geographical perspective. Comparative information has been restated to reflect the updated reportable segments.

The Board and Executive Team continue to review the financial position of the business from a geographical perspective and the assets and liabilities of the group are presented by geographical region for both the year ended 30 June 2016 and the comparative period.

Please refer to note 3 for operating segments disclosure and comparatives.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

At the date of this report there are no likely developments in the operations of the consolidated entity that would materially impact the results of the group. The key opportunities that may benefit the consolidated entity are set out in the "Outlook" section above, and the associated risks are set out under the heading 'risks' above.

Altium Limited
Directors' report
30 June 2016

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name: Samuel Weiss
Title: Non-executive Chairman
Qualifications: AB MS FAICD
Experience: Sam joined the Altium Board as a Non-executive Director on 1 January 2007 and was elected Chairman of the Board on 4 October of that year. Sam is also Chairman of 3PLearning Ltd and SurfStitch Group Limited, and a Non-executive director of Ensogo Ltd. He is former Chairman of the Sydney Festival, the Benevolent Society and Open Universities Australia Pty Ltd, and brings valuable experience in international markets from his previous roles as Vice President, Asia-Pacific, Gateway Computers and Chief Operating Officer for Nike Europe.

Expertise: Sam brings to Altium a deep understanding of international markets, especially in Asia, the United States and Europe and expertise in organisation design, strategy and remuneration. He has a strong background in corporate governance and board leadership.

Other current directorships: Ensogo Ltd, 3PLearning Ltd and SurfStitch Group Limited (appointed 1 July 2016)
Former directorships (last 3 years): Oroton Group Ltd, Breville Group Ltd and iProperty Ltd
Special responsibilities: Member of the Audit and Risk Management Committee and the Human Resources Committee

Interests in shares: 1,880,207 (2015: 1,850,207) ordinary shares - Sam also holds a nominee interest in 1,241,007 (2015: 2,578,500) ordinary shares as a trustee of the Employee Share and Option Plan Trust

Interests in options: None

Name: Carl Rooke
Title: Non-executive Director
Qualifications: FCA FAICD
Experience: Carl joined the Board in 1990 as a Non-executive Director and was appointed Chairman in 1999 and served as Chairman until October 2007. Carl is a Chairman of a Property Trust, fellow of the Institute of Chartered Accountants and the Institute of Company Directors. Carl sits on the board of several private companies and brings to the group a history of successful business practice with many years of proven experience in management, accounting and finance.

Expertise: Carl has an in depth understanding of audit, accounting, tax and corporate regulatory issues. He is well versed in financial planning and management and statutory reporting.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chairman of the Audit and Risk Management Committee and member of the Human Resources Committee

Interests in shares: 400,574 (2015: 500,574) ordinary shares - Carl also holds a nominee interest in 1,241,007 (2015: 2,578,500) ordinary shares as a trustee of the Employee Share and Option Plan Trust

Interests in options: None

**Altium Limited
Directors' report
30 June 2016**

Name: Dr David Warren
Title: Non-executive Director
Qualifications: BSc Tas Hon DSc Tas MAIP FAICD
Experience: David has been associated with Altium since its inception in 1985. After joining Altium's management team in 1987, David served as President of Altium's USA operation from 1994 to 1995. He has served as a member of the Board since 1991. Since 1995 he has worked in the areas of mergers and, acquisitions, sales and corporate development prior to becoming a Non-executive Board member in 2004. David has served on a number of company boards both private and public. His work in astronomy led him into the world of software and electronic design where he has since gained more than 35 years' experience.

Expertise: David has expertise in software and electronic design, mergers and acquisitions, sales, management and corporate development.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the Audit and Risk Management Committee and Chair of the Human Resources Committee
Interests in shares: 1,306,144 (2015: 2,071,300) ordinary shares
Interests in options: None

Name: Aram Mirkazemi
Title: Chief Executive Officer
Qualifications: BE
Experience: Aram joined Altium in 1991 serving as Director of Research and Development from 1992 until 1999 and as a member of Altium's Board from 1992 to 2000. Following Altium's successful IPO in 1999 Aram left to explore his interest in web based software systems and went on to found Morfik Technology. Aram returned to Altium in 2010 as part of the Morfik acquisition and was appointed as Head of Engineering and later as Director and Chief Technology Officer in October 2012 before his appointment as Chief Executive Officer on the 16th January 2014. Aram brings the group over 20 years' experience in senior management roles at the forefront of CAD software development and web-based technology, and has extensive experience in directing complex software engineering projects and products.

Expertise: Aram brings to the Altium group over 20 years' experience in senior management roles at the forefront of CAD software development and web-based technology, and Aram has extensive experience in directing complex software engineering projects and products. In his role as CEO and Executive Director, Aram is at the forefront of the development of Altium's strategic direction, leveraging his deep understanding of the EDA industry and his visionary approach.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 9,706,865 (2015: 9,663,000) ordinary shares
Interests in options: None

'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 secretary

The company secretary is Alison Raffin. Alison was appointed to the position of company secretary on 11 November 2011.

Altium Limited
Directors' report
30 June 2016

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 2016, and the number of meetings attended by each director were:

| | Full Board | | Human Resources Committee | | Audit and Risk Management Committee | |
|-----------------|------------|------|---------------------------|------|-------------------------------------|------|
| | Attended | Held | Attended | Held | Attended | Held |
| Samuel Weiss | 7 | 7 | 5 | 5 | 4 | 4 |
| Carl Rooke | 7 | 7 | 5 | 5 | 4 | 4 |
| Dr David Warren | 7 | 7 | 5 | 5 | 4 | 4 |
| Aram Mirkazemi | 7 | 7 | - | - | - | - |

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

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

For a number of years Altium Limited has sought to bring into harmony the interests of the Company, its Shareholders and its Customers. The motivation and remuneration of its Key Executives is an intrinsic part of this process. The Strategic Intent for Altium is to:

- Become the Market Leader in PCB Design Tools
- Develop a Leadership position in the emerging area of System Engineering
- Build the market for Content and Search in PCB parts

Our Remuneration philosophy is designed to enable our people at all levels of the Company to contribute to the successful implementation of the Strategic Intent and we include the following principles in our total rewards framework:

- Provide competitive rewards to attract, motivate and retain high calibre executives;
- Link executive rewards to the creation of shareholder value;
- Establish compensation that is consistent with a desire to make Altium an 'Employer of Choice'.

The Altium total reward program includes a mixture of fixed and performance based at risk remuneration (with common goals) to ensure that there is individual as well as collective accountability for the group's performance.

Share based rewards are used in our long-term incentive plans to encourage executives to focus on the creation of enduring value for investors and as a means to retain key contributors for the long term. Fixed pay conditions are designed to attract and retain top talent in a competitive environment, considering the capability and experience of individual executives.

Altium recognises that, while remuneration is a key factor in recruiting the right people, it is not the only factor. Altium's corporate reputation, its ethical culture and values and its ability to provide interesting and challenging career opportunities are also important.

Remuneration structure

In accordance with best practice corporate governance recommendations, the structure of Non-executive Director remuneration and senior executive remuneration is separate and distinct. The total remuneration package of all executives is designed to ensure an appropriate mix of fixed remuneration with long-term incentive opportunities.

Non-executive Director remuneration

Non-executive Director remuneration pay reflects the demands made of, and the responsibilities and skills of the Non-executive Directors. Non-executive Director fees are recommended by the Human Resources Committee and determined by the Board.

Remuneration of Non-executive Directors is determined by the Board within the maximum amount of cash salary approved by the shareholders from time to time. The Non-executive Directors' fee pool is AU\$1,500,000 per annum and was last approved in a general meeting on 17 November 2015.

Executive remuneration

The executive pay and reward framework has two key elements:

- Fixed annual remuneration and benefits, including statutory entitlements
- Variable compensation
 - Short-Term Incentive Plan (STI) cash-based plan and
 - Long-Term Incentive Plan (LTI) equity-based plans

The combination of these comprises the executive's total remuneration.

Fixed Annual Remuneration

Fixed Annual Remuneration is a combination of cash and prescribed non-financial benefits at the executive's discretion. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually by reference to appropriate external benchmark information, to ensure that the executive's pay is competitive with the market commensurate with the executive's individual performance and experience. Retirement benefits are paid in line with local legislation and practice.

The Board believes that well managed long-term incentives plans are important elements of employee remuneration and that the senior executives' participation in these plans aligns their objectives with Altium's short-term goals, long term vision and with the best interest of shareholders.

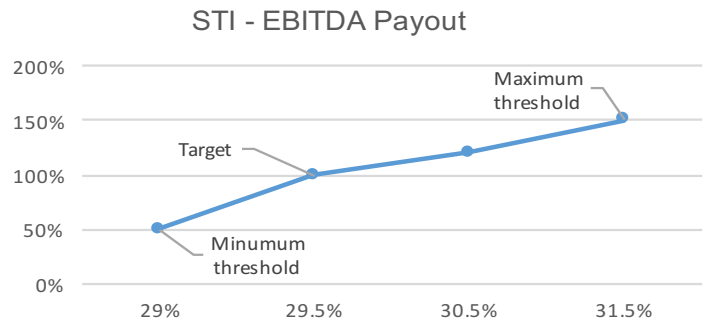
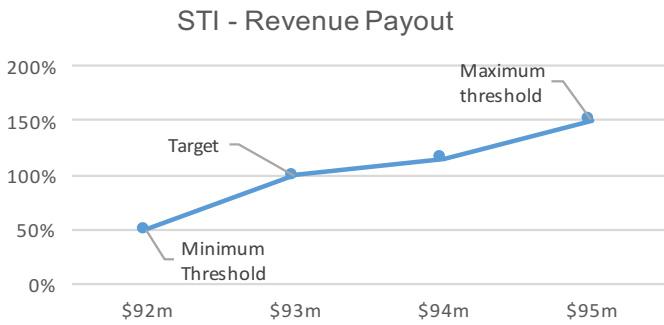
While Altium conducts annual remuneration reviews, there are no guaranteed remuneration increases contained in any executive contracts or agreements. Any increases are determined by individual performance, economic indicators and market data.

Short-term incentives

In August 2014 the board of directors approved the establishment of the Short Term Incentive Plan ("STI Plan"). The purpose of the STI plan is to reward the Executive Team for its contribution to the achievement of Altium's financial, strategic and organisational objectives.

The STI plan is designed to incentivise the Executive Team to deliver results in excess of budget.

For the 2016 Financial Year, performance will be assessed based on achievement of revenue growth and EBITDA margin targets. 50% of STI will be paid for the achievement of the revenue target while the remaining 50% will be for the achievement of the EBITDA margin target. The STI payment is capped at 150% of total. For any payment above 100% of the STI the achievement level of both STI metrics needs to be greater than 100%.



Long-term incentives

The company believes that the best way to motivate its Executive Team to create value for shareholders is to enable those individuals to become shareholders themselves so that they benefit from capital appreciation and dividend payments.

In August 2012, the board of directors approved the Key Employee Share Plan ("Share Plan"), which is part of the Altium Ltd Employee Share & Option Plan Trust, with the purpose of encouraging ownership of Altium Shares in key employees within the Altium Group. The Share Plan awards shares on a long term basis as an incentive to encourage employees to focus on creating sustainable value and a sense of ownership and accountability to the group.

The Share Plan grants are based on employees' contribution and commitment to the company over a period of several years plus the ability of the employees to impact and influence the outcome and direction of the organisation in the future.

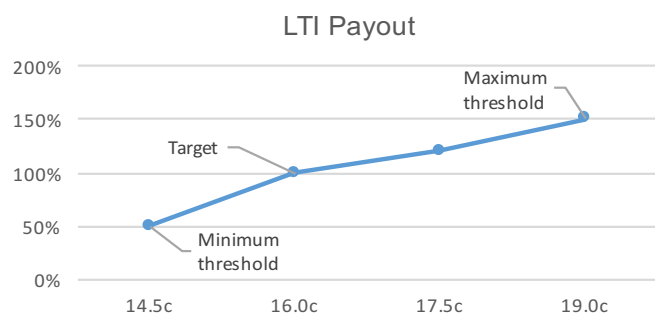
In August 2014 the board of directors approved the establishment of the Altium Performance Rights Plan. The Performance Rights Plan which replaced the 2012 Share Plan is designed to provide "ownership" incentives for Executives to build a company with the ability to appreciate in value and to increase its ability to deliver revenue and margin growth and higher earnings over time.

Participants are invited to join the Plan every year based upon the recommendation of the CEO, Human Resources Committee and at the discretion of the Board.

Each Performance Right is a contractual right which entitles the holder to be allocated one fully paid ordinary share in Altium at no cost upon the Performance Right becoming a Vested Performance Right in accordance with the Plan hurdles being met. Upon the performance conditions being satisfied the Performance Rights will vest in three approximately equal tranches following the end of the financial years.

The 2016 Plan will be assessed based on EPS. Participants can achieve a maximum of 150% of the LTI amount. For any payment above 100% of the LTI, the achievement of the EBITDA margin STI metric needs to be greater than 100%.

Altium Limited
Directors' report
30 June 2016



For the year ended 30 June 2016, the LTI will be paid out at 100%. Achievement above 100% of the LTI target is capped as the 100% EBITDA margin STI metric was not achieved.

The 2015 Plan had a financial hurdle of EPS and a performance hurdle of an increase in the 2015 subscriber base. The increase to the subscriber base hurdle was achieved in FY 2015. 50% of the award is paid if EPS exceeds 11.29 cents and 100% is paid if EPS exceeds 12.54 cents. Normalised EPS for FY 2015 was 12.47 cents and 50% of the award will vest if time based hurdles are met. The time-based hurdles are that 34% of the shares vest in September 2015, 33% in September 2016 and 33% in September 2017 if the participant remains employed by the Company.

| Performance Conditions | Performance Hurdle | | Actual 2015 | Awarded for 2015 |
|--------------------------------------|--------------------|-------------|-------------------|------------------|
| | 100% Vesting | 50% Vesting | | |
| Normalised earnings per share (EPS)* | 12.54c | 11.29c | 12.47c | 50% |
| Increase in subscriber base | N/A | N/A | Increase achieved | 50% |

* Normalised EPS excludes the deferred tax asset of \$77 million recognised on transfer of core business assets to the USA. This definition of normalized EPS has been approved by the Board for the purpose of the STI and LTI plan hurdles.

Statutory performance indicators

The Altium executive remuneration philosophy is to align it to the strategic and business objectives of the company and to create returns for shareholder in capital appreciation and dividends. The table below shows measures of the group's financial performance over the last five years as required by the Corporations Act 2001. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration awarded to KMPs, as shown above. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration award.

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|--------|--------|--------|-------|-------|
| Profit for the year attributable to the owners of Altium Limited (\$'000) | 23,020 | 92,398 | 11,166 | 1,366 | 6,077 |
| Basic earnings per share (cents) | 17.89 | 74.84 | 10.26 | 1.33 | 6.23 |
| Dividend payments (\$'000) | 17,631 | 15,886 | 12,808 | 9,091 | - |
| Dividend payout ratio (%) | 77% | 17% | 114% | 665% | - |
| Total KMP incentives awarded as a percentage of profit for the year | 3.5% | 0.32% | - | - | - |

Details of remuneration

Amounts of remuneration

The key management personnel of the consolidated entity consisted of the directors of Altium Limited, Joseph Bedewi - Chief Financial Officer and Henry Potts - Chief Product and Operations Officer.

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

Altium Limited
Directors' report
30 June 2016

| 2016 | Short-term benefits | | | Post-employment benefits | Share-based payments | Total US\$ |
|--|---------------------------|----------------|-------------------|--------------------------|----------------------|------------------|
| | Cash salary and fees US\$ | STI Plan US\$ | Non-monetary US\$ | Super-annuation US\$ | Equity-settled US\$ | |
| <i>Non-Executive Directors:</i> | | | | | | |
| Samuel Weiss | 146,753 | - | - | 13,942 | - | 160,695 |
| Carl Rooke | 87,453 | - | - | - | - | 87,453 |
| Dr David Warren | 80,048 | - | - | 7,605 | - | 87,653 |
| <i>Executive Directors:</i> | | | | | | |
| Aram Mirkazemi | 403,077 | 182,500 | 38,117 | - | 273,242 | 896,936 |
| <i>Other Key Management Personnel:</i> | | | | | | |
| Henry Potts | 352,692 | 182,500 | 70,145 | - | 129,256 | 734,593 |
| Joseph Bedewi* | 109,385 | 47,906 | 24,709 | - | - | 182,000 |
| | <u>1,179,408</u> | <u>412,906</u> | <u>132,971</u> | <u>21,547</u> | <u>402,498</u> | <u>2,149,330</u> |

| 2015 | Short-term benefits | | | Post-employment benefits | Share-based payments | Total US\$ |
|--|---------------------------|----------------|-------------------|--------------------------|----------------------|------------------|
| | Cash salary and fees US\$ | STI Plan US\$ | Non-monetary US\$ | Super-annuation US\$ | Equity-settled US\$ | |
| <i>Non-Executive Directors:</i> | | | | | | |
| Samuel Weiss | 168,502 | - | - | 16,008 | - | 184,510 |
| Carl Rooke | 100,412 | - | - | - | - | 100,412 |
| Dr David Warren | 91,910 | - | - | 8,732 | - | 100,642 |
| <i>Executive Directors:</i> | | | | | | |
| Aram Mirkazemi | 398,647 | 100,000 | 29,941 | - | 168,698 | 697,286 |
| <i>Other Key Management Personnel:</i> | | | | | | |
| Richard Leon* | 300,070 | - | 276,636 | - | 22,820 | 599,526 |
| | <u>1,059,541</u> | <u>100,000</u> | <u>306,577</u> | <u>24,740</u> | <u>191,518</u> | <u>1,682,376</u> |

* Richard Leon continued to receive non-monetary benefits and therefore forfeited his STI and LTI rights. Richard Leon resigned as CFO on 30 September 2015. Joseph Bedewi commenced as CFO on 16 March 2016.

Altium Limited
Directors' report
30 June 2016

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|--|--------------------|------|---------------|------|---------------|------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| <i>Non-Executive Directors:</i> | | | | | | |
| Samuel Weiss | 100% | 100% | - | - | - | - |
| Carl Rooke | 100% | 100% | - | - | - | - |
| Dr David Warren | 100% | 100% | - | - | - | - |
| <i>Executive Directors:</i> | | | | | | |
| Aram Mirkazemi | 50% | 65% | 20% | 14% | 30% | 21% |
| <i>Other Key Management Personnel:</i> | | | | | | |
| Henry Potts | 58% | - | 25% | - | 18% | - |
| Joseph Bedewi | 74% | - | 26% | - | - | - |

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Samuel Weiss
Title: Chairman
Term of agreement: Open agreement with no fixed term.
Details: Base fee of AU\$220,000, inclusive of superannuation effective 1 January 2014.

Name: Carl Rooke
Title: Non-executive Director
Term of agreement: Open agreement with no fixed term.
Details: Base fee of AU\$120,000, effective 1 January 2014.

Name: Dr David Warren
Title: Non-executive Director
Term of agreement: Open agreement with no fixed term.
Details: Base fee of AU\$120,000, inclusive of superannuation effective 1 January 2014.

Name: Aram Mirkazemi
Title: Chief Executive Officer
Term of agreement: Open agreement with no fixed term.
Details: Base salary of US\$400,000, participation in 2016 STI Plan for a maximum benefit of US\$200,000 and participation in 2015 and 2016 Performance Rights plan (LTI) for a maximum benefit of US\$600,000.

Name: Henry Potts
Title: Chief Product and Operations Officer (appointed to this position on 17 April 2015)
Term of agreement: Open agreement with no fixed term.
Details: Base salary of US\$350,000, participation in 2016 STI Plan for a maximum benefit of US\$200,000 and participation in 2016 Performance Rights plan (LTI) for a maximum benefit of US\$300,000.

Name: Joseph Bedewi
Title: Chief Financial Officer (appointed to this position on 14 March 2016)
Term of agreement: Open agreement with no fixed term.
Details: Base salary of US\$360,000, participation in 2016 STI Plan for a maximum benefit of US\$180,000 and participation in 2016 Performance Rights plan (LTI) for a maximum benefit of US\$180,000.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Altium Limited
Directors' report
30 June 2016

Share-based compensation

Performance rights

Values of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

| Name | Grant date | Vesting date | Number of rights granted | Value of rights granted US\$ | Number of rights vested | Value of rights vested US\$ | Number of rights lapsed | Value of rights lapsed US\$ | Number of rights forfeited | Value of rights forfeited US\$ |
|----------------|------------|--------------|--------------------------|------------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|----------------------------|--------------------------------|
| Aram Mirkazemi | 30/08/2014 | 31/08/2015 | 87,730 | 192,391 | 43,865 | 96,195 | 43,865 | 96,195 | - | - |
| Aram Mirkazemi | 26/08/2014 | 31/08/2016 | 85,149 | 186,732 | - | - | 42,575 | 93,366 | - | - |
| Aram Mirkazemi | 26/08/2014 | 31/08/2017 | 85,149 | 186,732 | - | - | 42,575 | 93,366 | - | - |
| Aram Mirkazemi | 16/02/2016 | 31/08/2016 | 46,401 | 189,427 | - | - | - | - | - | - |
| Aram Mirkazemi | 16/02/2016 | 31/08/2017 | 45,036 | 183,856 | - | - | - | - | - | - |
| Aram Mirkazemi | 16/02/2016 | 31/08/2018 | 45,036 | 183,856 | - | - | - | - | - | - |
| Henry Potts | 16/02/2016 | 31/08/2016 | 34,801 | 142,070 | - | - | - | - | - | - |
| Henry Potts | 16/02/2016 | 31/08/2017 | 33,777 | 137,892 | - | - | - | - | - | - |
| Henry Potts | 16/02/2016 | 31/08/2018 | 33,777 | 137,892 | - | - | - | - | - | - |

Details of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

| Name | Grant date | Vesting date | Value of rights at the start of the year US\$ | Value of rights granted US\$ | Value of rights vested US\$ | Value of rights lapsed US\$ | Value of rights forfeited US\$ | Value of Rights at the end of the year US\$ |
|----------------|------------|--------------|---|------------------------------|-----------------------------|-----------------------------|--------------------------------|---|
| Aram Mirkazemi | 26/08/2014 | 31/08/2015 | 96,195 | - | 96,195 | - | - | - |
| Aram Mirkazemi | 26/08/2014 | 31/08/2016 | 93,366 | - | - | - | - | 93,366 |
| Aram Mirkazemi | 26/08/2014 | 31/08/2017 | 93,366 | - | - | - | - | 93,366 |
| Aram Mirkazemi | 16/02/2016 | 31/08/2016 | - | 189,427 | - | - | - | 189,427 |
| Aram Mirkazemi | 16/02/2016 | 31/08/2017 | - | 183,856 | - | - | - | 183,856 |
| Aram Mirkazemi | 16/02/2016 | 31/08/2018 | - | 183,856 | - | - | - | 183,856 |
| Henry Potts | 16/02/2016 | 31/08/2016 | - | 142,070 | - | - | - | 142,070 |
| Henry Potts | 16/02/2016 | 31/08/2017 | - | 137,892 | - | - | - | 137,892 |
| Henry Potts | 16/02/2016 | 31/08/2018 | - | 137,892 | - | - | - | 137,892 |

The shares are subject to performance and service conditions. Refer below and to note 39 of the financial report.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|------------------------|--|--|---------------|---------------------|--------------------------------------|
| <i>Ordinary shares</i> | | | | | |
| Samuel Weiss | 1,850,207 | - | 30,000 | - | 1,880,207 |
| Carl Rooke | 500,574 | - | - | (100,000) | 400,574 |
| Dr David Warren | 2,071,300 | - | - | (765,156) | 1,306,144 |
| Aram Mirkazemi | 9,663,000 | 43,865 | - | - | 9,706,865 |
| | <u>14,085,081</u> | <u>43,865</u> | <u>30,000</u> | <u>(865,156)</u> | <u>13,293,790</u> |

This concludes the remuneration report, which has been audited.

Loans to directors and executives

There are no loans to Directors and executives for the years ended 30 June 2016 and 30 June 2015.

Indemnity and insurance of officers

During the year the group paid a premium of US\$67,819 (2015: US\$46,016) to insure the Directors and officers of Altium Limited and its subsidiaries. The liabilities insured are legal costs and other expenses that may be incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors or officers of the group.

Proceedings on behalf of the company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 30 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 30 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the company who are former partners of PricewaterhouseCoopers

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

Rounding of amounts

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

Auditor's independence declaration

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

Altium Limited
Directors' report
30 June 2016

Auditor

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

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

On behalf of the directors



Aram Mirkazemi
Director and Chief Executive Officer



Sam Weiss
Non-executive Chairman

23 August 2016
Sydney



Auditor's Independence Declaration

As lead auditor for the audit of Altium Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. 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.

A handwritten signature in blue ink, appearing to read 'Eliza Penny', with a long horizontal flourish extending to the right.

Eliza Penny
Partner
PricewaterhouseCoopers

Sydney
23 August 2016

Altium Limited
Contents
30 June 2016

| | |
|---|----|
| Statement of profit or loss and other comprehensive income | 20 |
| Statement of financial position | 21 |
| Statement of changes in equity | 22 |
| Statement of cash flows | 23 |
| Notes to the financial statements | 24 |
| Directors' declaration | 61 |
| Independent auditor's report to the members of Altium Limited | 62 |

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 August 2016. 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.

Altium Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

| | Note | Consolidated 2016 US\$'000 | 2015 US\$'000 |
|--|------|----------------------------------|------------------|
| Revenue | 4 | 93,699 | 80,535 |
| Expenses | | | |
| Employee benefits expense | | (45,244) | (39,358) |
| Marketing expense | | (2,532) | (3,483) |
| Rental and occupancy expense | 5 | (3,773) | (3,005) |
| Travel expense | | (3,106) | (2,887) |
| Professional advice expense | 5 | (3,298) | (1,805) |
| Depreciation and amortisation expense | 10 | (2,741) | (1,301) |
| Share based payments | 37 | (1,365) | (1,419) |
| Software and equipment expense | | (1,762) | (1,311) |
| Communication expense | | (945) | (1,191) |
| Net foreign exchange gain | | 83 | 748 |
| Finance costs | 5 | (180) | (127) |
| Other expenses | | (4,226) | (3,809) |
| Profit before income tax (expense)/benefit | | 24,610 | 21,587 |
| Income tax (expense)/benefit | 6 | (1,590) | 70,811 |
| Profit after income tax (expense)/benefit for the year attributable to the owners of Altium Limited | 25 | 23,020 | 92,398 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations | | (278) | (3,886) |
| Other comprehensive income for the year, net of tax | | (278) | (3,886) |
| Total comprehensive income for the year attributable to the owners of Altium Limited | | <u>22,742</u> | <u>88,512</u> |
| | | Cents | Cents |
| Basic earnings per share | 36 | 17.89 | 74.84 |
| Diluted earnings per share | 36 | 17.89 | 74.84 |

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

Altium Limited
Statement of financial position
As at 30 June 2016

| | Note | Consolidated 2016 US\$'000 | 2015 US\$'000 |
|--------------------------------------|------|----------------------------------|------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 38,139 | 61,906 |
| Trade and other receivables | 8 | 29,840 | 20,459 |
| Inventories | | - | 152 |
| Tax receivables | | 566 | 93 |
| Other assets | | 1,548 | 1,955 |
| Total current assets | | <u>70,093</u> | <u>84,565</u> |
| Non-current assets | | | |
| Trade and other receivables | 9 | 5,379 | 1,499 |
| Property, plant and equipment | 10 | 5,091 | 3,886 |
| Intangible assets | 11 | 33,508 | - |
| Deferred tax assets | 12 | 82,301 | 81,622 |
| Total non-current assets | | <u>126,279</u> | <u>87,007</u> |
| Total assets | | <u>196,372</u> | <u>171,572</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 7,137 | 5,988 |
| Borrowings | 14 | 51 | 60 |
| Tax liabilities | 16 | 2,713 | 4,989 |
| Provisions | 17 | 3,568 | 1,908 |
| Deferred revenue | 19 | 32,234 | 28,773 |
| Total current liabilities | | <u>45,703</u> | <u>41,718</u> |
| Non-current liabilities | | | |
| Borrowings | 15 | 20 | 53 |
| Deferred tax | 21 | 4,793 | - |
| Provisions | 18 | 4,230 | 1,202 |
| Deferred revenue | 20 | 9,038 | 6,091 |
| Other liabilities | 22 | 1,793 | 906 |
| Total non-current liabilities | | <u>19,874</u> | <u>8,252</u> |
| Total liabilities | | <u>65,577</u> | <u>49,970</u> |
| Net assets | | <u>130,795</u> | <u>121,602</u> |
| Equity | | | |
| Contributed equity | 23 | 125,177 | 122,460 |
| Reserves | 24 | 10,394 | 9,307 |
| Accumulated losses | 25 | (4,776) | (10,165) |
| Total equity | | <u>130,795</u> | <u>121,602</u> |

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

Altium Limited
Statement of changes in equity
For the year ended 30 June 2016

| Consolidated | Contributed equity US\$'000 | Reserves US\$'000 | Accumulated losses US\$'000 | Total equity US\$'000 |
|--|--|------------------------------|--|----------------------------------|
| Balance at 1 July 2014 | 82,494 | 11,774 | (86,677) | 7,591 |
| Profit after income tax benefit for the year | - | - | 92,398 | 92,398 |
| Other comprehensive income for the year, net of tax | - | (3,886) | - | (3,886) |
| Total comprehensive income for the year | - | (3,886) | 92,398 | 88,512 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 23) | 39,966 | - | - | 39,966 |
| Share-based payments (note 37) | - | 1,419 | - | 1,419 |
| Dividends paid (note 26) | - | - | (15,886) | (15,886) |
| Balance at 30 June 2015 | 122,460 | 9,307 | (10,165) | 121,602 |
| Consolidated | Contributed equity US\$'000 | Reserves US\$'000 | Accumulated losses US\$'000 | Total equity US\$'000 |
| Balance at 1 July 2015 | 122,460 | 9,307 | (10,165) | 121,602 |
| Profit after income tax expense for the year | - | - | 23,020 | 23,020 |
| Other comprehensive income for the year, net of tax | - | (278) | - | (278) |
| Total comprehensive income for the year | - | (278) | 23,020 | 22,742 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share-based payments (note 37) | - | 1,365 | - | 1,365 |
| Shares issued on acquisition of Octopart, net of transaction costs | 2,717 | - | - | 2,717 |
| Dividends paid (note 26) | - | - | (17,631) | (17,631) |
| Balance at 30 June 2016 | 125,177 | 10,394 | (4,776) | 130,795 |

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

Altium Limited
Statement of cash flows
For the year ended 30 June 2016

| | Note | Consolidated 2016 US\$'000 | 2015 US\$'000 |
|--|------|----------------------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 92,121 | 81,517 |
| Payments to suppliers and employees (inclusive of GST) | | (71,461) | (60,692) |
| Payment for expenses relating to acquisitions | | (1,143) | - |
| | | <hr/> | <hr/> |
| | | 19,517 | 20,825 |
| Interest received | | 102 | 319 |
| Interest and other finance costs paid | | (154) | (14) |
| Net income taxes paid | | (5,383) | (732) |
| | | <hr/> | <hr/> |
| Net cash from operating activities | 35 | 14,082 | 20,398 |
| Cash flows from investing activities | | | |
| Payment for purchase of business, net of cash acquired | 33 | (17,039) | - |
| Payments for property, plant and equipment | 10 | (2,720) | (2,354) |
| Payments for intangibles | 11 | (250) | - |
| Proceeds from disposal of property, plant and equipment | | - | 16 |
| | | <hr/> | <hr/> |
| Net cash used in investing activities | | (20,009) | (2,338) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 23 | - | 39,966 |
| Dividends paid | 26 | (17,631) | (15,886) |
| Repayment of borrowings | | (43) | (66) |
| | | <hr/> | <hr/> |
| Net cash from/(used in) financing activities | | (17,674) | 24,014 |
| Net increase/(decrease) in cash and cash equivalents | | (23,601) | 42,074 |
| Cash and cash equivalents at the beginning of the financial year | | 61,906 | 22,049 |
| Effects of exchange rate changes on cash and cash equivalents | | (166) | (2,217) |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the financial year | 7 | <u>38,139</u> | <u>61,906</u> |

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

Note 1. Significant accounting policies

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

New, revised or amended Accounting Standards and Interpretations adopted

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

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities
- AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

AASB 15 Revenue from contracts with customers: The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. When adopted, the standard will affect the group's accounting for its revenue contracts such as bundled revenue and licences. The date of adoption by the group is likely to be 1 July 2018.

AASB 9 Financial Instruments: addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. While the group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AfS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. The date of adoption by the group is likely to be 1 July 2018.

AASB 16 Leases: will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. At this stage, the group is not able to estimate the effect of the new rules on the group's financial statements. The group will make more detailed assessments of the effect over the next twelve months.

Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Note 1. Significant accounting policies (continued)

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Functional currency

Altium Limited has selected US dollars as its presentation currency as a significant portion of Altium Limited's activity is denominated in US dollars; and US dollars is the currency used in Altium Limited's major markets. The functional currency of Altium Limited was changed on 1 December 2014 from Australian dollars to US dollars.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

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 2016 and the results of all subsidiaries for the year then ended. Altium Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

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

Where the consolidated entity 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 consolidated entity 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. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the group.

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

Foreign currency translation

Foreign currency transactions

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

Note 1. Significant accounting policies (continued)

Foreign operations

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

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

Current and non-current classification

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

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

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

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST 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 GST receivable or payable. The net amount of GST 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 GST 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 company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. Critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years are referenced within the following notes.

Note 3. Operating segments

Description of segments

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

Note 3. Operating segments (continued)

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

- Board and Systems;
- Micro-controllers and Embedded Systems; and
- Makers and Content.

The Board and Systems segment includes results from PCB business for the Americas, EMEA, Asia Pacific and Emerging Markets regions as well as other products sold through partner channels. The Emerging Markets region includes results from PCB business for the China, Russia and India regions.

The Micro-controller and Embedded Systems segment includes results from TASKING sales, operations and research and development.

The Makers and Content segment includes the results from Octopart.

This represents a change from previous periods where the Board and Executive Team considered the financial performance of the business from a geographical perspective. As such comparative information has been restated to reflect the updated reportable segments.

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 2016 and the comparative period.

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. Revenue from segments comprise software and hardware sales, subscriptions services, training services, project services and search advertising revenue as well as interest income received.

Types of products and services

Revenue from segments comprise;

- Software and hardware
- Subscription services
- Training services
- Project services
- Search advertising

The chief operating decision maker assesses the performance of individual segments on the basis of earnings before interest expense, tax expense, depreciation and amortisation (EBITDA).

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.

Altium Limited
Notes to the financial statements
30 June 2016

Note 3. Operating segments (continued)

Operating segment information

| Consolidated statement of financial performance 30 June 2016 | Boards and Systems | Micro-controllers and Embedded Systems | Makers and Content | Other segments | Total |
|---|--------------------|--|--------------------|----------------|---------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Revenue | | | | | |
| Segment sales | 83,053 | 12,274 | 4,467 | 567 | 100,361 |
| Net adjustment for deferred revenue recognition | (4,398) | (2,352) | - | (140) | (6,890) |
| Other revenue | 126 | - | - | - | 126 |
| Interest Income | - | - | - | 102 | 102 |
| Total revenue | <u>78,781</u> | <u>9,922</u> | <u>4,467</u> | <u>529</u> | <u>93,699</u> |
| EBITDA | 51,809 | 4,234 | 1,579 | (30,193) | 27,429 |
| Depreciation and amortisation | | | | | (2,741) |
| Net interest | | | | | (78) |
| Profit/(loss) before income tax expense | | | | | <u>24,610</u> |
| Income tax expense | | | | | (1,590) |
| Profit after income tax expense | | | | | <u>23,020</u> |

| Consolidated statement of financial performance 30 June 2015 | Boards and Systems | Micro-controllers and Embedded Systems | Makers and Content | Other segments | Total |
|---|--------------------|--|--------------------|----------------|---------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Revenue | | | | | |
| Segment sales | 74,408 | 7,642 | - | - | 82,050 |
| Net adjustment for deferred revenue recognition | (1,898) | 64 | - | - | (1,834) |
| Interest Income | - | - | - | 319 | 319 |
| Total revenue | <u>72,510</u> | <u>7,706</u> | <u>-</u> | <u>319</u> | <u>80,535</u> |
| EBITDA | 45,661 | 3,286 | - | (26,250) | 22,697 |
| Depreciation and amortisation | | | | | (1,301) |
| Net interest | | | | | 191 |
| Profit/(loss) before income tax benefit | | | | | <u>21,587</u> |
| Income tax benefit | | | | | 70,811 |
| Profit after income tax benefit | | | | | <u>92,398</u> |

Altium Limited
Notes to the financial statements
30 June 2016

Note 3. Operating segments (continued)

| 30 June 2016 | Americas US\$'000 | EMEA US\$'000 | Emerging Markets* US\$'000 | Asia Pacific US\$'000 | Other segments US\$'000 | Total US\$'000 |
|---|------------------------------|--------------------------|---|----------------------------------|--|---------------------------|
| Revenue | 44,606 | 30,161 | 12,649 | 6,181 | 102 | 93,699 |
| Consolidated statement of financial position | | | | | | |
| Assets | | | | | | |
| Segment assets | 20,503 | 18,135 | 5,763 | 1,719 | 67,385 | 113,505 |
| <i>Unallocated assets:</i> | | | | | | |
| Deferred tax asset | | | | | | 82,301 |
| Income tax receivables | | | | | | 566 |
| Total assets | | | | | | 196,372 |
| Liabilities | | | | | | |
| Segment liabilities | 28,513 | 18,046 | 2,231 | 1,569 | 7,641 | 58,000 |
| <i>Unallocated liabilities:</i> | | | | | | |
| Provision for income tax | | | | | | 2,713 |
| Deferred tax liability | | | | | | 4,793 |
| Borrowings | | | | | | 71 |
| Total liabilities | | | | | | 65,577 |
| | | | | | | |
| 30 June 2015 | Americas US\$'000 | EMEA US\$'000 | Emerging Markets* US\$'000 | Asia Pacific US\$'000 | Other segments US\$'000 | Total US\$'000 |
| Revenue | 34,242 | 27,648 | 12,858 | 5,468 | 319 | 80,535 |
| Consolidated statement of financial position | | | | | | |
| Assets | | | | | | |
| Segment assets | 16,348 | 10,820 | 5,215 | 715 | 56,852 | 89,950 |
| <i>Unallocated assets:</i> | | | | | | |
| Deferred tax asset | | | | | | 81,622 |
| Total assets | | | | | | 171,572 |
| Liabilities | | | | | | |
| Segment liabilities | 19,354 | 15,379 | 2,784 | 2,180 | 5,171 | 44,868 |
| <i>Unallocated liabilities:</i> | | | | | | |
| Provision for income tax | | | | | | 4,989 |
| Current borrowings | | | | | | 113 |
| Total liabilities | | | | | | 49,970 |

* The Emerging Markets region includes results from China, Russia and India regions.
Comparatives have been restated to match current year presentation.

Note 3. Operating segments (continued)

Accounting policy for operating segments

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

Note 4. Revenue

| | Consolidated | |
|--------------------------------------|----------------------|----------------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| <i>Sales revenue</i> | | |
| Software license revenue | 44,574 | 36,229 |
| Subscription and maintenance revenue | 40,110 | 39,181 |
| Service revenue | 4,296 | 4,680 |
| Search advertising revenue | 4,467 | - |
| Hardware revenue | 24 | 126 |
| | <u>93,471</u> | <u>80,216</u> |
| <i>Other revenue</i> | | |
| Interest income | 102 | 319 |
| Other revenue | 126 | - |
| | <u>228</u> | <u>319</u> |
| Revenue | <u><u>93,699</u></u> | <u><u>80,535</u></u> |

Accounting policy for revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The consolidated entity recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the consolidated entity, and specific criteria have been met for each of the consolidated entity's activities as described below.

Software

Revenue is recognised when software has been dispatched to a customer pursuant to a sales order and the associated risks have passed to the customer.

Subscriptions

Revenue is deferred and is subsequently recognised as revenue over the period in which the subscription service is provided.

Training services

Revenue is recognised at the time the service is provided.

Project Services

For fixed price contracts, the stage of completion is measured by reference to services performed to date as a percentage of total services to be performed. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus time spent on each contract.

Search advertising revenue

Revenue is recognised on a price-per-click basis, this is when a user engages with the search result on the website by clicking on it.

Altium Limited
Notes to the financial statements
30 June 2016

Note 4. Revenue (continued)

Multiple element contracts

In multiple element arrangements where licenses and service elements are sold as a bundled product, the fair value of the service element is recognised as revenue over the period during which the service is performed.

Hardware

Revenue is recognised when hardware has been delivered to a customer pursuant to a sales order and the associated risks have passed to the customer.

Interest income

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

Dividends

Dividends are recognised as revenue when the right to receive payment is established.

Critical accounting judgements, estimates and assumptions

Revenue is recognised for multiple element contracts by attributing a fair value to each element of the contract and then recognising revenue according to the accounting policy. Fair values are based on sales information for the discrete elements.

Note 5. Expenses

| | Consolidated | |
|--|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Profit before income tax includes the following specific expenses: | | |
| <i>Included in professional advice expense</i> | | |
| Cost associated with relocation of Altium's Intellectual Property assets | 389 | 602 |
| Costs associated with acquisitions | 1,143 | - |
| <i>Finance costs</i> | | |
| Interest and finance charges paid/payable | 35 | 14 |
| Unwinding of the discount on provisions | 145 | 113 |
| Finance costs expensed | <u>180</u> | <u>127</u> |
| <i>Rental expense relating to operating leases</i> | | |
| Office rent | 3,318 | 2,471 |
| Equipment | 53 | 66 |
| Motor vehicle | 73 | 99 |
| Lease surrender | 1,475 | - |
| Reassessment of onerous lease provision | <u>(1,672)</u> | <u>(344)</u> |
| Total rental expense relating to operating leases | <u>3,247</u> | <u>2,292</u> |
| <i>Superannuation expense</i> | | |
| Defined contribution superannuation expense | <u>149</u> | <u>159</u> |
| <i>Research and development costs expensed</i> | | |
| Research and development costs incurred | <u>12,766</u> | <u>12,015</u> |

Altium Limited
Notes to the financial statements
30 June 2016

Note 5. Expenses (continued)

Operating lease costs

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

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Research and development costs

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

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

Note 6. Income tax expense/(benefit)

| | Consolidated | |
|---|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| <i>Income tax expense/(benefit)</i> | | |
| Current tax | 2,464 | 6,287 |
| Deferred tax | (686) | (77,172) |
| Adjustment recognised for prior periods | (188) | 74 |
| | <u>1,590</u> | <u>(70,811)</u> |
| Aggregate income tax expense/(benefit) | | |
| Deferred tax included in income tax expense/(benefit) comprises: | | |
| Increase in deferred tax assets (note 12) | (686) | (77,172) |
| <i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i> | | |
| Profit before income tax (expense)/benefit | 24,610 | 21,587 |
| Tax at the statutory tax rate of 30% | 7,383 | 6,476 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Entertainment expenses | 90 | 128 |
| Share-based payments | 410 | 348 |
| Attribution of income | - | 304 |
| Non assessable interest income | (3,240) | - |
| Sundry items | 339 | 211 |
| | <u>4,982</u> | <u>7,467</u> |
| Adjustment recognised for prior periods | (188) | 74 |
| Difference in overseas tax rates | 1,897 | (343) |
| Prior year tax credits not recognised now recognised | - | (445) |
| Temporary differences not recognised now recognised | (5,932) | (598) |
| Withholding tax | 1,080 | - |
| Other | (249) | 34 |
| Temporary difference arising from transfer of assets to the US | - | (77,000) |
| Income tax expense/(benefit) | <u>1,590</u> | <u>(70,811)</u> |

Note 6. Income tax expense/(benefit) (continued)

| | Consolidated 2016 US\$'000 | 2015 US\$'000 |
|---|----------------------------------|------------------|
| <i>Temporary differences not recognised</i> | | |
| Temporary differences for which no deferred tax asset has been recognised | <u>178,033</u> | <u>190,061</u> |
| | <u>73,238</u> | <u>79,825</u> |
| <i>Tax losses not recognised</i> | | |
| Tax losses for which no deferred tax asset has been recognised | <u>1,787</u> | <u>14</u> |
| Potential tax benefit @ 30% | <u>536</u> | <u>4</u> |

A temporary difference of \$157 million (after tax) arose as a result of the relocation of Altium's core business to the USA during the prior financial year. The relocation of the business to the USA resulted in a change in the tax base of core business assets, leading to temporary differences and potential tax assets of which \$78 million (30 June 2015: \$77 million) has been recognised as a deferred tax asset.

A deferred tax asset can only be recorded to the extent that utilisation is considered probable. The assessment of future taxable amounts involves the use of assumptions and management judgement. \$73 million of the potential deferred tax asset has not been recognised due to the inherent uncertainty of forecasts as they project further into the future.

The unrecorded potential deferred tax asset of \$73 million will be reassessed for probable utilisation each year.

Critical accounting judgements, estimates and assumptions

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity'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.

Note 6. Income tax expense/(benefit) (continued)

Accounting policy for Income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

Tax Consolidation

During the year, Altium Limited and its wholly-owned Australian controlled entities formed a tax consolidated group. 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.

Altium Limited
Notes to the financial statements
30 June 2016

Note 7. Current assets - cash and cash equivalents

| | Consolidated 2016 US\$'000 | 2015 US\$'000 |
|-----------------|---|--------------------------|
| Cash at bank | 37,098 | 20,827 |
| Deposit at call | 1,041 | 41,079 |
| | <u>38,139</u> | <u>61,906</u> |

The value of bank guarantees at 30 June 2016 amounted to US\$280,931 (2015:US\$981,875).

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 2016 US\$'000 | 2015 US\$'000 |
|--------------------------------|---|--------------------------|
| Trade receivables | 29,749 | 20,287 |
| Less: Provision for impairment | (97) | (60) |
| | <u>29,652</u> | <u>20,227</u> |
| Other receivables | 188 | 232 |
| | <u>29,840</u> | <u>20,459</u> |

Impairment of receivables

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

| | Consolidated 2016 US\$'000 | 2015 US\$'000 |
|-----------------------|---|--------------------------|
| 0 to 3 months overdue | 9 | 12 |
| 3 to 6 months overdue | 35 | 35 |
| Over 6 months overdue | 53 | 13 |
| | <u>97</u> | <u>60</u> |

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

| | Consolidated 2016 US\$'000 | 2015 US\$'000 |
|--|---|--------------------------|
| Opening balance | 60 | 98 |
| Additional provisions recognised | 73 | - |
| Translation differences | (1) | 9 |
| Receivables written off during the year as uncollectable | (35) | (47) |
| Closing balance | <u>97</u> | <u>60</u> |

Altium Limited
Notes to the financial statements
30 June 2016

Note 8. Current assets - trade and other receivables (continued)

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to US\$4,038,000 as at 30 June 2016 (US\$2,735,000 as at 30 June 2015).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

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

| | Consolidated | |
|-----------------------|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| 0 to 1 month overdue | 2,226 | 1,831 |
| 1 to 2 months overdue | 1,003 | 395 |
| Over 2 months overdue | 809 | 509 |
| | 4,038 | 2,735 |
| | 4,038 | 2,735 |

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.

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 consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

Note 9. Non-current assets - trade and other receivables

| | Consolidated | |
|-------------------|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Trade receivables | 4,659 | 1,054 |
| Other receivables | 720 | 445 |
| | 5,379 | 1,499 |
| | 5,379 | 1,499 |

Altium Limited
Notes to the financial statements
30 June 2016

Note 10. Non-current assets - property, plant and equipment

| | Consolidated | 2015 |
|----------------------------------|---------------------|---------------------|
| | 2016 | US\$'000 |
| | US\$'000 | US\$'000 |
| Leasehold improvements - at cost | 3,227 | 2,304 |
| Less: Accumulated depreciation | (770) | (407) |
| | <u>2,457</u> | <u>1,897</u> |
| Plant and equipment - at cost | 4,140 | 3,314 |
| Less: Accumulated depreciation | (1,582) | (1,429) |
| | <u>2,558</u> | <u>1,885</u> |
| Plant and equipment under lease | 170 | 517 |
| Less: Accumulated depreciation | (94) | (413) |
| | <u>76</u> | <u>104</u> |
| | <u><u>5,091</u></u> | <u><u>3,886</u></u> |

Reconciliations

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

| Consolidated | Leasehold improvements US\$'000 | Plant & equipment US\$'000 | Leased plant & equipment US\$'000 | Total US\$'000 |
|---|---------------------------------------|----------------------------------|---|---------------------|
| Balance at 1 July 2014 | 552 | 1,209 | 147 | 1,908 |
| Additions | 1,845 | 1,490 | 31 | 3,366 |
| Disposals | (7) | (9) | - | (16) |
| Exchange differences | 10 | (81) | - | (71) |
| Depreciation expense | (503) | (724) | (74) | (1,301) |
| | <u>1,897</u> | <u>1,885</u> | <u>104</u> | <u>3,886</u> |
| Balance at 30 June 2015 | 1,897 | 1,885 | 104 | 3,886 |
| Additions | 1,289 | 1,775 | 23 | 3,087 |
| Additions through business combinations (note 33) | - | 37 | - | 37 |
| Exchange differences | (18) | (41) | (1) | (60) |
| Depreciation expense | (710) | (1,099) | (50) | (1,859) |
| | <u>2,458</u> | <u>2,557</u> | <u>76</u> | <u>5,091</u> |
| Balance at 30 June 2016 | <u><u>2,458</u></u> | <u><u>2,557</u></u> | <u><u>76</u></u> | <u><u>5,091</u></u> |

Property, plant and equipment secured under finance leases

Refer to note 29 for further information on property, plant and equipment secured under finance leases.

Accounting policy for property, plant and equipment

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

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

The expected useful lives of the assets are as follows:

| | |
|--------------------------------|-----------|
| Office equipment | 3-5 years |
| Computer hardware and software | 2-3 years |
| Leasehold improvements | 3-7 years |

Note 10. Non-current assets - property, plant and equipment (continued)

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

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

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

Note 11. Non-current assets - intangible assets

| | Consolidated | |
|---------------------------------|----------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Goodwill - at cost | 17,280 | - |
| Intellectual property - at cost | 4,212 | - |
| Less: Accumulated amortisation | (286) | - |
| | <u>3,926</u> | <u>-</u> |
| Customer contracts - at cost | 12,898 | - |
| Less: Accumulated amortisation | (596) | - |
| | <u>12,302</u> | <u>-</u> |
| | <u><u>33,508</u></u> | <u><u>-</u></u> |

| Consolidated | Goodwill US\$'000 | Intellectual property US\$'000 | Customer contracts US\$'000 | Total US\$'000 |
|---|----------------------|--------------------------------------|-----------------------------------|-------------------|
| Balance at 30 June 2015 | - | - | - | - |
| Additions | - | 250 | - | 250 |
| Additions through business combinations (note 33) | 17,280 | 3,981 | 12,898 | 34,159 |
| Amortisation expense | - | (286) | (596) | (882) |
| Exchange differences | - | (19) | - | (19) |
| | <u>17,280</u> | <u>3,926</u> | <u>12,302</u> | <u>33,508</u> |

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 10 years.

Customer contracts

Customer contracts 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.

Impairment tests for goodwill

Impairment testing over the Goodwill and non-amortising intangibles has been performed in conjunction with the re-assessment of the preliminary purchase price accounting recorded at the half-year. Further details are below regarding critical assumptions and estimates applied.

Note 11. Non-current assets - intangible assets (continued)

Goodwill of US\$10,069,000 and US\$7,211,000 was allocated to makers and content and boards and systems CGU respectively.

Octopart operates as part of the makers and content segment and has been determined as a CGU in its entirety.

Octopart was consolidated into the Altium Limited when control was gained on 2 September 2015, at which stage goodwill and intangible assets with indefinite useful lives (customer relationships and intellectual property) were recognised. At 30 June 2016 the recoverable amounts of its assets have been assessed based on their fair value less costs to sell, determined with reference to the recent purchase price of the acquired interests. There are no indicators to suggest that the fair value of Octopart has significantly changed since acquisition.

For the Goodwill arising on the acquisition of Ciiva and Perception Software allocated to the Boards and Systems CGU, the recoverable amount of the CGU has been based on value-is-use calculations. The cash flow projections used for the analysis of the CGU are based on budgeted gross margin based on past performance and expectations for the future. The growth rates are consistent with industry forecasts. The discount rates used reflect specific risks relating to the segments in which they operate.

Critical accounting judgements, estimates and assumptions

Intangibles

On the acquisition of Ciiva GmbH, Octopart Inc and Perception Software Inc, the identifiable intangible assets include intellectual property and customer relationships. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

Useful life for intangibles

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

Intellectual property

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

Customer Relationships

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

Note 12. Non-current assets - deferred tax assets

| | Consolidated | |
|--|----------------------|----------------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| <i>Deferred tax asset comprises temporary differences attributable to:</i> | | |
| Amounts recognised in profit or loss: | | |
| Tax losses | 993 | 266 |
| Property, plant and equipment | 207 | 1,030 |
| Employee benefits | 221 | 422 |
| Assets transferred to the US | 78,334 | 77,000 |
| Revenue received in advance | 916 | 894 |
| Foreign tax credits | 168 | 168 |
| Provisions | 381 | 656 |
| Lease surrender | 326 | - |
| Foreign currency translation | 503 | 535 |
| Provision for onerous lease contract | - | 616 |
| Other tax credits | - | (102) |
| Undistributed reserves | - | (198) |
| | <u>82,049</u> | <u>81,287</u> |
| Amounts recognised in equity: | | |
| Transaction costs on share issue | <u>252</u> | <u>335</u> |
| Deferred tax asset | <u><u>82,301</u></u> | <u><u>81,622</u></u> |
| Amount expected to be recovered within 12 months | 18,681 | 9,355 |
| Amount expected to be recovered after more than 12 months | <u>63,620</u> | <u>72,267</u> |
| | <u><u>82,301</u></u> | <u><u>81,622</u></u> |
| <i>Movements:</i> | | |
| Opening balance | 81,622 | 4,879 |
| Credited to profit or loss (note 6) | 686 | 77,172 |
| Translation differences | <u>(7)</u> | <u>(429)</u> |
| Closing balance | <u><u>82,301</u></u> | <u><u>81,622</u></u> |

Critical accounting judgements, estimates and assumptions

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity 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.

During the prior year, the Company transferred its executive level management and core business assets to the United States of America to be closer to Altium's core customer base. The relocation of the business to the USA resulted in a change in the tax base of core business assets, leading to the recognition of a deferred tax asset.

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. A portion of the potential deferred tax asset has not been recognised due to the inherent uncertainty of forecasts as they project further in to the future. The Company has recorded a deferred tax asset of \$78 million in the current year. The remainder of the unrecorded potential asset will be reassessed for probable utilisation each year.

Altium Limited
Notes to the financial statements
30 June 2016

Note 13. Current liabilities - trade and other payables

| | Consolidated | Consolidated |
|------------------------|---------------------|---------------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Trade payables | 757 | 425 |
| Deferred consideration | 1,000 | - |
| Other payables | 5,380 | 5,563 |
| | <u>7,137</u> | <u>5,988</u> |

Accounting policy for trade and other payables

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

Deferred consideration

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

Note 14. Current liabilities - borrowings

| | Consolidated | Consolidated |
|-----------------|---------------------|---------------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Lease liability | <u>51</u> | <u>60</u> |

The lease liability consists of finance leases for plant and equipment. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. As at 30 June 2016, leases due within one year have a weighted average interest rate of 7.31% (2015: 9.16%).

Assets pledged as security

The carrying amounts of assets pledged as security for current borrowings amount to US\$76,000 (2015: US\$104,000).

Note 15. Non-current liabilities - borrowings

| | Consolidated | Consolidated |
|-----------------|---------------------|---------------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Lease liability | <u>20</u> | <u>53</u> |

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

| | Consolidated | Consolidated |
|-----------------|---------------------|---------------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Lease liability | <u>71</u> | <u>113</u> |

Note 15. Non-current liabilities - borrowings (continued)

Assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Accounting policy for leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Note 16. Current liabilities - tax liabilities

| | Consolidated | |
|--------------------------|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Provision for income tax | 2,713 | 4,989 |
| | <u>2,713</u> | <u>4,989</u> |

Note 17. Current liabilities - provisions

| | Consolidated | |
|--------------------------|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Employee benefits | 1,254 | 989 |
| Contingent consideration | 2,314 | - |
| Onerous lease contract | - | 919 |
| | <u>3,568</u> | <u>1,908</u> |

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.

Note 17. Current liabilities - provisions (continued)

Movements in provisions

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

| Consolidated - 2016 | Contingent Consideration US\$'000 | Onerous lease contract US\$'000 |
|---|---|---------------------------------------|
| Carrying amount at the start of the year | - | 919 |
| Additions through business combinations (note 33) | 680 | - |
| Amounts transferred from non-current (note 23) | 1,634 | - |
| Unused amounts reversed | - | (919) |
| | <u>2,314</u> | <u>-</u> |
| Carrying amount at the end of the year | <u>2,314</u> | <u>-</u> |

Amounts not expected to be settled within the next 12 months

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

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

| | Consolidated | |
|--|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Long service leave obligation expected to be settled after 12 months | <u>17</u> | <u>36</u> |

Accounting policy for provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity 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.

The provision for onerous lease contracts represents the present value of the estimated costs, net of any sub-lease revenue, that will be incurred until the end of the lease terms. The provision is recognised when the unavoidable costs of meeting the contract obligation are expected to exceed the economic benefit to be received.

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.

Note 17. Current liabilities - provisions (continued)

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.

Critical accounting judgements, estimates and assumptions

A provision for an onerous lease contract was held in the prior year. In the current year, the lease contract was surrendered resulting in the provision being reversed. Calculation of this provision involved significant estimates and judgement which may affect the carrying amount of the liability. These include the potential for future sub-lease rental, the make-good liability, the amount of the space that will be occupied by Altium, and the discount rate.

Note 18. Non-current liabilities - provisions

| | Consolidated | |
|--------------------------|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Employee benefits | 84 | 65 |
| Contingent consideration | 4,077 | - |
| Lease make good | 69 | - |
| Onerous lease contract | - | 1,137 |
| | <u>4,230</u> | <u>1,202</u> |

Contingent consideration

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

Movements in provisions

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

| | Contingent consideration US\$'000 | Lease make good US\$'000 | Onerous lease contract US\$'000 |
|---|---|--------------------------------|---------------------------------------|
| Consolidated - 2016 | | | |
| Carrying amount at the start of the year | - | - | 1,137 |
| Additional provisions recognised | - | 69 | - |
| Additions through business combinations (note 33) | 5,593 | - | - |
| Amounts transferred to current (note 20) | (1,634) | - | - |
| Unwinding of discount | 118 | - | - |
| Unused amounts reversed | - | - | (1,137) |
| Carrying amount at the end of the year | <u>4,077</u> | <u>69</u> | <u>-</u> |

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 as 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 19. Current liabilities - Deferred revenue

| | Consolidated 2016 US\$'000 | 2015 US\$'000 |
|---|----------------------------------|------------------|
| Deferred subscription and maintenance revenue | 28,916 | 26,663 |
| Other deferred revenue | 3,318 | 2,110 |
| | <u>32,234</u> | <u>28,773</u> |

Note 20. Non-current liabilities - Deferred revenue

| | Consolidated 2016 US\$'000 | 2015 US\$'000 |
|---|----------------------------------|------------------|
| Deferred subscription and maintenance revenue | 9,038 | 6,091 |
| | <u>9,038</u> | <u>6,091</u> |

Note 21. Non-current liabilities - deferred tax

| | Consolidated 2016 US\$'000 | 2015 US\$'000 |
|--|----------------------------------|------------------|
| <i>Deferred tax liability comprises temporary differences attributable to:</i> | | |
| Amounts recognised in profit or loss: | | |
| Intangible assets | 4,659 | - |
| Undistributed reserves | 134 | - |
| Deferred tax liability | <u>4,793</u> | <u>-</u> |
| Amount expected to be settled after more than 12 months | <u>4,793</u> | <u>-</u> |

Note 22. Non-current liabilities - other liabilities

| | Consolidated 2016 US\$'000 | 2015 US\$'000 |
|------------------------|----------------------------------|------------------|
| Deferred consideration | 946 | - |
| Other payables | 847 | 906 |
| | <u>1,793</u> | <u>906</u> |

Deferred consideration

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

Other payables

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

Altium Limited
Notes to the financial statements
30 June 2016

Note 23. Equity - Contributed equity

| | 2016 | Consolidated | | |
|------------------------------|---------------|---------------------|-----------------|-----------------|
| | Shares | 2015 | 2016 | 2015 |
| | | Shares | US\$'000 | US\$'000 |
| Ordinary shares - fully paid | 130,215,813 | 129,272,762 | 125,177 | 122,460 |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | US\$'000 |
|----------------------------------|----------------|--------------------|--------------------|-----------------|
| | | | AU\$ | |
| Balance | 1 July 2014 | 113,272,762 | | 82,494 |
| Share placement | September 2014 | 16,000,000 | \$2.80 | 41,055 |
| Transaction costs | September 2014 | - | \$0.00 | (1,089) |
| Balance | 30 June 2015 | 129,272,762 | | 122,460 |
| Share placement for Octopart Inc | September 2015 | 943,051 | \$2.89 | 2,725 |
| Transaction costs | September 2015 | - | \$0.00 | (8) |
| Balance | 30 June 2016 | <u>130,215,813</u> | | <u>125,177</u> |

Movements in treasury shares

| Details | Date | Shares |
|---------------------------------------|--------------|--------------------|
| Balance | 1 July 2014 | 3,701,500 |
| Less: Shares transferred to employees | | <u>(1,123,000)</u> |
| Balance | 30 June 2015 | 2,578,500 |
| Less: Shares transferred to employees | | <u>(1,337,493)</u> |
| Balance | 30 June 2016 | <u>1,241,007</u> |

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.

Capital risk management

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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.

Altium Limited
Notes to the financial statements
30 June 2016

Note 24. Equity - reserves

| | Consolidated | |
|-----------------------------|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Foreign currency reserve | 1,255 | 1,532 |
| Equity compensation reserve | 9,139 | 7,775 |
| | <u>10,394</u> | <u>9,307</u> |

Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to US dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Equity compensation reserve

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

Movements in reserves

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

| Consolidated | Foreign currency translation US\$'000 | Equity compensation US\$'000 | Total US\$'000 |
|------------------------------|--|------------------------------------|-------------------|
| Balance at 1 July 2014 | 5,418 | 6,356 | 11,774 |
| Foreign currency translation | (3,886) | - | (3,886) |
| Share based payments | - | 1,419 | 1,419 |
| | <u>1,532</u> | <u>7,775</u> | <u>9,307</u> |
| Balance at 30 June 2015 | 1,532 | 7,775 | 9,307 |
| Foreign currency translation | (278) | - | (278) |
| Share based payments | - | 1,365 | 1,365 |
| | <u>1,254</u> | <u>9,140</u> | <u>10,394</u> |

Note 25. Equity - accumulated losses

| | Consolidated | |
|---|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Accumulated losses at the beginning of the financial year | (10,165) | (86,677) |
| Profit after income tax (expense)/benefit for the year | 23,020 | 92,398 |
| Dividends paid (note 26) | (17,631) | (15,886) |
| | <u>(4,776)</u> | <u>(10,165)</u> |

Altium Limited
Notes to the financial statements
30 June 2016

Note 26. Equity - dividends

Dividends paid during the financial year were as follows:

| | Consolidated | |
|---|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Final dividend for the year ended 30 June 2015 of AU 8 cents (2014: AU 8 cents) | 7,644 | 7,941 |
| Interim dividend for the half year ended 31 December 2015 of AU 10 cents (2014: AU 8 cents) | 9,987 | 7,945 |
| | <u>17,631</u> | <u>15,886</u> |

The Directors have declared a final dividend of AU 10 cents per share (99% franked) for the year ended 30 June 2016. The dividend will be paid on 17 October 2016 based on a record date of 23 September 2016. This amounts to a total dividend of US\$9.9 million based on the total number of shares outstanding.

Accounting policy for dividends

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

Note 27. Financial risk management

Financial risk management objectives

The consolidated entity'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 consolidated entity'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 consolidated entity. The consolidated entity 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 consolidated entity 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 consolidated entity does not have additional hedges against this risk.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| Consolidated | Assets | | Liabilities | |
|---------------------|-----------------|-----------------|--------------------|-----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Euros | 5,214 | 4,261 | (6,524) | (10) |
| Australian dollars | 1,627 | 3,936 | (67) | (40) |
| | <u>6,841</u> | <u>8,197</u> | <u>(6,591)</u> | <u>(50)</u> |

Note 27. Financial risk management (continued)

The following tables summarise the sensitivity of financial instruments held at statement of financial position date by the consolidated entity 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:

| Consolidated - 2016 | % change | US\$ strengthened | | % change | US\$ weakened | |
|---------------------|----------|----------------------------|------------------|----------|----------------------------|------------------|
| | | Effect on profit after tax | Effect on equity | | Effect on profit after tax | Effect on equity |
| AU\$ | 10% | 99 | 99 | 10% | (121) | (121) |
| EUR | 10% | (83) | (83) | 10% | 102 | 102 |
| | | <u>16</u> | <u>16</u> | | <u>(19)</u> | <u>(19)</u> |

| Consolidated - 2015 | % change | US\$ strengthened | | % change | US\$ weakened | |
|---------------------|----------|----------------------------|------------------|----------|----------------------------|------------------|
| | | Effect on profit after tax | Effect on equity | | Effect on profit after tax | Effect on equity |
| AU\$ | 10% | 248 | 248 | 10% | (303) | (303) |
| EUR | 10% | 271 | 271 | 10% | (331) | (331) |
| | | <u>519</u> | <u>519</u> | | <u>(634)</u> | <u>(634)</u> |

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

Interest rate risk is the risk that the consolidated entity'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 consolidated entity intends to hold fixed rate assets and liabilities to maturity.

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

| Consolidated | 2016 | | 2015 | |
|--|----------------------------------|------------------|----------------------------------|------------------|
| | Weighted average interest rate % | Balance US\$'000 | Weighted average interest rate % | Balance US\$'000 |
| Cash | 0.27% | 26,165 | 0.87% | 48,773 |
| Receivables | 5.20% | - | 5.61% | 12 |
| Financial lease liabilities | 7.31% | <u>(71)</u> | 9.16% | <u>(113)</u> |
| Net exposure to cash flow interest rate risk | | <u>26,094</u> | | <u>48,672</u> |

The following tables summarise the sensitivity of the fair value of financial instruments held at statement of financial position date in the consolidated entity, 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:

Note 27. Financial risk management (continued)

| Consolidated - 2016 | Basis points change | Basis points increase Effect on | | Basis points decrease Effect on | | |
|---------------------|---------------------|------------------------------------|------------------|------------------------------------|------------------|------------------|
| | | profit after tax | Effect on equity | Basis points change | profit after tax | Effect on equity |
| Net exposure | 100 | 183 | 183 | (50) | (91) | 91 |

| Consolidated - 2015 | Basis points change | Basis points increase Effect on | | Basis points decrease Effect on | | |
|---------------------|---------------------|------------------------------------|------------------|------------------------------------|------------------|------------------|
| | | profit after tax | Effect on equity | Basis points change | profit after tax | Effect on equity |
| Net exposure | 100 | 341 | 341 | (50) | (170) | (170) |

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity 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 consolidated entity does not hold any collateral.

The consolidated entity 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 consolidated entity has no significant concentrations of credit risk.

Cash transactions are limited to high credit quality financial institutions.

Liquidity risk

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

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

Remaining contractual maturities

The following tables detail the consolidated entity'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 - 2016 | Weighted average interest rate % | Remaining contractual maturities | | | | Remaining contractual maturities US\$'000 |
|------------------------------------|----------------------------------|----------------------------------|--------------------------------|--------------------------------|-----------------------|---|
| | | 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 | |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 8,067 | - | - | - | 8,067 |
| Deferred consideration | - | 1,000 | 946 | - | - | 1,946 |
| Contingent consideration | - | 2,314 | 4,077 | - | - | 6,391 |
| <i>Interest-bearing - variable</i> | | | | | | |
| Lease liability | 7.31% | 51 | 8 | 12 | - | 71 |
| Total non-derivatives | | 11,432 | 5,031 | 12 | - | 16,475 |

Altium Limited
Notes to the financial statements
30 June 2016

Note 27. Financial risk management (continued)

| Consolidated - 2015 | 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 | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 5,988 | - | - | - | 5,988 |
| <i>Interest-bearing - variable</i> | | | | | | |
| Lease liability | 9.16% | 60 | 53 | - | - | 113 |
| Total non-derivatives | | 6,048 | 53 | - | - | 6,101 |

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 28. 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 |
| Carl Rooke | Non-executive Director |
| Dr David Warren | 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 consolidated entity, directly or indirectly, during the financial year:

| | |
|---------------|--|
| Henry Potts | Chief Product and Operations Officer (appointed to this position on 17 April 2015) |
| Joseph Bedewi | Chief Financial Officer (appointed to this position on 14 March 2016) |

Compensation

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

| | Consolidated | |
|------------------------------|---------------------|------------------|
| | 2016 | 2015 |
| | US\$ | US\$ |
| Short-term employee benefits | 1,725,285 | 1,466,118 |
| Post-employment benefits | 21,547 | 24,740 |
| Share based payments | 402,498 | 191,518 |
| | 2,149,330 | 1,682,376 |

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.

Altium Limited
Notes to the financial statements
30 June 2016

Note 28. Key management personnel disclosures (continued)

Remuneration of Director-related entities

Related entities of Directors employed by any company in the group are paid on normal commercial terms and conditions. No transactions occurred with related entities of Directors during the year ended 30 June 2016 (2015: Nil). Refer to note 34 for further details.

Note 29. Commitments

| | Consolidated | |
|---|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| <i>Lease commitments - operating</i> | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 3,224 | 4,062 |
| One to five years | 6,043 | 5,469 |
| More than five years | 208 | - |
| | 9,475 | 9,531 |
| <i>Lease commitments - finance</i> | | |
| Committed at the reporting date and recognised as liabilities, payable: | | |
| Within one year | 54 | 67 |
| One to five years | 21 | 55 |
| Total commitment | 75 | 122 |
| Less: Future finance charges | (4) | (9) |
| Net commitment recognised as liabilities | 71 | 113 |
| Representing: | | |
| Lease liability - current (note 14) | 51 | 60 |
| Lease liability - non-current (note 15) | 20 | 53 |
| | 71 | 113 |

Included in the commitments in the prior year are amounts provided for as onerous leases, the lease was surrendered in January 2016. Further details of the provision can be found in note 20 and note 23.

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.

Altium Limited
Notes to the financial statements
30 June 2016

Note 30. Remuneration of auditors

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

| | Consolidated | |
|--|---------------------|-------------|
| | 2016 | 2015 |
| | US\$ | US\$ |
| <i>Audit services - PricewaterhouseCoopers</i> | | |
| Audit or review of the financial statements | 368,367 | 323,188 |
| <i>Other services - PricewaterhouseCoopers</i> | | |
| Tax consulting and tax advice | 384,981 | 602,391 |
| | 753,348 | 925,579 |
| <i>Other services - network firms</i> | | |
| Tax compliance services, including review of company income tax return | 13,502 | 44,656 |
| Tax consulting and tax advice | 85,543 | 29,237 |
| | 99,045 | 73,893 |
| <i>Audit services - unrelated firms</i> | | |
| Audit or review of the financial statements | 36,159 | 43,205 |
| <i>Other services - unrelated firms</i> | | |
| Tax compliance services, including review of company income tax return | 172,291 | 198,481 |
| Tax consulting and tax advice | 181,686 | 119,015 |
| | 353,977 | 317,496 |
| | 390,136 | 360,701 |

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

Note 31. 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 28 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.

Altium Limited
Notes to the financial statements
30 June 2016

Note 31. Related party transactions (continued)

Terms and conditions

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

Altium Limited's interest in subsidiaries

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|--|---|--------------------|-----------|
| | | 2016 % | 2015 % |
| Altium Inc | USA | 100.00% | 100.00% |
| Altium Europe GmbH | Germany | 100.00% | 100.00% |
| Altium Information Technology (Shanghai) Co. Ltd | China | 100.00% | 100.00% |
| Altium Japan KK | Japan | 100.00% | 100.00% |
| Protel AG | Switzerland | 100.00% | 100.00% |
| Altium BV | Netherlands | 37.40% | 37.40% |
| Altium Netherlands BV | Netherlands | 100.00% | 100.00% |
| Morfik Technologies Pty Ltd | Australia | 100.00% | 100.00% |
| Altium IP Hold Co Pty Ltd | Australia | 100.00% | 100.00% |
| Ciiva GmbH | Switzerland | 100.00% | - |
| Octopart Inc | USA | 100.00% | - |

Note 32. Parent entity information

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

Statement of profit or loss and other comprehensive income

| | Parent | |
|--------------------------------|------------------|------------------|
| | 2016 US\$'000 | 2015 US\$'000 |
| Profit/(loss) after income tax | (4,764) | 221,800 |
| Total comprehensive income | (4,764) | 221,800 |

Statement of financial position

| | Parent | |
|-----------------------------|------------------|------------------|
| | 2016 US\$'000 | 2015 US\$'000 |
| Total current assets | 269,199 | 279,291 |
| Total assets | 300,487 | 288,994 |
| Total current liabilities | 29,268 | 21,099 |
| Total liabilities | 34,974 | 22,939 |
| Equity | | |
| Contributed equity | 125,177 | 122,460 |
| Foreign currency reserve | 2,784 | 2,784 |
| Equity compensation reserve | 9,138 | 7,772 |
| Retained profits | 128,414 | 133,039 |
| Total equity | 265,513 | 266,055 |

Note 32. Parent entity information (continued)

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 amounting to US\$118,422 (2015: US\$122,528).

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2016 and 30 June 2015.

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

Note 33. Business combinations

On 3 July 2015 the company acquired 100% of the issued shares in Ciiva GmbH, an electronic component management solutions company for fair value consideration of US\$3.9 million.

On 2 September 2015 the company acquired 100% of the issued shares in Octopart Inc, a leading provider of electronic parts data and specialised online inventory search, for fair value consideration of US\$17.9 million.

On 24 March 2016 the company acquired 100% of the issued shares in Perception Software Inc, a designer and developer of software that integrates engineer design tools and project management applications, for fair value consideration of US\$7.9 million

Altium Limited
Notes to the financial statements
30 June 2016

Note 33. Business combinations (continued)

Details of the acquisitions are as follows:

| | Ciiva GmbH US\$'000 | Octopart Inc US\$'000 | Perception Software Inc US\$'000 |
|--|------------------------|--------------------------|--|
| Cash and cash equivalents | 55 | 232 | 694 |
| Trade and other receivables | 9 | 1,015 | 150 |
| Plant and equipment | - | 29 | 8 |
| Intellectual property | 1,030 | 1,908 | 1,043 |
| Customer contracts | - | 8,945 | 3,953 |
| Trade and other payables | (11) | (748) | (104) |
| Provision for income tax | - | (197) | (3) |
| Deferred tax liability | (162) | (3,256) | (1,498) |
| Deferred revenue | - | - | (488) |
| | <hr/> | <hr/> | <hr/> |
| Net assets acquired | 921 | 7,928 | 3,755 |
| Goodwill | 3,052 | 10,069 | 4,159 |
| | <hr/> | <hr/> | <hr/> |
| Acquisition-date fair value of the total consideration transferred | <u>3,973</u> | <u>17,997</u> | <u>7,914</u> |
| Representing: | | | |
| Cash paid or payable to vendor | 2,054 | 9,000 | 7,914 |
| Altium Limited shares issued to vendor | - | 2,725 | - |
| Deferred consideration | 1,919 | - | - |
| Contingent consideration | - | 6,272 | - |
| | <hr/> | <hr/> | <hr/> |
| | <u>3,973</u> | <u>17,997</u> | <u>7,914</u> |
| | <hr/> | <hr/> | <hr/> |
| Acquisition costs expensed to profit or loss | <u>373</u> | <u>505</u> | <u>265</u> |

Ciiva GmbH

The goodwill is attributable to Ciiva's position in the electronic component management solutions space and synergies expected to arise after the company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

The total consideration comprises cash paid of US\$2,054,000 and deferred consideration of US\$1,919,000.

Octopart Inc

The goodwill is attributable to Octoparts leading position in the electronics parts data and online inventory search industry as well as synergies expected to arise after the company's acquisition of the new subsidiary. None of the goodwill is expected to be deducted for tax purposes.

Contingent consideration

The contingent consideration arrangement requires the company to pay the former owners of Octopart consideration up to the maximum total undiscounted amount of US\$12,000,000 over the 3 years following acquisition. The quantum of amounts payable under the agreement is dependent upon Octopart achieving specific revenue and margin targets.

The fair value of the contingent consideration arrangement of \$6,272,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on assumed probability-adjusted total revenue of Octopart for the three years ending 30 June 2018.

Revenue and profit contribution Octopart contributed revenues of US\$4,473,000 and net profit after tax of US\$1,366,000 to the group for the period from 2 September 2015 to 30 June 2016.

Perception Software Inc

The goodwill is attributable to Perception Software Inc's engineer design tools and project management application software after the company's acquisition of the new subsidiary. None of the goodwill is expected to be deducted for tax purposes.

Note 33. Business combinations (continued)

The total consideration comprises cash paid of US\$7,914,000.

Critical accounting judgements, estimates and assumptions

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

Note 34. Events after the reporting period

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 35. Reconciliation of profit after income tax to net cash from operating activities

| | Consolidated | |
|--|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Profit after income tax (expense)/benefit for the year | 23,020 | 92,398 |
| Adjustments for: | | |
| Depreciation and amortisation | 2,741 | 1,301 |
| Share-based payments | 1,365 | 1,419 |
| Unrealised foreign exchange differences | 190 | 416 |
| Change in operating assets and liabilities: | | |
| Increase in trade and other receivables | (10,797) | (3,319) |
| Decrease in inventories | 152 | 367 |
| Increase in deferred tax assets | (856) | (76,315) |
| Increase in income tax payable | (4,017) | 4,772 |
| Increase in deferred revenue | 5,528 | 1,079 |
| Decrease/(increase) in other operating assets | (846) | 168 |
| Increase/(decrease) in trade and other payables | (1,270) | (281) |
| Decrease in other provisions | (1,128) | (1,607) |
| Net cash from operating activities | <u>14,082</u> | <u>20,398</u> |

Note 36. Earnings per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Profit after income tax attributable to the owners of Altium Limited | <u>23,020</u> | <u>92,398</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>128,690,554</u> | <u>123,468,160</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>128,690,554</u> | <u>123,468,160</u> |
| | Cents | Cents |
| Basic earnings per share | 17.89 | 74.84 |
| Diluted earnings per share | 17.89 | 74.84 |

Altium Limited
Notes to the financial statements
30 June 2016

Note 36. Earnings per share (continued)

For the years ending 30 June 2016 and 30 June 2015 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 37. Share-based payments

Share Plan

In August 2012, the board of directors approved the Key Employee Share Plan ("Share Plan"), which is part of the Altium Limited Employee Share and Option Plan Trust, with the purpose of encouraging ownership of Altium shares in key employees within the Altium Group. The Share Plan awards shares on a long-term basis as an incentive to encourage employees to focus on creating sustainable value and a sense of ownership and accountability to the group.

The Share Plan grants are based on employees contribution and commitment to the company over a period of several years plus the ability of the employees to impact and influence the outcome and direction of the organisation in the future. The shares under the Share Plan which are not yet vested will be accounted for as non-cash expense over the remainder of the vesting period.

During the period to 30 June 2015 the Directors of the company granted 800,000 shares to 6 employees of Altium Limited and its subsidiaries. The shares vest over a 3 year period up to and including 30 June 2017.

2016

| Grant date | Expiry date | Fair value AU\$ | Balance at the start of the year | Granted | Vested | Forfeited/ other | Balance at the end of the year |
|------------|-------------|--------------------|--|----------|------------------|---------------------|--------------------------------------|
| 31/12/2012 | 31/12/2015 | \$1.28 | 30,000 | - | (30,000) | - | - |
| 01/07/2014 | 30/06/2016 | \$2.40 | 133,334 | - | (133,334) | - | - |
| 01/07/2014 | 30/06/2017 | \$2.40 | 133,333 | - | - | - | 133,333 |
| 30/06/2015 | 01/07/2015 | \$3.39 | 100,000 | - | (100,000) | - | - |
| 30/06/2015 | 01/07/2016 | \$3.39 | 100,000 | - | - | - | 100,000 |
| 30/06/2015 | 01/07/2017 | \$3.39 | 100,000 | - | - | - | 100,000 |
| | | | <u>596,667</u> | <u>-</u> | <u>(263,334)</u> | <u>-</u> | <u>333,333</u> |

Altium Limited
Notes to the financial statements
30 June 2016

Note 37. Share-based payments (continued)

2015

| Grant date | Expiry date | Fair value AU\$ | Balance at the start of the year | Granted | Vested | Forfeited/ other | Balance at the end of the year |
|------------|-------------|--------------------|--|---------|-------------|---------------------|--------------------------------------|
| 28/08/2012 | 30/06/2015 | \$0.44 | 912,500 | - | (912,500) | - | - |
| 31/12/2012 | 31/12/2014 | \$1.28 | 30,000 | - | (30,000) | - | - |
| 31/12/2012 | 31/12/2015 | \$1.28 | 30,000 | - | - | - | 30,000 |
| 01/07/2014 | 30/06/2015 | \$2.40 | - | 166,667 | (133,333) | (33,334) | - |
| 01/07/2014 | 30/06/2016 | \$2.40 | - | 166,667 | - | (33,333) | 133,334 |
| 01/07/2014 | 30/06/2017 | \$2.40 | - | 166,666 | - | (33,333) | 133,333 |
| 30/06/2015 | 01/07/2015 | \$3.39 | - | 100,000 | - | - | 100,000 |
| 30/06/2015 | 01/07/2016 | \$3.39 | - | 100,000 | - | - | 100,000 |
| 30/06/2015 | 01/07/2017 | \$3.39 | - | 100,000 | - | - | 100,000 |
| | | | 972,500 | 800,000 | (1,075,833) | (100,000) | 596,667 |

Performance Rights Plan

The Board of Directors approved the establishment of the Altium Performance Rights Plan on 26 August 2014. The Performance Rights Plan is issued to senior executives to establish long term incentive goals which link rewards for employees with the delivery of Altium's key performance drivers and the interests of Altium's shareholders.

The Performance Rights Plan was introduced specifically to incentivise the executive team to build financial strength through revenue growth and expanding margins. The Plan relates to three performance periods and consists of performance conditions. The Plan is assessed at the conclusion of each performance period with both performance conditions required to be achieved in order for the rights to become eligible to vest.

Each Performance Right is a contractual right which entitles the holder to be allocated one fully paid ordinary share in Altium at no cost upon the Performance Right becoming a Vested Performance Right in accordance with the Plan hurdles being met. Upon the performance conditions being satisfied the Performance Rights will vest in three approximately equal tranches following the end of the financial years

The plan for financial year ended 30 June 2016 relates to three performance periods being the 2016, 2017 and 2018 financial years and has a performance condition related to earnings per share (EPS) growth targets. These hurdles were based directly on the company's Strategic Plan.

The plan for financial year ended 30 June 2015 relates to three performance periods being the 2015, 2016 and 2017 financial years and consists of two performance conditions; earnings per share (EPS) and an increase in the base of subscriber and maintenance customers. The Plan hurdles are based upon meeting specified earnings per share targets and increases in the base of subscriber and maintenance customers, as demonstrated through achieving a specified level of deferred revenue. These hurdles were based directly on the company's Strategic Plan.

2016

| Grant date | Expiry date | Fair value AU\$ | Balance at the start of the year | Granted | Vested | Lapsed | Forfeited | Balance at the end of the year |
|------------|-------------|--------------------|--|---------|-----------|--------|-----------|--------------------------------------|
| 26/08/2014 | 31/08/2015 | \$2.58 | 111,490 | - | (111,490) | - | - | - |
| 26/08/2014 | 31/08/2016 | \$2.58 | 108,211 | - | - | - | (14,901) | 93,309 |
| 26/08/2014 | 31/08/2017 | \$2.58 | 108,211 | - | - | - | (14,901) | 93,309 |
| 16/02/2016 | 31/08/2016 | \$5.75 | - | 141,523 | - | - | - | 141,523 |
| 16/02/2016 | 31/08/2017 | \$5.75 | - | 137,361 | - | - | - | 137,361 |
| 16/02/2016 | 31/08/2018 | \$5.75 | - | 137,361 | - | - | - | 137,361 |
| | | | 327,911 | 416,245 | (111,490) | - | (29,802) | 602,863 |

Note 37. Share-based payments (continued)

| 2015 | | | | | | | | |
|------------|-------------|--------------------|--|---------|--------|-----------|-----------|--------------------------------------|
| Grant date | Expiry date | Fair value AU\$ | Balance at the start of the year | Granted | Vested | Lapsed | Forfeited | Balance at the end of the year |
| 26/08/2014 | 31/08/2015 | \$2.58 | - | 244,912 | - | (133,422) | - | 111,490 |
| 26/08/2014 | 31/08/2016 | \$2.58 | - | 237,708 | - | (129,498) | - | 108,211 |
| 26/08/2014 | 31/08/2017 | \$2.58 | - | 237,708 | - | (129,498) | - | 108,211 |
| | | | - | 720,328 | - | (392,418) | - | 327,911 |

Share Based Payment Expense

| | Consolidated | |
|------------------------------------|---------------------|-----------------|
| | 2016 | 2015 |
| | US\$'000 | US\$'000 |
| Shares issued under the Share Plan | 1,365 | 1,419 |

The Altium Share and Option Plan Trust is used to hold shares for share and option plans. As at 30 June 2016 the trust held 1,241,007 ordinary shares (2015:2,578,500).

Accounting policy for share-based payments

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

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

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

Critical accounting judgements, estimates and assumptions

The consolidated entity measures the cost of equity settled transactions settled with employees by reference to the fair value of the equity instrument at the date at which they are granted and approved. The accounting estimates and assumptions related to equity settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but will impact profit or loss and equity.

Altium Limited
Directors' declaration
30 June 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



Aram Mirkazemi
Director and Chief Executive Officer



Joseph Bedewi
Chief Financial Officer

23 August 2016
Sydney



Independent auditor's report to the members of Altium Limited

Report on the financial report

We have audited the accompanying financial report of Altium Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Altium Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



- (a) the financial report of Altium Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 16 of the directors' report for the year ended 30 June 2016. 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.

Auditor's opinion

In our opinion, the remuneration report of Altium Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Altium Limited (the company) for the year ended 30 June 2016 included on Altium Limited's web site. The company's directors are responsible for the integrity of Altium Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Eliza Penny
Partner

Sydney
23 August 2016