

### Note 3. Revenue

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

#### Accounting policy for revenue recognition

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

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

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

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

- 1. Software licenses:** Revenue is recognised at a point in time when license activation is available to the user.
- 2. Subscription and maintenance:** Revenue is deferred and is subsequently recognised over the period in which the subscription service is provided. As the billing structure for customers is often bundled with licenses and billed on activation, there is an allocation methodology applied based on stand-alone selling prices to calculate the portion of revenue to be deferred.
- 3. Search advertising:** Revenue is recognised at a point in time on a price-per-click basis, this is when a user engages with the search result on the website by clicking on it.

- 4. Services revenue:** Revenue from providing services is recognised over the period in which the services are rendered. Services include training and implementation services.
- 5. Other revenue - Royalties:** Royalties related to IP are recognised at a point in time when the subsequent sales occurs.
- 6. Interest income:** Revenue is recognised on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the assets net carrying amount.

#### Impact on opening retained profits

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

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

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

#### Critical accounting judgements, estimates and assumptions

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