

Altium



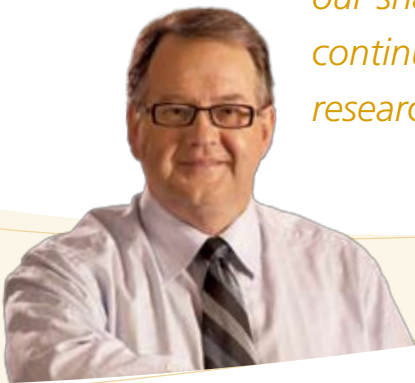
Our vision

Historically, the most advanced, state-of-the-art design tools have been prohibitively priced, with access being limited to engineers based within the few companies that could afford them. The Altium vision – unchanged since the company's inception – is to break down these barriers to innovation and technological advancement and provide every engineer and system designer with easy access to the best possible electronics design tools. This is the driving force behind why our company was founded and is still the vision that guides our strategies today and into the future.

Contents

- 01 Chairman's review
- 03 Chief Executive Officer's report
- 05 Chief Financial Officer's report
- 07 President & Chief Operating Officer's report
- 09 A year of investment
- 11 Altium board members
- 13 Review of operations and activities
- 14 Directors' report
- 26 Auditor's independence declaration
- 27 Corporate governance statement
- 32 Financial report
- 76 Information for shareholders
- 80 Company particulars

On behalf of Altium's board of directors, I am pleased to present the company's results for the 2006/2007 financial year. These results show strong growth in sales and revenue, and continued profitability. On the back of Altium's performance a year ago, this reflects our ability to consolidate our financial position to the benefit of our shareholders and employees, and at the same time continue our longer-term strategy of continued product research and development.



Overall, Altium grew sales by 31% measured in the currencies of our primary regions, and by 26% measured in Australian dollars, to a total of \$57.5 million. Our revenue grew by 18%, to \$53.4 million. Earnings before interest, tax, depreciation and amortization (EBITDA), rose by 2% to \$6.6 million. Profit before tax increased by 36% to \$1.6 million. Once again, our cash balance has grown by a healthy margin of 68%, to \$10.7 million. Trade receivables also grew, by 20% to \$15.3 million.

A characteristic of being a software company is that part of our revenue comes from the sale of software licenses, and part comes from longer-term contracts that reflect deepening commercial relationships with customers. An example of this is software assurance contracts. Many of our customers choose this option as it gives them the right to receive all product upgrades during the contract period.

Altium benefits from this because we can see predictability in future revenue on the back of an increasing cash flow. Our customers

benefit by being able to manage their budgets annually, and by having predictability on receiving upgrades.

In business terms, this signifies an expanding customer base, expanding relationships with these customers, and expanding demand for our solutions. In accounting terms, we are required to defer the recognition of this revenue, which continues to show up as the difference between our recorded sales and revenue.

The proportion of our revenue that comes from these longer-term contracts and relationships grew last year. And as these relationships continue, this proportion of our revenue is likely to increase in the years to come.

The company's overall financial performance sits alongside significant, continued product research, development and release to the market. That Altium achieved this while growing the business profitably, and in the face of an Australian dollar that grew in strength through the year, underlines the board's confidence in the company's strategy, and capacity to execute on that strategy.

Our regional operations continued to perform. All three primary regions – the Americas, Europe (including the Middle East and Africa) and the Asia-Pacific region – grew sales.

We also joined the Business Software Alliance (BSA) as an Asian regional member, extending our earlier membership in the People's Republic of China. Membership of BSA gives Altium the opportunity to work with this highly respected body to assist in the reduction of software piracy and the education of the public about sound software management practices.

Investment in talent has continued, and will be a focus for the 2007/8 financial year. In particular, we plan to focus on our sales management, on managing our growth effectively, and on the investments we need to make in people, markets and technology to manage our business.

As part of this continued corporate stewardship I'd like to welcome two new members to the board of Altium.

Sam Weiss joined the Altium board on 1st January 2007 and is a highly regarded corporate advisor with extensive board experience. He brings considerable experience of navigating the challenges associated with growth and in maintaining good financial returns.

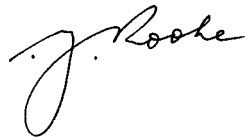
Sam currently serves on the boards of Orotan Group Ltd, Ecos Corporation, GLG Corp Ltd and Canterbury of New Zealand Ltd, and brings valuable business experience from his previous roles at companies such as Nike, where Sam was European chief operating officer. Sam is a graduate of Harvard University and holds a Master's Degree from Columbia University School of Business Administration.

André Pravaz also joined our board on 1st January 2007 and is the former Vice President, South East Asia Pacific for Autodesk Inc. He brings deep experience of managing regional sales organizations, both direct and indirect, and will advise us in

particular on strategic business development. André holds an MBA from Melbourne Business School of Management.

The appointments of Sam and André to the board, and new senior appointments in our Sales & Support, People & Performance and Marketing teams, combine to strengthen our business leadership for the year ahead.

As noted elsewhere in this report, the results for this year are those of the entire Altium team. On the back of their efforts, we propose a financial return to shareholders, in the form of a capital return of 6 cents per share, subject to shareholder and regulatory approval. The board wishes to thank all those on the team for their efforts and success, and thank shareholders for your continuing support.



Carl J Rooke,
Chairman

“ This powerful design system has positively impacted our ability to complete projects on time and on budget. MIT students who use Altium Designer learn new skills that will prove to be very useful in their future careers. ”

Thaddeus Fulford-Jones
PhD Candidate, MIT Department
of Aeronautics and Astronautics



Chief Executive Officer's report

Over the last twelve months, we have witnessed the ongoing process of change in the electronics industry. As our customers and potential customers continue to struggle with the demands of these changes, we see increasing awareness of the relevance of our methodology for designing and building electronic devices.



The growing recognition by electronics manufacturers of the need to differentiate their products using innovative approaches, and to get these new products to market in increasingly shorter time frames, is encouraging the search for new and innovative ways to approach the whole design process.

Our job continues to be to provide the design tools, support and training that allow engineers and electronics designers to collaborate effectively, harness the best of today's electronic components, and most importantly to design and build great products.

Altium remains the only mainstream company providing a truly new approach to the design process – one that rejects the silo-based design processes of the past and instead treats the design of electronic products as a holistic problem.

This requires a redefinition of what design tools we must provide, and Altium Designer, encapsulating our unified design approach, provides a solution.

As we have continued to help organizations make the transition to this new approach to electronics design, our confidence in our solution continues to grow. Although there is still much work to do on the product

development side of the business, the solution we offer today already represents a clear step into this new approach for our customers.

At times, the sheer magnitude of the opportunity in front of us feels quite daunting. The challenge that this represents, the responsibility of delivering on this opportunity – to our customers, to our employees who are investing their careers, and our shareholders who are investing their dollars – weighs very heavily.

But it is the quality of the Altium team, a truly world-class group of people that has grown strongly over the last year, which gives me the confidence that we can deliver on this opportunity.

This year, we revealed the next stages of our strategy, as several fundamental technologies have emerged from our product development pipeline.

The reconfigurable platform – our new NanoBoard product range, previewed in April this year – allows engineers to combine pre-assembled, off-the-shelf circuit boards to create hardware devices that can be programmed for specific applications using Altium Designer – all without the need to design and manufacture custom hardware.

Our new software-to-hardware compiler technology, several years in development, will make its first appearance in our products as this report goes to press. This allows software engineers to really harness the power of programmable hardware, opening up whole new markets for our products.

Our new PCB visualization technology provides realistic real-time views of the product under development by our customers, not only making it easier for experienced electronics designers to do their jobs today, but also extending the reach of less experienced designers to much more complex designs.

These are just a sample of the building blocks of the next-generation electronics design solution. As we move forward we will continue to focus on developing and progressing these technologies, bringing them into our products, and building an organization that can deliver this technology to an ever increasing base of customers.

This is not a game for the faint-hearted. Altium is building and supplying a whole new way of designing electronic products. Although we continue to see financial results that reflect an increasing acceptance of our approach and solution in the marketplace, our real focus remains on the bigger objective of empowering the next generation of electronics designers.

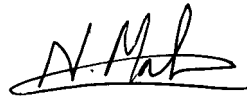
Ultimately, our success will be measured on whether Altium Designer and the unified design approach becomes the next 'standard' for the design of electronic products, and whether we can help the many hundreds of thousands of designers throughout the world fulfil their potential through their own products. Today, we have a few tens of thousands of designers using our latest technology, so the scale of the opportunity speaks for itself.

I would like to take this opportunity to thank everyone on the Altium team for their dedication and contribution in continuing

to make our strategy real. Your efforts have made a difference in the world and will continue to do so into the future.

To our shareholders, who have shown the vision and patience to stay with us through the years, we extend our warmest thanks for your support.

Rest assured that the whole Altium team remains committed and excited by the opportunity in front of us. We look forward to continuing to turn your company into the world-class success that it can be.



Nick Martin,
Founder, Chief Executive Officer
& Chief Technology Officer

“ Altium Designer was the first package I worked with that had strong capabilities in both schematic capture and board layout. While all other vendors offered an integrated solution, Altium Designer was the only one to truly unify the design process. ”

Cater Mousand
Vice President Engineering
E-Solar

Chief Financial Officer's report

As can be seen from our results, we have achieved a significant expansion of our business in the 2006/2007 financial year. Our strategies of the past few years have allowed us to drive the business to strong growth in sales and to take additional steps to maintain this momentum and growth.



Highlights

- Sales up 26% to \$57.5 million
- Revenue up 18% to \$53.4 million
- Operating cash flow increased 157% from \$3.5 million last year to \$9.0 million
- Profit before tax up 36% to \$1.6 million
- Proposed capital return of 6 cents per share

In this year's report I want to explain some of the underlying business drivers that at first glance might not be clear from our reported results. I refer particularly to our sales activities and the effects on near-term reported results of our success in driving longer-term relationships with our customers.

Our business generates revenue through three primary sources – selling new licenses, selling upgrades to earlier versions, and having customers take up software assurance contracts.

All of these grew in 2006/2007: licence sales grew by 13%, software assurance and maintenance sales grew by 76% and our Altium Designer 6 user base grew by 87%. Just as important is how these financial results are reflected in our financial reports.

Software assurance is a contract that gives customers the right to receive all upgrades that we release during the term of the contract. A contract term typically lasts 12 months and we receive payment at the commencement of the contract. We've been actively working to increase the number of customers who take up software assurance and through the last 12 months we have seen a significant increase in these sales.

This benefits our business by helping to reinforce longer-term relationships with

customers and it also leads to greater predictability for our cash flow and sales. For customers, they are able to manage their own budgets and commitments for expenditure more effectively, and can be assured of getting access to our latest technology as soon as it becomes available.

Despite booking the sale and receiving the payment at the start of the contract, for accounting purposes we are required to defer the recognition of the revenue associated with sales of software assurance. You can clearly see the positive effect of our success in increasing the number of customers selecting these contracts when you look at the movement in our deferred revenue account on the balance sheet.

We started the year with deferred revenue of \$5.3 million, and ended it with \$9.1 million. This is \$9.1 million of revenue that we will recognize in the 2007/2008 financial year, but for which we have already received the cash. This deferred recognition of revenue manifests itself as the difference between our reported sales (\$57.5 million) and our reported revenue (\$53.4 million). This is also one of the major reasons why our operating cash flow had a larger increase compared with other measures of performance, such as profit before and after tax, and it feeds directly into our cash balance as at the end of the financial year.

For this reason, we are able to propose a return to shareholders, even though reported profit is in line with last year. This will be in the form of a proposed capital return of 6 cents per share and will be subject to shareholder and regulatory approval at the forthcoming Annual General Meeting. Our cash position is much stronger than our reported profit would suggest and therefore we have a much greater amount of surplus capital to return to you. Last year, we returned 4 cents per share as a dividend.

As a further example, you will note that we took a further amortization charge against our intellectual property (IP) assets held on the balance sheet – whilst at the same time increasing our overall research and development spend by 22% to \$10.5 million. The amortization charge – which is non-cash – lowers our profitability and it might appear that our assets are depreciating in value. We believe that the true picture is quite different. Our annual research and development investment lets us execute our product development strategies, and produce new technology that enhances the value of our IP.

This is good for our shareholders because we are generating sufficient cash flow to fund product development, which in turn underpins future growth; and we can also make a financial return to our shareholders.

We encourage our shareholders and potential investors to look at the underlying cash flows when assessing our business performance. It is these that drive our ability to provide increased returns and fund our continued expansion. These are the two primary cornerstones of our current financial strategy.

The year has seen strong growth in sales in each of our three geographic regions. For two years, our growth in the Americas has exceeded 30% in US dollars. Our growth in Europe is accelerating, and Asia continues strongly, driven by growth in each of our major markets in that region.

The Chinese market continues to represent a major growth opportunity and we are pleased with our progress in driving sales growth of over 150% in the year.

Worldwide, we've signed some great new customers, including one of the world's major toy producers, a leading worldwide aviation company, and major organizations involved in commercial and scientific space operations.

In summarizing, it's been an exciting year of continued growth for the business. Our sales performance has helped us to both fund further expansion opportunity and provide shareholders with increased returns. We will continue to pursue avenues to help take us toward delivering the results that our investment strategies of the past years have created for us.



Darren Charles,
Chief Financial Officer

“ Cessna carefully evaluated the cost, features and benefits of many electronic product development options. Through this process, we determined Altium Designer’s single unified design environment would be the most appropriate solution for our current business model. ”

Tim Zimmerman
Supervisor Electronics Development
Cessna

This past year has proven to be both exciting and challenging for Altium. We have grown our understanding of the size of the opportunity for Altium but more importantly focused on ensuring each team member knows what is actually required of them to deliver to this and bring success – success to our customers and to Altium. Our positive results reflect the momentum we are building within our organization.



Delivering a new, alternative way of approaching electronics design through our unified solution provides an interesting scale of opportunity – we can ultimately help every electronics designer wanting to create an intelligent device. However, it is not without its challenges. Asking a customer's organization to approach the design process differently – essentially asking them to retool their entire electronics engineering team – requires us to know how to sell the benefits at all levels of an organization. The investment we have placed in building our Sales & Support organization to be skilled in strategic solution selling has already added thousands of new customers, including some very well-known brands that have standardized on our solution. However, we have a long way to go in further developing our organization and sales channels to really deliver on the potential for our business.

Thus recruitment and the development of our organization, particularly of our management team, continues to be the number one focus for us not only in our Sales & Support

organization but in all areas of our business. As we will not compromise on our standards or on the smarts required to operate in this industry, and lead the change in the way electronics design can be approached, we have found it challenging to reliably predict the time and investment it takes to recruit.

Last year we were able to recruit 103 new employees into a number of core areas. We grew our senior management team as an essential element to help lead and develop our people and strategies, as well as increasing our hardware and software development resources to help develop our products, from which we derive our ability to provide a truly unified solution to our customers.

We have also introduced significant digital communication resources to allow us to communicate and interact with our customers in new ways. Major milestones, such as our online web based TRAININGcenter that now delivers over 100 videos of on-demand training modules, has made the decision to deploy Altium Designer throughout an organization an even easier one to make.

We continue to build our finance team to provide greater guidance, management and accountability in our organization, as well as develop our core business information systems. This last year we also saw the successful migration of our financial data into a new financial system which tightly integrates with our customer relationship system. This helps us reach our goal of ensuring that every employee, irrespective of where they are working (home, office, whilst travelling) can have real-time visibility to their customers' accounts and contact histories. We continue to look to off-the-shelf solutions and readily available technology to help provide immediate information systems gains within our organization.

Our People & Performance team continues to focus on providing ways to ensure success in recruiting and retaining world class people through many initiatives, including our People Services team which is 100% dedicated to making life working at Altium easy, providing complimentary food and services to every employee.

Ensuring we have the right resources on the right opportunities requires strong discipline. However, it is our pursuit of excellence in knowing what we need to deliver and when we need to deliver it, that truly separates us from our competitors.

We are strongly committed to being the best in the world at harnessing contemporary electronics and software technologies to help engineers easily produce innovative intelligent devices.

We know that we can help our customers concentrate on delivering real innovation, allowing them to focus on creating functionality and product differentiation, rather than being weighed down by the traditional disparate design flow and pre-determined execution platforms of yesterday's electronics design paradigm.

We believe that the pursuit of this, and our continuous delivery of product innovation in our software and hardware development, will translate into industry leadership and commercial success.

Of course, none of this is possible without the collective dedication and tireless efforts that the Altium team provides each day to ensure our success. I would like to take this opportunity to acknowledge the great people here at Altium and relay to all of them, that it is an absolute inspiration to work alongside such genius and passion.

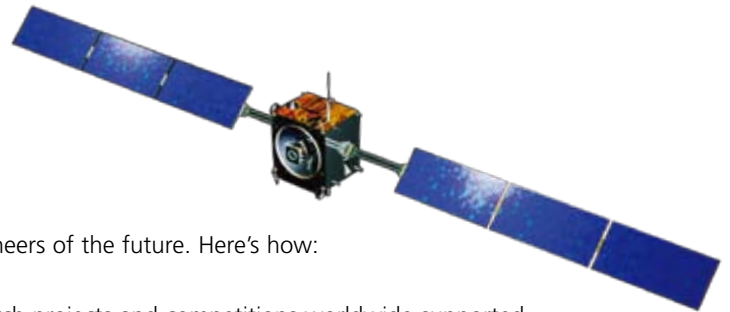


Emma Lo Russo,
President & Chief Operating Officer

“ We use a wide range of technologies for our operations, so our design tool needs to be flexible and easy to use. Altium Designer's intuitive user interface allows us to complete our designs in the most effective manner. ”

Frank Cummings
Technical Officer
Australian Bureau of Meteorology

Investing in the future



Altium continues to invest in the engineers of the future. Here's how:

Total number of universities and research projects and competitions worldwide supported by Altium: over **900**

Number of Altium Designer software licenses donated by Altium last year: over **250**

These licenses get used in teaching and in university research projects covering everything from space to formula motor racing, from mining research to robot development.



Whatever the application, common themes bind these new users of Altium technology – innovation, a competitive spirit and a passion for engineering.

Investment in People

Altium continues to grow our teams and to attract world-class talent. Here's how:

Number of new employees: **103**

Total headcount increase: **20%**



Our engineers work years ahead of the market, developing solutions that will enable ideas and concepts to become commercially viable. They also have the freedom to identify trends and develop software and features that reflect these trends – testing designs through to manufacture, ensuring that we develop products that engineers want.

The development and retention of our people remains a strategic focus for Altium:

Number of skills development workshops delivered: **41**

Number of employees who attended these: **290**

Investment in our customers

Altium has a reputation for supporting our customers. Here's how:

Number of people we met at seminars: **2,644**

Number of people we met at exhibitions: **8,274**

Number of customers we trained: **5,793**



Our web-based TRAININGcenter opened for business in January 2007, with over **21,500** training videos accessed in its first six months of operation.



The net result:

New users of Altium Designer 6: over **9,000**

Total Number of Altium Designer 6 users: over **20,557**

Increase: over **87%**

Investment in our company

At the heart of our company are our people and Altium Designer, our flagship product for unified electronics design.

Increase in R&D budget: **22%**

Number of new features: **2.5** every working day.

Number of new versions: **4**



Our strategy: to remove all obstacles to innovation in electronics design.

Our focus: bringing the benefits of unified electronics design – shorter development times, faster design of more intelligent products, the unification of hardware and software design – to reality.

New product highlights include Altium's Desktop NanoBoard, a reprogrammable platform that simplifies hardware design to support embedded applications.

Combined with Altium Designer 6, the Desktop NanoBoard brings the unified future of electronics product design one step closer.

Altium board members



Carl J Rooke, Chairman

Carl joined the Altium board in 1990 and was appointed Chairman in 1999. Carl is a director of BDO Kendalls (TAS) Pty Ltd.



Nicholas M Martin, Chief Executive Officer & Chief Technology Officer

Nick founded Altium in 1985 (known then as Protel) and has held the role of CEO since 1999. Nick provides the business strategy for the company, including the overall financial, marketing and product development direction.



Kayvan Oboudiyat, Executive Vice Chairman

Kayvan joined Altium in 1997 as Managing Director and has played a key role in Altium's acquisition and new business strategies. Kayvan currently holds the position of Executive Vice Chairman.



William A Barte, Non-Executive Director

Bill was appointed to Altium's board in 1999 and has many years of experience working with emerging growth technology companies. Bill is currently Managing Director of Globalview Technology Ventures, LLC.



André J Pravaz, Non-Executive Director

André joined the Altium board as a non-executive director in January 2007 and was appointed to the audit and risk management committee in July 2007. André is the former Vice President, South East Asia Pacific for Autodesk Inc., the world's leading design software and services company.



David M Warren, Non-Executive Director

Dave joined Altium's board in 1991 and has worked across a number of areas of the business including sales and corporate development. In 2004, David became a non-executive director.



Samuel S Weiss, Non-Executive Director

Sam joined the Altium board as a non-executive director in January 2007 and was appointed to the audit and risk management committee in July 2007. Sam currently serves on the boards of Orotion Group Ltd, Ecos Corporation, GLG Corp Ltd Open Universities Pty Ltd and Canterbury of New Zealand Ltd.

Annual Financial Report
Altium Limited and its
Controlled Entities

ACN 009 568 772

Table of Contents

| | |
|----|--|
| 13 | Review of operations and activities |
| 14 | Directors' report |
| 17 | Remuneration report (audited) |
| 26 | Auditor's independence declaration |
| 27 | Corporate governance statement |
| 32 | Financial report |
| 33 | Income statements |
| 34 | Balance sheets |
| 35 | Statements of changes in equity |
| 36 | Cash flow statements |
| 37 | Notes to the financial statements |
| 72 | Declaration to the Board of Directors |
| 73 | Directors' declaration |
| 74 | Independent audit report to the members of Altium Limited |
| 76 | Information for shareholders |
| 80 | Company particulars |

Overview of financial performance and position:

| | 2007 \$'000 | 2006 \$'000 | Percentage change |
|--|----------------|----------------|----------------------|
| Revenue | 53,381 | 45,210 | 18% |
| Earnings before interest, tax, depreciation and amortisation | 6,592 | 6,473 | 2% |
| Profit before tax | 1,580 | 1,163 | 36% |
| Profit attributable to members | 1,066 | 1,557 | (32%) |
| Earnings per share (cents) | 1.2 | 1.8 | (33%) |
| Return of capital/dividends declared per share (cents) | 6.0 | 4.0 | 50% |
| Operating cash flows | 8,953 | 3,483 | 157% |
| Cash position | 10,653 | 6,352 | 68% |
| Deferred revenue | 9,121 | 5,308 | 72% |
| Average number of employees during the year | 265 | 253 | 5% |
| Number of employees at end of year | 301 | 243 | 24% |

The year ended 30 June 2007 has seen Altium continue its improved performance from the prior year with further sales growth, as detailed in the table below, and revenue growth of 18%. The performance of the business in the last financial year has provided the capability to make the necessary investments to take advantage of market opportunities that currently exist. At the same time as undertaking additional investment in research and development, sales and marketing and organisational infrastructure, the group has increased operating cash flows, profit before tax and proposed distributions from the prior year. The group's year end cash position has also increased significantly on the prior financial year, despite the appreciation of the Australian dollar, and is a direct result of the sales growth.

Sales in local currencies:

| | 2007 \$'000 | 2006 \$'000 | Percentage change |
|----------------------------|----------------|----------------|----------------------|
| Product sales | | | |
| Americas (US\$) | 19,850 | 15,249 | 30% |
| Europe (euro) | 11,426 | 9,791 | 17% |
| Asia Pacific (US\$) | 10,141 | 6,072 | 67% |
| Consulting Services | | | |
| Europe (euro) | 581 | 605 | (4%) |

The year has seen strong growth in sales in each of the group's three geographic regions. For the second consecutive year, growth in the Americas has exceeded 30% in local currency while growth in European sales has increased 17% from the prior year. Asia Pacific continues to be the highest growing region, driven by growth in each of the major markets in the region. The Chinese market continues to represent a significant opportunity for growth in Asia Pacific and expansion in the customer base resulted in sales growth exceeding 150% for the year.

Regulatory environment

For details regarding the impact of regulatory changes in accounting standards, refer to note 1 in the notes to the financial statements section of this report.

Legal

At the date of this report there are no significant legal issues affecting the company.

Health and safety

Altium is committed to providing its employees with a healthy and safe working environment and has in place a comprehensive occupational health and safety program.

Corporate governance

Corporate governance information is included on page 27 of the annual financial report.

Statement of compliance

The above report includes disclosures as recommended in The Group of 100 Incorporated publication: Guide to Review of Operations and Financial Condition.

The directors of Altium Limited present their report on the group consisting of Altium Limited and the entities it controlled at the end of, or during, the year ended 30 June 2007.

Directors

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

- Carl J Rooke
- Nicholas M Martin
- Kayvan Oboudiyat
- William A Bartee
- David M Warren

André J Pravaz and Samuel S Weiss were appointed non-executive directors on 1 January 2007 and continue in office at the date of this report.

Principal activities and review of operations

The group's principal activities during the year were that of the design, development and sale of computer software for the design of electronic products.

Refer to the review of operations and activities on page 13 for further commentary.

| | Group | |
|------------------------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 |
| Profit before income tax | 1,580 | 1,163 |
| Income tax expense (benefit) | 514 | (394) |
| Profit after income tax | <u>1,066</u> | <u>1,557</u> |

| | Group | |
|----------------------------|---------------|---------------|
| | 2007 cents | 2006 cents |
| Basic earnings per share | 1.2 | 1.8 |
| Diluted earnings per share | 1.2 | 1.8 |

| | Group | |
|---|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 |
| Final ordinary dividend of 4 cents (2005: \$nil) per fully paid share on 21 August 2006 | <u>3,522</u> | - |

The directors recommend a return of capital of 6 cents per share, which is subject to shareholder approval at the next annual general meeting and regulatory approval.

Information on directors

Carl J Rooke CA FAICD, Non-Executive Chairman

Carl joined the board in 1990 as a non-executive director and was appointed Chairman in 1999. Carl is a former Chairman of Horwath Australia and currently holds the position of Director of BDO Kendalls (TAS) Pty Ltd (formerly Horwath Tas Pty Ltd). Carl is a Fellow of the Institute of Chartered Accountants and the Institute of Company Directors and brings to the group a history of successful business practice with many years of proven experience in management, accounting and finance. Carl is also Chairman of the remuneration and nomination committees and a member of the audit and risk management committee.

Nicholas M Martin, Chief Executive Officer & Chief Technology Officer

Nick founded Altium Limited in 1985 (known then as Protel International) and has served as an executive director from the group's inception and Chief Executive Officer since 2001. It is due to Nick's vision and foresight that Altium is considered a global leader in technology innovation in the electronics design industry. Nick provides the business strategy for the company including the overall financial, marketing and product development direction. Nick added the role of Chief Technology Officer in May 2007. Additionally, Nick is a member of the nomination committee.

Kayvan Oboudiyat BE (Hons) GDA, Executive Vice Chairman

Kayvan has been a director since 1997. Originally Kayvan was appointed Managing Director, becoming Chief Executive Officer in 1999 and joint Chief Executive Officer in July 2001. Kayvan has served in his current role of Executive Vice Chairman for two years. Kayvan has played a key role in driving the group's aggressive acquisition strategy with an active involvement in the continuing development of new business opportunities. Prior to joining the group, Kayvan spent eleven years with Telstra, including three years as a senior executive in the International Business Unit. Kayvan is also the Company Secretary.

William A Barteo BS MBA JD, Non-Executive Director

Bill was appointed to the board as a non-executive director in 1999. Bill has sixteen years' experience working with emerging growth technology companies in US venture capital and private equity industries. He is a former investment director for Macquarie Technology Ventures and former Chief Executive Officer of Mantara, a messaging software company. Bill currently holds the position of Managing Director of Globalview Technology Ventures, LLC. Bill is the Chairman of the audit and risk management committee and a member of the remuneration and nomination committee.

André J Pravaz BSc MBA FAICD, Non-Executive Director

André became a non-executive director of the board on 1 January 2007 and is the former Vice President, South East Asia Pacific for Autodesk Inc., the world's leading design software and services company for building, manufacturing, infrastructure and digital media. André has also held various senior management roles in organisations such as Digital Equipment Corporation, Silicon Graphics, ASK Computer Systems and Compuware Asia Pacific. André was appointed to the remuneration committee on 23 July 2007.

David M Warren BSc (Hons) MAIP MAICD, Non-Executive Director

Dave has served as a member of the board since 1991. He has an Honours degree in Physics from the University of Tasmania and worked in the field of electronics research and development for several years prior to joining Altium's management team in 1987. Dave served as President of Altium's USA operation from 1994-1995. Since 1995 he has worked in the areas of mergers, acquisitions, sales and corporate development prior to becoming a non-executive board member in 2004. Dave is a member of the remuneration committee and was a member of the audit and risk management committee until 23 July 2007.

Samuel S Weiss AB MS FAICD, Non-Executive Director

Sam joined the Altium board as a non-executive director on 1 January 2007 and is a highly regarded corporate advisor with extensive board experience. Sam currently serves on the boards of Orotan Group Ltd, Ecos Corporation, GLG Corp Ltd, Open Universities Pty Ltd and Canterbury of New Zealand Ltd, and brings valuable business experience from his previous roles as Vice President, Asia-Pacific, Gateway Computers and Chief Operating Officer for Nike Europe. Sam was appointed to the audit and risk management committee on 23 July 2007.

The directors held no other directorships in the past three years other than those stated above.

Information on directors continued

Directors' interests

Directors' interest in Altium Limited at 30 June 2007 is as follows:

| | Ordinary shares | Share options |
|-----------------------------|-----------------|---------------|
| Carl J Rooke | 465,365 | 160,000 |
| Nicholas M Martin | 22,524,650 | - |
| Kayvan Oboudiyat | 1,987,500 | 400,000 |
| William A Bartee | - | 80,000 |
| André J Pravaz ¹ | - | - |
| David M Warren | 5,523,000 | - |
| Samuel S Weiss ¹ | - | - |

¹ André J Pravaz and Samuel S Weiss were appointed on the 1 January 2007

Nicholas M Martin, David M Warren, André J Pravaz and Samuel S Weiss have not been granted options over ordinary shares at any time since the commencement of any company option plans.

Directors' meetings

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2007, and the numbers of meetings attended by each director were:

| | Full meetings of directors | Meetings of committees | | |
|--|----------------------------|---------------------------|------------|--------------|
| | | Audit and risk management | Nomination | Remuneration |
| Number of meetings held | 7 | 3 | 1 | 2 |
| Number of meetings attended by: | | | | |
| Carl J Rooke | 7 | 3 | 1 | 2 |
| Nicholas M Martin | 6 | - | 1 | - |
| Kayvan Oboudiyat | 7 | - | - | - |
| William A Bartee | 6 | 3 | 1 | 2 |
| André J Pravaz ¹ | 4 | - | - | - |
| David M Warren | 7 | 3 | - | 2 |
| Samuel S Weiss ¹ | 4 | - | - | - |

¹ André J Pravaz and Samuel S Weiss were appointed on the 1 January 2007 and were only required to attend four meetings - Not a member of the relevant committee.

Remuneration report (audited)

Remuneration philosophy

Altium's philosophy for executive remuneration is to ensure that remuneration properly reflects the duties and responsibilities of its executives and that the remuneration is competitive in attracting, motivating and retaining the services of high quality management. This objective is achieved via a reward program that involves a mixture of fixed and performance based remuneration.

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.

Remuneration committee

The board established the remuneration committee, which is responsible for reviewing and recommending remuneration policies and packages for board members and senior executives. The remuneration committee also assesses the appropriateness of the nature and amount of the packages on a periodic basis by reference to relevant employment market conditions.

Non-executive director remuneration

Non-executive director remuneration payments reflect the demands, responsibilities and skill set which are made of the non-executive directors.

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 current pool of \$350,000 per annum was approved in a meeting on 30 September 1999.

The chairman's fees are considered independently to the fees of the non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

Executive remuneration

The executive pay and reward framework has three components:

- Base pay and benefits, including superannuation
- Short term incentives
- Long term incentives, through participation in share option plans

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

Base pay

Base pay is structured as a total employment cost package which may be delivered as 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 benchmark information, to ensure that the executives pay is competitive with the market. Retirement benefits are paid in line with local legislation and practice.

The board believes that well managed short term and long term incentive 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 and long term vision.

Short term incentives

Short term incentives are based on achievement of specific performance targets. Performance targets are aligned to both tactical and strategic business objectives using a mixture of quantitative and qualitative targets. Quantitative measures include sales and operating performance targets. Qualitative measures are associated with organisational and business development objectives. The percentage of total remuneration that is allocated to short term incentives varies according to the senior executive position and ranges between 20% and 30% of total remuneration for achieving all targets.

Performance monitoring process

The remuneration committee approves, in principal, the structure and policy of short term incentives. The Chief Executive Officer and Chief Operating Officer align key performance indicators for other executives using the principals determined by the remuneration committee. The Chief Executive Officer assesses whether the financial and non-financial targets have been fully or partially achieved and makes recommendations to the board. Short term incentives are assessed and paid on both half and full year results.

Long term incentives

Long term incentives are provided to certain eligible employees via the option plans. Options offered to directors and senior executives are not dependent on performance criteria. See page 21 for further information.

Remuneration report (audited) continued
Key management personnel

The key management personnel of Altium Limited include the directors as per page 15 and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the company:

| | |
|-------------------------------|--|
| Emma Lo Russo | President and Chief Operating Officer |
| Darren Charles | Chief Financial Officer |
| Benjamin Wells | Director, Embedded Intelligence, Sydney Technology Centre |
| Kerri-Ann Wilson | Chief People Officer |
| Marc Depret | Director, Unified Platform, Sydney Technology Centre |
| Jason Hingston | Associate Director, Board Implementation, Sydney Technology Centre |
| Peter Williamson ¹ | Director of Sales, Asia Pacific |

¹ Appointed on 30 October 2006.

The key management personnel of the group include the directors as per page 15 and the following executive officers:

| | |
|----------------------------|---|
| Emma Lo Russo | President and Chief Operating Officer |
| Darren Charles | Chief Financial Officer |
| Michael Stipe ¹ | Vice President, Sales, Americas |
| Frank Hoschar | Vice President, Sales and Support, EMEA |
| Peter Murman | Managing Director, Amersfoort Technology Centre |
| Matthew Schwaiger | Vice President, Support & Application, Americas |

¹ Ceased employment on 10 July 2007

Service agreements

Remuneration and other terms of employment for each board member and senior executive are formalised in service agreements. The major provisions of the agreements relating to remuneration are set out below.

| | Director's base fee | Base salary inclusive of superannuation | Notice period |
|---|---------------------|---|---------------|
| Non-executive directors of Altium Limited | | | |
| Carl J Rooke | AU\$110,000 | | |
| William A Bartee | AU\$60,000 | | |
| André J Pravaz | AU\$60,000 | | |
| David M Warren | AU\$40,000 | | |
| Samuel S Weiss | AU\$60,000 | | |
| Executive directors of Altium Limited | | | |
| Nicholas M Martin | AU\$40,000 | AU\$319,700 | - |
| Kayvan Oboudiyat | AU\$40,000 | AU\$305,000 | - |
| Key executives of Altium Limited (including key executives of the group) | | | |
| Emma Lo Russo | | AU\$250,000 | 4 weeks |
| Darren Charles | | AU\$240,000 | - |
| Benjamin Wells | | AU\$220,000 | 5 weeks |
| Kerri-Ann Wilson | | AU\$174,400 | 5 weeks |
| Marc Depret | | AU\$163,500 | 5 weeks |
| Jason Hingston | | AU\$163,500 | 5 weeks |
| Peter Williamson | | AU\$200,000 | 2 weeks |
| Key executives of the group | | | |
| Michael Stipe | | US\$200,000 | - |
| Frank Hoschar | | €135,000 | 3 months |
| Peter Murman | | €146,400 | 3 months |
| Matthew Schwaiger | | US\$161,162 | 5 weeks |

Remuneration report (audited) continued

Amounts of remuneration

The following tables set out the details of director and key executive remuneration earned during the year.

2007

| | Short-term employee benefits | | Post-employment benefits | Long term benefits | Share-based payments | Performance related as a proportion of total remuneration | Options as a proportion of total remuneration | | |
|---|------------------------------|----------------|--------------------------|--------------------|----------------------|---|---|------------|-----------|
| | Salary and fees | Bonus | Non-monetary benefits | Super-annuation | Long service leave | | | Options | |
| Non-executive directors of Altium Limited | | | | | | | | | |
| Carl J Rooke | 110,000 | - | - | - | - | 3,214 | 113,214 | - | 3% |
| William A Bartee | 55,046 | - | - | 4,954 | - | 1,607 | 61,607 | - | 3% |
| André J Pravaz ¹ | 27,523 | - | - | 2,477 | - | - | 30,000 | - | - |
| David M Warren | 36,697 | - | - | 3,303 | - | - | 40,000 | - | - |
| Samuel S Weiss ¹ | 27,523 | - | - | 2,477 | - | - | 30,000 | - | - |
| | 256,789 | - | - | 13,211 | - | 4,821 | 274,821 | - | 2% |
| Executive directors of Altium Limited | | | | | | | | | |
| Nicholas M Martin | 330,000 | - | - | 29,700 | 6,411 | - | 366,111 | - | - |
| Kayvan Oboudiyat | 239,887 | - | - | 105,113 | 7,770 | 24,106 | 376,876 | - | 6% |
| | 569,887 | - | - | 134,813 | 14,180 | 24,106 | 742,986 | - | 3% |
| Key executives of Altium Limited (including key executives of the group) | | | | | | | | | |
| Emma Lo Russo [^] | 215,271 | 37,500 | 6,690 | 20,266 | 1,509 | 35,142 | 316,378 | 12% | 11% |
| Darren Charles [^] | 205,549 | 33,750 | 7,066 | 19,439 | 8,802 | 7,451 | 282,057 | 12% | 3% |
| Benjamin Wells | 183,428 | 26,250 | 8,395 | 15,260 | 11,113 | 8,877 | 253,323 | 10% | 4% |
| Kerri-Ann Wilson | 149,480 | 10,900 | - | 13,444 | 5,851 | 4,127 | 183,802 | 6% | 2% |
| Marc Depret | 151,506 | - | - | 13,636 | 4,887 | 8,035 | 178,064 | - | 5% |
| Jason Hingston | 137,794 | - | 9,380 | 13,327 | 5,521 | 5,424 | 171,446 | - | 3% |
| Peter Williamson ² | 123,735 | 31,344 | - | 11,136 | 80 | 9,425 | 175,720 | 18% | 5% |
| | 1,166,763 | 139,744 | 31,531 | 106,508 | 37,763 | 78,481 | 1,560,790 | 9% | 5% |
| Key executives of the group | | | | | | | | | |
| Michael Stipe ^{3^} | 227,698 | 111,642 | 24,525 | 12,913 | - | 8,417 | 385,195 | 29% | 2% |
| Frank Hoschar [^] | 236,682 | 117,353 | 25,775 | - | - | 2,830 | 382,640 | 31% | 1% |
| Peter Murman [^] | 234,490 | 6,392 | 5,854 | 35,929 | - | 8,588 | 291,253 | 2% | 3% |
| Matthew Schwaiger | 196,815 | 51,550 | 15,808 | 5,955 | (800) ⁴ | 8,035 | 277,363 | 19% | 3% |
| | 895,685 | 286,937 | 71,962 | 54,797 | (800) | 27,870 | 1,336,451 | 21% | 2% |

¹ André J Pravaz and Samuel S Weiss were appointed on 1 January 2007.

² Peter Williamson was appointed on 30 October 2006.

³ Michael Stipe ceased employment on 10 July 2007.

⁴ Changes in assumptions resulted in a negative expense for Matthew Schwaiger's long service leave.

[^] Denotes one of the five highest paid executives of the group, as required to be disclosed under the Corporations Act 2001.

Remuneration report (audited) continued

2006

| | Short-term employee benefits | | Post-employment benefits | Long term benefits | Share-based payments | Performance related as a proportion of total remuneration | Options as a proportion of total remuneration | | |
|---|------------------------------|----------------|--------------------------|--------------------|----------------------|---|---|------------|-----------|
| | Salary and fees | Bonus | Non-monetary benefits | Super-annuation | Long service leave | | | Options | |
| Non-executive directors of Altium Limited | | | | | | | | | |
| Carl J Rooke | 110,000 | - | - | - | - | 6,347 | 116,347 | - | 5% |
| William A Bartee | 56,105 | - | - | 5,048 | - | 3,173 | 64,326 | - | 5% |
| David M Warren | 37,403 | - | - | 3,366 | - | - | 40,769 | - | - |
| Dr Steven G Duvall ¹ | 3,176 | - | - | 286 | - | - | 3,462 | - | - |
| Bruce W Edwards ² | 33,163 | - | - | 2,590 | - | - | 35,753 | - | - |
| | 239,847 | - | - | 11,290 | - | 9,520 | 260,657 | - | 4% |
| Executive directors of Altium Limited | | | | | | | | | |
| Nicholas M Martin | 331,269 | - | 1,234 | 29,814 | 118,741 | - | 481,058 | - | - |
| Kayvan Oboudiyat | 263,801 | - | 667 | 87,834 | 10,833 | 47,602 | 410,737 | - | 12% |
| Darren Charles ³ | 3,077 | - | - | - | - | - | 3,077 | - | - |
| | 598,147 | - | 1,901 | 117,648 | 129,574 | 47,602 | 894,872 | - | 5% |
| Key executives of Altium Limited (including key executives of the group) | | | | | | | | | |
| Emma Lo Russo | 170,692 | 21,740 | 1,809 | 17,319 | 364 | 2,889 | 214,813 | 10% | 1% |
| Darren Charles ^{3^} | 191,468 | 20,000 | 11,023 | 16,919 | 5,135 | 9,378 | 253,923 | 8% | 4% |
| Benjamin Wells | 157,981 | 20,000 | 1,679 | 14,603 | 4,059 | 10,750 | 209,072 | 10% | 5% |
| Marc Depret | 142,692 | 4,500 | - | 13,247 | 3,215 | 15,857 | 179,511 | 3% | 9% |
| Alan Perkins ⁴ | 147,432 | - | 12,188 | 14,218 | 1,869 | 10,710 | 186,417 | - | 6% |
| | 810,265 | 66,240 | 26,699 | 76,306 | 14,642 | 49,584 | 1,043,736 | 6% | 5% |
| Key executives of the group | | | | | | | | | |
| Michael Stipe [^] | 145,705 | 260,973 | 9,037 | 9,346 | - | 2,803 | 427,864 | 61% | 1% |
| Frank Hoschar | 218,116 | - | 26,199 | - | - | 4,745 | 249,060 | - | 2% |
| Peter Murman [^] | 199,673 | 7,292 | 11,092 | 40,350 | - | 10,542 | 268,949 | 3% | 4% |
| Matthew Schwaiger [^] | 169,748 | 3,739 | 83,943 | 7,108 | 20,680 | 15,867 | 301,085 | 1% | 5% |
| Klaus Pontius ^{5^} | 242,051 | - | 21,207 | - | - | 6,180 | 269,438 | - | 2% |
| | 975,293 | 272,004 | 151,478 | 56,804 | 20,680 | 40,137 | 1,516,396 | 18% | 3% |

¹ Dr Steven G Duvall resigned as a non-executive director on 15 July 2005.

² Bruce W Edwards resigned as a non-executive director on 15 July 2005. Payments made in relation to Bruce W Edwards' base salary relate to his employment as an executive director for the financial year ending 30 June 2005.

³ Darren Charles resigned as an executive director on 15 July 2005. Darren Charles continues in his capacity as Chief Financial Officer at the date of this report.

⁴ Alan Perkins resigned as Chief Information Officer on 4 August 2006.

⁵ Klaus Pontius resigned as Regional Director, Europe on 24 April 2006.

[^] Denotes one of the five highest paid executives of the group, as required to be disclosed under the *Corporations Act 2001*.

Remuneration report (audited) continued

Share-based compensation

Unissued ordinary shares of Altium Limited under option at 30 June 2007 are as follows:

| Name of option plan | Issue price of shares (\$) | Value per option at grant date (\$) | Grant date | Expiry date | Number of options |
|--|----------------------------|-------------------------------------|-------------|-------------|-------------------|
| Altium Option Plan ¹ | 1.17 | 0.69 | 10 Jul 2002 | 10 Jul 2007 | 400,000 |
| Altium Option Plan ¹ | 1.34 | 0.74 | 23 Oct 2002 | 23 Oct 2007 | 1,914,650 |
| Altium Option Plan ¹ | 1.34 | 0.74 | 30 Oct 2002 | 30 Oct 2007 | 7,400 |
| Altium Option Plan ¹ | 1.34 | 0.72 | 11 Nov 2002 | 11 Nov 2007 | 16,940 |
| Altium Option Plan ¹ | 1.34 | 0.64 | 19 Nov 2002 | 19 Nov 2007 | 169,550 |
| Altium Option Plan ¹ | 1.34 | 0.55 | 27 Nov 2002 | 27 Nov 2007 | 40,500 |
| Altium Employee Share Option Plan ² | 0.86 | 0.23 | 5 Dec 2003 | 5 Dec 2008 | 6,059,910 |
| Altium Director Share Option Plan ² | 0.86 | 0.23 | 5 Dec 2003 | 5 Dec 2008 | 990,000 |
| Altium Employee Share Option Plan ³ | 0.86 | 0.06 | 7 May 2005 | 7 May 2009 | 200,000 |
| Altium Employee Share Option Plan ¹ | 1.00 | 0.09 | 21 Feb 2006 | 21 Feb 2011 | 1,370,200 |
| Altium Employee Share Option Plan ¹ | 1.00 | 0.11 | 14 Mar 2006 | 14 Mar 2011 | 556,100 |
| Altium Employee Share Option Plan ¹ | 1.50 | 0.84 | 8 Dec 2006 | 8 Dec 2011 | 715,250 |
| Altium Employee Share Option Plan ¹ | 1.50 | 1.19 | 16 Jan 2007 | 16 Jan 2012 | 378,500 |
| Total unissued ordinary shares of Altium Limited under option | | | | | 12,819,000 |

¹ Options vest in equal amounts over a four-year period from the first anniversary of the date of issue.

² Options vest over a three-year period from the first anniversary of the date of issue, with 40% vesting in year one and 30% vesting for the two subsequent years thereafter.

³ Options issued supplementary to those issued on 5 December 2003 and vest over a two-year period from the date of issue, with 40% vesting at issue date and 30% vesting for the two subsequent years thereafter, in line with the vesting periods of the original options granted on 5 December 2003.

The vesting period of options granted under the Altium Employee Share Option Plan and the Altium Director Share Option Plan is at the directors' discretion. The options are exercisable at any time once vested through to expiry date. When exercised, each option is convertible into one ordinary share. No option holder has any right under the options to participate in any other share issue of the company or of any other entity within the group.

During the current financial year Altium Limited granted 1,144,675 options at an exercise price of \$1.50.

The value of options included as remuneration for directors and executives is valued at the date they are granted and apportioned over the vesting period. Fair values at grant date have been assessed using a derivative of the Black-Scholes option-pricing model incorporating the following factors; exercise price, stock price, expected life, volatility, risk-free rate, dividend yield and vesting period. Further information on options is set out in note 25 to the financial statements.

Remuneration report (audited) continued

Options over unissued ordinary shares in Altium Limited provided as remuneration to each director of the company and each of the key personnel of the group as set out below:

2007

| | Balance at 1 July 2006 | Granted during the year | Exercised during the year | Expired during the year | Balance at 30 June 2007 | Vested and exercisable at 30 June 2007 |
|---|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|--|
| Directors of Altium Limited | | | | | | |
| Carl J Rooke | 160,000 | - | - | - | 160,000 | 160,000 |
| Kayvan Oboudiyat ¹ | 1,200,000 | - | 800,000 | - | 400,000 | 400,000 |
| William A Bartee | 80,000 | - | - | - | 80,000 | 80,000 |
| Key management personnel of Altium Limited | | | | | | |
| Emma Lo Russo | 200,000 | 300,000 | - | - | 500,000 | 50,000 |
| Darren Charles | 571,000 | - | - | - | 571,000 | 496,000 |
| Benjamin Wells | 521,000 | - | - | - | 521,000 | 446,000 |
| Kerri-Ann Wilson | 270,000 | - | - | 80,000 | 190,000 | 152,500 |
| Marc Depret | 550,000 | - | - | - | 550,000 | 550,000 |
| Jason Hingston | 470,000 | - | - | - | 470,000 | 470,000 |
| Peter Williamson ² | - | 100,000 | - | - | 100,000 | - |
| Key management personnel of the group | | | | | | |
| Michael Stipe ³ | 200,000 | - | - | - | 200,000 | 50,000 |
| Frank Hoschar | 375,000 | - | - | - | 375,000 | 375,000 |
| Peter Murman | 415,000 | 100,000 | - | 157,500 | 357,500 | 257,500 |
| Matthew Schwaiger | 600,000 | - | - | - | 600,000 | 600,000 |

¹ Kayvan Oboudiyat options were exercised at 86 cents on 24 April 2007. These shares have been paid in full.

² Peter Williamson was appointed on 30 October 2006.

³ Michael Stipe ceased employment on 10 July 2007.

Remuneration report (audited) continued

2006

| | Balance at 1 July 2005 | Granted during the year | Exercised during the year | Expired during the year | Balance at 30 June 2006 | Vested and exercisable at 30 June 2006 |
|---|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|--|
| Directors of Altium Limited | | | | | | |
| Carl J Rooke | 320,000 | - | - | 160,000 | 160,000 | 112,000 |
| Kayvan Oboudiyat | 2,400,000 | - | - | 1,200,000 | 1,200,000 | 840,000 |
| William A Bartee | 160,000 | - | - | 80,000 | 80,000 | 56,000 |
| Dr Steven G Duvall ¹ | 80,000 | - | - | 80,000 | - | - |
| Darren Charles ² | 601,000 | 100,000 | - | 130,000 | 571,000 | 333,450 |
| Bruce W Edwards ¹ | 150,000 | - | - | - | 150,000 | 105,000 |
| Key management personnel of Altium Limited | | | | | | |
| Emma Lo Russo | - | 200,000 | - | - | 200,000 | - |
| Key management personnel of the group | | | | | | |
| Michael Stipe | - | 200,000 | - | - | 200,000 | - |
| Frank Hoschar | 375,000 | - | - | - | 375,000 | 272,500 |
| Peter Murman | 415,000 | - | - | - | 415,000 | 338,538 |

¹ Dr Steven G Duvall and Bruce W Edwards resigned as a non-executive directors on 15 July 2005.

² Darren Charles resigned as an executive director on 15 July 2005 and continues in his capacity of Chief Financial Officer at date of this report.

Nicholas M Martin, David M Warren, André J Pravaz and Samuel S Weiss have not been granted options over ordinary shares at any time since the commencement of any company option plans.

Details of all options granted to or exercised by key management personnel during the financial year are set out below:

2007

| | Fair value at grant date \$ | Value at exercise date \$ | Date granted or exercised |
|------------------|-----------------------------------|---------------------------------|------------------------------|
| Kayvan Oboudiyat | - | 992,000 | 26 Apr 2007 |
| Emma Lo Russo | 89,814 | - | 8 Dec 2006 |
| Peter Williamson | 29,938 | - | 8 Dec 2006 |
| Peter Murman | 48,552 | - | 16 Jan 2007 |

2006

| | Fair value at grant date \$ | Value at exercise date \$ | Date granted or exercised |
|----------------|-----------------------------------|---------------------------------|------------------------------|
| Emma Lo Russo | 14,253 | - | 21 Feb 2006 |
| Darren Charles | 7,127 | - | 21 Feb 2006 |
| Michael Stipe | 16,722 | - | 14 Mar 2006 |

No amounts are unpaid on any shares issued on the exercise of options. There were no options granted to directors during the financial year.

Loans to directors and executives

Information on loans to directors and executives, including amounts, interest rates and repayment terms can be found in note 30 to the financial statements.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs during the financial year.

Events subsequent to balance date

Apart from the directors' recommendation to return capital, no matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect:

- (a) the group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the group's state of affairs in future financial years.

Environmental regulation

The company has assessed whether there are any particular environmental regulations that apply to it and has determined that there are none of significance.

Likely developments and expected results of operations

Information on likely developments in the operations of the group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the group.

Insurance of officers

During the year the company paid a premium of \$155,785 (2006: \$67,026) 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.

Non-audit services

The group has employed PricewaterhouseCoopers on assignments additional to their audit duties where the auditor's expertise and experience with the company and/or the group are important.

The board of directors has considered the position and, in accordance with the advice received from the audit and risk management committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out on the next page, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit and risk management committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Details of the amounts paid or payable to PricewaterhouseCoopers for non-audit services provided by the group during the year are set out below.

| | 2007 | 2006 |
|---|----------------|----------------|
| | \$ | \$ |
| Taxation services | | |
| PricewaterhouseCoopers Australian firm: | | |
| Tax compliance services, including review of company income tax returns | - | 11,154 |
| Tax consulting and tax advice | 26,302 | 22,710 |
| Related practices of PricewaterhouseCoopers Australian firm: | | |
| Tax compliance services, including review of company income tax returns | 171,054 | 259,353 |
| Tax consulting and tax advice | 41,989 | 84,620 |
| Total remuneration for taxation services | 239,345 | 377,837 |
| Advisory services | | |
| PricewaterhouseCoopers Australian firm | - | 9,600 |
| Related practices of PricewaterhouseCoopers Australian firm | - | 1,212 |
| Total remuneration for advisory services | - | 10,812 |

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

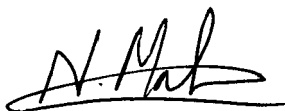
Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

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

This report is made in accordance with a resolution of the directors.



Nicholas M Martin
Director, Chief Executive Officer & Chief Technology Officer



Kayvan Oboudiyat
Director & Executive Vice Chairman

Sydney
21 August 2007



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As lead auditor for the audit of Altium Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads "Michelle Chiang".

M W Chiang
Partner

Sydney
21 August 2007

Corporate governance is a foundation for creating and maintaining shareholder value. With this intention Altium Limited and its board are committed to achieving and demonstrating the highest standards of corporate governance.

Altium's corporate governance framework is broadly consistent with the ASX Corporate Governance Council's best practice recommendations. Minor deviations occur only when a principle or recommendation is not appropriate for the group to incorporate.

The board continuously reviews and assesses the appropriateness of the group's corporate governance framework with reference to the effect of both internal and external factors.

The roles of the board and management

The board is responsible for promoting the success of the group as a leading global developer and supplier of electronic product development solutions; and as a commercial entity listed on the Australian Stock Exchange. The board has a charter that outlines its functions and responsibilities, which include the review and approval of corporate strategy, budgets and financial plans, monitoring organisational performance and achievement of the group's strategic goals and objectives.

The relationship between the board and senior executives is critical to the group's long term success. The directors are responsible to shareholders for the performance of the group and seek to balance competing objectives in the best interests of the group as a whole. Their focus is to align the interests of the shareholders, employees and customers and to ensure that the group is appropriately managed.

Day-to-day management of the group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the Chief Executive Officer and senior executives.

Board structure

The board is currently comprised of five non-executive directors and two executive directors, as follows;

| Name | Position | Date of appointment |
|-------------------|---|---------------------|
| Carl J Rooke | Chairman, Non-Executive Director | 13 June 1990 |
| Nicholas M Martin | Chief Executive Officer, Chief Technology Officer, Executive Director | 30 August 1991 |
| Kayvan Oboudiyat | Executive Vice Chairman, Executive Director | 10 February 1997 |
| William A Bartee | Non-Executive Director | 3 May 1999 |
| André J Pravaz | Non-Executive Director | 1 January 2007 |
| David M Warren | Non-Executive Director | 4 December 1991 |
| Samuel S Weiss | Non-Executive Director | 1 January 2007 |

Details of the background, experience and professional skills of each director are outlined in the directors' report under the heading 'Information on directors'.

The following directors are retiring by rotation in accordance with the Constitution and the Listing Rules of Australian Stock Exchange and are seeking re-election at the 2007 Annual General Meeting:

- Kayvan Oboudiyat
- David M Warren

The following directors appointed in the current year are retiring in accordance with the Constitution and the Listing Rules of Australian Stock Exchange and are seeking re-election at the 2007 Annual General Meeting:

- André J Pravaz
- Samuel S Weiss

Director independence

The board considers that for directors to add value to the board they should have either knowledge of the company or the highly technical industry in which the company operates, while bringing independent views and judgment to the board's deliberations. Corporate governance best practice principles indicate that the majority of board members should be independent. The board does recognise the need for independent directors and, as such, there are four independent directors, including the Chairman.

The directors have not set materiality thresholds in accordance with the ASX best practice recommendations for determining independence of directors. The directors have assessed the independence of all directors during the period. Specific factors considered included directors' shareholdings in the company, length of service and relationships with key advisers.

Meetings of the board

The board meets formally between six and eight times a year and on other occasions as required. Senior executives attend and make presentations at board meetings, as considered appropriate, and are available for questioning by directors. The number of meetings attended by each director for the financial year ended 30 June 2007 is outlined in the directors' report.

Retirement and re-election

The constitution of Altium Limited requires each director to retire from office at the next annual general meeting after serving a period of two years. Directors who have been appointed by the board are required to retire from office at the next annual general meeting. Retiring directors are eligible for re-election by shareholders. The Chairman is appointed by the board which also determines the period he is to hold office.

Nomination and appointment of new directors

Recommendations of candidates for new directors are generally made by the nomination committee for consideration by the board, not withstanding ASX listing rule requirements*. If a candidate is recommended by the nomination committee, the board assesses that proposed new director against a range of criteria including background, experience, professional skills, personal qualities, potential for the candidate's skills to augment the existing board and the candidate's availability to commit to the board's activities. If these criteria are met and the board appoints the candidate as a director, that director will retire at the following annual general meeting and will be eligible for re-election by shareholders at that annual general meeting.

The nomination committee reviews the membership of the board on an ongoing basis, with regards to present and future needs of the group, and makes recommendations on the board composition and appointments.

* Listing rule 14.3 requires the company to accept director nominations up to 35 business days before a general meeting at which directors may be elected.

Review of performance

The board continually assesses its collective performance, the performance of the Chairman and of its committees. The Chairman also undertakes an assessment of the performance of individual directors. Any concerns arising out of these assessments are raised directly with the director concerned.

Board access to information and independent advice

All directors have unrestricted access to employees of the group and, subject to the law, access to group records and information held by group employees and external advisers. The board receives regular detailed financial and operational reports from senior executives to enable it to carry out its duties. In addition, non-executive directors meet regularly with senior executives to establish direct relationships.

Each director and board committee may, in connection with their duties, obtain independent professional advice at the group's expense. Prior written approval is required from the Chairman to obtain advice which will not be unreasonably withheld.

Committees of the board

The board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are the nomination, remuneration and audit and risk management committees. The structure and membership of each committee is reviewed on an annual basis.

Each committee has its own charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All matters determined by the committees are submitted to the full board as recommendations for board evaluation.

Audit and risk management committee

The members of the audit and risk management committee at the date of this report are:

- William A Barteo (Chairman)
- Carl J Rooke
- David M Warren (resigned 23 July 2007)
- Samuel S Weiss (appointed 23 July 2007)

The main responsibilities of the audit and risk management committee are to maintain the integrity of financial reporting and monitor the control environment for managing strategic, operation, legal, reputation and financial risks.

The specific responsibilities are outlined in its charter and include reporting to the board on all financial information published by the group or released to the market, assisting the board in reviewing the effectiveness of the organisation's internal control environment, recommending to the board the appointment, removal and remuneration of the external auditor, review the terms of their engagement and the scope and quality of the audit and review insurance matters for the group.

Other persons considered appropriate attend meetings of the audit and risk management committee by invitation. The committee also meets from time to time with the external auditor independent of management. The composition, operations and responsibilities of the committee are consistent with best practice recommendations. The number of meetings attended by each committee member for the financial year ended 30 June 2007 is outlined in the directors' report.

Financial reporting

The group's financial report preparation and approval process for the financial year ended 30 June 2007, involved both the Chief Executive Officer and Chief Financial Officer giving approval, to the best of their knowledge and belief, that the group's financial report presents a true and fair view, in all material respects, of the group's financial condition and operating results and is in accordance with applicable accounting standards. In addition, the financial report is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board. The group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Audit governance and independence

As part of the group's commitment to safeguarding integrity in financial reporting, the group has implemented procedures and policies to monitor the independence and competence of the group's external auditors.

Appointment of auditor

The group's current external auditor is PricewaterhouseCoopers. The effectiveness, performance and independence of the external auditor are reviewed by the audit and risk management committee on an ongoing basis. The selection and appointment of the group's external auditor is the responsibility of the audit and risk management committee.

Independence declaration

Under changes introduced by CLERP 9, auditors are now required to state that to the best of their knowledge or belief, there have been no contraventions of the auditor independence requirements of the Corporations Act or any applicable code of professional conduct in relation to the audit. In accordance with section 298(1) (c) and section 306(2), PricewaterhouseCoopers have provided a copy of this declaration to the audit and risk management committee for the financial year ended 30 June 2007, which has been included in the directors' report.

Rotation of lead external audit partners

Altium has adopted a policy of rotating its lead audit partner every five years. This policy has been adopted to all audit work undertaken in the financial year beginning on, or after, 1 July 2006, being Altium Limited's 2007 financial year.

Restrictions on the performance of non-audit services by external auditors

The audit and risk management committee has implemented a policy that requires the prior approval of the committee for the provision of any non-audit services to the group by the external auditor for any amount over \$20,000. The audit and risk management committee has also adopted guidelines to assist in identifying the types of services that may compromise the independence of the external auditor.

Attendance of external auditor at annual general meetings

PricewaterhouseCoopers is invited to attend Altium Limited's annual general meeting and be available to answer questions.

Risk identification and management

The board, through the audit and risk management committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems.

The group is committed to the identification; monitoring and management of risks associated with its business activities and is embedding a number of risk management controls in its management and reporting systems. These include:

- guidelines and limits for approval of capital expenditure and investments;
- a group regulatory compliance program supported by approved guidelines and standards covering key areas such as occupational health and safety, finance, legal and insurance;
- policies and procedures for the management of financial risk and treasury operations including exposures to foreign currencies and movements in interest rates;
- a formal planning process of product development and upgrade programs for a one-to-two year horizon;
- annual budgeting and monthly reporting systems for all businesses which enable the monitoring of progress against performance targets and the evaluation of trends;
- appropriate due diligence procedures for acquisitions and divestments; and
- crisis management systems for IT infrastructure within the group.

Nomination committee

The members of the nomination committee at the date of this report are:

- Carl J Rooke (Chairman)
- William A Bartee
- Nicholas M Martin

The main responsibilities of the nomination committee are to conduct an annual review of the membership of the board with regard to present and future needs of the group, make recommendations on board composition and appointments, propose candidates for board vacancies and oversee board succession including the succession of the Chairman and establish induction guidelines for newly appointed directors, regularly assessing the effectiveness of this induction process. The committee has also established criteria for board independence and conducts an annual review of director's independence. The number of meetings attended by each director for the financial year ended 30 June 2007 is outlined in the directors' report.

Remuneration committee

The members of the remuneration committee at the date of this report are:

- Carl J Rooke (Chairman)
- William A Bartee
- David M Warren
- André J Pravaz (appointed 23 July 2007)

The main responsibilities of the remuneration committee are to advise the board on remuneration and incentive policies and practices generally, and make specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination.

Additional responsibilities include reviewing any transactions between the organisation and the directors, or any interests associated with the directors, to ensure that the structure and the terms of the transaction are in compliance with the *Corporations Act 2001* and are appropriately disclosed.

The number of meetings attended by each director for the financial year ended 30 June 2007 is outlined in the directors' report.

Remuneration policies

Non-executive directors

The group's non-executive directors receive fees for their services and the reimbursement of reasonable expenses. The fees paid to the group's non-executive directors reflect the demands on, and the responsibilities of, those directors. The advice of independent remuneration consultants is taken to establish that the directors' fees are in line with market standards. Non-executive directors have received options in addition to their remuneration and are eligible to participate in the Altium Limited Directors' Option Plan.

A non-executive directors' fee pool limit of \$350,000 per annum was approved by shareholders at an annual general meeting. This fee pool will be subject to increase in order to attract and retain high quality non-executive directors. The non-executive directors' remuneration is outlined in the remuneration report on page 17.

Executive directors and senior executives

The structure and disclosure of the group's remuneration policies for executive directors and senior executives are outlined in the directors' report.

Share trading

Under the group's share trading guidelines, all employees and directors of the group are advised not to trade in Altium Limited's shares or other securities if they are in possession of 'inside information'. Subject to this policy and in the light of the ASX's continuous disclosure requirements, trading can occur at any time and is not limited to specified windows following the publication of financial results.

In addition, employees and directors of the group must advise the Company Secretary of their intention to trade and declare that there is no known reason to preclude them from trading in Altium Limited's shares or other securities.

Continuous disclosure

The continuous disclosure provisions of the *Corporations Act 2001* and the listing rules mean that criminal and civil liabilities could be imposed on Altium Limited and its officers if material information is not released to the market in accordance with the ASX listing rules. The group has established written policies and procedures on information disclosure. The focus of these procedures is on continuous disclosure and improving access to information for all investors.

Altium Limited has nominated the Company Secretary to have responsibility for:

- making sure that Altium Limited complies with continuous disclosure requirements;
- overseeing and coordinating disclosure of information to the stock exchange, analysts, brokers, shareholders, the media and the public; and
- educating directors and staff on the group's disclosure policies and procedures and raising awareness of the principles underlying continuous disclosure.

All shareholders receive a copy of the group's annual report. In addition, all group announcements, media briefings, press releases and financial reports are available on Altium's website.

Conduct and ethics

Altium is committed to conducting business with honesty and integrity and the conduct of every employee is vital in achieving this aim. Altium's Code of Conduct provides a guideline for appropriate behaviour expected from all Altium employees. The code is regularly reviewed and updated as necessary to reflect the highest standards of behaviour, professionalism and practices necessary to maintain the group's integrity. It is not intended to cover all issues that may arise, but rather to provide a framework within which employees can address ethical issues that may arise through the daily business of the group.

Employees are expected to perform the duties associated with their position to the best of their ability in a diligent, impartial and conscientious manner. This includes compliance with legislative and industrial obligations and group policies.

Financial report 30 June 2007

| | |
|----|---|
| 33 | Income statements |
| 34 | Balance sheets |
| 35 | Statements of change in equity |
| 36 | Cash flow statements |
| 37 | Notes to the financial statements |
| 72 | Declaration to the Board of Directors |
| 73 | Directors' declaration |
| 74 | Independent audit report to the members of Altium Limited |

This financial report covers both Altium Limited as an individual entity and the group consisting of Altium Limited and its controlled entities.

Altium Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is: Level 3, 12a Rodborough Road, Frenchs Forest, NSW 2086.

A description of the group's principal activities is included in the directors' report on pages 14-25.

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.au.

Income statements

For the year ended 30 June

| | Notes | Group | | Altium Limited | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Revenue | 4 | 53,381 | 45,210 | 33,523 | 29,783 |
| Changes in inventories of finished goods and work in progress | | 221 | 17 | 280 | (37) |
| Raw materials and consumables used | | (1,663) | (1,368) | (2,320) | (1,309) |
| Employee benefits expense | | (31,982) | (27,207) | (12,525) | (12,011) |
| Depreciation and amortisation expense | 5 | (5,266) | (5,430) | (3,337) | (3,497) |
| Finance costs | 5 | (67) | (70) | (33) | (21) |
| Rental expense | | (2,917) | (2,207) | (1,207) | (752) |
| Marketing expense | | (3,302) | (2,339) | (3,296) | (2,339) |
| Professional advice expense | | (1,033) | (1,050) | (899) | (474) |
| Communication expense | | (677) | (585) | (258) | (268) |
| Intercompany royalties | | - | - | (690) | (719) |
| Contract research and development expense | | - | - | (6,405) | (6,510) |
| Net foreign exchange loss | 5 | (468) | (39) | (880) | (92) |
| Other expenses | 5 | (4,647) | (3,769) | (2,162) | (2,352) |
| Profit (loss) before income tax | | 1,580 | 1,163 | (209) | (598) |
| Income tax expense (benefit) | 7 | 514 | (394) | (406) | (895) |
| Profit attributable to members of Altium Limited | | 1,066 | 1,557 | 197 | 297 |
| | | Cents | Cents | | |
| Basic earnings per share | 8 | 1.2 | 1.8 | | |
| Diluted earnings per share | 8 | 1.2 | 1.8 | | |

The above income statements should be read in conjunction with the accompanying notes.

Balance sheets

As at 30 June

| | Notes | Group | | Altium Limited | |
|--------------------------------------|-------|----------------|----------------|----------------|----------------|
| | | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Current assets | | | | | |
| Cash and cash equivalents | 9 | 10,653 | 6,352 | 6,761 | 4,113 |
| Trade and other receivables | 10 | 15,967 | 13,352 | 9,878 | 8,763 |
| Inventories | 11 | 909 | 938 | 846 | 799 |
| Total current assets | | 27,529 | 20,642 | 17,485 | 13,675 |
| Non-current assets | | | | | |
| Trade and other receivables | 10 | 1,049 | 1,133 | 2,098 | 5,083 |
| Other financial assets | 12 | - | - | 5,752 | 5,672 |
| Property, plant and equipment | 13 | 2,118 | 1,510 | 1,190 | 718 |
| Intangible assets | 14 | 14,990 | 19,293 | 11,058 | 13,257 |
| Deferred tax assets | 15 | 3,554 | 3,492 | 1,393 | 967 |
| Total non-current assets | | 21,711 | 25,428 | 21,491 | 25,697 |
| Total assets | | 49,240 | 46,070 | 38,976 | 39,372 |
| Current liabilities | | | | | |
| Trade and other payables | 16 | 4,016 | 2,702 | 5,797 | 4,576 |
| Deferred revenue | 17 | 9,121 | 5,308 | 288 | 120 |
| Borrowings | 18 | 390 | 230 | 275 | 135 |
| Tax liabilities | 19 | 219 | 265 | - | 22 |
| Provisions | 20 | 1,812 | 1,640 | 1,054 | 970 |
| Total current liabilities | | 15,558 | 10,145 | 7,414 | 5,823 |
| Non-current liabilities | | | | | |
| Borrowings | 18 | 501 | 195 | 307 | 132 |
| Provisions | 20 | 246 | 340 | 242 | 340 |
| Total non-current liabilities | | 747 | 535 | 549 | 472 |
| Total liabilities | | 16,305 | 10,680 | 7,963 | 6,295 |
| Net assets | | 32,935 | 35,390 | 31,013 | 33,077 |
| Equity | | | | | |
| Contributed equity | 21 | 120,314 | 119,370 | 120,314 | 119,370 |
| Reserves | 22 | (578) | 365 | 1,448 | 1,131 |
| Accumulated losses | 23 | (86,801) | (84,345) | (90,749) | (87,424) |
| Total equity | | 32,935 | 35,390 | 31,013 | 33,077 |

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity

For the year ended 30 June

| | Notes | Group | | Altium Limited | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Total equity at 1 July | | 35,390 | 35,378 | 33,077 | 32,518 |
| Effect of prior period correction: | 32 | | | | |
| Accumulated losses | | - | (1,041) | - | - |
| Reserves | | - | (1,260) | - | - |
| Restated equity at 1 July | | 35,390 | 33,077 | 33,077 | 32,518 |
| Exchange differences on translation of foreign operations | | (1,260) | 494 | - | - |
| Profit for the year | | 1,066 | 1,557 | 197 | 297 |
| Total recognised income and expense | | (194) | 2,051 | 197 | 297 |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Dividends paid | 24 | (3,522) | - | (3,522) | - |
| Employee share options | 22 | 317 | 262 | 317 | 262 |
| Issue of shares | 21 | 944 | - | 944 | - |
| Total equity at 30 June | | 32,935 | 35,390 | 31,013 | 33,077 |

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

Cash flow statements

For the year ended 30 June

| | Notes | Group | | Altium Limited | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Cash flows from operating activities | | | | | |
| Receipts from customers (inclusive of goods and services tax) | | 56,330 | 43,768 | 34,801 | 29,107 |
| Payments to trade creditors, other suppliers and employees (inclusive of goods and services tax) | | (46,766) | (39,876) | (28,895) | (26,292) |
| Interest received | | 321 | 190 | 515 | 407 |
| Interest paid | | (67) | (70) | (33) | (21) |
| Net income taxes paid | | (865) | (529) | (42) | (51) |
| Net cash inflows from operating activities | 29 | 8,953 | 3,483 | 6,346 | 3,150 |
| Cash flows from investing activities | | | | | |
| Payments for research and development | | (628) | - | (628) | - |
| Payments for property, plant and equipment | | (818) | (688) | (433) | (253) |
| Proceeds from sale of property, plant and equipment | | 6 | 87 | 5 | 50 |
| Payments for shares in controlled entities | | - | - | (80) | (83) |
| Amounts granted to related parties | | - | - | - | (1,365) |
| Repayment of amounts due by related parties | | - | - | - | 1,334 |
| Net cash outflows from investing activities | | (1,440) | (601) | (1,136) | (317) |
| Cash flows from financing activities | | | | | |
| Proceeds from issues of shares | | 944 | - | 944 | - |
| Proceeds from borrowings | | - | - | 592 | 1 |
| Repayment of borrowings | | (313) | (257) | (203) | (144) |
| Dividend paid | | (3,522) | - | (3,522) | - |
| Net cash outflows from financing activities | | (2,891) | (257) | (2,189) | (143) |
| Net increase in cash held | | 4,622 | 2,625 | 3,021 | 2,690 |
| Cash at beginning of the financial year | | 6,352 | 3,590 | 4,113 | 1,399 |
| Effects of exchange rate changes on cash | | (321) | 137 | (373) | 24 |
| Cash at end of the financial year | 9 | 10,653 | 6,352 | 6,761 | 4,113 |
| Non-cash financing and investing activities | 29 | | | | |

The above cash flow statements should be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out on the following pages. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Altium Limited as an individual entity and the group consisting of Altium Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of Altium Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Altium Limited as at 30 June 2007 and the results of all subsidiaries for the year then ended. Altium Limited and its subsidiaries together are referred to in this financial report as the group.

Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control transfers to the group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. Investments in subsidiaries are accounted for at the lower of cost or recoverable value in the individual financial statements of Altium Limited.

Intercompany transactions, balances and unrealised gain on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the group.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Altium Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at the exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised as a separate component of equity.

(d) 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 group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group and specific criteria have been met for each of the group's activities as described below.

1. Summary of significant accounting policies continued

Revenue is recognised for the major business activities as follows:

- (i) **Software** – a sale is recorded when software has been despatched to a customer pursuant to a sales order and the associated risks have passed to the customer.
- (ii) **Support Services** – revenue recognition is deferred and taken to the income statement over the period in which the service is provided.
- (iii) **Training Services** – revenue is recognised at the time the service is provided.
- (iv) **Projects** – 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.
- (v) **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 that asset's net carrying amount.

(e) **Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity 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 when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) **Impairment of assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(g) **Leases**

Leases of property, plant and equipment, where the group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are classified as borrowings in the balance sheet. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Summary of significant accounting policies continued**(h) 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(i) Trade receivables

Trade receivables, which generally have 30 – 90 day terms are measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision 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. The amount of the provision is recognised in the income statement.

(j) Inventories

Finished goods and raw materials are stated at the lower of cost and net realisable value. Cost comprises direct materials only. Costs have been assigned to inventory quantities on hand at balance date using the first-in, first-out basis. Net realisable value represents the estimated selling price less all estimated costs necessary to make the sale.

(k) Investments and other financial assets

Investments are recognised and derecognised on the date that the group commits to purchase or sell the asset. They are measured at fair value, plus directly attributable transaction costs.

The group classifies its financial assets as loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in non-current assets, except for those with maturities less than 12 months after the balance sheet date which are classified as current assets. Loans and receivables are included in receivables in the balance sheet.

(l) Plant and equipment

Plant and equipment is 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 is 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 | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date or when there is an indication that they have changed.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

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

(m) Intangible assets**(i) Acquired technology and licenses**

Acquisition costs of software licenses, customer lists and copyrights are amortised on a straight-line basis over the period for which the right is acquired or the period over which economic benefits are expected to arise. These periods vary from between three and 10 years, starting from the date of commercial release.

1. Summary of significant accounting policies continued

(ii) **Software developed for internal use**

Costs relating to software developed for internal use have been capitalised and are being amortised over its estimated useful life using the straight-line method. Software developed for internal use is presently being amortised over three years. Costs capitalised include labour and other directly attributable costs.

(n) **Research and development expenditure**

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

Expenditure on development activities is charged to operating profit before income tax 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 and the technology has reached technological feasibility. The costs capitalised comprise 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 between three and 10 years. Research expenditure is recognised as an expense as incurred.

(o) **Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) **Finance costs**

Finance costs are recognised as expenses in the period in which they are incurred.

(q) **Employee benefits**

(i) **Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) **Long service leave**

The liability for long service leave is recognised in the provision for employee benefits and 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 government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) **Share-based payments**

Share-based compensation benefits are provided to employees via the Altium Option Plan, Directors' Plan, Altium Employee Share Option Plan and Altium Director Share Option Plan.

Share options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the Altium Option Plan, Altium Employee Share Option Plan and Altium Director Share Option Plan, is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a derivative of the *Black-Scholes* option-pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is retained in equity.

(iv) **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.

1. Summary of significant accounting policies continued

(r) Contributed equity

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. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

Shares bought back are brought to account by directly reducing the share capital account by the cost of acquisition of the shares. The cost of acquisition of the shares bought back comprises the purchase consideration plus costs incidental to the acquisition.

(s) Earnings per share

(i) Basic earnings per share

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

(ii) 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.

(t) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The directors have determined that the group does not operate in more than one business segment.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other creditors and employee benefits. Segment assets and liabilities do not include income taxes.

(u) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(v) Dividends

A provision is made for the amount of any dividend on the date they are declared.

(w) Goods and services tax (GST)

Goods and services tax include other similar taxes used worldwide.

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or payables in the balance sheet.

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 taxation authority are presented as operating cash flow.

(x) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's financial instruments.

1. Summary of significant accounting policies continued

AASB 8 Operating Segments

AASB 8 is effective for annual reporting periods beginning on or after 1 January 2009. Application of the standard will only affect the segmental report and related disclosures.

2. Critical accounting estimates and judgements

The preparation of financial statements in conformity with AASB requires management to make judgements, estimates and assumptions that affect the application of policies, reported amounts of assets, liabilities, income and expenses and related disclosures. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments, as follows:

(i) Impairment tests of assets and intangibles

Impairment tests are only conducted if there is an impairment indicator. Future cash flows are based on management's estimates of future market value conditions. These cash flows are then discounted and compared to the current carrying value, and if lower, the asset is impaired to the present value of the cash flows. Impairment tests are based on information available at the time of testing. These conditions may change after year end.

(ii) Estimate of asset lives, residual lives and depreciation methods

Property, plant and equipment are depreciated over their useful lives taking into account residual values. Intangible assets are amortised over their useful lives. Useful lives are affected by technology innovations. Future market conditions determine residual values. Depreciation and amortisation are calculated on a straight-line basis which may not represent the actual usage of the asset.

(iii) Valuation of share-based payments

The group has various share option schemes. The fair value of these schemes is determined at inception based on assumptions of market conditions and discount rates. The market conditions at inception may differ significantly to the eventual outcome.

(iv) Tax losses

The group has recognised deferred tax assets for unused tax losses where it is considered probable that future taxable amounts will be available to utilise these losses.

3. Segment information

Primary reporting – geographic segments

Although the group's divisions are managed on a global basis they operate in three main geographical areas:

- **Asia Pacific** – Australia is the home country of the parent entity which is also the main operating entity. The areas of operation are design, development and sale of computer software for the design of electronic products in Australia and Asia Pacific.
- **Americas** – comprises the sale of computer software for the design of electronic products throughout USA and Canada.
- **Europe** – comprises the sale of computer software for the design of electronic products throughout Europe. The design and development of electronic products also occurs in this area.

Secondary reporting – business segments

The directors have determined that the company does not operate in more than one business segment; as such, no secondary reporting segment information had been presented.

Inter-segment transfers consist of the following types of transactions:

- research and development costs based on a notional mark-up on cost
- royalty costs for the use of intellectual property
- subsidiaries earn a return for a limited risk distribution function
- interest on intercompany loans
- logistic costs based on a notional mark-up on cost

Unallocated expenses consist of expenses that relate to the group as a whole and cannot reasonably be allocated to a specific segment. Segment result includes intragroup charges and revenues.

3. Segment information continued

2007

| | Asia Pacific \$'000 | Americas \$'000 | Europe \$'000 | Inter-segment eliminations \$'000 | Total \$'000 |
|--|---------------------------|--------------------|------------------|---|-----------------|
| Sales to customers outside the economic entity | 12,240 | 22,122 | 18,658 | - | 53,020 |
| Inter-segment sales | 22,233 | 956 | 5,449 | (28,638) | - |
| Other revenue | 33 | 623 | 74 | (369) | 361 |
| Total segment revenue | 34,506 | 23,701 | 24,181 | (29,007) | 53,381 |
| Segment result | 3,096 | 394 | 818 | - | 4,308 |
| Unallocated expenses | | | | | (2,728) |
| Profit before tax | | | | | 1,580 |
| Income tax expense | | | | | (514) |
| Profit after tax | | | | | 1,066 |
| Segment assets | 25,702 | 9,985 | 11,957 | (1,958) | 45,686 |
| Segment liabilities | 3,683 | 6,272 | 5,246 | 885 | 16,086 |
| Additions to property, plant and equipment | 948 | 404 | 263 | - | 1,615 |
| Additions to intangible assets | 673 | - | - | - | 673 |
| Depreciation and amortisation | 3,340 | 1,182 | 692 | 52 | 5,266 |

2006

| | Asia Pacific \$'000 | Americas \$'000 | Europe \$'000 | Inter-segment eliminations \$'000 | Total \$'000 |
|--|---------------------------|--------------------|------------------|---|-----------------|
| Sales to customers outside the economic entity | 8,035 | 20,120 | 16,844 | - | 44,999 |
| Inter-segment sales | 22,762 | 1,038 | 5,472 | (29,272) | - |
| Other revenue | - | 668 | 71 | (528) | 211 |
| Total segment revenue | 30,797 | 21,826 | 22,387 | (29,800) | 45,210 |
| Segment result | 2,172 | (271) | 1,905 | - | 3,806 |
| Unallocated expenses | | | | | (2,643) |
| Profit before tax | | | | | 1,163 |
| Income tax benefit | | | | | 394 |
| Profit after tax | | | | | 1,557 |
| Segment assets | 23,395 | 10,354 | 10,778 | (1,949) | 42,578 |
| Segment liabilities | 2,695 | 3,907 | 3,388 | 425 | 10,415 |
| Additions to property, plant and equipment | 444 | 126 | 212 | - | 782 |
| Additions to intangible assets | - | - | - | - | - |
| Depreciation and amortisation | 3,390 | 1,141 | 691 | 208 | 5,430 |

4. Revenue

| | Group | | Altium Limited | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Sales revenue | | | | |
| Sale of goods | 50,442 | 42,765 | 32,732 | 29,267 |
| Services | 2,578 | 2,234 | 243 | 109 |
| | 53,020 | 44,999 | 32,975 | 29,376 |
| Other revenue | | | | |
| Interest | 321 | 190 | 515 | 407 |
| Other | 40 | 21 | 33 | - |
| | 361 | 211 | 548 | 407 |
| Total revenue | 53,381 | 45,210 | 33,523 | 29,783 |

5. Expenses

Results from continuing operations before income tax expense include the following specific expenses:

| | Group | | Altium Limited | |
|--|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Cost of revenue | | | | |
| Goods | 2,098 | 1,899 | 2,441 | 2,313 |
| Services | 638 | 468 | 41 | 29 |
| Total cost of revenue | 2,736 | 2,367 | 2,482 | 2,342 |
| Net foreign exchange losses | 468 | 39 | 880 | 92 |
| Depreciation | | | | |
| Plant and equipment | 500 | 496 | 223 | 270 |
| Leasehold improvements | 85 | 113 | 28 | 22 |
| Plant and equipment under finance leases | 318 | 218 | 214 | 130 |
| Total depreciation | 903 | 827 | 465 | 422 |
| Amortisation | | | | |
| Technology acquisitions and licenses | 2,590 | 2,617 | 2,047 | 2,081 |
| Capitalised research and development | 1,721 | 1,779 | 617 | 786 |
| Internally developed information systems | 52 | 207 | 208 | 208 |
| Total amortisation | 4,363 | 4,603 | 2,872 | 3,075 |
| Gain on sale of non-current assets | (6) | (19) | (5) | (18) |

5. Expenses continued

| | Group | | Altium Limited | |
|---|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Other charges against assets | | | | |
| Write down of inventories to net realisable value | 236 | 50 | 232 | 34 |
| Bad and doubtful debts | 455 | 173 | 38 | 73 |
| Finance costs | | | | |
| Interest paid/payable | 7 | 2 | 2 | 1 |
| Finance charges relating to finance leases | 60 | 68 | 31 | 20 |
| Total finance costs | 67 | 70 | 33 | 21 |
| Operating leases | | | | |
| Rental expense | 2,306 | 1,649 | 892 | 492 |
| Equipment | 39 | 38 | 27 | - |
| Total cost of operating leases | 2,345 | 1,687 | 919 | 492 |
| Defined contribution superannuation expense | 1,618 | 1,347 | 940 | 796 |
| Research and development costs incurred | 10,543 | 8,649 | 11,263 | 10,708 |
| Less: development costs capitalised | (673) | - | (673) | - |
| Research and development costs expensed | 9,870 | 8,649 | 10,590 | 10,708 |

6. Remuneration of auditors

During the year the auditor of Altium Limited, its related practices and non-related audit firms earned the following remuneration:

| | Group | | Altium Limited | |
|---|----------------|----------------|----------------|----------------|
| | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| Assurance services | | | | |
| Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i> | | | | |
| PricewaterhouseCoopers Australian firm | 247,567 | 286,960 | 247,567 | 286,960 |
| Related practices of PricewaterhouseCoopers Australian firm | 22,778 | 23,439 | - | - |
| Non-PricewaterhouseCoopers audit firm | 12,509 | 6,100 | 9,799 | 1,291 |
| Total remuneration for assurance services | 282,854 | 316,499 | 257,366 | 288,251 |

6. Remuneration of auditors continued

| | Group | | Altium Limited | |
|---|----------------|----------------|----------------|---------------|
| | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| Taxation services | | | | |
| PricewaterhouseCoopers Australian firm: | | | | |
| Tax compliance services, including review of company income tax returns | - | 11,154 | - | 11,154 |
| Tax consulting and tax advice | 26,302 | 22,710 | 26,302 | 22,710 |
| Related practices of PricewaterhouseCoopers Australian firm: | | | | |
| Tax compliance services, including review of company income tax returns | 171,054 | 259,353 | - | - |
| Tax consulting and tax advice | 41,989 | 84,620 | 840 | - |
| Non-PricewaterhouseCoopers audit firm | 11,340 | 8,714 | 11,340 | 2,752 |
| Total remuneration for taxation services | 250,685 | 386,551 | 38,482 | 36,616 |
| Advisory services | | | | |
| PricewaterhouseCoopers Australian firm | - | 9,600 | - | 9,600 |
| Related practices of PricewaterhouseCoopers Australian firm | - | 1,212 | - | - |
| Non-PricewaterhouseCoopers audit firm | 4,235 | 4,115 | - | 4,037 |
| Total remuneration for advisory services | 4,235 | 14,927 | - | 13,637 |

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. Amounts in excess of \$20,000 must be approved by the audit and risk management committee.

7. Income Tax

| | Group | | Altium Limited | |
|--|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| (a) Income tax expense (benefit) | | | | |
| Current tax | 812 | 700 | 41 | 72 |
| Deferred tax | (323) | (513) | (426) | (967) |
| Adjustments in respect of current income tax of prior years | 25 | (581) | (21) | - |
| | <u>514</u> | <u>(394)</u> | <u>(406)</u> | <u>(895)</u> |
| Deferred income tax benefit included in income tax benefit comprises: | | | | |
| Increase in deferred tax assets (note 15) | (108) | (385) | (426) | (967) |
| Decrease in deferred tax liabilities (note 15) | (215) | (128) | - | - |
| | <u>(323)</u> | <u>(513)</u> | <u>(426)</u> | <u>(967)</u> |
| (b) Numerical reconciliation of income tax (benefit) expense to prima facie tax payable | | | | |
| Profit (loss) from ordinary activities before income tax expense | 1,580 | 1,163 | (209) | (598) |
| Income tax calculated at 30% | 474 | 349 | (63) | (179) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | | | |
| Research and development concession | (416) | (364) | (416) | (364) |
| Intellectual property amortisation | 267 | 280 | 29 | 29 |
| Share-based payments | 78 | 149 | 65 | 149 |
| Sundry items | (148) | (10) | - | - |
| | <u>255</u> | <u>404</u> | <u>(385)</u> | <u>(365)</u> |
| Adjustments in respect of current income tax of prior years | 25 | (581) | (21) | - |
| Benefit of tax losses not previously recognised now considered recoverable | - | (586) | - | (530) |
| Benefit of tax losses previously recognised written down | - | 166 | - | - |
| Effects of different rates of tax on overseas income | 234 | 203 | - | - |
| Aggregate income tax expense (benefit) | <u>514</u> | <u>(394)</u> | <u>(406)</u> | <u>(895)</u> |
| (c) Tax losses | | | | |
| Unused tax losses for which no deferred tax asset has been recognised | 4,037 | 4,037 | - | - |
| Potential tax benefit @ 35% | 1,413 | 1,413 | - | - |

7. Income Tax continued

The benefit for tax losses will only be obtained if:

- (i) the group derives future assessable income of a nature and amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- (ii) the losses are transferred to an eligible entity in the group, and
- (iii) the group continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iv) no changes in tax legislation adversely affect the group in realising the benefit from the deductions for the losses.

8. Earnings per share

| | Group | |
|----------------------------|---------------|---------------|
| | 2007 Cents | 2006 Cents |
| Basic earnings per share | 1.2 | 1.8 |
| Diluted earnings per share | 1.2 | 1.8 |

| | Group | |
|--|-------------------|-------------------|
| | 2007 Number | 2006 Number |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 88,269,795 | 88,049,459 |
| Adjustment for share options for the calculation of diluted earnings per share | 417,564 | - |
| Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share | <u>88,687,359</u> | <u>88,049,459</u> |

| | Group | |
|--|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 |
| Earnings used for basic and diluted earnings per share | 1,066 | 1,557 |
| Profit per income statement | 1,066 | 1,557 |

Information concerning the classification of securities

Options granted under the Altium Option Plan, Altium Employee Share Option Plan, the Directors' Option Plan and the Altium Director Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that the current share price is greater than the exercise price of the outstanding options. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 25.

For the year ended 30 June 2006, all options were anti dilutive and were not included in the calculation of diluted earnings per share.

9. Cash and cash equivalents

| | Group | | Altium Limited | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Cash at bank and on hand | <u>10,653</u> | 6,352 | <u>6,761</u> | 4,113 |

10. Trade and other receivables

| | Group | | Altium Limited | |
|--|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Current | | | | |
| Trade receivables | 15,739 | 12,990 | 7,246 | 8,640 |
| Less: provision for impairment | (463) | (181) | (111) | (74) |
| | <u>15,276</u> | <u>12,809</u> | <u>7,135</u> | <u>8,566</u> |
| Prepayments | 553 | 495 | 256 | 196 |
| Amounts due from subsidiaries ¹ | - | - | 2,464 | - |
| Other receivables | 138 | 48 | 23 | 1 |
| | <u>15,967</u> | <u>13,352</u> | <u>9,878</u> | <u>8,763</u> |
| Non-current | | | | |
| Amounts due from subsidiaries ¹ | - | - | 1,352 | 4,314 |
| Long term deposits | 326 | 379 | 32 | 25 |
| Loans to key management personnel ² | 531 | 417 | 531 | 214 |
| Employee loans ³ | 192 | 337 | 183 | 530 |
| | <u>1,049</u> | <u>1,133</u> | <u>2,098</u> | <u>5,083</u> |

1 For terms and conditions of amounts due from subsidiaries, refer to note 28.

2 Further information on loans to related parties and key management personnel are set out in note 30.

3 The loans advanced are charged at the 'benchmark interest rate' under the *Fringe Benefits Tax Assessment Act 1986* (Cwlth) as at 30 June 2007 being 8.05% p.a. (2006: 7.30%). The above unsecured loans are for a five year term or repayable within thirty days of separation. During the year repayments of \$160,982 (2006: \$95,308) were made. An assessment of the carrying value of all employee loans is conducted by the directors at the end of each reporting period. Where the directors believe that the loan will not be recovered, the loan is expensed along with any fringe benefits tax associated with the loan forgiveness.

Bad and doubtful trade receivables

The group has recognised a loss of \$455,491 (2006: \$60,068) in respect of bad and doubtful trade receivables during the year ended 30 June 2007. The loss has been included in other expenses in the income statement.

11. Inventories

| | Group | | Altium Limited | |
|----------------|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Finished goods | 551 | 552 | 488 | 413 |
| Raw materials | 358 | 386 | 358 | 386 |
| | <u>909</u> | <u>938</u> | <u>846</u> | <u>799</u> |

Inventories recognised as an expense during the year ended 30 June 2007 amounted to \$1,662,782 (2006:\$1,337,637). Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2007 amounted to \$236,431 (2006:\$49,738). The expense has been included in raw materials and consumables used in the income statement.

12. Other financial assets

| | Altium Limited | |
|------------------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 |
| Shares in subsidiaries | 5,752 | 5,672 |

Investments in controlled entities comprise:

| | Country of incorporation | Equity holding | | Investment in subsidiary | |
|--|--------------------------|----------------|-----------|--------------------------|----------------|
| | | 2007 % | 2006 % | 2007 \$'000 | 2006 \$'000 |
| Altium Netherlands BV – at recoverable amount | Netherlands | 100 | 100 | 1,960 | 1,960 |
| Altium BV ¹ – at recoverable amount | Netherlands | 100 | 100 | - | - |
| Altium Limited (UK) | UK | 100 | 100 | - | - |
| Altium Inc – at recoverable amount | USA | 100 | 100 | - | - |
| Altium Europe GmbH | Germany | 100 | 100 | 3,415 | 3,415 |
| Protel AG | Switzerland | 100 | 100 | 100 | 100 |
| Altium Japan KK | Japan | 100 | 100 | 114 | 114 |
| Altium Information Technology (Shanghai) Co. Ltd | China | 100 | 100 | 163 | 83 |

¹ Altium Limited holds 37.4% (2006: 37.4%) of shares in Altium BV directly. The remaining 62.6% (2006: 62.6%) are held indirectly through Altium Netherlands BV.

13. Property, plant and equipment

| | Group | | Altium Limited | |
|--|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Plant and equipment at cost | 1,776 | 1,602 | 854 | 657 |
| Less: accumulated depreciation | (768) | (736) | (344) | (310) |
| | 1,008 | 866 | 510 | 347 |
| Leasehold improvements at cost | 448 | 365 | 168 | 122 |
| Less: accumulated depreciation | (217) | (153) | (58) | (31) |
| | 231 | 212 | 110 | 91 |
| Leased plant and equipment | 1,441 | 693 | 935 | 431 |
| Less: accumulated amortisation | (562) | (261) | (365) | (151) |
| | 879 | 432 | 570 | 280 |
| Total property, plant and equipment | 2,118 | 1,510 | 1,190 | 718 |

13. Property, plant and equipment continued

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

Group

| | Plant and equipment \$'000 | Leasehold improvements \$'000 | Leased plant and equipment \$'000 | Total \$'000 |
|--|----------------------------------|-------------------------------------|---|-----------------|
| Carrying amount at 1 July 2005 | 814 | 246 | 579 | 1,639 |
| Effect of prior period correction (note 32) | (27) | (25) | (3) | (55) |
| Restated carrying amount at 1 July 2005 | 787 | 221 | 576 | 1,584 |
| Additions | 602 | 86 | 94 | 782 |
| Disposals | (68) | - | - | (68) |
| Translation differences | 19 | 18 | 2 | 39 |
| Other movements | 22 | - | (22) | - |
| Depreciation expense (note 5) | (496) | (113) | (218) | (827) |
| Carrying amount at 30 June 2006 | 866 | 212 | 432 | 1,510 |
| Additions | 707 | 111 | 797 | 1,615 |
| Translation differences | (65) | (7) | (32) | (104) |
| Depreciation expense (note 5) | (500) | (85) | (318) | (903) |
| Carrying amount at 30 June 2007 | 1,008 | 231 | 879 | 2,118 |

Altium Limited

| | Plant and equipment \$'000 | Leasehold improvements \$'000 | Leased plant and equipment \$'000 | Total \$'000 |
|--|----------------------------------|-------------------------------------|---|-----------------|
| Carrying amount at 1 July 2005 | 442 | 66 | 324 | 832 |
| Additions | 195 | 58 | 86 | 339 |
| Disposals | (20) | (11) | - | (31) |
| Depreciation expense (note 5) | (270) | (22) | (130) | (422) |
| Carrying amount at 30 June 2006 | 347 | 91 | 280 | 718 |
| Additions | 386 | 47 | 504 | 937 |
| Depreciation expense (note 5) | (223) | (28) | (214) | (465) |
| Carrying amount at 30 June 2007 | 510 | 110 | 570 | 1,190 |

During the year a number of fully depreciated assets have been disposed of. As these assets were fully written down there was no impact on the financial results of the group.

14. Intangible assets

| | Group | | Altium Limited | |
|--|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Internally generated intangibles at cost | 13,521 | 15,061 | 6,513 | 6,921 |
| Less: accumulated amortisation | (7,068) | (7,024) | (2,627) | (2,883) |
| | 6,453 | 8,037 | 3,886 | 4,038 |
| Other acquired intangibles at cost | 17,026 | 21,453 | 13,310 | 17,424 |
| Less: accumulated amortisation | (8,489) | (10,197) | (6,138) | (8,205) |
| | 8,537 | 11,256 | 7,172 | 9,219 |
| Total intangible assets | 14,990 | 19,293 | 11,058 | 13,257 |

Reconciliations

Reconciliations of the carrying amounts of each class of intangible asset at the beginning and end of the current financial year are set out below.

Group

| | Internally generated intangibles \$'000 | Other acquired intangibles \$'000 | Total \$'000 |
|--|--|---|-----------------|
| Carrying amount at 1 July 2005 | 11,791 | 14,108 | 25,899 |
| Effect of prior period correction (note 32) | (1,962) | (390) | (2,352) |
| Restated carrying amount at 1 July 2005 | 9,829 | 13,718 | 23,547 |
| Translation differences | 194 | 155 | 349 |
| Amortisation expense (note 5) | (1,986) | (2,617) | (4,603) |
| Carrying amount at 30 June 2006 | 8,037 | 11,256 | 19,293 |
| Additions | 673 | - | 673 |
| Translation differences | (484) | (129) | (613) |
| Amortisation expense (note 5) | (1,773) | (2,590) | (4,363) |
| Carrying amount at 30 June 2007 | 6,453 | 8,537 | 14,990 |

14. Intangible assets continued

Altium Limited

| | Internally generated intangibles \$'000 | Other acquired intangibles \$'000 | Total \$'000 |
|---------------------------------|--|---|-----------------|
| Carrying amount at 1 July 2005 | 5,032 | 11,300 | 16,332 |
| Amortisation expense (note 5) | (994) | (2,081) | (3,075) |
| Carrying amount at 30 June 2006 | 4,038 | 9,219 | 13,257 |
| Additions | 673 | - | 673 |
| Amortisation expense (note 5) | (825) | (2,047) | (2,872) |
| Carrying amount at 30 June 2007 | 3,886 | 7,172 | 11,058 |

During the year a number of fully amortised assets have been disposed of. As these assets were fully written down there was no impact on the financial results of the group.

Impairment test for intangible assets

The recoverable amount of the group's intangible assets has been assessed based on value-in-use calculations. The calculations use cash flow projections based on actual results achieved for 2007. Future cash flows have been extrapolated using average revenue growth rates of 4.1% per annum and average cost growth rates of 2.5% per annum. The annual growth rate used for revenue extrapolation is significantly less than the current annual revenue growth rate. If the assumed growth rates included in revenue forecasts were removed, the recoverable amount would still exceed the carrying amount for the intangible assets. A post-tax discount rate of 12.05% is applied to post tax cash flow projections.

15. Deferred tax

Group

| | Assets | | Liabilities | | Net | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Property, plant and equipment | 161 | 138 | - | 9 | 161 | 129 |
| Intangible assets | 283 | 191 | 3,233 | 3,845 | (2,950) | (3,654) |
| Finance leases | 22 | 19 | - | - | 22 | 19 |
| Foreign currency revaluations | 262 | 270 | 84 | 179 | 178 | 91 |
| Employee benefits | 538 | 559 | 4 | 5 | 534 | 554 |
| Provisions | 169 | 113 | - | - | 169 | 113 |
| Tax losses | 2,804 | 3,347 | - | - | 2,804 | 3,347 |
| Foreign tax credits | 2,638 | 2,901 | 2 | 8 | 2,636 | 2,893 |
| | 6,877 | 7,538 | 3,323 | 4,046 | 3,554 | 3,492 |
| Set-off (pursuant to set-off provisions) | (3,323) | (4,046) | (3,323) | (4,046) | - | - |
| | 3,554 | 3,492 | - | - | 3,554 | 3,492 |

15. Deferred tax continued

Group

| | Assets | | Liabilities | | Net | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Deferred tax to be recovered after 12 months | 4,509 | 4,511 | 3,233 | 3,930 | 1,276 | 581 |
| Deferred tax to be recovered within 12 months | 2,368 | 3,027 | 90 | 116 | 2,278 | 2,911 |
| | 6,877 | 7,538 | 3,323 | 4,046 | 3,554 | 3,492 |

Movement in temporary differences during the year

| | | | | | | |
|---------------------------------|--------------|--------------|----------|----------|--|--|
| Balance at 1 July | 3,492 | 2,987 | - | - | | |
| Translation differences | (46) | 120 | 215 | 128 | | |
| Charged to the income statement | 108 | 385 | (215) | (128) | | |
| Balance at 30 June | 3,554 | 3,492 | - | - | | |

Altium Limited

| | Assets | | Liabilities | | Net | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Property, plant and equipment | 64 | 64 | - | - | 64 | 64 |
| Intangible assets | - | - | 3,233 | 3,834 | (3,233) | (3,834) |
| Finance leases | 20 | 19 | - | - | 20 | 19 |
| Foreign currency revaluations | 262 | 270 | 25 | 95 | 237 | 175 |
| Employee benefits | 389 | 393 | - | - | 389 | 393 |
| Provisions | 70 | 89 | - | - | 70 | 89 |
| Tax losses | 2,424 | 2,878 | - | - | 2,424 | 2,878 |
| Foreign tax credits | 1,422 | 1,183 | - | - | 1,422 | 1,183 |
| | 4,651 | 4,896 | 3,258 | 3,929 | 1,393 | 967 |
| Set-off (pursuant to set-off provisions) | (3,258) | (3,929) | (3,258) | (3,929) | - | - |
| | 1,393 | 967 | - | - | 1,393 | 967 |
| Deferred tax to be recovered after 12 months | 3,131 | 2,941 | 3,233 | 3,834 | (102) | (893) |
| Deferred tax to be recovered within 12 months | 1,520 | 1,955 | 25 | 95 | 1,495 | 1,860 |
| | 4,651 | 4,896 | 3,258 | 3,929 | 1,393 | 967 |

Movement in temporary differences during the year

| | | | | | | |
|---------------------------------|--------------|------------|----------|----------|--|--|
| Balance at 1 July | 967 | - | - | - | | |
| Charged to the income statement | 426 | 967 | - | - | | |
| Balance at 30 June | 1,393 | 967 | - | - | | |

16. Trade and other payables

| | Group | | Altium Limited | |
|--|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Trade payables | 1,984 | 1,526 | 2,395 | 2,105 |
| Amounts due to subsidiaries ¹ | - | - | 2,521 | 2,135 |
| Other payables | 2,032 | 1,176 | 881 | 336 |
| | <u>4,016</u> | <u>2,702</u> | <u>5,797</u> | <u>4,576</u> |

¹ For terms and conditions of amounts due to subsidiaries refer to note 28

17. Deferred Revenue

| | Group | | Altium Limited | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Deferred maintenance revenue | 8,521 | 4,945 | 223 | 104 |
| Unearned income | 600 | 363 | 65 | 16 |
| | <u>9,121</u> | <u>5,308</u> | <u>288</u> | <u>120</u> |

18. Borrowings

| | Group | | Altium Limited | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Current | | | | |
| Lease liabilities (note 26) | <u>390</u> | <u>230</u> | <u>275</u> | <u>135</u> |
| Non-current | | | | |
| Lease liabilities (note 26) | <u>501</u> | <u>195</u> | <u>307</u> | <u>132</u> |

The lease liability consists of finance leases for plant and equipment. Leases due within one year have a weighted average interest rate of 9.75% (2006: 8.29%).

19. Tax liabilities

| | Group | | Altium Limited | |
|------------|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Income tax | <u>219</u> | <u>265</u> | <u>-</u> | <u>22</u> |

20. Provisions

| | Group | | Altium Limited | |
|-----------------------|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Current | | | | |
| Employee entitlements | 1,812 | 1,640 | 1,054 | 970 |
| Non-current | | | | |
| Employee entitlements | 246 | 340 | 242 | 340 |

21. Contributed equity

| Share capital | | | Altium Limited | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2007 Number | 2006 Number | 2007 \$'000 | 2006 \$'000 |
| Fully paid ordinary shares | 89,147,009 | 88,049,459 | 120,314 | 119,370 |

| Movements in ordinary share capital | Altium Limited | |
|-------------------------------------|-------------------|----------------|
| | Number of shares | \$'000 |
| Balance at 1 July 2006 | 88,049,459 | 119,370 |
| Share options exercised | 1,097,550 | 944 |
| Balance at 30 June 2007 | 89,147,009 | 120,314 |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Options

Information relating to the Altium Option Plan, Altium Employee Share Option Plan, Directors' Option Plan and Altium Director Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 25.

22. Reserves

| | Group | | Altium Limited | |
|--|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Share-based payments reserve | | | | |
| Balance at 1 July | 1,131 | 869 | 1,131 | 869 |
| Option expense | 317 | 262 | 317 | 262 |
| Balance at 30 June | 1,448 | 1,131 | 1,448 | 1,131 |
| Foreign currency translation reserve | | | | |
| Balance at 1 July | (766) | - | | |
| Effect of prior period correction (note 32) | - | (1,260) | | |
| Restated balance at 1 July | (766) | (1,260) | | |
| Currency translation differences arising during the year | (1,260) | 494 | | |
| Balance at 30 June | (2,026) | (766) | | |

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve. The reserve will be recognised in profit and loss when the net investment is disposed.

23. Accumulated losses

| | Group | | Altium Limited | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Accumulated losses at 1 July | (84,345) | (84,861) | (87,424) | (87,721) |
| Effect of prior period correction (note 32) | - | (1,041) | - | - |
| Restated balance at 1 July | (84,345) | (85,902) | (87,424) | (87,721) |
| Profit attributable to members of Altium Limited | 1,066 | 1,557 | 197 | 297 |
| Dividends | (3,522) | - | (3,522) | - |
| Accumulated losses at 30 June | (86,801) | (84,345) | (90,749) | (87,424) |

24. Dividends

| | Altium Limited | |
|--|----------------|--------|
| | 2007 | 2006 |
| | \$'000 | \$'000 |

Ordinary Shares

Final unfranked dividend of 4 cents (2006:\$nil) per share fully paid on 21 August 2006 and paid on 25 September 2006.

3,522 -

The directors recommend a return of capital of 6 cents per share, which is subject to shareholder approval at the next annual general meeting and regulatory approval.

25. Share-based payments

The company has the following share option plans:

- (i) Altium Option Plan
- (ii) Altium Employee Share Option Plan
- (iii) Directors' Option Plan
- (iv) Altium Director Share Option Plan

Altium Option Plan

The board of directors approved the establishment of the Altium Option Plan in June 1999. All employees (excluding executive directors) of Altium Limited and its subsidiaries are eligible to participate in the plan. Invitations for employees to participate are determined at the discretion of the directors of the company.

A total of 2,549,040 options (2006: 4,343,440) are outstanding under the plan to eligible employees as at 30 June 2007. The options granted under the Altium Option Plan vest in equal amounts over a four-year period from the first anniversary date of issue. Each option is convertible into one ordinary share. Conversion can occur no earlier than the first anniversary of the date on which the options were granted. The exercise price payable upon conversion is fixed.

Altium Employee Share Option Plan

The board of directors approved the establishment of the Altium Employee Share Option Plan in December 2003. All employees (excluding executive directors) of Altium Limited and its subsidiaries are eligible to participate in the plan. Invitations for employees to participate are determined at the discretion of the directors of the company.

The vesting period of options granted under the Altium Employee Share Option Plan is at the directors' discretion. Options granted on or before 5 December 2003 vest over a three-year period from the first anniversary date of issue, 40% in year one and 30% in the two subsequent years. The 200,000 options granted in May 2005 under the Altium Employee Share Option Plan are supplementary to the options issued on 5 December 2003. As a result these options vest over a two-year period from date of issue, 40% vest at issue date and 30% in the two subsequent years. This is in line with the vesting periods of the original options granted on 5 December 2003. Options granted on or after 7 May 2005 vest equally over four years.

These options are exercisable at any time once vested through to expiry date. When exercisable, each option is convertible into one ordinary share. No option holder has any right under the options to participate in any other share issue of the company or of any other entity within the group.

A total of 9,279,960 options (2006: 9,123,560) are outstanding under the plan to eligible employees as at 30 June 2007. Each option is convertible into one ordinary share. Conversion can occur no earlier than the first anniversary of the date on which the options were granted.

Directors' Option Plan

The board of directors approved the establishment of the Directors' Option Plan in October 2000. The board may offer options to any director of Altium Limited (excluding Nicholas M Martin). Before issuing options to directors, the board will need to seek shareholder approval in accordance with ASX Listing Rule 10.14.

The Directors' Option Plan is based on the Altium Option Plan subject to changes required due to the fact that options are being issued to directors rather than employees.

When the board is exercising its discretion in respect of the Directors' Option Plan, a director will not be able to vote if the exercise of the discretion relates to options or shares in the company which will be issued to that director.

All exercisable options issued under this plan have expired.

25. Share-based payments continued

Altium Director Share Option Plan

The board of directors approved the establishment of the Altium Director Share Option Plan in November 2003. The board may offer options to any director of Altium Limited (excluding Nicholas M Martin). Before issuing options to directors, the board will need to seek shareholder approval in accordance with ASX Listing Rule 10.14.

The Altium Director Share Option Plan is based on the Altium Employee Share Option Plan subject to changes required due to the fact that options are being issued to directors rather than employees.

When the board is exercising its discretion in respect of the Altium Director Share Option Plan, a director will not be able to vote if the exercise of the discretion relates to options or shares in the company which will be issued to that director.

A total of 990,000 options (2006:1,790,000) are outstanding under the plan as at 30 June 2007. Each option is convertible into one ordinary share. Conversion can occur no earlier than the first anniversary of the date on which the options were granted, being 5 December 2003. The last exercise date for these options is 5 December 2008. The exercise price payable upon conversion is fixed at \$0.86.

The following tables set out details of options granted under the share option plans:

2007

| Grant date | Expiry date | Exercise price \$ | Balance at 1 July 2006 ¹ | Granted | Exercised | Forfeited | Lapsed | Balance at 30 June 2007 ¹ | Options vested and exercisable |
|---------------------------------|-------------|-------------------|-------------------------------------|------------------|--------------------|--------------------|--------------------|--------------------------------------|--------------------------------|
| 12 Oct 2001 | 12 Oct 2006 | 4.20 | 1,081,000 | - | - | - | (1,081,000) | - | - |
| 7 Nov 2001 | 7 Nov 2006 | 4.20 | 417,000 | - | - | (185,000) | (232,000) | - | - |
| 10 Jul 2002 | 10 Jul 2007 | 1.17 | 400,000 | - | - | - | - | 400,000 | 400,000 |
| 23 Oct 2002 | 23 Oct 2007 | 1.34 | 2,169,150 | - | - | (254,500) | - | 1,914,650 | 1,914,650 |
| 30 Oct 2002 | 30 Oct 2007 | 1.34 | 7,400 | - | - | - | - | 7,400 | 7,400 |
| 11 Nov 2002 | 11 Nov 2007 | 1.34 | 46,940 | - | - | (30,000) | - | 16,940 | 16,940 |
| 19 Nov 2002 | 19 Nov 2007 | 1.34 | 170,950 | - | - | (1,400) | - | 169,550 | 169,550 |
| 27 Nov 2002 | 27 Nov 2007 | 1.34 | 51,000 | - | - | (10,500) | - | 40,500 | 40,500 |
| 5 Dec 2003 | 5 Dec 2008 | 0.86 | 6,751,160 | - | (297,550) | (393,700) | - | 6,059,910 | 6,059,910 |
| 5 Dec 2003 | 5 Dec 2008 | 0.86 | 1,790,000 | - | (800,000) | - | - | 990,000 | 990,000 |
| 7 May 2005 | 7 May 2009 | 0.86 | 200,000 | - | - | - | - | 200,000 | 200,000 |
| 21 Feb 2006 | 21 Feb 2011 | 1.00 | 1,583,700 | - | - | (213,500) | - | 1,370,200 | 342,550 |
| 14 Mar 2006 | 14 Mar 2011 | 1.00 | 578,950 | - | - | (22,850) | - | 556,100 | 139,019 |
| 21 Mar 2006 | 14 Mar 2011 | 1.00 | 9,750 | - | - | (9,750) | - | - | - |
| 8 Dec 2006 | 8 Dec 2011 | 1.50 | - | 766,175 | - | (50,925) | - | 715,250 | - |
| 16 Jan 2007 | 16 Jan 2012 | 1.50 | - | 378,500 | - | - | - | 378,500 | - |
| | | | 15,257,000 | 1,144,675 | (1,097,550) | (1,172,125) | (1,313,000) | 12,819,000 | 10,280,519 |
| Weighted average exercise price | | | 1.28 | 1.50 | 0.86 | 1.57 | 4.20 | 1.03 | |

¹ Included in these balances are options that have not been recognised in accordance with AASB 2 as the options were granted before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with AASB 2.

25. Share-based payments continued

2006

| Grant date | Expiry date | Exercise price \$ | Balance at 1 July 2005 ¹ | Granted | Exercised | Forfeited | Lapsed | Balance at 30 June 2006 ¹ | Options vested and exercisable |
|---------------------------------|-------------|-------------------|-------------------------------------|------------------|-----------|--------------------|--------------------|--------------------------------------|--------------------------------|
| 29 Sep 2000 | 29 Sep 2005 | 5.50 | 1,115,650 | - | - | (34,000) | (1,081,650) | - | - |
| 20 Nov 2000 | 20 Nov 2005 | 5.50 | 1,440,000 | - | - | - | (1,440,000) | - | - |
| 12 Oct 2001 | 12 Oct 2006 | 4.20 | 1,355,260 | - | - | (274,260) | - | 1,081,000 | 1,081,000 |
| 7 Nov 2001 | 7 Nov 2006 | 4.20 | 717,700 | - | - | (300,700) | - | 417,000 | 417,000 |
| 4 Dec 2001 | 4 Dec 2006 | 3.56 | 123,000 | - | - | (123,000) | - | - | - |
| 10 Jul 2002 | 10 Jul 2007 | 1.17 | 400,000 | - | - | - | - | 400,000 | 300,000 |
| 23 Oct 2002 | 23 Oct 2007 | 1.34 | 2,422,185 | - | - | (253,035) | - | 2,169,150 | 1,626,863 |
| 30 Oct 2002 | 30 Oct 2007 | 1.34 | 8,400 | - | - | (1,000) | - | 7,400 | 5,550 |
| 11 Nov 2002 | 11 Nov 2007 | 1.34 | 81,216 | - | - | (34,276) | - | 46,940 | 35,205 |
| 19 Nov 2002 | 19 Nov 2007 | 1.34 | 260,990 | - | - | (90,040) | - | 170,950 | 128,223 |
| 27 Nov 2002 | 27 Nov 2007 | 1.34 | 51,000 | - | - | - | - | 51,000 | 38,250 |
| 5 Dec 2003 | 5 Dec 2008 | 0.86 | 8,037,146 | - | - | (1,285,986) | - | 6,751,160 | 4,725,812 |
| 5 Dec 2003 | 5 Dec 2008 | 0.86 | 1,870,000 | - | - | (80,000) | - | 1,790,000 | 1,253,000 |
| 7 May 2005 | 7 May 2009 | 0.86 | 200,000 | - | - | - | - | 200,000 | 40,000 |
| 21 Feb 2006 | 21 Feb 2011 | 1.00 | - | 1,748,100 | - | (164,400) | - | 1,583,700 | - |
| 14 Mar 2006 | 14 Mar 2011 | 1.00 | - | 588,700 | - | (9,750) | - | 578,950 | - |
| 21 Mar 2006 | 14 Mar 2011 | 1.00 | - | 9,750 | - | - | - | 9,750 | - |
| | | | 18,082,547 | 2,346,550 | - | (2,655,447) | (2,516,650) | 15,257,000 | 9,750,903 |
| Weighted average exercise price | | | 1.99 | 1.00 | - | 3.63 | 5.50 | 1.28 | |

¹ Included in these balances are options that have not been recognised in accordance with AASB 2 as the options were granted before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with AASB 2.

The weighted average contractual life of the options is 1.81 years (2006: 2.45 years).

The market price per ordinary share at 30 June 2007 was \$1.25 (2006: \$0.30).

25. Share-based payments continued

Fair value of options granted

Fair values at grant date have been assessed using a derivative of the Black-Scholes option-pricing model including the following factors; the exercise price, stock price, expected life, volatility, risk-free rate, dividend yield and vesting period. Key assumptions adopted for valuing options as at the date of issue are summarised below:

| Grant date | Exercise price \$ | Share price at grant date \$ | Expected price volatility % | Expected life of option Years | Risk-free interest rate % | Fair value \$ |
|-------------|----------------------|---------------------------------|--------------------------------|----------------------------------|------------------------------|------------------|
| 16 Jan 2007 | 1.50 | 1.19 | 67 | 5 | 6.13 - 6.26 | 0.67 |
| 8 Dec 2006 | 1.50 | 0.84 | 67 | 5 | 5.83 - 6.10 | 0.40 |
| 21 Mar 2006 | 1.34 | 0.30 | 66 | 5 | 5.37 - 5.41 | 0.10 |
| 14 Mar 2006 | 1.34 | 0.32 | 66 | 5 | 5.37 - 5.41 | 0.11 |
| 21 Feb 2006 | 1.34 | 0.29 | 66 | 5 | 5.18 - 5.40 | 0.09 |

Options are granted for no consideration. The amount received on the exercise of options is recognised as issued capital at the date of issue of the shares.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

| | Group | | Altium Limited | |
|--|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Options issued under employee option plans | 317 | 262 | 317 | 262 |

Where options are issued to employees of subsidiaries with the group, the subsidiaries compensate Altium Limited for the amount recognised as an expense in relation to these options.

26. Commitments for expenditure

| | Group | | Altium Limited | |
|--|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Lease commitments | | | | |
| Operating leases | | | | |
| Within one year | 2,267 | 1,655 | 781 | 403 |
| Later than 1 year but not later than 5 years | 3,247 | 1,453 | 46 | 225 |
| | 5,514 | 3,108 | 827 | 628 |
| Representing: | | | | |
| Non-cancellable operating leases | 5,514 | 3,108 | 827 | 628 |

Lease commitments

Operating leases

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

| | | | | |
|--|-------|-------|-----|-----|
| Within one year | 2,267 | 1,655 | 781 | 403 |
| Later than 1 year but not later than 5 years | 3,247 | 1,453 | 46 | 225 |
| | 5,514 | 3,108 | 827 | 628 |
| Representing: | | | | |
| Non-cancellable operating leases | 5,514 | 3,108 | 827 | 628 |

26. Commitments for expenditure continued

| | Group | | Altium Limited | |
|---|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| <i>Finance leases</i> | | | | |
| Commitments to purchase equipment in relation to finance leases are payable as follows: | | | | |
| Not later than one year | 461 | 257 | 314 | 147 |
| Later than 1 year but not later than 5 years | 561 | 205 | 329 | 138 |
| Minimum lease payments | 1,022 | 462 | 643 | 285 |
| Less: future finance charges | (131) | (37) | (61) | (18) |
| | 891 | 425 | 582 | 267 |
| Representing lease liabilities: | | | | |
| Current (note 18) | 390 | 230 | 275 | 135 |
| Non-current (note 18) | 501 | 195 | 307 | 132 |
| | 891 | 425 | 582 | 267 |

27. Contingent liabilities

From time to time the group is subject to various claims and legal proceeding. Full provision has been made in the financial report for legal costs incurred to date in defending these matters and the directors' do not believe there is significant exposure to these claims based on legal advice received to date.

28. Related party information**Directors, specified executives and their related entities**

Disclosures relating to directors, director-related entities and specified executives, including information concerning shares or share options are set out in note 30 to the accounts.

Parent entity

The parent entity within the group is Altium Limited. The wholly-owned group consists of Altium Limited, the ultimate parent entity, and its wholly-owned controlled entities, Altium Inc, Altium Japan KK, Protel AG, Altium Netherlands BV, Altium BV, Altium Europe GmbH, Altium Limited (UK) and Altium Information Technology (Shanghai) Co. Ltd. Ownership interests in these controlled entities are set out in note 12.

Transactions between Altium Limited and other entities in the wholly-owned group during the years ended 30 June 2007 and 30 June 2006 consisted of:

- supply of computer software for sale by Altium Limited;
- purchase of computer software for sale from Altium Limited;
- loans advanced by Altium Limited and interest received thereon;
- loans repaid to Altium Limited;
- purchase of research and development services by Altium Limited;
- supply of finance, administration and marketing services by Altium Limited; and
- payments for royalties in exchange for use of intellectual property.

These transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of principal on loans advanced by Altium Limited. The average interest rate charged on the loans during the year was 4.43% (2006: 4.59%).

28. Related party information continued

| | Altium Limited | |
|--|----------------|-------------|
| | 2007 | 2006 |
| | \$ | \$ |
| The following transactions occurred with related parties: | | |
| Revenue | 31,017,040 | 23,766,719 |
| Interest revenue | 284,322 | 228,464 |
| Royalty expense | (689,942) | (718,963) |
| Contract research and development expense | (6,405,384) | (6,509,927) |
| Marketing expense | (1,114,373) | (815,179) |
| Employee benefits | 214,786 | 111,760 |
| Other related party transactions | 32,994 | 50,542 |
| The following balances are outstanding at the reporting date in relation to transactions with related parties: | | |
| Current receivables | | |
| Trade debtors | 3,583,998 | 6,123,233 |
| Amounts due from subsidiaries | 2,463,674 | - |
| Non-current receivables | | |
| Amounts due from subsidiaries | 1,352,010 | 4,312,309 |
| Current payables | | |
| Trade creditors | 1,840,295 | 1,434,922 |
| Amounts due to subsidiaries | 2,520,980 | 2,134,277 |

29. Cash flow information

| | Group | | Altium Limited | |
|--|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Reconciliation of operating profit after income tax to net cash inflows from operating activities | | | | |
| Operating profit after income tax | 1,066 | 1,557 | 197 | 297 |
| Depreciation and amortisation | 5,266 | 5,430 | 3,337 | 3,497 |
| Gain on disposal of assets | (6) | (19) | (5) | (18) |
| Unrealised foreign exchange differences | - | 10 | 664 | (80) |
| Change in operating assets and liabilities | | | | |
| (Increase) decrease in trade and other debtors | (3,595) | (3,353) | 1,439 | (631) |
| Decrease (increase) in inventories | 16 | (17) | (47) | 37 |
| (Increase) decrease in prepayments and other assets | (87) | 151 | (67) | 515 |
| (Decrease) increase in deferred tax assets | (214) | (377) | (426) | 11 |
| Increase in trade and other creditors and employee entitlements | 6,163 | 411 | 973 | 822 |
| (Decrease) increase in deferred tax liabilities | (108) | (128) | - | 22 |
| Decrease in income tax receivable and payable | (27) | (410) | (22) | (1,484) |
| Increase (decrease) in other provisions | 162 | (34) | (14) | (100) |
| Increase in equity compensation reserve | 317 | 262 | 317 | 262 |
| Net cash inflows from operating activities | 8,953 | 3,483 | 6,346 | 3,150 |
| Non-cash financing and investing activities | | | | |
| Acquisition of plant and equipment by means of finance lease | 797 | 94 | 504 | 86 |

30. Key management personnel

| | Group | | Altium Limited | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| Short-term employee benefits | 2,330,295 | 2,134,714 | 1,907,925 | 1,503,252 |
| Post-employment benefits | 229,314 | 212,872 | 241,320 | 193,954 |
| Long-term benefits | 23,691 | 155,754 | 51,943 | 144,217 |
| Share-based payments | 94,568 | 87,479 | 102,587 | 97,186 |
| | 2,677,868 | 2,590,819 | 2,303,775 | 1,938,609 |

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.

30. Key management personnel continued**Equity instrument disclosures relating to key management personnel*****Options provided as remuneration and shares on exercise of such options***

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report and note 25.

Option holdings

The number of option holdings over ordinary shares in the company held during the financial year by each director of Altium Limited and other key management personnel of the group, including their personally related parties, are set out below:

2007

| | Balance at 1 July 2006 | Granted during the year | Exercised during the year | Expired during the year | Balance at 30 June 2007 | Vested and exercisable at 30 June 2007 |
|---|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|--|
| Directors of Altium Limited | | | | | | |
| Carl J Rooke | 160,000 | - | - | - | 160,000 | 60,000 |
| Kayvan Oboudiyat ¹ | 1,200,000 | - | 800,000 | - | 400,000 | 400,000 |
| William A Bartee | 80,000 | - | - | - | 80,000 | 80,000 |
| Key management personnel of Altium Limited | | | | | | |
| Emma Lo Russo | 200,000 | 300,000 | - | - | 500,000 | 50,000 |
| Darren Charles | 571,000 | - | - | - | 571,000 | 496,000 |
| Benjamin Wells | 521,000 | - | - | - | 521,000 | 446,000 |
| Kerri-Ann Wilson | 270,000 | - | - | 80,000 | 190,000 | 152,500 |
| Marc Depret | 550,000 | - | - | - | 550,000 | 550,000 |
| Jason Hingston | 470,000 | - | - | - | 470,000 | 470,000 |
| Peter Williamson ² | - | 100,000 | - | - | 100,000 | - |
| Key management personnel of the group | | | | | | |
| Michael Stipe ³ | 200,000 | - | - | - | 200,000 | 50,000 |
| Frank Hoschar | 375,000 | - | - | - | 375,000 | 375,000 |
| Peter Murman | 415,000 | 100,000 | - | 157,500 | 357,500 | 257,500 |
| Matthew Schwaiger | 600,000 | - | - | - | 600,000 | 600,000 |

¹ Kayvan Oboudiyat's options were exercised at 86 cents on 24 April 2007.

² Peter Williamson was appointed on 30 October 2006.

³ Michael Stipe ceased employment on 10 July 2007.

30. Key management personnel continued

2006

| | Balance at 1 July 2005 | Granted during the year | Exercised during the year | Expired during the year | Balance at 30 June 2006 | Vested and exercisable at 30 June 2006 |
|---|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|--|
| Directors of Altium Limited | | | | | | |
| Carl J Rooke | 320,000 | - | - | 160,000 | 160,000 | 112,000 |
| Kayvan Oboudiyat | 2,400,000 | - | - | 1,200,000 | 1,200,000 | 840,000 |
| William A Bartee | 160,000 | - | - | 80,000 | 80,000 | 56,000 |
| Dr Steven G Duvall ¹ | 80,000 | - | - | 80,000 | - | - |
| Bruce W Edwards ¹ | 150,000 | - | - | - | 150,000 | 105,000 |
| Key management personnel of Altium Limited | | | | | | |
| Emma Lo Russo | - | 200,000 | - | - | 200,000 | - |
| Darren Charles ¹ | 601,000 | 100,000 | - | 130,000 | 571,000 | 333,450 |
| Key management personnel of the group | | | | | | |
| Michael Stipe | - | 200,000 | - | - | 200,000 | - |
| Frank Hoschar | 375,000 | - | - | - | 375,000 | 272,500 |
| Peter Murman | 415,000 | - | - | - | 415,000 | 338,538 |

¹ Dr Steven G Duvall and Bruce W Edwards resigned as non-executive directors on 15 July 2005. Darren Charles resigned as an executive director on 15 July 2005 and continues in his capacity as Chief Financial Officer at the date of this report.

Nicholas M Martin, David M Warren, André J Pravaz and Samuel S Weiss have not been granted options over ordinary shares at any time since the commencement of any company option plans.

Details of all options granted to, or exercised by, key management personnel during the financial year are set out below:

2007

| | Value at grant date \$ | Value at exercise date \$ | Date granted or exercised |
|------------------|------------------------------|---------------------------------|------------------------------|
| Kayvan Oboudiyat | - | 992,000 | 26 Apr 2007 |
| Emma Lo Russo | 89,814 | - | 8 Dec 2006 |
| Peter Williamson | 29,938 | - | 8 Dec 2006 |
| Peter Murman | 48,552 | - | 16 Jan 2007 |

2006

| | Value at grant date \$ | Value at exercise date \$ | Date granted or exercised |
|----------------|------------------------------|---------------------------------|------------------------------|
| Emma Lo Russo | 14,253 | - | 21 Feb 2006 |
| Darren Charles | 7,127 | - | 21 Feb 2006 |
| Michael Stipe | 16,722 | - | 14 Mar 2006 |

No amounts are unpaid on any shares issued on the exercise of options. There were no options granted to directors during the financial year.

30. Key management personnel continued

Share holdings

The number of ordinary shares in Altium Limited held during the financial year by each director of the company and each of the key management personnel of the group, including their related entities, are set out below.

2007

| | Balance at 1 July 2006 | Acquisitions during the year | Balance at 30 June 2007 |
|--|---------------------------|---------------------------------|----------------------------|
| Directors of Altium Limited | | | |
| Carl J Rooke | 465,365 | - | 465,365 |
| Nicholas M Martin | 22,444,000 | 80,650 | 22,524,650 |
| Kayvan Oboudiyat | 1,187,500 | 800,000 | 1,987,500 |
| William A Bartee | - | - | - |
| André J Pravaz ¹ | - | - | - |
| David M Warren | 5,523,000 | - | 5,523,000 |
| Samuel S Weiss ¹ | - | - | - |
| Key management personnel of Altium Limited | | | |
| Emma Lo Russo | - | - | - |
| Darren Charles | 170,890 | 9,435 | 180,325 |
| Benjamin Wells | 5,000 | - | 5,000 |
| Kerri-Ann Wilson | - | - | - |
| Marc Depret | 228,400 | - | 228,400 |
| Jason Hingston | 128,350 | - | 128,350 |
| Peter Williamson ² | - | - | - |
| Other key management personnel of the group | | | |
| Michael Stipe ³ | 175,000 | - | 175,000 |
| Frank Hoschar | 445,500 | - | 445,500 |
| Peter Murman | - | - | - |
| Matthew Schwaiger | 400,000 | - | 400,000 |

¹ André J Pravaz and Samuel S Weiss were appointed as non-executive directors on 1 January 2007

² Peter Williamson was appointed on 30 October 2006.

³ Michael Stipe ceased employment on 10 July 2007.

30. Key management personnel continued

2006

| | Balance at 1 July 2005 | Acquisitions during the year | Balance at 30 June 2006 |
|--|---------------------------|---------------------------------|----------------------------|
| Directors of Altium Limited | | | |
| Carl J Rooke | 324,400 | 140,965 | 465,365 |
| Nicholas M Martin | 22,444,000 | - | 22,444,000 |
| Kayvan Oboudiyat | 1,187,500 | - | 1,187,500 |
| William A Bartee | - | - | - |
| David M Warren | 5,403,000 | 120,000 | 5,523,000 |
| Key management personnel of Altium Limited | | | |
| Emma Lo Russo | - | - | - |
| Darren Charles ¹ | 130,890 | 40,000 | 170,890 |
| Other key management personnel of the group | | | |
| Michael Stipe | - | 175,000 | 175,000 |
| Frank Hoschar | 445,500 | - | 445,500 |
| Peter Murman | - | - | - |

¹ Darren Charles resigned as an executive director on 15 July 2005 and continues in his capacity as Chief Financial Officer at date of this report.

Loans to directors, key management and related entities

The following unsecured loans to directors and other key management, including their personally-related parties, were outstanding:

| | Balance at 30 June \$ | Annual interest charge \$ | Annual repayments \$ | Highest indebtedness \$ |
|-------------------|-----------------------------|---------------------------------|----------------------------|-------------------------------|
| In aggregate 2007 | 586,440 | 38,868 | 29,045 | 592,647 |
| In aggregate 2006 | 512,110 | 23,066 | 13,082 | 513,622 |

Included in the aggregate loans above are loans to a related party of Nicholas M Martin of \$222,007 (2006:\$209,494) and Marc Depret of \$251,330. Interest charged on the loans for the year was \$12,543 (2006: \$9,607) for the related party of Nicholas M Martin and \$17,786 for Marc Depret. During the year there were repayments of \$17,980 by Marc Depret.

The loans are charged at the 'benchmark interest rate' under the *Fringe Benefits Tax Assessment Act 1986 (Cwlth)* as at 30 June 2007 being 8.05% p.a. (2006: 7.3%). The above unsecured loans are for a five year term or repayable within thirty days of separation.

The loans have been written down by \$55,440 (2006: \$95,110) to fair value.

Remuneration of director-related entities

Carl J Rooke is a Director of BDO Kendalls (TAS) Pty Ltd (formerly Horwath Tas Pty Ltd). BDO Kendalls (TAS) Pty Ltd has provided taxation services to Altium Limited for many years on normal commercial terms and conditions. The total amounts recognised as expenses during the year total \$6,970 (2006: \$nil). There were no amounts payable at balance sheet date to BDO Kendalls (TAS) Pty Ltd.

Related entities of directors employed by any company in the group are paid on normal commercial terms and conditions.

31. Financial risk management

The group's principal financial instruments comprise cash and finance leases. The group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

(a) **Foreign currency exposures**

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US dollar, euro, British pound, Japanese yen, Swiss franc and Chinese yuan. Foreign currency revenues are partially hedged by foreign currency denominated expenses.

(b) **Credit risk exposures**

The credit risk on financial assets of the group which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of any impairment provision. The group has no significant concentrations of credit risk. The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

(c) **Interest rate risk exposures**

The group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the group intends to hold fixed rate assets and liabilities to maturity.

2007

| | Note | Floating interest rate \$'000 | Fixed interest rate maturities | | | Non interest bearing \$'000 | Total \$'000 |
|--------------------------------|------|-------------------------------------|--------------------------------|------------------------|---------------------------|-----------------------------------|-----------------|
| | | | 1 year or less \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | | |
| Financial assets | | | | | | | |
| Cash | 9 | 9,207 | - | - | - | 1,446 | 10,653 |
| Receivables | 10 | - | - | 1,049 | - | 15,967 | 17,016 |
| | | 9,207 | - | 1,049 | - | 17,413 | 27,669 |
| Weighted average interest rate | | 3.10% | | 7.49% | | | |
| Financial liabilities | | | | | | | |
| Accounts payable | 16 | - | - | - | - | (4,016) | (4,016) |
| Financial lease liabilities | 18 | - | (390) | (501) | - | - | (891) |
| | | - | (390) | (501) | - | (4,016) | (4,907) |
| Weighted average interest rate | | | 8.51% | 9.41% | | | |

31. Financial risk management continued

2006

| | Note | Floating interest rate \$'000 | Fixed interest rate maturities | | | Non interest bearing \$'000 | Total \$'000 |
|--------------------------------|------|-------------------------------------|--------------------------------|------------------------|---------------------------|-----------------------------------|-----------------|
| | | | 1 year or less \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | | |
| Financial assets | | | | | | | |
| Cash | 9 | 5,354 | - | - | - | 998 | 6,352 |
| Receivables | 10 | - | - | 754 | - | 13,731 | 14,485 |
| | | <u>5,354</u> | <u>-</u> | <u>754</u> | <u>-</u> | <u>14,729</u> | <u>20,837</u> |
| Weighted average interest rate | | 1.02% | | 7.18% | | | |
| Financial liabilities | | | | | | | |
| Accounts payable | 16 | - | - | - | - | (2,702) | (2,702) |
| Financial lease liabilities | 18 | - | (230) | (195) | - | - | (425) |
| | | <u>-</u> | <u>(230)</u> | <u>(195)</u> | <u>-</u> | <u>(2,702)</u> | <u>(3,127)</u> |
| Weighted average interest rate | | | 7.69% | 8.74% | | | |

(d) Net fair value of financial assets and liabilities

The net fair value of financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles. At balance date, the net fair value of financial assets and liabilities approximates their carrying value.

32. Correction of a prior period error – foreign currency translation of subsidiaries

On adoption of Australian equivalents to International Financial Reporting Standards (AIFRS), the group adopted AASB 121 *The Effects of Foreign Exchange Rates* which required the translation of foreign subsidiaries into Australian dollars using the exchange rates prevailing on the balance date for assets and liabilities and the exchange rates prevailing on the date of transaction for income and expenses. In the year ended 30 June 2006, the impact of the transition to AASB 121 was incorrectly brought to account in that some assets continued to be translated at historical rates. The effect of the correction on the group comparative periods is shown below.

Income statement

| | As previously reported \$'000 | Effect of correction \$'000 | Revised \$'000 |
|--|-------------------------------------|-----------------------------------|---------------------|
| Profit attributable to members of Altium Limited | 1,415 | 142 | 1,557 |
| Earnings per share | <u>Cents</u> 1.6 | <u>Cents</u> 0.2 | <u>Cents</u> 1.8 |

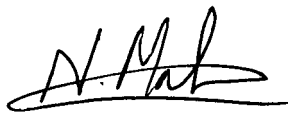
32. Correction of a prior period error – foreign currency translation of subsidiaries continued

Balance sheet

| | As previously reported \$'000 | Effect of correction \$'000 | Revised \$'000 |
|--------------------------------------|----------------------------------|--------------------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | 6,352 | - | 6,352 |
| Trade and other receivables | 13,343 | 9 | 13,352 |
| Inventories | 938 | - | 938 |
| Total current assets | 20,633 | 9 | 20,642 |
| Non-current assets | | | |
| Trade and other receivables | 1,133 | - | 1,133 |
| Property, plant and equipment | 1,499 | 11 | 1,510 |
| Intangible assets | 20,870 | (1,577) | 19,293 |
| Deferred tax assets | 3,492 | - | 3,492 |
| Total non-current assets | 26,994 | (1,566) | 25,428 |
| Total assets | 47,627 | (1,557) | 46,070 |
| Current liabilities | | | |
| Trade and other payables | 2,702 | - | 2,702 |
| Deferred Revenue | 5,200 | 108 | 5,308 |
| Borrowings | 230 | - | 230 |
| Current tax liabilities | 265 | - | 265 |
| Provisions | 1,640 | - | 1,640 |
| Total current liabilities | 10,037 | 108 | 10,145 |
| Non-current liabilities | | | |
| Borrowings | 195 | - | 195 |
| Provisions | 340 | - | 340 |
| Total non-current liabilities | 535 | - | 535 |
| Total liabilities | 10,572 | 108 | 10,680 |
| Net assets | 37,055 | (1,665) | 35,390 |
| Equity | | | |
| Contributed equity | 119,370 | - | 119,370 |
| Reserves | 1,131 | (766) | 365 |
| Accumulated losses | (83,446) | (899) | (84,345) |
| Total equity | 37,055 | (1,665) | 35,390 |

In our opinion:

- (a) the financial records of the company and the group for the financial year ended 30 June 2007 have been properly maintained in accordance with section 286 of the *Corporations Act 2001*; and
- (b) the financial statements, and the notes to the financial statements, of the company and the group, for the financial year ended 30 June 2007:
 - (i) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the company's and group's financial positions as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.



Nicholas M Martin
Chief Executive Officer & Chief Technology Officer



Darren Charles
Chief Financial Officer

Sydney
21 August 2007

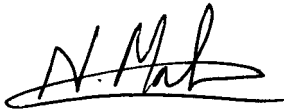
In the directors' opinion:

- (a) the financial statements and notes set out on pages 35 to 73 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and group's financial positions as at 30 June 2007 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 17 to 25 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

For and on behalf of the board



Nicholas M Martin
Director, Chief Executive Officer & Chief Technology Officer



Kayvan Oboudiyat
Director & Executive Vice Chairman

Sydney
21 August 2007



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Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Altium Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Altium Limited and the Altium Limited Group (the group). The group comprises the company and the entities it controlled at the year end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading 'remuneration report' in pages 17 to 25 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

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. These Auditing 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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' report.

Our procedures include reading the other information in the annual report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report and remuneration disclosures of Altium Limited (the company) for the financial year ended 30 June 2007 included on the Altium Limited web site. The company's directors are responsible for the integrity of the Altium Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or remuneration disclosures. 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 disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Independence

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

Auditor's opinion on the financial report

In our opinion:

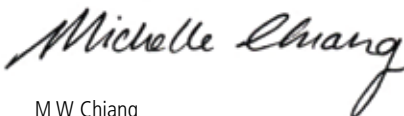
- (a) the financial report of Altium Limited
 - (i) giving a true and fair view of the company's and group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 17 to 25 of the directors' report comply with Accounting Standard AASB 124.



PricewaterhouseCoopers



M W Chiang
Partner

Sydney
21 August 2007

The shareholder information set out below was current as at 31 July 2007.

(a) Distribution of equity securities

Analysis of equity security holders by size of holding: Altium held only one class of equity security – ordinary shares.

| Range | Number of shareholders | Number of option holders |
|------------------|------------------------|--------------------------|
| 1 - 1,000 | 499 | 2 |
| 1,001 - 5,000 | 629 | 13 |
| 5,001 - 10,000 | 203 | 32 |
| 10,001 - 100,000 | 277 | 108 |
| 100,001 - Over | 56 | 30 |
| | 1,664 | 185 |

There were 477 holders of a less than marketable parcel of ordinary shares.

Issued capital is 89,147,009.

(b) Equity security holders

20 largest quoted equity security holders

| Rank | Name | Number of shares | % |
|------|--|------------------|-------|
| 1 | N & M MARTIN HOLDINGS PTY LTD | 12,441,500 | 13.96 |
| 2 | PROTEL SYSTEMS PTY LIMITED | 12,340,000 | 13.84 |
| 3 | UBS NOMINEES PTY LTD | 9,373,905 | 10.52 |
| 4 | ANZ NOMINEES LIMITED <CASH INCOME ACCOUNT> | 7,424,306 | 8.33 |
| 5 | CITICORP NOMINEES PTY LIMITED | 4,540,207 | 5.09 |
| 6 | MIRKAZEMI HOLDINGS PTY LIMITED | 2,603,000 | 2.92 |
| 7 | NATIONAL NOMINEES LIMITED | 2,436,904 | 2.73 |
| 8 | CITICORP NOMINEES PTY LIMITED | 2,119,643 | 2.38 |
| 9 | FORTIS CLEARING NOMINEES | 1,946,101 | 2.18 |
| 10 | JP MORGAN NOMINEES | 1,897,217 | 2.13 |
| 11 | KAY & JAY INVESTMENTS PTY LTD | 1,619,800 | 1.82 |
| 12 | QUEENSLAND INVESTMENT CORPORATION | 1,532,187 | 1.72 |
| 13 | COGENT NOMINEES PTY LIMITED | 1,303,850 | 1.46 |
| 14 | HSBC CUSTODY NOMINEES | 1,071,134 | 1.20 |
| 15 | ZENTEL PTY LIMITED | 1,050,000 | 1.18 |
| 16 | ZENTEL PTY LIMITED | 1,018,000 | 1.14 |
| 17 | CITICORP NOMINEES PTY LIMITED | 1,006,480 | 1.13 |
| 18 | MRS NANCI CATHERINE MOORE | 903,000 | 1.01 |
| 19 | MR PEDRAM MIRKAZEMI | 764,757 | 0.86 |
| 20 | MR SIMON GAUTIER HANNES <SGH SUPER FUND> | 755,000 | 0.85 |

(c) Unquoted equity securities

| | Number of options on issue | Number of holders |
|-------------------------|-------------------------------|----------------------|
| Employees* | 11,599,700 | 182 |
| Directors | 640,000 | 3 |
| Total options on issue* | <u>12,239,700</u> | <u>185</u> |

* 400,000 employee options expired 10 July 2007.

* 150,000 employee options were forfeited on 10 July 2007 and 29,300 on 30 July 2007.

(d) Substantial shareholders

The substantial holders in the company are set out below:

| Rank | Name | Number of shares | % |
|------|-------------------------------------|---------------------|--------------|
| 1 | Nicholas Martin | 22,524,650 | 25.27 |
| 2 | UBS Nominees Pty Ltd | 9,442,115 | 10.59 |
| 3 | Smallco Investment Manager Limited* | 8,925,006 | 10.01 |
| 4 | Commonwealth Bank of Australia | 7,062,744 | 7.92 |
| 5 | IOOF Holdings Limited | 6,127,950 | 6.87 |
| 6 | David Warren | 5,403,000 | 6.20 |
| 7 | SAS Trustee Corporation | 5,005,000 | 5.61 |
| | | <u>64,610,465</u> | <u>72.48</u> |

* UBS Nominees Pty Ltd is the Custodian of Smallco Investment Manager Limited.

(e) Voting rights

- i) **Ordinary shares:** On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll shall have one vote for each share represented.
- ii) **Option:** No voting rights.

(f) Share buy-back

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

(g) Securities subject to escrow

No shares are currently subject to escrow.

(h) Altium major announcements to the ASX

| | |
|-------------|--|
| 11 Jul 2007 | Altium Q4 and full year preliminary results 06-07 |
| 29 Jun 2007 | Appendix 3B |
| 25 Jun 2007 | Change in substantial holding from CBA |
| 22 Jun 2007 | Change in substantial holding |
| 22 Jun 2007 | Change in substantial holding |
| 20 Jun 2007 | Change in substantial holding from IFL |
| 19 Jun 2007 | Appendix 3B |
| 13 Jun 2007 | Change in substantial holding |
| 29 May 2007 | Appendix 3B: New Issue resulting from Employee Option Scheme |
| 18 May 2007 | Appendix 3B |
| 1 May 2007 | Change in substantial holding |
| 27 Apr 2007 | Change of Director's Interest Notice |
| 27 Apr 2007 | Appendix 3B |
| 27 Apr 2007 | Change of Director's Interest Notice |
| 27 Apr 2007 | Change of Director's Interest Notice |
| 27 Apr 2007 | Change of Director's Interest Notice |
| 23 Apr 2007 | Change in substantial holding from IFL |
| 18 Apr 2007 | Q3 Sales & Revenue Update |
| 3 Apr 2007 | Appendix 3B New Issue resulting from Option Exercise |
| 2 Apr 2007 | Change in substantial holding |
| 28 Mar 2007 | Change in substantial holding |
| 26 Feb 2007 | Half Yearly Report & Half Year Accounts |
| 20 Feb 2007 | Change in substantial holding |
| 16 Feb 2007 | Change in substantial holding |
| 2 Feb 2007 | Appendix 3B |
| 19 Jan 2007 | Appendix 3B |
| 16 Jan 2007 | Becoming a substantial holder |
| 15 Jan 2007 | Becoming a substantial holder |
| 10 Jan 2007 | Preliminary FY 2006/07 half-year and Q2 update |
| 9 Jan 2007 | Initial Director's Interest Notice |
| 9 Jan 2007 | Initial Director's Interest Notice |
| 28 Dec 2006 | Anticipated revenue for first half |
| 22 Dec 2006 | Response to ASX Query |
| 21 Dec 2006 | New board appointments |
| 12 Dec 2006 | Appendix 3B |
| 20 Nov 2006 | Change in substantial holding from CBA |
| 24 Oct 2006 | Change of Director's Interest Notice |
| 10 Oct 2006 | Results of Meeting |
| 10 Oct 2006 | Chairman's Address to Shareholders |
| 10 Oct 2006 | Q1 FY 06/07 Sales & Revenue Update |
| 8 Sep 2006 | Notice of Annual General Meeting |
| 8 Sep 2006 | Annual Report |
| 22 Aug 2006 | Preliminary Final Report |
| 14 Jul 2006 | Change in substantial holding from CBA |
| 11 Jul 2006 | Altium Preliminary Q4 and Full Year Results |

Note: A complete and up-to-date list of all Altium's financial announcements can be found on www.asx.com.au.

(i) Annual General Meeting

Date: Thursday 4 October 2007
Time: 3.30pm
Venue: Hilton Sydney, 488 George Street, Sydney NSW 2000

(j) Enquiries about your shareholding

Please contact Computershare for all questions in relation to your shareholding, dividends, share transfers and monthly holding statements. See Directory in this report for contact details.

Website: <http://www-au.computershare.com>
Access to Forms: <https://www-au.computershare.com/investor/formscatalogue.asp>
Access to FAQs: <https://www-au.computershare.com/Investor/FAQs.asp>

(k) Have you changed your address?

Whenever you change your address it is important to notify the share registry. This can be done in one of two ways. Either write or fax the share registry, quoting your shareholder number, old address, current address and signature, or visit the registry website and change your details online or download a change of address form. This form can be found at:
<https://www-au.computershare.com/investor/formscatalogue.asp>

(l) Enquiries about Altium Limited

Email: investor.relations@altium.com.au
Website: www.altium.com

(m) Altium shareholder communications

Altium publishes information to its shareholders in the annual report and via releases to the ASX. Investor Information can be found on our website <http://www.altium.com/AboutUs/Investorinformation/>

Altium provides quarterly updates on performance.

Company particulars

Directors

Carl J Rooke
Chairman

Nicholas M Martin
Chief Executive Officer & Chief Technology Officer

Kayvan Oboudiyat
Executive Vice Chairman

William A Bartee
Non-Executive Director

André J Pravaz (appointed 1 January 2007)
Non-Executive Director

David M Warren
Non-Executive Director

Samuel S Weiss (appointed 1 January 2007)
Non-Executive Director

Company Secretary

Kayvan Oboudiyat

Registered office

Level 3, 12a Rodborough Road
Frenchs Forest NSW 2086
+61 2 8986 4400

Share registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Australia 1300 850 505
Overseas +61 3 9415 4000

Auditor

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000
+61 2 8266 0000

Stock exchange listing

Altium Limited shares are listed on the
Australian Securities Exchange with ASX Code: ALU

Notice of Annual General Meeting

3.30 pm, Thursday 4 October 2007
Hilton Sydney
488 George Street
Sydney NSW 2000



