Financial report 30 June 2007

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.

For the year ended 30 June

	Notes	Group 2007 $'000	Group 2006 $'000	Altium Limited 2007 $'000	Altium Limited 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

	Notes	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.

As at 30 June

	Notes	Group 2007 $'000	Group 2006 $'000	Altium Limited 2007 $'000	Altium Limited 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.

For the year ended 30 June

	Notes	Group 2007 $'000	Group 2006 $'000	Altium Limited 2007 $'000	Altium Limited 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.

For the year ended 30 June

	Notes	Group 2007 $'000	Group 2006 $'000	Altium Limited 2007 $'000	Altium Limited 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) Impairmenttests 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 *Corporations Act 2001*				
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)	-
		514	(394)	(406)	(895)
	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)	-	-
		(323)	(513)	(426)	(967)
(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)	-	-
		255	404	(385)	(365)
	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)	514	(394)	(406)	(895)
(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	88,687,359	88,049,459

	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	10,653	6,352	6,761	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)
	15,276	12,809	7,135	8,566
Prepayments	553	495	256	196
Amounts due from subsidiaries[1]	-	-	2,464	-
Other receivables	138	48	23	1
	15,967	13,352	9,878	8,763
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
	1,049	1,133	2,098	5,083

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
	909	938	846	799

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	Altium Limited 2006 $'000
Shares in subsidiaries	5,752	5,672

Investments in controlled entities comprise:

	Country of incorporation	Equity holding 2007 %	Equity holding 2006 %	Investment in subsidiary 2007 $'000	Investment in subsidiary 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 2007 $'000	Group 2006 $'000	Altium Limited 2007 $'000	Altium Limited 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
	4,016	2,702	5,797	4,576

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
	9,121	5,308	288	120

18. Borrowings

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

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	219	265	-	22

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 $'000	2006 $'000
Ordinary Shares		
Final unfranked dividend of 4 cents (2006:$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				
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
Finance leases				
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:

(a) supply of computer software for sale by Altium Limited;

(b) purchase of computer software for sale from Altium Limited;

(c) loans advanced by Altium Limited and interest received thereon;

(d) loans repaid to Altium Limited;

(e) purchase of research and development services by Altium Limited;

(f) supply of finance, administration and marketing services by Altium Limited; and

(g) 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

			Fixed interest rate maturities				
	Note	Floating interest rate $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Non interest bearing $'000	Total $'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

			Fixed interest rate maturities				
	Note	Floating interest rate $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Non interest bearing $'000	Total $'000
Financial assets							
Cash	9	5,354	-	-	-	998	6,352
Receivables	10	-	-	754	-	13,731	14,485
		5,354	-	754	-	14,729	20,837
Weighted average interest rate		1.02%		7.18%			
Financial liabilities							
Accounts payable	16	-	-	-	-	(2,702)	(2,702)
Financial lease liabilities	18	-	(230)	(195)	-	-	(425)
		-	(230)	(195)	-	(2,702)	(3,127)
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
	Cents	Cents	Cents
Earnings per share	1.6	0.2	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

N. Mart

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

K. Oboudiyat

Kayvan Oboudiyat
Director & Executive Vice Chairman

Sydney
21 August 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

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