

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

Directors

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

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

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

Principal activities and review of operations

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

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

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

Earnings per share	Group	
	2007 cents	2006 cents
Basic earnings per share	1.2	1.8
Diluted earnings per share	1.2	1.8

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

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

Information on directors

Carl J Rooke CA FAICD, Non-Executive Chairman

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

Nicholas M Martin, Chief Executive Officer & Chief Technology Officer

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

Kayvan Oboudiyat BE (Hons) GDA, Executive Vice Chairman

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

William A Barteo BS MBA JD, Non-Executive Director

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

André J Pravaz BSc MBA FAICD, Non-Executive Director

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

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

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

Samuel S Weiss AB MS FAICD, Non-Executive Director

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

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

Information on directors continued

Directors' interests

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

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

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

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

Directors' meetings

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

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

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

Remuneration report (audited)

Remuneration philosophy

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

Remuneration structure

In accordance with best practice corporate governance recommendations, the structure of non-executive director remuneration and senior executive remuneration is separate and distinct.

Remuneration committee

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

Non-executive director remuneration

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

Remuneration of non-executive directors is determined by the board within the maximum amount of cash salary approved by the shareholders from time to time. The current pool of \$350,000 per annum was approved in a meeting on 30 September 1999.

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

Executive remuneration

The executive pay and reward framework has three components:

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

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

Base pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually by reference to appropriate benchmark information, to ensure that the executives pay is competitive with the market. Retirement benefits are paid in line with local legislation and practice.

The board believes that well managed short term and long term incentive plans are important elements of employee remuneration and that the senior executives' participation in these plans aligns their objectives with Altium's short term goals and long term vision.

Short term incentives

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

Performance monitoring process

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

Long term incentives

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

Remuneration report (audited) continued

Key management personnel

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

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

¹ Appointed on 30 October 2006.

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

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

¹ Ceased employment on 10 July 2007

Service agreements

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

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

Remuneration report (audited) continued

Amounts of remuneration

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

2007

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

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

² Peter Williamson was appointed on 30 October 2006.

³ Michael Stipe ceased employment on 10 July 2007.

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

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

Remuneration report (audited) continued

2006

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

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

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

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

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

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

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

Remuneration report (audited) continued

Share-based compensation

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

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

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

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

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

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

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

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

Remuneration report (audited) continued

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

2007

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

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

² Peter Williamson was appointed on 30 October 2006.

³ Michael Stipe ceased employment on 10 July 2007.

Remuneration report (audited) continued

2006

	Balance at 1 July 2005	Granted during the year	Exercised during the year	Expired during the year	Balance at 30 June 2006	Vested and exercisable at 30 June 2006
Directors of Altium Limited						
Carl J Rooke	320,000	-	-	160,000	160,000	112,000
Kayvan Oboudiyat	2,400,000	-	-	1,200,000	1,200,000	840,000
William A Bartee	160,000	-	-	80,000	80,000	56,000
Dr Steven G Duvall ¹	80,000	-	-	80,000	-	-
Darren Charles ²	601,000	100,000	-	130,000	571,000	333,450
Bruce W Edwards ¹	150,000	-	-	-	150,000	105,000

Key management personnel of Altium Limited

Emma Lo Russo	-	200,000	-	-	200,000	-
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Key management personnel of the group

Michael Stipe	-	200,000	-	-	200,000	-
Frank Hoschar	375,000	-	-	-	375,000	272,500
Peter Murman	415,000	-	-	-	415,000	338,538

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

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

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

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

2007

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

2006

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

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

Loans to directors and executives

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

Significant changes in the state of affairs

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

Events subsequent to balance date

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

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

Environmental regulation

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

Likely developments and expected results of operations

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

Insurance of officers

During the year the company paid a premium of \$155,785 (2006: \$67,026) to insure the directors and officers of Altium Limited and its subsidiaries. The liabilities insured are legal costs and other expenses that may be incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as directors or officers of the group.

Non-audit services

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

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

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

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

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

Auditor's independence declaration

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

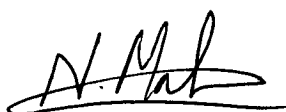
Rounding of amounts

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

Auditor

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

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



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



Kayvan Oboudiyat
Director & Executive Vice Chairman

Sydney
21 August 2007



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

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

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

A handwritten signature in black ink, reading 'Michelle Chiang'. The signature is written in a cursive, flowing style.

M W Chiang
Partner

Sydney
21 August 2007