
Altium Limited and Controlled Entities ASX Preliminary Half Year report – 31 December 2003

Lodged with the ASX under Listing Rule 4.2A.3

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Altium Limited and Controlled Entities

Period ended 31 December 2003

(Previous corresponding period: Period ended 31 December 2002)

Results for Announcement to the Market

				\$'000
Revenue from ordinary activities	Down	17.6%	to	19,091
Profit/(loss) from ordinary activities after tax attributable to members	Down	692.3%	to	(2,781)
Net profit/(loss) for the period attributable to members	Down	692.3%	to	(2,781)

Dividends/distributions	Amount per security	Franked amount per security
Interim dividend	-	-

NTA Backing

2003

2002

Net tangible asset backing per ordinary share

4.9 cents

11.9 cents

Audit

This preliminary interim report is based on accounts which have been reviewed. The review report which was unqualified will be made available with the consolidated entity's financial report.

Audit Committee

There is a formally constituted audit committee.

Altium Limited

ABN 93 009 568 772

Half-Year Report

31 December 2003



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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made by Altium Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. A copy of the 30 June 2003 annual financial report can be provided to shareholders on request.

Directors' Report

Your directors present their report on the consolidated entity consisting of Altium Limited and the entities it controlled at the end of, or during the half-year ended 31 December 2003.

Directors

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

Carl J Rooke
Nicholas M Martin
Kayvan Oboudiyat
William A Bartee
Dr Steven G Duvall
Darren Charles
Bruce W Edwards
David M Warren

Principal Activities

The consolidated entity's principal activities during the year continued to be that of the design, development and sale of computer software for the design of electronic products. There were no significant changes in the nature of these activities during the half-year.

Half-Year Results

	31 Dec 2003 \$'000	31 Dec 2002 \$'000
Operating profit/(loss) before income tax	(3,350)	(359)
Income tax benefit	569	8
Operating profit/(loss) after income tax	<u>(2,781)</u>	<u>(351)</u>

Review of Operations

For the six months ended 31 December 2003, the financial results show revenue of \$19 million. This represents a drop of 16% compared with the previous corresponding period. With 97% of revenues earned overseas, Altium's financial performance is affected by fluctuations in foreign currency exchange rates. At 31 December 2002 the US dollar to Australian dollar exchange rate was 56 cents; by 31 December 2003 this had increased to 75 cents representing an appreciation of over 34%.

When analysing underlying sales performance in local currencies, in Altium's direct markets in Europe and Japan sales results for this half-year were an improvement of 14% and 29% respectively when compared to the six months ended 31 December 2002. For the five months to November 2003, the company experienced stronger local currency sales in the US but performance slowed in December upon the announcement of new products scheduled for release in mid February 2004.

Altium's customers typically adopt a 'wait and see' attitude when the market is aware of a pending product release. Whilst this impacts performance over the immediate short term, it does not result in a permanent reduction in revenues. Revenue is pushed back to post release and evaluation of the new tools. On 16 February 2004, Altium launched updated versions of its Protel, nVisage and Camtastic products and two brand new products, Nexar and CircuitStudio.

In response to the appreciation of the Australian dollar and the associated impact on revenues, the company continued to actively reduce operating costs to preserve cash positive operating performance. The savings achieved equated to an 11% reduction in costs over the previous corresponding period.

Rounding of Amounts to Nearest Thousand Dollars

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

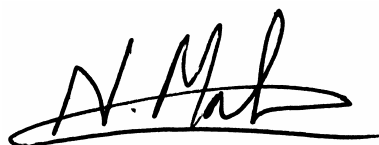
This report is made in accordance with a resolution of the directors.

For and on behalf of the board



K Oboudiyat

Director & Joint Chief Executive Officer



N M Martin

Director & Joint Chief Executive Officer

Sydney

24 February 2004

Altium Limited

Consolidated Statement of Financial Performance

For the half-year ended 31 December 2003

	Notes	31 Dec 2003 \$'000	31 Dec 2002 \$'000
Revenue from operating activities		19,010	22,731
Revenue from non - operating activities		81	447
Revenue from ordinary activities		19,091	23,178
Changes in inventories of finished goods		173	138
Raw materials and consumables used		(475)	(434)
Employee benefits expense		(10,135)	(11,419)
Depreciation and amortisation expense		(5,007)	(4,509)
Borrowing costs expense		(13)	(104)
Rental expense		(1,000)	(1,166)
Advertising and direct mail expense		(2,769)	(2,568)
Professional advice expense		(561)	(904)
Communication expense		(303)	(457)
Net loss on foreign currency transactions		(478)	-
Other expenses from ordinary activities		(1,873)	(2,114)
Profit/(loss) from ordinary activities before income tax expense		(3,350)	(359)
Income tax benefit/(expense)		569	8
Profit/(loss) from ordinary activities after income tax expense		(2,781)	(351)
Net profit/(loss) attributable to members of Altium Limited	2, 4	(2,781)	(351)
		cents	cents
Basic earnings per share	5	(3.1)	(0.4)
Diluted earnings per share	5	(3.1)	(0.4)

The above consolidated Statement of Financial Performance should be read in conjunction with the accompanying notes.

Altium Limited

Consolidated Statement of Financial Position

As at 31 December 2003

	Notes	31 Dec 2003 \$'000	30 June 2003 \$'000
Current Assets			
Cash assets		4,791	7,267
Receivables		5,908	8,599
Inventories		540	367
Other		473	810
Total Current Assets		11,712	17,043
Non-Current Assets			
Receivables		937	946
Plant and equipment		1,294	1,544
Intangible assets	9	118,483	121,045
Deferred tax assets		2,316	2,318
Other		366	325
Total Non-Current Assets		123,396	126,178
Total Assets		135,108	143,221
Current Liabilities			
Payables		2,982	4,273
Interest bearing liabilities		95	102
Provisions		1,671	1,424
Current tax liabilities		496	-
Other		4,281	5,586
Total Current Liabilities		9,525	11,385
Non-Current Liabilities			
Interest bearing liabilities		-	46
Provisions		302	250
Deferred tax liabilities		2,525	3,722
Total Non-Current Liabilities		2,827	4,018
Total Liabilities		12,352	15,403
Net Assets		122,756	127,818
Equity			
Contributed equity	6	119,369	119,889
Retained profits	4	3,387	7,929
Total Equity		122,756	127,818

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Altium Limited

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2003

	Notes	31 Dec 2003 \$'000	31 Dec 2002 \$'000
Cash flows from operating activities			
Receipts from customers		20,658	23,624
Payments to trade creditors, other suppliers and employees		(17,770)	(20,372)
Interest received		45	59
Borrowing costs		(13)	(104)
Income taxes (paid)/refunded		(877)	1,509
Net cash inflow from operating activities		2,043	4,716
Cash flows from investing activities			
Payments for property, plant and equipment		(246)	(254)
Proceeds from sale of property, plant and equipment		9	1
Payments for other technology acquisitions and licenses		-	(86)
Payments for purchase of controlled entity		-	(875)
Payments for transaction costs of purchase of controlled entities		-	(286)
Payments for research and development costs		(1,817)	(1,814)
Payments for AltiumOne		(133)	(231)
Payments for restructuring of acquired controlled entities		-	(679)
Net cash outflow from investing activities		(2,187)	(4,224)
Cash flows from financing activities			
Payments for share buy-back		(520)	-
Proceeds from issues of shares		-	60
Repayment of borrowings		(51)	(63)
Dividends paid	3	(1,761)	(1,796)
Net cash outflow from financing activities		(2,332)	(1,799)
Net (decrease)/increase in cash held		(2,476)	(1,307)
Cash at the beginning of the reporting period		7,267	6,193
Cash at the end of the reporting period		4,791	4,886

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1. *Basis of Preparation of Half-Year Financial Report*

This general purpose financial report for the interim half -year reporting period ended 31 December 2003 has been prepared in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made by Altium Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. Comparative information is reclassified where appropriate to enhance comparability.

2. <i>Profit from Ordinary Activities after Income Tax</i>	31 Dec 2003 \$'000	31 Dec 2002 \$'000
Profit from ordinary activities after income tax expense includes the following items of expense which, together with other disclosures in this report, are relevant in explaining the financial performance for the half-year:		
Write-off of other debtors and associated costs	294	-
	<hr/> <hr/>	<hr/> <hr/>
3. <i>Dividends</i>	31 Dec 2003 \$'000	31 Dec 2002 \$'000
Ordinary Shares		
Dividends paid during the half-year	1,761	1,796
	<hr/> <hr/>	<hr/> <hr/>
4. <i>Retained Profits</i>	31 Dec 2003 \$'000	30 Jun 2003 \$'000
Retained profits at the beginning of the period	7,929	16,701
Net profit/(loss) attributable to members of Altium Limited	(2,781)	(6,976)
Dividends provided for or paid	(1,761)	(1,796)
Retained profits at the end of the period	<hr/> <hr/> 3,387	<hr/> <hr/> 7,929

5. Earnings Per Share	31 Dec 2003 cents	31 Dec 2002 cents
Basic earnings per share	(3.1)	(0.4)
Diluted earnings per share	(3.1)	(0.4)
	31 Dec 2003 Number	31 Dec 2002 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	88,966,925	89,808,824
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	88,966,925	89,808,824
	31 Dec 2003 \$'000	31 Dec 2002 \$'000
Earnings used for basic and diluted earnings per share	(2,781)	(351)
Net profit/(loss) per statements of financial performance	(2,781)	(351)

Information concerning the classification of securities

Options

Options granted under the Altium Option Plan, the Directors' Option Plan, the Altium Employee Share Option Plan and 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.

6. Contributed Equity	31 Dec 2003 Number of shares	30 Jun 2003 Number of shares	31 Dec 2003 \$'000	30 Jun 2003 \$'000
(a) Paid up capital				
Fully paid ordinary shares	88,049,459	89,010,617	119,369	119,889

(b) Movements in the issued and paid up ordinary share capital of the company during the half-year were as follows:

Date	Details	Number of shares	\$'000
30 June 2003	Opening balance	89,010,617	119,889
	Share buy-back	(961,158)	(520)
31 December 2003	Closing balance	<u>88,049,459</u>	<u>119,369</u>

6. *Contributed Equity (continued)*

(c) Options

A total of 8,898,195 options were granted under the Altium Employee Share Option Plan to eligible employees during the half-year. 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 last exercise date for options issued during the half-year is 5 December 2008. The exercise price payable upon conversion is fixed at \$0.86.

A total of 1,870,000 options were granted under the Altium Director Share Option Plan to eligible directors during the half-year. 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 last exercise date for options issued during the half-year is 5 December 2008. The exercise price payable upon conversion is fixed at \$0.86.

7. *Contingent Liabilities*

No significant contingent liabilities existed within the consolidated entity as at 31 December 2003.

8. *Events Occurring After Balance Date*

No matter or circumstance has arisen since 31 December 2003 that has significantly affected, or may significantly affect:

- the consolidated entity's operations in future financial years, or
- the results of those operations in future financial years, or
- the consolidated entity's state of affairs in future financial years.

9. *Intangible Assets*

	31 Dec 2003 \$'000	30 Jun 2003 \$'000
Non-current		
Goodwill	101,437	101,437
Less: accumulated amortisation	(15,580)	(13,042)
	85,857	88,395
Altium Trademark	866	866
AltiumOne technology	1,165	1,032
Less: accumulated amortisation	(338)	(196)
	827	836
Acquired technology	27,447	27,447
Capitalised integration costs	11,840	10,023
Less: accumulated amortisation	(8,354)	(6,522)
	30,933	30,948
	118,483	121,045

9. *Intangible Assets (continued)*

In assessing the recoverable amounts of the company's non-current assets the directors have used the following assumptions:

Revenues – The consolidated entity has assumed growth rate of approximately between 4% and 7% for new and existing products.

Operating expenses – The consolidated entity has assumed annual growth in general expenses of 3.5%. The consolidated entity has also incorporated an expected level of research and development expenses appropriate to new product releases and product life cycles.

Exchange rates – The consolidated entity used the following exchange rates for the major currencies, which it uses to conduct its business. These are spot rates as at 31 December 2003.

US Dollar – 0.7492, EURO – 0.5960, Japanese Yen – 80.1221

Tax Expense – The consolidated entity has assumed a tax rate of 25% on profit before goodwill amortisation. This is lower than the corporate tax rate in Australia due to the company's investment in research and development and the associated tax incentives that the company receives through such investment, consideration of differing overseas tax rates, as well as tax losses which may be available to the consolidated entity.

The accounting policy of the consolidated entity is to assess expected net cash flows used in determining recoverable amounts on an undiscounted basis. In order to fully consider the effect of alternate valuation methodologies, the consolidated entity has also compared the undiscounted recoverable amount to a discounted basis using a discount rate of 11.75%. The rate is an average of discount rates used by share market analysts to assess the value of the consolidated entity's stock as listed on the Australian Stock Exchange.

Terminal Value – The consolidated entity has assumed a terminal value based on multiple of sales in the final year of net cash flow analysis. The amount is discounted using the same discount rate applied above. The multiple used by the consolidated entity is 2.1 times sales, which represents the average of three comparable technology companies with the lowest market valuation to sales ratio. An analysis of sales multiples applied for valuation of selected listed technology companies in Australia excluding the consolidated entity is 3.4 times. Similar averages for listed competitors for the consolidated entity is 3.6 times.

10. Segment Information

Primary Reporting – Geographic Segments

2003 (6 months to 31 December)	North					Inter-segment eliminations/ Unallocated \$'000	Consolidated \$'000
	Australia \$'000	America \$'000	Europe \$'000	Asia \$'000	Other \$'000		
Sales to customers outside the economic entity	592	7,563	8,417	2,107	331	-	19,010
Inter-segment Sales	9,277	777	3,577	-	-	(13,631)	-
Other income	-	389	138	-	-	(446)	81
Revenue from Ordinary Activities	9,869	8,729	12,132	2,107	331	(14,077)	19,091
Segment Result	(1,053)	(746)	1,190	273	331	2,201	2,196
Unallocated Expenses							(5,546)
Profit/(loss) from ordinary activities before income tax expense							(3,350)
Income tax benefit/(expense)							569
Net profit/(loss)							(2,781)
Segment Assets	131,590	38,450	78,577	1,169	-	(114,678)	135,108
Segment Liabilities	2,362	4,373	7,418	909	-	(2,710)	12,352
Acquisitions of property, plant and equipment	143	49	41	13	-	-	246
Depreciation and amortisation expenses	1,265	1,474	2,229	39	-	-	5,007
2002 (6 months to 31 December)	North					Inter-segment eliminations/ Unallocated \$'000	Consolidated \$'000
	Australia \$'000	America \$'000	Europe \$'000	Asia \$'000	Other \$'000		
Sales to customers outside the economic entity	697	10,331	8,907	2,504	292	-	22,731
Inter-segment Sales	9,358	969	4,203	133	-	(14,663)	-
Other income	2,943	360	(2,254)	95	-	(697)	447
Revenue from Ordinary Activities	12,998	11,660	10,856	2,732	292	(15,360)	23,178
Segment Result	4,126	(359)	(2,253)	1,141	292	2,630	5,577
Unallocated Expenses							(5,936)
Profit/(loss) from ordinary activities before income tax expense							(359)
Income tax benefit/(expense)							8
Net profit/(loss)							(351)
Segment Assets	143,563	46,732	83,892	1,595	-	(125,391)	150,391
Segment Liabilities	2,839	7,929	10,564	1,473	-	(7,222)	15,583
Acquisitions of property, plant and equipment	150	1	87	16	-	-	254
Depreciation and amortisation expenses	975	1,077	2,447	10	-	-	4,509

Altium Limited

ABN 93 009 568 772

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 5 to 12:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that Altium Limited will be able to pay its debts as and when they become due and payable.

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

For and on behalf of the board



K Oboudiyat

Director & Joint Chief Executive Officer



N M Martin

Director & Joint Chief Executive Officer



D Charles

Director & Chief Financial Officer

Sydney

24 February 2004

Independent Review Report to the Members of Altium Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Altium Limited:

- ? does not give a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of the Altium Group (defined below) as at 31 December 2003 and of its performance for the half-year ended on that date, and
- ? is not presented in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Altium Group (the consolidated entity), for the half-year ended 31 December 2003. The consolidated entity comprises both Altium Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- ? inquiries of company personnel, and
- ? analytical procedures applied to financial data.

When this review report is included in a document containing information in addition to the financial report, our procedures include reading the other information to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of

assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

Andrew Sneddon

Partner

Sydney

24 February 2004