

***Altium***



**2012**

**ANNUAL  
FINANCIAL  
REPORT**

Altium Limited ACN 009 568 772

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<b>Directors</b>	Samuel Weiss - Non-executive Chairman Nicholas Martin - Chief Executive Officer Kayvan Oboudiyat - Executive Vice Chairman Carl Rooke - Non-executive Director Dr David Warren - Non-executive Director William Bartee - Non-executive Director
<b>Company secretaries</b>	Kayvan Oboudiyat
<b>Notice of annual general meeting</b>	The annual general meeting of Altium Limited:  will be held at: Yuan Room Level 2, Christie Conference Centre 3 Spring Street, Sydney, NSW 2000  time: 3.00pm date: Thursday 29th November 2012
<b>Registered office</b>	3 Minna Close Belrose, NSW 2085
<b>Principal place of business</b>	3 Minna Close Belrose, NSW 2085
<b>Share register</b>	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street, Sydney NSW 2000 Australia 1 300 850 505, Overseas +61 3 9415 4000
<b>Auditor</b>	PricewaterhouseCoopers 201 Sussex Street Sydney NSW 2000 +61 2 8266 0000
<b>Stock exchange listing</b>	Altium Limited shares are listed on the Australian Securities Exchange (ASX code: ALU)
<b>Website address</b>	<a href="http://www.altium.com">www.altium.com</a>

**Altium Limited**  
**Directors' report**  
**30 June 2012**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Altium Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2012.

**Directors**

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

Samuel Weiss  
Nicholas Martin  
Kayvan Oboudiyat  
Carl Rooke  
Dr David Warren  
William Bartee

**Principal activities**

During the financial year the principal continuing activities of the consolidated entity consisted of the development and sales of computer software for the design of electronic products.

**Dividends**

The Directors have declared a final unfranked dividend of 5 AU cents per share (2011: nil), paid out of current year profits for the year ended 30 June 2012. This amounts to a total dividend of A\$5,123,100 based on the total number of shares outstanding.

**Review of operations**

The profit for the consolidated entity after providing for income tax amounted to US\$6,077,000 (30 June 2011: loss of US\$7,129,000).

Refer to the company announcement on 30 August 2012 for further information and explanation of the operations for the period.

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

**Matters subsequent to the end of the financial year**

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

Information on likely developments in the operations of the consolidated entity 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 consolidated entity.

**Environmental regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Information on directors**

**Name:** Samuel Weiss  
**Title:** Non-executive Chairman  
**Qualifications:** AB MS FAICD  
**Experience and expertise:** Sam joined the Altium Board as a Non-executive Director on 1 January 2007 and was elected Chairman of the Board on 4 October of that year. Sam is Chairman of Open Universities Pty Ltd and a Non-executive Director of Oron Group Ltd, Breville Group Ltd, and iProperty Ltd. He is a Director of the Sydney Festival and is President of The Benevolent Society. He brings valuable experience from his previous roles as Vice President, Asia-Pacific, Gateway Computers and Chief Operating Officer for Nike Europe.

**Other current directorships:** Oron Group Ltd, Breville Group Ltd and iProperty Ltd

**Former directorships  
(in the last 3 years):** GLG Corp Ltd

**Special responsibilities:** Member of the Audit and Risk Management Committee and the Remuneration and Nomination Committee

**Interests in shares:** 1,595,345 (2011: 1,385,697) ordinary shares - Sam also holds a nominee interest in 5,713,137 ordinary shares as a trustee of the Employee Share and Option Plan Trust

**Interests in options:** None

**Name:** Nicholas Martin  
**Title:** Chief Executive Officer and Chief Technology Officer  
**Experience and expertise:** Nick founded Altium Limited in 1985 (known then as Protel International) and has served as an Executive Director from the group's inception, becoming Joint Chief Executive Officer in 2001. Nick has served in his current role of Chief Executive Officer since 2005. 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 and technology strategy for the company.

**Other current directorships:** None

**Former directorships  
(in the last 3 years):** None

**Special responsibilities:** None

**Interests in shares:** 22,524,650 (2011: 22,524,650) ordinary shares

**Interests in options:** None

**Altium Limited  
Directors' report  
30 June 2012**

**Name:** Kayvan Oboudiyat  
**Title:** Executive Vice Chairman  
**Qualifications:** BE (Hons) GDA FAICD  
**Experience and expertise:** 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 2001. Kayvan has served in his current role of Executive Vice Chairman since 2005. Kayvan has played a key role in driving the group's 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.

**Other current directorships:** None

**Former directorships  
in the last 3 years):** None

**Special responsibilities:** Company Secretary

**Interests in shares:** 2,861,300 (2011: 2,650,000) ordinary shares

**Interests in options:** None

**Name:** Carl Rooke  
**Title:** Non-executive Director  
**Qualifications:** FCA FAICD  
**Experience and expertise:** Carl joined the Board in 1990 as a Non-executive Director and was appointed Chairman in 1999 and served as Chairman until October 2007. 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.

**Other current directorships:** None

**Former directorships (in  
the last 3 years):** None

**Special responsibilities:** Chairman of the Audit and Risk Management Committee

**Interests in shares:** 584,414 (2011: 565,365) ordinary shares - Carl also holds a nominee interest in 5,713,137 ordinary shares as a trustee of the Employee Share and Option Plan Trust

**Interests in options:** None

**Altium Limited  
Directors' report  
30 June 2012**

**Name:** Dr David Warren  
**Title:** Non-executive Director  
**Qualifications:** BSc Tas Hon DSc Tas MAIP FAICD  
**Experience and expertise:** Dave has served as a member of the Board since 1991. His work in astronomy led him into the world of software and electronic design where he has since gained more than 30 years experience. After joining Altium's management team in 1987, Dave served as President of Altium's USA operation from 1994 to 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 has served on a number of company boards both private and public.

**Other current directorships:** None

**Former directorships (in the last 3 years):** None

**Special responsibilities:** Member of the Audit and Risk Management Committee and the Remuneration and Nomination Committee

**Interests in shares:** 5,556,300 (2011: 5,523,000) ordinary shares

**Interests in options:** None

**Name:** William Bartee  
**Title:** Non-executive Director  
**Qualifications:** BS MBA JD

**Experience and expertise:** 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 is also the Chairman of the Remuneration and Nomination Committee.

**Other current directorships:** None

**Former directorships (in the last 3 years):** None

**Special responsibilities:** Chairman of the Remuneration and Nomination Committee and member of the Audit and Risk Management Committee

**Interests in shares:** None

**Interests in options:** None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

**Altium Limited**  
**Directors' report**  
**30 June 2012**

**Company Secretaries**

Kayvan Oboudiyat

**Meetings of directors**

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Management Committee	
	Attended	Held	Attended	Held	Attended	Held
Samuel Weiss	4	4	1	1	3	3
Nicholas Martin	3	4	-	-	-	-
Kayvan Oboudiyat	4	4	-	-	-	-
Carl Rooke	4	4	-	-	3	3
Dr David Warren	4	4	1	1	2	3
William Bartee	3	4	1	1	1	3

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

**Remuneration report (audited)**

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

**A Principles used to determine the nature and amount of remuneration**

Altium's philosophy for executive remuneration is to ensure that remuneration properly reflects the duties and responsibilities of its executives. Altium aligns executive reward with its strategic objectives and ensures it is appropriate for the results delivered. To this end, the group embodies the following principles in its total rewards framework:

- Provide competitive rewards to attract, motivate and retain high calibre executives;
- Link executive rewards to shareholder value;
- Establish appropriate performance targets in relation to variable executive remuneration.

This objective is achieved via a total reward program that involves a mixture of fixed and performance based remuneration.

The executive remuneration philosophy ensures individual as well as collective accountability for the group's performance metrics. The metrics adopted reflect the value added to shareholder interests, long-term sustainability of the business, and profitability. Using share options as a long-term incentive encourages executives to focus on creating sustainable value and a sense of ownership and accountability to the group. Fixed pay conditions are designed to attract and retain top talent in a competitive environment, considering the capability and experience brought to the group.

The philosophy of "leadership without fear" encourages executives to harness their true potential. In this way, the group is able to recognize and reward pure contribution. This opportunity is equally open and applicable to every individual in the group. Altium recognises that, while remuneration is a key factor in recruiting the right people, it is not the only factor. Altium's corporate reputation, its ethical culture and values and its ability to provide interesting and challenging career opportunities are also important.



## **Remuneration and Nomination Committee**

The Board established the Remuneration and Nomination Committee, which is responsible for reviewing and recommending remuneration policies and packages for Board members and senior executives. The Remuneration and Nomination Committee operates under delegated authority of the Altium Board. The Remuneration and Nomination Committee also assesses the appropriateness of the nature and amount of the packages periodically by reference to relevant employment market conditions.

External advice on remuneration matters is obtained and is made available for the Remuneration and Nomination Committee as required.

### **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.

The total remuneration package of all executives is designed to ensure an appropriate mix of fixed remuneration with short and long-term incentive opportunities. The relative weighting of fixed and variable components, for target performance, varies with role and complexity.

### ***Non-executive Director remuneration***

Non-executive Director remuneration pay reflects the demands made of, and the responsibilities and skill of the Non-executive Directors. Non-executive Director fees are recommended by the Remuneration and Nomination Committee and determined by the Board.

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 Directors' fee pool is AU\$700,000 per annum and was last approved in a general meeting on 4 October 2007.

The Chairman's fees are considered independently to the fees of the Non-executive Directors and are 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 key elements:

- Base pay and benefits, including superannuation
- Variable compensation - short-term incentives
- Variable compensation - long-term incentives, through participation in equity-based 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 executive's pay is competitive with the market commensurate with the executive's individual performance and experience. Retirement benefits are paid in line with local legislation and practice.

The Board believes that well managed short-term and long-term incentives 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.

While Altium conducts annual remuneration reviews, there are no guaranteed remuneration increases contained in any executive contracts or agreements. Any increases are determined by individual performance, economic indicators and market data.

### **Short-term incentives**

Short-term incentives have been structured to ensure payments are closely aligned to business performance and are designed to:

- Deliver group performance improvement over the prior year;
- Provide rewards subject to the achievement of rigorous performance targets; and
- Align individual objectives to business-specific objectives.

### **Performance monitoring process**

The Remuneration and Nomination Committee approves, in principle, the structure and policy of short-term incentives. The Chief Executive Officer aligns key performance indicators for other executives using the principles determined by the Remuneration and Nomination Committee. The Chief Executive Officer assesses whether the financial targets have been fully or partially achieved and makes recommendations to the Board. Short-term incentives are assessed and paid on full year results.

### **Long-term incentives**

Long-term incentives are provided to senior executives through a share plan. Unlike share options, these are fully paid up shares. The objective of the share plan is to align senior executives' rewards with the creation of shareholder value.

## ***B Details of remuneration***

### *Amounts of remuneration*

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) and specified executives of Altium Limited are set out in the following tables.

The key management personnel of the consolidated entity consisted of the directors of Altium Limited and the following executive:

- Richard Leon - Chief Financial Officer

**Altium Limited**  
**Directors' report**  
**30 June 2012**

2012	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total US\$
	Cash salary and fees US\$	Bonus US\$	Non-monetary US\$	Super-annuation US\$	Long service leave US\$	Equity-settled US\$	

**Non-Executive**

**Directors:**

Samuel Weiss	104,180	-	-	9,376	-	-	113,556
Carl Rooke	72,263	-	-	-	-	-	72,263
Dr David Warren	56,826	-	-	5,114	-	-	61,940
William Bartee	56,826	-	-	5,114	-	-	61,940

**Executive**

**Directors:**

Nicholas Martin	381,055	-	140,302	10,315	2,204	-	533,876
Kayvan Oboudiyat	365,554	-	87,926	9,893	2,114	-	465,487

**Other Key Management Personnel:**

Richard Leon	262,347	-	212,909	8,078	1,447	1,811	486,592
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2011	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total US\$
	Cash salary and fees US\$	Bonus US\$	Non-monetary US\$	Super-annuation US\$	Long service leave US\$	Equity-settled US\$	

**Non-Executive**

**Directors:**

Samuel Weiss	99,885	-	-	8,990	-	-	108,875
Carl Rooke	69,284	-	-	-	-	-	69,284
Dr David Warren	54,483	-	-	4,904	-	-	59,387
William Bartee	54,483	-	-	4,904	-	-	59,387

**Executive**

**Directors:**

Nicholas Martin	326,625	-	-	29,396	6,270	-	362,291
Kayvan Oboudiyat	313,277	-	-	28,195	6,014	-	347,486

**Other Key Management Personnel:**

Richard Leon*	254,254	54,965	-	27,830	392	3,216	340,657
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\* Bonus was voluntarily forfeited for the year ended 30 June 2011

**Altium Limited**  
**Directors' report**  
**30 June 2012**

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2012	2011	2012	2011	2012	2011

**Non-Executive Directors:**

Samuel Weiss	100%	100%	- %	- %	- %	- %
Carl Rooke	100%	100%	- %	- %	- %	- %
Dr David Warren	100%	100%	- %	- %	- %	- %
William Bartee	100%	100%	- %	- %	- %	- %

**Executive Directors:**

Nicholas Martin	100%	100%	- %	- %	- %	- %
Kayvan Oboudiyat	100%	100%	- %	- %	- %	- %

**Other Key Management**

*Personnel:*

Richard Leon	100%	83%	- %	16%	- %	1%
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The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2012	2011	2012	2011

**Other Key Management**

*Personnel:*

Richard Leon	- %	- %	- %	100%
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**C Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Samuel Weiss  
 Title: Chairman  
 Term of agreement: Open agreements with no fixed term.  
 Details: Base fee of A\$110,000, inclusive of superannuation for the year ended 30 June 2012.

Name: Carl Rooke  
 Title: Non-executive Director  
 Term of agreement: Open agreements with no fixed term.  
 Details: Base fee of A\$70,000, inclusive of superannuation for the year ended 30 June 2012.

Name: Dr David Warren  
 Title: Non-executive Director  
 Term of agreement: Open agreements with no fixed term.  
 Details: Base fee of A\$60,000, inclusive of superannuation for the year ended 30 June 2012.

Name: William Bartee  
 Title: Non-executive Director  
 Term of agreement: Open agreements with no fixed term.  
 Details: Base fee of A\$60,000, inclusive of superannuation for the year ended 30 June 2012.

Name: Nicholas Martin  
 Title: Chief Executive Officer

**Altium Limited**  
**Directors' report**  
**30 June 2012**

Term of agreement: Open agreement with no fixed term, 3 months notice period.  
Details: Base salary of RMB 2,532,476 and housing allowance of RMB 924,000 per annum.

Name: Kayvan Oboudiyat  
Title: Executive Vice Chairman  
Term of agreement: Open agreement with no fixed term, 3 months notice period.  
Details: Base salary of RMB 2,428,982 and housing allowance of RMB 600,000 per annum.

Name: Richard Leon  
Title: Chief Financial Officer  
Term of agreement: Open agreement with no fixed term, 3 months notice period.  
Details: Base salary of RMB 1,647,348, housing allowance of RMB 924,000 and tuition fees allowance of RMB 626,000 per annum.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

*D Share-based compensation*

*Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2012.

*Options*

There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2012.

There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2012.

*This concludes the remuneration report, which has been audited.*

**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.

**Shares under option**

Unissued ordinary shares of Altium Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
8 May 2009*	8 May 2014	\$1.00	4,138,460

\* The value of these options at grant date was 13 AU cents per option.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

**Shares issued on the exercise of options**

There were no shares of Altium Limited issued on the exercise of options during the year ended 30 June 2012.

**Indemnity and insurance of officers**

**Altium Limited**  
**Directors' report**  
**30 June 2012**

During the year the group paid a premium of US\$40,879 (2011: US\$36,654) 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**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 31 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**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'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Auditor's independence declaration**

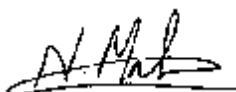
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

**Auditor**

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Nicholas Martin  
Director and Chief Executive Officer



Kayvan Oboudiyat  
Director and Executive Vice Chairman

31 August 2012  
Sydney



## Auditor's Independence Declaration

As lead auditor for the audit of Altium Limited for the year ended 30 June 2012, 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 cursive script, appearing to read 'S. Horlin'.

Susan Horlin  
Partner 31  
PricewaterhouseCoopers

Sydney  
August 2012

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**PricewaterhouseCoopers, ABN 52 780 433 757**

*Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171*

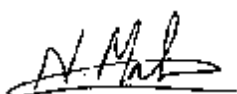
*T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)*

Liability limited by a scheme approved under Professional Standards Legislation.

**Declaration to the Board of Directors in accordance with Section 295A  
of the Corporations Act**

In our opinion:

- (a) the financial records of the company and the group for the financial year ended 30 June 2012 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 2012:
  - (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 position as at 30 June 2012 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.
- (c) the financial records and financial statements have been prepared and are founded on a sound system of risk management and internal control, a system which is operating effectively in all material respects in relation to financial reporting.



Nicholas Martin  
Chief Executive Officer



Richard Leon  
Chief Financial Officer

Sydney  
31 August 2012

Sydney  
31 August 2012



**Altium Limited**  
**Corporate Governance Statement**  
**30 June 2012**

Corporate governance is a foundation for creating and maintaining shareholder value. With this intention Altium Limited, its consolidated entities (Altium) and the Altium Limited Board of Directors (Board) are committed to achieving and demonstrating the highest standards of corporate governance.

In all material aspects, Altium's corporate governance framework is consistent with the Australian Securities Exchange (ASX) Corporate Governance Council's best practice recommendations. Minor deviations occur only when a principle or recommendation is not appropriate for the group to incorporate.

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

**ASX Principle 1 – The roles of the Board and management**

The Board is responsible for promoting the success of the group as a leading global developer and supplier of electronic product development solutions; and as a commercial entity listed on the ASX. The Board has a charter, available at [www.altium.com](http://www.altium.com), that outlines its functions and responsibilities, which include the review and approval of corporate strategy, budgets and financial plans, monitoring organisational performance, and achievement of the group's strategic goals and objectives. In addition to this each Director has a specific letter of appointment which details their individual duties and responsibilities.

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

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

All senior executives report to the CEO who, conducts performance reviews. Performance reviews were conducted throughout the financial year. Executive performance is measured against a number of indicators including performance against budgets, achievement of financial long-term and short-term goals as well as organisational development, talent and attrition management, personal development and contribution to organisational design. In addition to annual reviews, informal monitoring and reviews occur on a regular basis with issues addressed as and when they arise. Various tools, including consultative and systemic support, access to resources, coaching, and mentoring opportunities are made available in the ongoing development of senior executives.

**ASX Principle 2 – Board structure**

The Board is currently comprised of four Non-executive Directors and two Executive Directors, as follows:

Name	Position	Date appointed
Samuel Weiss	Chairman, Non-executive Director	1 January 2007
Nicholas Martin	Chief Executive Officer, Chief Technology Officer, Executive Director	30 August 1991
Kayvan Oboudiyat	Executive Vice Chairman, Executive Director	10 February 1997
Carl Rooke	Non-executive Director	13 June 1990
Dr David Warren	Non-executive Director	4 December 1991
William Bartee	Non-executive Director	3 May 1999

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

**Altium Limited**  
**Corporate Governance Statement**  
**30 June 2012**

The following Directors are retiring by rotation in accordance with the Constitution and ASX Listing Rules and seek re-election at the 2012 Annual General Meeting:

- Nicholas Martin
- Carl Rooke

William Bartee is retiring by rotation and will not seek re-election at the 2012 Annual General Meeting.

### **Director independence**

The Board believes that to add value, a Director needs to have knowledge either of the group or the highly technical industry in which the group operates, while bringing independent views and judgment to the Board's deliberations. Half of the current Board, including the Chairman, are considered independent Directors.

Whilst the Board has adopted AASB standard 1031 to determine materiality, it also considers specific factors such as Directors' shareholdings, length of service and relationships with key advisers when undertaking an annual determination of each Director's independent status. Apart from the two Executive Directors, the Board currently also considers one Non-executive Director (Dr David Warren) not to be independent due to his status as a substantial shareholder and his length of service as an executive to the group.

### **Meetings of the Board**

The Board meets formally between four and six times a year and on other occasions as required. Senior executives attend and make presentations at Board meetings, as considered appropriate, and are available for questioning by Directors. The number of meetings attended by each Director for the financial year ended 30 June 2012 is outlined in the Directors' report.

### **Retirement and re-election**

The constitution of Altium Limited requires each Director to retire from office at the next Annual General Meeting after serving a period of two years. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting. Retiring Directors are eligible for re-election by shareholders. The Chairman is appointed by the Board which also determines the period the elected Chairman is to hold office.

### **Nomination and appointment of new Directors**

Recommendations for new Directors are generally made by the Remuneration and Nomination Committee for consideration by the Board, notwithstanding ASX listing rule requirements\*. If a candidate is recommended by the Remuneration and Nomination Committee, the Board assesses the candidate against a range of criteria including background, experience, professional skills, personal qualities, potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a Director, that Director will retire at the following Annual General Meeting and be eligible for re-election by shareholders.

The Remuneration and Nomination Committee reviews the Board composition and membership continuously with regards to the present and future needs of the group, and makes recommendations on the Board composition and appointments.

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

### **Director induction and training**

Upon appointment, new Directors are provided with an induction manual which advises them of the group structure, products, policies, procedures and guidelines. The new Director undertakes an orientation process in close consultation with the Company Secretary who is also on hand to answer any questions and further tailor the orientation towards the specific needs of each Director. With written approval from either the Chairman or a Company Secretary, the Board supports and encourages Directors to seek any relevant training to enhance their contribution to the Board. Training may also be recommended by the Board or by the Remuneration and Nomination Committee to further extend the skills of Board members.

### **Review of Board performance**

The Board continually assesses its collective performance, the performance of the Chairman and of its committees. The Chairman also continually undertakes assessment of individual Director performance. Any concerns arising out of these assessments are raised with the Director concerned. The Board prefers to continually monitor performance so that it can immediately address any issues as and when they arise. This practice occurred during the reporting period.

### **Board access to information and independent advice**

When seeking information to enable Directors to perform their duties, subject to the law, the group provides unrestricted access to information and records held by employees or external advisers. The Board also receives regular detailed financial and operational reports from senior executives. In addition, Non-executive Directors are also given the opportunity to meet regularly with senior executives to establish direct relationships.

With prior written approval from the Chairman, each Director and Board committee may, in connection with their duties, obtain independent professional advice at the group's expense.

### **The role of the Company Secretaries**

The Company Secretaries have been appointed by the Board as the chief administrative officers of the company who ensure all relevant business is brought to the Board and then follows through the implementation of all Board decisions. The Company Secretaries role is to act in good faith, with care and diligence to:

- ensure the company abides by its constitution, the provisions of the Corporations Act 2001 and the ASX Listing Rules;
- ensure the necessary company registers are established and maintained as required by the Corporations Act 2001;
- undertake the preparation and filing of all relevant ASIC filings within appropriate time limits;
- supervise the organisation of all Board and shareholder meetings via the preparation of notices, agendas, proxy documentation, minutes, etc.;
- keep abreast of current protocols and procedures in order to advise the Chairman and Board as required;
- supervise the issue of share and option allotment notifications; and
- liaise with the ASX and ASIC on behalf of the group.

### **Committees of the Board**

The Board establishes sub-committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the 'Remuneration and Nomination' Committee and the 'Audit and Risk Management' Committee. The structure, membership and contribution of each committee are reviewed on an annual basis.

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

### **ASX Principle 3 – Conduct and ethics**

#### **Code of Conduct**

Altium is committed to conducting business with honesty and integrity and the conduct of every employee is vital in achieving this aim. Altium Limited's Code of Conduct, available at [www.altium.com](http://www.altium.com), provides a guideline for appropriate behaviour expected from all Altium employees. The code is regularly reviewed and updated to reflect the highest standards of behaviour, professionalism and practice necessary to maintain the group's integrity. It is not

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intended to cover all issues that may arise, but rather to provide a framework within which employees can address ethical issues that may arise through the daily business of the group.

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

**Ethical Behaviour Policy**

Altium has implemented an Ethical Behaviour Policy, available at [www.altium.com](http://www.altium.com), to ensure that if a Director or employee becomes aware of any policy, practice or activity which they reasonably believe is in violation of either the law or company conduct code, they feel they have the necessary support and protection of the group to report the issue.

**Share trading**

The group has implemented a Director & Employee Share Trading Policy, available at [www.altium.com](http://www.altium.com), for all staff and directors. The aim of this policy is to ensure that all Altium directors and employees are aware that the law places restrictions on persons trading shares whilst in the possession of unpublished price-sensitive information.

Regardless of any of the terms of this policy all directors and employees must adhere to the Law at all times and not trade Altium Limited Shares whilst in the possession of price-sensitive information that is not publicly available, nor provide unpublished information to others who could use this information as a trading advantage to profit over the market.

The recommended best time to trade is within the 4 weeks commencing the day after a financial results disclosure or the Company Annual General Meeting.

In addition Designated Officers (including directors and senior executives) must not trade during a Blackout Period without written consent from the board.

The designated blackout periods are

- From the 31st December until the release of the Half Year Financial Performance Update to the ASX.
- From the 30th June until the release of the Annual Financial Performance Update to the ASX

**Diversity policy**

Altium has always strived to ensure that all employees are treated equally regardless of race, gender, age or religion. In order to remove barriers to individual career progression Altium offers flexible working hours and training opportunities to all employees. It is very difficult for the company to set measurable goals in terms of gender due to the nature of the business restricting the available talent pool so whilst always maintaining the highest standards with regards to offering equal opportunities to all employees and potential employees the company is limited at times by the lack of qualified candidates. In order to address the issue the company has a graduate employment program and supports a number of student/university programs designed to foster a potential talent pool of future employees. A copy of the Diversity Policy is available on the Altium website.

## **ASX Principle 4 – Financial Reporting Integrity**

### **Audit and Risk Management Committee**

The Audit and Risk Management Committee is comprised entirely of Non-executive Directors of which the majority, including the Chairman, are independent. The Chairman, a qualified Chartered Practising Accountant, is not the Chairman of the Board. The Audit and Risk Management Committee has adopted a charter available at [www.altium.com](http://www.altium.com). The committee requires a minimum of three members; the members at the date of this report are:

<b>Director Name</b>	<b>Independent status</b>	<b>Date Appointed</b>
Carl Rooke – Chairman appointed 10 Dec 2007	Independent	22 June 1999
Samuel Weiss	Independent	23 July 2007
Dr David Warren	-	3 February 2010
William Bartee	Independent	22 June 1999

The qualifications of each director are disclosed in the Directors report

The key role of the Audit and Risk Management Committee is to help the Board fulfil its corporate governance and oversight responsibilities covering the group's financial reporting, internal control systems, risk management system and the internal and external audit functions. The role of the committee is not to absolve the individual Board Directors from their responsibilities, but rather to assist them in discharging their responsibility to exercise due care, diligence and skill in relation to the group.

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

When appropriate, the Audit and Risk Management Committee may invite non-committee members to attend meetings to provide information or advice on matters before the committee. The committee also meets from time to time with the external auditor independently of management, to encourage free and open discussion. The composition, operations and responsibilities of the committee are consistent with best practice recommendations. The number of meetings attended by each committee member for the financial year ended 30 June 2012 is outlined in the Directors' report.

### **Audit governance and independence**

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

### **Appointment of auditor**

The group's current external auditor is PricewaterhouseCoopers. The Audit and Risk Management Committee reviews the auditor independence, performance and effectiveness continually. The selection and appointment of the group's external auditor is the responsibility of the Audit and Risk Management Committee.

### **Rotation of lead external audit partners**

Altium Limited has adopted a policy of rotating its lead audit partner every five years. This policy has been applied to all audit work undertaken in the financial year ended 30 June 2012.

### **Independence declaration**

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In accordance with changes introduced by CLERP 9, auditors are now required to state that to the best of their knowledge or belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct in relation to the audit. In accordance with

section 298(1) (c) and section 306(2), PricewaterhouseCoopers have provided a copy of this declaration to the Audit and Risk Management Committee for the financial year ended 30 June 2012, which has been included in the Directors' report.

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

The Audit and Risk Management Committee has implemented a policy that requires the prior approval of the committee for the provision of any non-audit services to the group by the external auditor for any amount above AU\$5,000. The Audit and Risk Management Committee has also adopted guidelines to assist in identifying the types of services that may compromise the independence of the external auditor.

Attendance of external auditor at Annual General Meetings

PricewaterhouseCoopers will attend Altium Limited's Annual General Meeting and will be available to answer questions on the audit and audit report.

## **ASX Principle 5 – Disclosure**

### **Continuous disclosure**

The continuous disclosure provisions of the Corporations Act 2001 and the listing rules mean that criminal and civil liabilities could be imposed on Altium Limited and its officers if material information is not released to the market in accordance with the ASX listing rules.

The group has established written policies, available at [www.altium.com](http://www.altium.com), and procedures on information disclosure. The focus of these procedures is on continuous disclosure and improving access to information for all investors.

The Board has nominated the Company Secretaries to have responsibility for:

- ensuring compliance with ASX Listing rules and the Corporations Act 2001 continuous disclosure requirements;
- overseeing and coordinating disclosure of information to the stock exchange, analysts, brokers, shareholders, the media and the public; and
- educating Directors and staff on the group's disclosure policies and procedures, and raising awareness of the principles underlying continuous disclosure.

Following changes to the Corporations Act 2001, Altium now predominantly uses an on-line Annual Financial Report, with printed copies only sent to shareholders who have specifically requested one. Shareholders will continue to receive a notice of meeting and proxy form along with a notification of the electronic link to the on-line version of the Annual Financial Report.

In addition, all group announcements, media briefings, press releases and financial reports are available on Altium Limited's website **[www.altium.com](http://www.altium.com)**.

### **ASX Principle 6 – Rights of Shareholders**

Altium has a communication policy available at [www.altium.com](http://www.altium.com), designed to assist in maintaining, and increasing, investor confidence and satisfaction in the accessibility of company information. Altium aims to achieve this by communicating effectively with shareholders, giving them timely access to balanced and understandable information and making it easy for them to participate in general meetings, whilst adhering to the ASX Listing rules and Corporations Act 2001 continuous disclosure requirements. The objective of the policy is to concisely and accurately communicate to shareholders:

- our strategy;
- how we implement that strategy; and
- the financial results consequent upon our strategy and its implementation.

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the company's state of affairs through the use of company announcements, investor updates, financial releases, the Annual Financial Report and Annual General Meeting

### **ASX Principle 7 – Risk Management**

#### **Risk identification and management**

The Board, through the Audit and Risk Management Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The charter of the Audit and Risk Management Committee is available at [www.altium.com](http://www.altium.com).

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

These include:

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

#### **Financial reporting**

The group's financial report preparation and approval process for the financial year ended 30 June 2012 involved both the Chief Executive Officer and Chief Financial Officer giving a sign-off, to the best of their knowledge and belief, that:

- The group's financial report is complete and presents a true and fair view, in all material respects, of the group's financial condition and operating results and is in accordance with the law and applicable accounting standards.
- The financial report is founded on a sound system of risk management and internal compliance and controls which implement the policies adopted by the Board.
- The group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## **ASX Principle 8 – Responsible Remuneration**

### **The Remuneration and Nomination Committee**

The members of the Remuneration and Nomination Committee at the date of this report are:

<b>Director Name</b>	<b>Independent status</b>	<b>Date Appointed</b>
William Bartee - Chairman appointed 25 February 2008	Independent	22 June 1999
Samuel Weiss	Independent	25 February 2009
Dr David Warren	-	15 July 2005

The number of meetings attended by each Director for the financial year ended 30 June 2012 is outlined in the Directors' report.

The Remuneration and Nomination Committee Charter is available at [www.altium.com](http://www.altium.com). The main responsibilities of the committee are to:

- advise the Board on remuneration and incentive policies and practices generally, including making specific recommendations on remuneration packages and other terms of employment for Executive and Non-executive Directors, and other senior executives;
- conduct an annual review of the membership of the Board with regard to present and future needs of the group, make recommendations on Board composition and appointments, propose candidates for Board vacancies, oversee Board and Chairman succession, and establish induction guidelines for newly appointed Directors.

The committee has established criteria for Board independence and conducts an annual review of Director's independence. In addition, all transactions between the Company and Directors, or any interests associated with the Directors, are reviewed to ensure the structure and terms of the transaction are in compliance with the Corporations Act 2001 and appropriately disclosed.

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

### **Remuneration policies**

#### **Non-executive Directors' remuneration**

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

#### **Executive Directors' and senior executives' remuneration**

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

An annual Board review of the current levels of Directors' fees determined that there would be no increase in Director fees in the current period from the fee pool limit of AU\$700,000 per annum approved by shareholders at the 2007 Annual General Meeting. The Directors' remuneration is outlined in the remuneration report.

The Altium Constitution does not require Directors to hold an Altium share qualification.



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## **General information**

The financial report covers Altium Limited as a consolidated entity consisting of Altium Limited and the entities it controlled. The financial report is presented in US dollars, which is Altium Limited's presentation currency. Altium Limited functional currency is Australian dollars.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Altium Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

3 Minna Close  
Belrose, NSW 2085

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 31 August 2012. The directors have the power to amend and reissue the financial report.

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](http://www.altium.com). For queries in relation to Altium's reporting, please email [investor.relations@altium.com](mailto:investor.relations@altium.com).

**Altium Limited**  
**Statement of comprehensive income**  
**For the year ended 30 June 2012**

	Note	Consolidated	
		2012 US\$'000	2011 US\$'000
<b>Revenue</b>	4	55,235	48,457
<b>Expenses</b>			
Changes in inventories		(226)	(515)
Raw materials and consumables used		(261)	(762)
Rental and occupancy expense		(3,656)	(4,311)
Travel expense		(2,518)	(1,541)
Employee benefits expense		(31,657)	(32,985)
Depreciation and amortisation expense	5	(3,786)	(6,062)
Professional advice expense		(1,483)	(1,133)
Restructuring costs		(889)	(1,166)
Communications expense		(1,781)	(1,325)
Net foreign exchange gain (loss)		534	(267)
Provision for leasehold facility	5	(8,026)	-
Marketing expense		(1,053)	(1,233)
Finance costs	5	(280)	(79)
Other expenses		<u>(3,793)</u>	<u>(3,343)</u>
<b>Loss before income tax (expense)/benefit</b>		(3,640)	(6,265)
Income tax (expense)/benefit	6	<u>9,717</u>	<u>(864)</u>
<b>Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Altium Limited</b>	27	6,077	(7,129)
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		<u>(838)</u>	<u>1,473</u>
Other comprehensive income for the year, net of tax		<u>(838)</u>	<u>1,473</u>
<b>Total comprehensive income for the year attributable to the owners of Altium Limited</b>		<u>5,239</u>	<u>(5,656)</u>
		Cents	Cents
Basic earnings per share	39	6.23	(7.28)
Diluted earnings per share	39	6.23	(7.28)

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Altium Limited**  
**Statement of financial position**  
**As at 30 June 2012**

	Note	Consolidated	
		2012 US\$'000	2011 US\$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	13,246	6,630
Trade and other receivables	8	12,905	11,394
Inventories	9	724	985
Tax receivables	10	324	310
Other	11	780	388
Total current assets		<u>27,979</u>	<u>19,707</u>
<b>Non-current assets</b>			
Other receivables	12	1,028	249
Property, plant and equipment	13	1,919	4,526
Intangible assets	14	1,453	4,125
Deferred tax assets	15	11,212	844
Total non-current assets		<u>15,612</u>	<u>9,744</u>
<b>Total assets</b>		<u>43,591</u>	<u>29,451</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	4,911	5,731
Borrowings	17	264	377
Tax liabilities	18	332	174
Provisions	19	2,568	2,389
Deferred revenue	20	19,261	15,038
Total current liabilities		<u>27,336</u>	<u>23,709</u>
<b>Non-current liabilities</b>			
Borrowings	21	188	321
Provisions	23	5,194	511
Deferred revenue	24	1,871	685
Total non-current liabilities		<u>7,253</u>	<u>1,517</u>
<b>Total liabilities</b>		<u>34,589</u>	<u>25,226</u>
<b>Net assets</b>		<u>9,002</u>	<u>4,225</u>
<b>Equity</b>			
Contributed equity	25	79,534	79,534
Reserves	26	6,778	8,078
Accumulated losses	27	(77,310)	(83,387)
<b>Total equity</b>		<u>9,002</u>	<u>4,225</u>

The above statement of financial position should be read in conjunction with the accompanying notes

**Altium Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2012**

	Contributed equity US\$'000	Reserves US\$'000	Accumulated losses US\$'000	Total equity US\$'000
<b>Consolidated</b>				
Balance at 1 July 2010	77,170	6,845	(76,258)	7,757
Loss after income tax (expense)/benefit for the year	-	-	(7,129)	(7,129)
Other comprehensive income for the year, net of tax	-	1,473	-	1,473
Total comprehensive income for the year	-	1,473	(7,129)	(5,656)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	138	-	138
Issue of shares	2,364	-	-	2,364
Purchase of treasury shares	-	(378)	-	(378)
Balance at 30 June 2011	79,534	8,078	(83,387)	4,225

	Contributed equity US\$'000	Reserves US\$'000	Accumulated losses US\$'000	Total equity US\$'000
<b>Consolidated</b>				
Balance at 1 July 2011	79,534	8,078	(83,387)	4,225
Profit after income tax (expense)/benefit for the year	-	-	6,077	6,077
Other comprehensive income for the year, net of tax	-	(838)	-	(838)
Total comprehensive income for the year	-	(838)	6,077	5,239
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	21	-	21
Purchase of treasury shares	-	(483)	-	(483)
Balance at 30 June 2012	79,534	6,778	(77,310)	9,002

The above statement of financial position should be read in conjunction with the accompanying notes

**Altium Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2012**

	Note	Consolidated	
		2012 US\$'000	2011 US\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		61,196	53,385
Payments to suppliers and employees (inclusive of GST)		(52,180)	(50,008)
Interest received		163	115
Interest and other finance costs paid		(80)	(79)
Net income taxes paid		<u>(557)</u>	<u>(395)</u>
Net cash from operating activities	37	<u>8,542</u>	<u>3,018</u>
<b>Cash flows from investing activities</b>			
Payment for purchase of subsidiary, net of cash acquired	35	-	75
Payments for property, plant and equipment		(963)	(1,103)
Proceeds from sale of property, plant and equipment		<u>138</u>	<u>74</u>
Net cash used in investing activities		<u>(825)</u>	<u>(954)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(431)	(529)
Payments for treasury shares acquired by Altium Employee Share and Option Plan Trust		<u>(483)</u>	<u>(378)</u>
Net cash used in financing activities		<u>(914)</u>	<u>(907)</u>
Net increase in cash and cash equivalents		6,803	1,157
Cash and cash equivalents at the beginning of the financial year		6,630	4,845
Effects of exchange rate changes on cash		<u>(187)</u>	<u>628</u>
Cash and cash equivalents at the end of the financial year	7	<u>13,246</u>	<u>6,630</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**Note 1. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*AASB 2010-5 Amendments to Australian Accounting Standards*

The consolidated entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

*AASB 124 Related Party Disclosures (December 2009)*

The consolidated entity has applied AASB 124 (revised) from 1 July 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

**Note 1. Significant accounting policies (continued)**

**Going concern**

During the period the group incurred a loss before tax of US\$3,640,000 (2011: US\$6,265,000), and at 30 June 2012 had a net current asset position of US\$643,000 (June 2011: net current asset deficiency of US\$4,002,000). The net current asset position is impacted by the current deferred revenue liability of US\$19,261,000 (June 2011: US\$15,038,000), which is not expected to result in a cash outflow for the group. The net current asset position excluding deferred revenue would be US\$19,904,000 (June 2011: US\$11,036,000).

The company generated positive cash from operations of \$8,542,000 during the year (2011 US\$3,018,000). Having reviewed and considered the expected cashflow, working capital, deferred revenue, capital expenditure and loan facilities available to the group, the directors and management have formed the view that the group will continue as a going concern for a period of at least 12 months from the date of this report and consequently will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report for the group has therefore been prepared on a going concern basis.

**Presentation currency**

Altium Limited has selected US dollars as its presentation currency for the following reasons:

- a significant portion of Altium Limited's activity is denominated in US dollars; and
- US dollars is the currency used in Altium Limited's major markets

The functional currency of Altium Limited is Australian dollars.

**Note 1. Significant accounting policies (continued)**

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 34.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Altium Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Altium Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details.

**Employee Share Trust**

**The group has formed a trust to administer the group's employee share scheme. Shares held by the Altium Employee Share Trust are disclosed as treasury shares and deducted from equity. Further details of treasury shares can be found in Note 40.**

**Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**Note 1. Significant accounting policies (continued)**

**Foreign currency translation**

The financial report is presented in US dollars, which is Altium Limited's presentation currency. Altium Limited's functional currency is Australian dollars.

*Foreign currency transactions*

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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*

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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- all resulting exchange differences are recognised in comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold a proportionate share of such exchange difference is reclassified to profit and loss, as part of the gain or loss on sale where applicable.

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

**Software**

Revenue is recognised when software has been despatched to a customer pursuant to a sales order and the associated risks have passed to the customer.

**Subscriptions**

Revenue is deferred and is subsequently recognised as revenue over the period in which the subscription service is provided.

**Hardware**

Revenue is recognised when hardware has been delivered to a customer pursuant to a sales order and the associated risks have passed to the customer.



**Note 1. Significant accounting policies (continued)**

**Training services**

Revenue is recognised at the time the service is provided.

**Project services**

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.

**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 assets net carrying amount.

**Dividends**

Dividends are recognised as revenue when the right to receive payment is established.

**Multiple element contracts**

In multiple element arrangements where licenses and service elements are sold as a bundled product, the fair value of the service element is recognised as revenue over the period during which the service is performed.

**Income tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 Altium Limited 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.

**Note 1. Significant accounting policies (continued)**

**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.

**Trade and other receivables**

Trade receivables, which generally have 30 to 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 statement of comprehensive income 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 uncollectible 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. 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 impairment is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

**Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct costs of materials after deducting rebates and discounts received or receivable. Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs necessary to make the sale.

**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 consolidated entity 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 statement of financial position date which are classified as current assets. Loans and receivables are included in receivables in the statement of financial position.

**Note 1. Significant accounting policies (continued)**

**Property, plant and equipment**

Plant and equipment are 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 are 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	5-8 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date or when there is an indication that they have changed.

A carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

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

**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 statement of financial position. 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 statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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 statement of comprehensive income on a straight line basis over the period of the lease.

**Intangible assets**

*Acquired software intellectual property*

Acquisition costs of software licenses, databases, 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 3 to 10 years, starting from the date of commercial release.

**Note 1. Significant accounting policies (continued)**

*Research and development*

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

Expenditure on development activities is charged 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. The costs capitalised comprises 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 2 to 10 years.

*Internally generated intangibles*

Development costs relating to internally generated software are treated as described for research and development expenditure above.

**Impairment of non-financial assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings
- interest on finance leases
- unwinding of the discount on provisions

**Provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions for onerous contracts are recognised here the unavoidable costs of meeting the contract obligation exceed the economic benefits expected to be received under the contract.

**Note 1. Significant accounting policies (continued)**

**Employee benefits**

*Short term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

*Defined contribution superannuation plans*

The group contributes to employee defined contribution superannuation plans. Contributions to these plans are recognised as an expense as they become payable.

*Other long-term employee benefit obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related services 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.

*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.

*Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

*Share-based payments*

Share-based compensation benefits are provided to employees via the Altium Employee Share Option Plan.

The fair value of options granted under the Altium Employee 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.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

**Note 1. Significant accounting policies (continued)**

**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 for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

**Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

**Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

**Earnings per share**

*Basic earnings per share*

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

*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.

**Dividends**

A provision is made for the amount of any dividend on the date that they are declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

**Note 1. Significant accounting policies (continued)**

**Goods and Services Tax ('GST') and other similar taxes**

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 statement of financial position.

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.

**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'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2012. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

*AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

*AASB 119 Employee Benefits (September 2011)*

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The adoption of the revised standard from 1 July 2013 will require increased disclosures by the consolidated entity.

**Note 1. Significant accounting policies (continued)**

*AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement*

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

*AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

*AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*

These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.

**Note 2. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Onerous lease provision*

The group has relocated its global headquarters, including its core software development activities, corporate office and executive management team, to its existing office in Shanghai, China. An onerous lease provision has been recognised for costs related to its office lease in Sydney, Australia. In considering whether such contracts are onerous, the group has considered the future benefits and unavoidable costs of the contract. Future benefits and unavoidable costs are assessed based on management's plans and assessment of future sub-lease rentals which involve significant judgement.

*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. Calculation of future taxable amounts involve the use of assumptions and management's judgements.

*Multiple element contracts*

Revenue is recognised from multiple element contracts by attributing a fair value to each element of the contract and then recognising revenue according to the accounting policy stated in Note 1. Fair values are based on sales information for the discrete elements.



**Note 2. Critical accounting judgements, estimates and assumptions (continued)**

*Estimated impairment of intangible assets*

The group tests annually whether intangible assets have suffered any impairment, in accordance with the accounting policy stated. The value in use calculation has been applied. These calculations require the use of assumptions. Refer to note 14 for details of these assumptions and the potential impact of changes to the assumptions.

*Income tax*

The group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group estimates its tax liabilities based on the group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

**Note 3. Operating segments**

*Description of segments*

Management has determined the operating segments based on the reports used by the Board and executive team to make strategic decisions and review operational performance.

The Board and executive team consider the business from a geographical perspective and have identified four reportable segments:

- Americas – comprises the sales of products throughout the USA, Canada and South America;
- EMEA – comprises the sales of products throughout Europe, Middle East and Africa;
- Greater China – comprises the sales of products throughout People's Republic of China, Taiwan and Hong Kong; and
- Asia Pacific – comprises the sales of products throughout the rest of Asia, Australia and New Zealand.

Global functions, including research and development, are included in the "Other" column. Sales and revenue in this segment relate to consulting services, which are included as a recovery of research and development costs in the reports provided to the Board and executive team.

*Intersegment transactions*

Transactions between segments are excluded from the segment information and do not form part of the reports used by the Board and executive team.

*Intersegment receivables, payables and loans*

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

**Altium Limited**  
**Notes to the financial statements**  
**30 June 2012**

**Note 3. Operating segments (continued)**

*Operating segment information*

2012	Americas US\$'000	EMEA US\$'000	Greater China US\$'000	Asia Pacific US\$'000	Intersegment eliminations/ unallocated US\$'000	Consolidated US\$'000
<b>Revenue</b>						
Total segment sales	23,596	24,159	7,211	5,598	676	61,240
Net adjustment for deferred revenue recognition	(2,882)	(2,620)	(478)	(273)	39	(6,214)
Total segment revenue	20,714	21,539	6,733	5,325	715	55,026
Other revenue	-	-	-	-	209	209
<b>Total revenue</b>	<b>20,714</b>	<b>21,539</b>	<b>6,733</b>	<b>5,325</b>	<b>924</b>	<b>55,235</b>
<b>Underlying profit</b>						
Interest revenue						163
Finance costs						(280)
Other non-cash expenses						34
Amortisation						(2,596)
Provision for leasehold facility						(8,026)
Restructuring costs						(889)
Foreign exchange gain						534
Net adjustment for deferred revenue recognition						(6,214)
<b>Loss before income tax benefit</b>						<b>(3,640)</b>
Income tax benefit						9,717
<b>Profit after income tax benefit</b>						<b>6,077</b>
<b>Assets</b>						
Segment assets	7,144	6,429	3,680	1,249	13,553	32,055
<i>Unallocated assets:</i>						
Deferred tax asset						11,212
Income tax receivables						324
<b>Total assets</b>						<b>43,591</b>
<b>Liabilities</b>						
Segment liabilities	10,883	9,033	1,861	3,917	8,111	33,805
<i>Unallocated liabilities:</i>						
Provision for income tax						332
Current borrowings						264
Non-current borrowings						188
<b>Total liabilities</b>						<b>34,589</b>

Note 3. Operating segments (continued)

2011	Americas US\$'000	EMEA US\$'000	Greater China US\$'000	Asia Pacific US\$'000	Intersegment eliminations/ unallocated US\$'000	Consolidated US\$'000
<b>Revenue</b>						
Total segment sales	19,852	20,009	5,851	4,635	243	50,590
Net adjustment for deferred revenue recognition	(811)	(3,054)	(468)	1,645	438	(2,250)
Total segment revenue	19,041	16,955	5,383	6,280	681	48,340
Other revenue	-	-	-	-	117	117
<b>Total revenue</b>	<u>19,041</u>	<u>16,955</u>	<u>5,383</u>	<u>6,280</u>	<u>798</u>	<u>48,457</u>
<b>Underlying profit</b>						
Other non-cash expenses						37
Amortisation						(4,586)
Share based payments						(138)
Restructuring costs						(1,166)
Foreign exchange loss						(267)
Net adjustment for deferred revenue recognition						(2,250)
<b>Loss before income tax expense</b>						(6,265)
Income tax expense						(864)
<b>Loss after income tax expense</b>						(7,129)
<b>Assets</b>						
Segment assets	6,379	5,563	2,744	1,347	12,264	28,297
<i>Unallocated assets:</i>						
Deferred tax asset						844
Current tax						310
<b>Total assets</b>						<u>29,451</u>
<b>Liabilities</b>						
Segment liabilities	8,577	7,004	488	2,617	5,668	24,354
<i>Unallocated liabilities:</i>						
Provision for income tax						174
Current borrowings						377
Non-current borrowings						321
<b>Total liabilities</b>						<u>25,226</u>

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**Note 4. Revenue**

	Consolidated	
	2012 US\$'000	2011 US\$'000
<i>Sales revenue</i>		
Software license revenue	26,798	23,183
Hardware revenue	489	605
Subscription revenue	23,629	21,136
Service revenue	4,110	3,416
	<u>55,026</u>	<u>48,340</u>
<i>Other revenue</i>		
Interest income	163	115
Other revenue	46	2
	<u>209</u>	<u>117</u>
Revenue	<u>55,235</u>	<u>48,457</u>

**Note 5. Expenses**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	433	597
Plant and equipment	464	521
Plant and equipment under lease	293	357
	<u>1,190</u>	<u>1,475</u>
Total depreciation	<u>1,190</u>	<u>1,475</u>
<i>Amortisation</i>		
Internally generated intangibles	1,260	2,861
Acquired software intellectual property	1,145	1,535
Databases	191	191
	<u>2,596</u>	<u>4,587</u>
Total amortisation	<u>2,596</u>	<u>4,587</u>
Total depreciation and amortisation	<u>3,786</u>	<u>6,062</u>

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**Note 5. Expenses (continued)**

	Consolidated	
	2012 US\$'000	2011 US\$'000
<i>Cost of revenue</i>		
Goods	670	1,535
Services	<u>356</u>	<u>202</u>
Total cost of revenue	<u>1,026</u>	<u>1,737</u>
<i>Charges against assets</i>		
Bad and doubtful debts	<u>43</u>	<u>106</u>
<i>Restructuring costs</i>		
Redundancy costs	332	704
Other costs relating to relocating headquarters to Shanghai	<u>557</u>	<u>462</u>
Total restructuring costs	<u>889</u>	<u>1,166</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	80	79
Unwinding of the discount on provisions	<u>200</u>	<u>-</u>
Finance costs expensed	<u>280</u>	<u>79</u>
<i>Net foreign exchange (gain) loss</i>		
Net foreign exchange (gain) loss	<u>(534)</u>	<u>267</u>
<i>Rental expense relating to operating leases</i>		
Office rent	2,996	3,592
Equipment	<u>241</u>	<u>288</u>
Total rental expense relating to operating leases	<u>3,237</u>	<u>3,880</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>435</u>	<u>1,565</u>
<i>Provision for leasehold facility</i>		
Provision for future lease commitments	5,772	-
Impairment of leasehold improvements	<u>2,254</u>	<u>-</u>
Total provision for leasehold facility	<u>8,026</u>	<u>-</u>
<i>Research and development costs expensed</i>		
Research and development costs incurred	<u>7,086</u>	<u>8,258</u>

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**Note 6. Income tax expense/(benefit)**

	Consolidated	
	2012 US\$'000	2011 US\$'000
<i>Income tax expense/(benefit)</i>		
Current tax	543	627
Deferred tax - origination and reversal of temporary differences	(10,413)	19
Adjustment recognised for prior periods	153	218
Aggregate income tax expense/(benefit)	<u>(9,717)</u>	<u>864</u>
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets (note 15)	(10,413)	19
<i>Numerical reconciliation of income tax expense/ (benefit) and tax at the statutory rate</i>		
Loss before income tax (expense)/benefit	(3,640)	(6,265)
Tax at the statutory tax rate of 30%	(1,092)	(1,880)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	-	72
Entertainment expenses	51	-
Share-based payments	3	41
Research and development concession	-	(449)
Attribution of income	432	321
Sundry items	(54)	125
	(660)	(1,770)
Adjustment recognised for prior periods	153	218
Current year tax losses not recognised	-	2,544
Difference in overseas tax rates	(24)	59
Adjustment to deferred tax balances as a result of change in statutory tax rate	-	130
Tax losses previously recognised now written off	10	-
Prior year tax losses not recognised now recouped	1,759	-
Prior year tax losses not recognised now recognised	(6,537)	-
Prior year tax credits not recognised now recognised	(532)	-
Temporary differences not recognised now recognised	(3,886)	(317)
Income tax expense/(benefit)	<u>(9,717)</u>	<u>864</u>

**Note 6. Income tax expense/(benefit) (continued)**

	Consolidated	
	2012 US\$'000	2011 US\$'000
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax assets (note 15)	<u>(28)</u>	<u>(16)</u>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	<u>4,687</u>	<u>32,444</u>
Potential tax benefit @ 30%	<u>1,406</u>	<u>9,733</u>

A deferred tax asset shall be recognised for the carry forward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these deferred tax assets can be utilised.

**Note 7. Current assets - cash and cash equivalents**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Cash at bank	11,947	5,332
Deposit at call	<u>1,299</u>	<u>1,298</u>
	<u>13,246</u>	<u>6,630</u>

The value of bank guarantees amounted to US\$1,049,843 (2011: US\$1,104,213).

**Note 8. Current assets - trade and other receivables**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Trade receivables	12,577	11,251
Less: Provision for impairment	<u>(118)</u>	<u>(129)</u>
	<u>12,459</u>	<u>11,122</u>
Other receivables	329	124
Employee loans to a related party of a director (net of provision)*/**	50	41
Other employee loans (net of provision)**	<u>67</u>	<u>107</u>
	<u>12,905</u>	<u>11,394</u>

\* Further information on the loan to related party of a director is set out in note 30.

\*\* The loans advanced are charged at the "benchmark interest rate" under the Fringe Benefits Tax Assessment Act 1986 (Cwlth) as at 30 June 2012 being 7.05% p.a. (2011: 7.80%). The above unsecured loans are for a five year term or repayable within thirty days of separation. During the year repayments of US\$30,730 (2011: US\$53,094) 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 carrying value is impaired, the loan is written down to the realisable value.

**Note 8. Current assets - trade and other receivables (continued)**

*Impairment of receivables*

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2012 US\$'000	2011 US\$'000
0 to 3 months overdue	21	27
3 to 6 months overdue	50	70
Over 6 months overdue	<u>47</u>	<u>32</u>
	<u>118</u>	<u>129</u>

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2012 US\$'000	2011 US\$'000
Opening balance	129	69
Additional provisions recognised	11	106
Translation differences	(11)	10
Receivables written off during the year as uncollectable	<u>(11)</u>	<u>(56)</u>
Closing balance	<u>118</u>	<u>129</u>

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$2,028,000 as at 30 June 2012 (\$2,539,000 as at 30 June 2011).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2012 US\$'000	2011 US\$'000
0 to 1 month overdue	1,270	1,962
1 to 2 months overdue	441	237
Over 2 months overdue	<u>317</u>	<u>340</u>
	<u>2,028</u>	<u>2,539</u>



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**Note 9. Current assets - inventories**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Raw materials - at cost	480	578
Finished goods - at cost	<u>244</u>	<u>407</u>
	<u><b>724</b></u>	<u><b>985</b></u>

Inventories recognised as an expense during the year ended 30 June 2012 amounted to US\$487,000 (2011: US\$1,213,930). Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2012 amounted to US\$nil (2011: US\$62,587). The expense has been included in 'raw materials and consumables used' in the statement of comprehensive income.

**Note 10. Current assets - tax receivables**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Income tax receivables	<u><b>324</b></u>	<u><b>310</b></u>

**Note 11. Current assets - other**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Prepayments	<u><b>780</b></u>	<u><b>388</b></u>

**Note 12. Non-current assets - Other receivables**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Trade receivables	244	-
Other receivables	<u>784</u>	<u>249</u>
	<u><b>1,028</b></u>	<u><b>249</b></u>

**Note 13. Non-current assets - property, plant and equipment**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Leasehold improvements - at cost	3,191	4,304
Less: Accumulated depreciation	(236)	(1,155)
Less: Impairment	(2,254)	-
	<u>701</u>	<u>3,149</u>
Plant and equipment - at cost	1,355	1,842
Less: Accumulated depreciation	(616)	(1,038)
	<u>739</u>	<u>804</u>
Plant and equipment under lease	861	1,210
Less: Accumulated depreciation	(382)	(637)
	<u>479</u>	<u>573</u>
	<u>1,919</u>	<u>4,526</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant & equipment US\$'000	Leasehold improvements US\$'000	Leased plant & equipment US\$'000	Total US\$'000
<b>Consolidated</b>				
Balance at 1 July 2010	721	2,597	323	3,641
Additions	483	620	555	1,658
Disposals	(7)	(66)	-	(73)
Exchange differences	128	595	52	775
Depreciation expense	(521)	(597)	(357)	(1,475)
Balance at 30 June 2011	804	3,149	573	4,526
Additions	558	405	204	1,167
Disposals	(133)	(17)	-	(150)
Exchange differences	(26)	(149)	(5)	(180)
Impairment of assets	-	(2,254)	-	(2,254)
Depreciation expense	(464)	(433)	(293)	(1,190)
Balance at 30 June 2012	<u>739</u>	<u>701</u>	<u>479</u>	<u>1,919</u>

*Property, plant and equipment secured under finance leases*

Refer to note 32 for further information on property, plant and equipment secured under finance leases.

**Note 14. Non-current assets - intangible assets**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Acquired software intellectual property - at cost	2,863	5,742
Less: Accumulated amortisation	<u>(1,788)</u>	<u>(3,511)</u>
	<u>1,075</u>	<u>2,231</u>
Databases - at cost	-	2,911
Less: Accumulated amortisation	<u>-</u>	<u>(2,704)</u>
	<u>-</u>	<u>207</u>
Internally generated intangibles - at cost	5,174	11,199
Less: Accumulated amortisation	<u>(4,796)</u>	<u>(9,512)</u>
	<u>378</u>	<u>1,687</u>
	<u>1,453</u>	<u>4,125</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Internally generated US\$'000	Acquired software US\$'000	Databases US\$'000	Total US\$'000
<b>Consolidated</b>				
Balance at 1 July 2010	3,822	1,165	347	5,334
Additions through business combinations (note 35)	-	2,423	-	2,423
Exchange differences	725	178	51	954
Amortisation expense	<u>(2,860)</u>	<u>(1,535)</u>	<u>(191)</u>	<u>(4,586)</u>
Balance at 30 June 2011	1,687	2,231	207	4,125
Exchange differences	(49)	(11)	(16)	(76)
Amortisation expense	<u>(1,260)</u>	<u>(1,145)</u>	<u>(191)</u>	<u>(2,596)</u>
Balance at 30 June 2012	<u>378</u>	<u>1,075</u>	<u>-</u>	<u>1,453</u>

**Note 14. Non-current assets - intangible assets (continued)**

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 2012 adjusted for non-recurring items. Future cash flows have been extrapolated using average sales growth rates of between 0%-3% per annum and average cost growth rates of between 0%-4% per annum. A pre-tax discount rate of 18.6% has been used and a terminal growth rate of 1.5%.

Key assumptions used for value-in-use calculations

These assumptions have been used for the analysis of the single CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

Impact of reasonably possible changes in key assumptions

Sales growth rate assumptions – Management notes if negative growth rates are applied to revenues; by 5% over the four year period, this still yields a recoverable amount above the carrying amount.

Cost growth rate assumptions – Management notes if additional growth rates are applied to costs; by 5% over the four year period, this still yields a recoverable amount above the carrying amount.

Discount rate assumptions – Management recognises that the time value of money may vary from what it has estimated. Management notes that applying an increase of 5% in pre-tax discount rate, still yields a recoverable amount above the carrying amount.

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**Note 15. Non-current assets - deferred tax assets**

	Consolidated	
	2012 US\$'000	2011 US\$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	6,537	616
Property, plant and equipment	1,188	148
Employee benefits	251	118
Foreign tax credits	169	192
Provisions	234	27
Intangible assets	285	354
Foreign currency translation	238	-
Provision for onerous lease contract	1,977	-
Other tax credits	532	-
Set-off pursuant to set-off provisions	(227)	(627)
	<u>11,184</u>	<u>828</u>
Amounts recognised in equity:		
Foreign currency translation	<u>28</u>	<u>16</u>
	<u>28</u>	<u>16</u>
Deferred tax asset	<u>11,212</u>	<u>844</u>
Deferred tax asset to be recovered within 12 months	5,904	420
Deferred tax asset to be recovered after more than 12 months	<u>5,308</u>	<u>424</u>
	<u>11,212</u>	<u>844</u>
<i>Movements:</i>		
Opening balance	844	809
Credited/(charged) to profit or loss (note 6)	10,413	(19)
Credited to equity	28	16
Translation differences	(73)	38
Closing balance	<u>11,212</u>	<u>844</u>

**Note 16. Current liabilities - trade and other payables**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Trade payables	986	1,047
Other payables	<u>3,925</u>	<u>4,684</u>
	<u>4,911</u>	<u>5,731</u>

Refer to note 29 for further information on financial instruments.

**Note 17. Current liabilities - borrowings**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Loan - Mirkazemi Holdings Pty Limited	-	76
Lease liability	<u>264</u>	<u>301</u>
	<u>264</u>	<u>377</u>

The lease liability consists of finance leases for plant and equipment. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Leases due within one year have a weighted average interest rate of 11.07% (2011: 12.21%).

The loan from Mirkazemi Holdings Pty Ltd was a pre-existing loan made to Morfik Technology Pty Limited prior to the acquisition disclosed in note 35. The balance was repaid from certain outstanding receivable balances received by and due to Morfik Technology Pty Limited at acquisition date. The loan was unsecured and interest free.

*Financing arrangements*

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2012 US\$'000	2011 US\$'000
Total facilities		
Bank guarantees	<u>1,203</u>	<u>1,372</u>
Used at the reporting date		
Bank guarantees	<u>1,050</u>	<u>1,104</u>
Unused at the reporting date		
Bank guarantees	<u>153</u>	<u>268</u>

**Note 18. Current liabilities - tax liabilities**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Provision for income tax	<u>332</u>	<u>174</u>

**Note 19. Current liabilities - provisions**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Employee benefits	955	1,817
Onerous lease contract	1,613	-
Restructuring	<u>-</u>	<u>572</u>
	<u>2,568</u>	<u>2,389</u>

*Onerous lease contract*

The provision for onerous lease contract represents the present value of the future lease payments that are presently obligated to be made in respect of an onerous lease contract under a non-cancellable operating lease agreement, less any revenue expected to be earned on the lease, including estimated future sub-lease revenue. The estimate may vary as a result of future changes in the utilisation of the leased premises and prospective sub-lease and other arrangements.

*Restructuring*

The group relocated its global headquarters, including its core software development activities, corporate office and executive management team, to its existing office in Shanghai, China. The provision represented redundancy costs for individual employees at 30 June 2011 and other costs related to the relocation.

*Movements in provisions*

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	US\$'000	US\$'000	US\$'000	Restructure provision US\$'000	Onerous lease contract US\$'000
<b>Consolidated - 2012</b>					
Carrying amount at the start of the year				572	-
Additional provisions recognised				-	1,440
Amounts transferred from non-current				-	849
Amounts used				(572)	(725)
Unwinding of discount				-	50
Translation differences				<u>-</u>	<u>(1)</u>
Carrying amount at the end of the year				<u>-</u>	<u>1,613</u>

**Note 19. Current liabilities - provisions (continued)**

*Amounts not expected to be settled within the next 12 months*

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2012 US\$'000	2011 US\$'000
Long service leave obligation expected to be settled after 12 months	<u>123</u>	<u>299</u>

**Note 20. Current liabilities - Deferred revenue**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Deferred revenue	<u>19,261</u>	<u>15,038</u>

**Note 21. Non-current liabilities - borrowings**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Lease liability	<u>188</u>	<u>321</u>

Refer to note 29 for further information on financial instruments.

*Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2012 US\$'000	2011 US\$'000
Lease liability	<u>452</u>	<u>622</u>

*Assets pledged as security*

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.



**Note 22. Non-current liabilities - deferred tax**

	Consolidated	
	2012 US\$'000	2011 US\$'000

*Deferred tax liability comprises temporary differences attributable to:*

Amounts recognised in profit or loss:

Intangible assets	120	625
Employee benefits	-	1
Foreign currency revaluations	107	1
Set-off (pursuant to set-off provisions)	<u>(227)</u>	<u>(627)</u>

**Note 23. Non-current liabilities - provisions**

	Consolidated	
	2012 US\$'000	2011 US\$'000

Employee benefits	218	299
Lease make good	203	212
Onerous lease contract	<u>4,773</u>	<u>-</u>
	<u>5,194</u>	<u>511</u>

*Lease make good*

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

*Movements in provisions*

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Onerous	Lease
	lease US\$'000	make good US\$'000
<b>Consolidated - 2012</b>		
Carrying amount at the start of the year	-	212
Additional provisions recognised	5,479	-
Amounts transferred to current	(849)	-
Unwinding of discount	150	-
Translation differences	<u>(7)</u>	<u>(9)</u>
Carrying amount at the end of the year	<u>4,773</u>	<u>203</u>

**Note 24. Non-current liabilities - Deferred revenue**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Deferred revenue	<u>1,871</u>	<u>685</u>

**Note 25. Equity - Contributed equity**

	Consolidated		Consolidated	
	2012 Shares	2011 Shares	2012 US\$'000	2011 US\$'000
Ordinary shares - fully paid	<u>102,462,009</u>	<u>102,462,009</u>	<u>79,534</u>	<u>79,534</u>

*Movements in ordinary share capital*

Details	Date	No of shares	Issue price	US\$'000
Balance	1 July 2010	89,162,009		77,170
Issued as part of Morfik acquisition	2 October 2010	<u>13,300,000</u>	\$0.18	<u>2,364</u>
Balance	30 June 2011	<u>102,462,009</u>		<u>79,534</u>
Balance	30 June 2012	<u>102,462,009</u>		<u>79,534</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member 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.

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**Note 26. Equity - reserves**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Foreign currency reserve	5,652	6,490
Equity compensation reserve	<u>1,126</u>	<u>1,588</u>
	<u><u>6,778</u></u>	<u><u>8,078</u></u>

	Foreign currency translation US\$'000	Equity compensation US\$'000	Total US\$'000
<b>Consolidated</b>			
Balance at 1 July 2010	5,017	1,828	6,845
Foreign currency translation	1,473	-	1,473
Purchase of treasury shares	-	(378)	(378)
Option expense	-	<u>138</u>	<u>138</u>
Balance at 30 June 2011	6,490	1,588	8,078
Foreign currency translation	(838)	-	(838)
Purchase of treasury shares	-	(483)	(483)
Option expense	-	<u>21</u>	<u>21</u>
Balance at 30 June 2012	<u><u>5,652</u></u>	<u><u>1,126</u></u>	<u><u>6,778</u></u>

**Note 26. Equity - reserves (continued)**

*Foreign currency 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.

*Share-based payments reserve*

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

**Note 27. Equity - accumulated losses**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Accumulated losses at the beginning of the financial year	(83,387)	(76,258)
Profit/(loss) after income tax (expense)/benefit for the year	<u>6,077</u>	<u>(7,129)</u>
Accumulated losses at the end of the financial year	<u><u>(77,310)</u></u>	<u><u>(83,387)</u></u>

**Note 28. Equity - dividends**

The Directors have declared a final unfranked dividend of 5 AU cents per share (2011: nil), paid out of current year profits for the year ended 30 June 2012. This amounts to a total dividend of A\$5,123,100 based on the total number of shares outstanding.

**Note 29. Financial instruments**

The consolidated entity's activities expose it to a variety of financial risks: credit risk, market risk (including foreign exchange risk and interest rate risk) and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. No speculative trading in financial instruments was undertaken during the financial year.

Capital risk management

The consolidated entity's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The consolidated entity reviews the capital structure, which comprises share capital, reserves and accumulated losses, on a regular basis. In order to adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The consolidated entity's overall strategy remains unchanged.

**Note 29. Financial instruments (continued)**

**Market risk**

**Foreign currency risk**

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 and from net investments in foreign operations. The consolidated entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily the Australian dollar (AU\$) and the euro (€) relative to the US dollar (US\$).

Measuring the exposure to foreign exchange risks are achieved by regular monitoring and performing sensitivity analysis on the consolidated entity's financial position.

Foreign currency revenues are partially hedged by foreign currency denominated expenses. The consolidated entity does not have additional hedges against this risk.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
<b>Consolidated</b>				
Euros	1,023	836	(30)	(12)
Australian dollars	1,349	4,688	(102)	(23)
	<u>2,372</u>	<u>5,524</u>	<u>(132)</u>	<u>(35)</u>

The following tables summarise the sensitivity of financial instruments held at statement of financial position date by the consolidated entity to the movement in exchange rate of the US dollar to the Australian dollar and Euro, with all other variables held constant. The 10% sensitivity is based on reasonably possible changes, over a financial year.

Sensitivity to foreign currency risk on financial instruments is as follows:

Consolidated - 2012	US\$ strengthened			US\$ weakened		
	% change	Effect on profit after tax	Effect on equity	% change	Effect on profit after tax	Effect on equity
AU\$	10%	79	79	10%	(97)	(97)
EUR	10%	(70)	(70)	10%	70	70
		<u>9</u>	<u>9</u>		<u>(27)</u>	<u>(27)</u>

Consolidated - 2011	US\$ strengthened			US\$ weakened		
	% change	Effect on loss after tax	Effect on equity	% change	Effect on loss after tax	Effect on equity
AU\$	10%	297	297	10%	(363)	(363)
EUR	10%	(58)	(58)	10%	58	58
		<u>239</u>	<u>239</u>		<u>(305)</u>	<u>(305)</u>

**Price risk**

The consolidated entity is not exposed to any significant price risk.

**Note 29. Financial instruments (continued)**

**Interest rate risk**

Interest rate risk is the risk that the consolidated entity's financial position will be adversely affected by movements in interest rates. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

The exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities are set out below:

	2012		2011	
	Weighted average interest rate %	Balance US\$'000	Weighted average interest rate %	Balance US\$'000
<b>Consolidated</b>				
Cash	2.14	10,396	2.26	3,525
Receivables	7.74	233	6.94	161
Financial lease liabilities	11.07	<u>(452)</u>	12.21	<u>(622)</u>
Net exposure to cash flow interest rate risk		<u>10,177</u>		<u>3,064</u>

The following tables summarise the sensitivity of the fair value of financial instruments held at statement of financial position date in the consolidated entity, following a movement of 50 to 100 basis points, with all other variables held constant, and based on reasonably possible changes over a financial year.

The sensitivity to movements in interest rates is as follows:

Consolidated - 2012	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit after tax	Effect on equity	Basis points change	Effect on profit after tax	Effect on equity
Net exposure	100	<u>71</u>	<u>71</u>	(50)	<u>(36)</u>	<u>(36)</u>

Consolidated - 2011	Basis points increase			Basis points decrease		
	Basis points change	Effect on loss after tax	Effect on equity	Basis points change	Effect on loss after tax	Effect on equity
Net exposure	100	<u>21</u>	<u>21</u>	(50)	<u>(11)</u>	<u>(11)</u>

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Credit risk arises from cash and cash equivalents and outstanding receivables. The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any impairment provision.

The consolidated entity manages its credit risk on trade debtors by ensuring that sales of products and services are made to customers with an appropriate credit history. New customers are subject to credit verification procedures and ongoing customer performance is monitored on a regular basis. The consolidated entity has no significant concentrations of credit risk.

Cash transactions are limited to high credit quality financial institutions.

**Note 29. Financial instruments (continued)**

**Liquidity risk**

The liquidity position of the consolidated entity is managed to ensure sufficient funds are available to meet the financial commitments in a timely and cost effective manner. The consolidated entity manages liquidity risk by maintaining adequate cash reserves and banking facilities by continuously monitoring forecast and actual cash flows.

**Financing arrangements**

Unused borrowing facilities at the reporting date:

	Consolidated	
	2012 US\$'000	2011 US\$'000
Bank guarantees	153	268

**Remaining contractual maturities**

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2012	Weighted average interest rate %	1 year or less US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Remaining contractual maturities US\$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	4,911	-	-	-	4,911
<i>Interest-bearing - fixed rate</i>						
Lease liability	11.07	324	165	38	-	527
Total non-derivatives		5,235	165	38	-	5,438
Consolidated - 2011	Weighted average interest rate %	1 year or less US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Remaining contractual maturities US\$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	5,797	-	-	-	5,797
<i>Interest-bearing - variable rate</i>						
Lease liability	12.21	362	258	97	-	717
Total non-derivatives		6,159	258	97	-	6,514

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

**Note 30. Key management personnel disclosures**

*Directors*

The following persons were directors of Altium Limited during the financial year:

Samuel Weiss	Non-executive Chairman
Nicholas Martin	Chief Executive Officer
Kayvan Oboudiyat	Executive Vice Chairman
Carl Rooke	Non-executive Director
Dr David Warren	Non-executive Director
William Bartee	Non-executive Director

*Other key management personnel*

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Richard Leon	Chief Financial Officer
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*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2012 US\$	2011 US\$
Short-term employee benefits	1,740,188	1,227,256
Post-employment benefits	47,890	104,219
Long-term benefits	5,765	12,676
Share-based payments	1,811	3,216
	<u>1,795,654</u>	<u>1,347,367</u>

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.

*Shareholding*

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2012	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Samuel Weiss	1,385,697	-	209,648	-	1,595,345
Carl Rooke	565,365	-	19,049	-	584,414
Dr David Warren	5,523,000	-	33,300	-	5,556,300
Nicholas Martin	22,524,650	-	-	-	22,524,650
Kayvan Oboudiyat	2,650,000	-	211,300	-	2,861,300
Richard Leon	1,300,336	-	348,000	-	1,648,336
	<u>33,949,048</u>	<u>-</u>	<u>821,297</u>	<u>-</u>	<u>34,770,345</u>

\* William Bartee did not have any shares as at 30 June 2012.



**Note 30. Key management personnel disclosures (continued)**

2011	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Samuel Weiss	696,197	-	689,500	-	1,385,697
Carl Rooke	565,365	-	-	-	565,365
Dr David Warren	5,523,000	-	-	-	5,523,000
Nicholas Martin	22,524,650	-	-	-	22,524,650
Kayvan Oboudiyat	2,400,000	-	250,000	-	2,650,000
Richard Leon	620,578	-	679,578	-	1,300,156
	<u>32,329,790</u>	<u>-</u>	<u>1,619,078</u>	<u>-</u>	<u>33,948,868</u>

\* William Barteo did not have any shares as at 30 June 2011.

*Option holding*

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2012	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Richard Leon	100,000	-	-	-	100,000
	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>

2012	Vested and exercisable	Vested and unexercisable	Vested at the end of the year
<i>Options over ordinary shares</i>			
Richard Leon	100,000	-	100,000
	<u>100,000</u>	<u>-</u>	<u>100,000</u>

The exercise price on the options in the above table is \$1 per share.

2011	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Richard Leon	100,000	-	-	-	100,000
	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>

2011	Vested and exercisable	Vested and unexercisable	Vested at the end of the year
<i>Options over ordinary shares</i>			
Richard Leon	70,000	-	70,000
	<u>70,000</u>	<u>-</u>	<u>70,000</u>

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

There were no options exercised by Directors during the financial year. No options were granted or exercised by key management personnel during the 2012 and 2011 financial years. No amounts are unpaid on any shares issued on the exercise of options.

**Note 30. Key management personnel disclosures (continued)**

*Loan to related party of a Director*

The employee loans and loans to key management personnel, as per note 8, relate to a number of loans provided to senior employees of the group. One of these loans is to a related party of a director, Nicholas Martin, and is made on the same terms as the other employee loans.

The gross balance of the loan at 30 June 2012 was US\$264,462 (2011: US\$264,711) with a provision against the balance of US\$214,493 (2011: US\$223,713). The net balance of the loan at 30 June 2012 was US\$49,969 (2011: US\$40,998). Interest charged on the loan during the year was US\$13,141 (2011: US\$11,502) with repayments during the year of US\$2,475 (2011: US\$6,932). The highest indebtedness on the loan during the year was US\$264,462 (2011: US\$264,771).

The loan has been written down to fair value by using a present value calculation of the cash receipts outlined in the loan repayment terms of the loan agreement. In 2009, the loan repayment terms were extended by five years, which has resulted in an additional provision required to write down the loan to fair value. The gross value of the loan remains outstanding and there is no indication that the loan will not be repaid.

The loan is charged at the "benchmark interest rate" under the Fringe Benefits Tax Assessment Act 1986 (Cwlth) as at 30 June 2012 being 7.05% p.a. (2011: 7.80%). The above unsecured loan is for a five year term or repayable within thirty days of separation.

*Remuneration of Director-related entities*

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

*Related party transactions*

Related party transactions are set out in note 33.

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**Note 31. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the company, its network firms and unrelated firms:

	Consolidated	
	2012 US\$	2011 US\$
<i>Audit services - PricewaterhouseCoopers</i>		
Audit or review of the financial statements	<u>298,963</u>	<u>274,414</u>
<i>Other services - PricewaterhouseCoopers</i>		
Tax compliance services, including review of company income tax return	<u>7,017</u>	<u>14,021</u>
	<u>305,980</u>	<u>288,435</u>
<i>Other services - network firms</i>		
Tax compliance services, including review of company income tax return	66,463	34,758
Tax consulting and tax advice	<u>16,085</u>	<u>125,852</u>
	<u>82,548</u>	<u>160,610</u>
	<u>82,548</u>	<u>160,610</u>
<i>Audit services - unrelated firms</i>		
Audit or review of the financial statements	<u>46,083</u>	<u>37,739</u>
<i>Other services - unrelated firms</i>		
Tax compliance services, including review of company income tax return	144,902	143,752
Tax consulting and tax advice	189,260	-
Advisory and legal services	<u>44,442</u>	<u>66,005</u>
	<u>378,604</u>	<u>209,757</u>
	<u>424,687</u>	<u>247,496</u>

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. The annual audit fee for the group is approved by the Audit and Risk Management Committee.

**Note 32. Commitments**

	Consolidated	
	2012 US\$'000	2011 US\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	5,765	3,818
One to five years	12,379	8,738
More than five years	997	1,468
	<u>19,141</u>	<u>14,024</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	324	362
One to five years	203	355
Total commitment	527	717
Less: Future finance charges	(75)	(95)
Net commitment recognised as liabilities	<u>452</u>	<u>622</u>
Representing:		
Lease liability - current (note 17)	264	301
Lease liability - non-current (note 21)	188	321
	<u>452</u>	<u>622</u>

Several finance lease contracts have associated purchase options. Under the terms of the leases, the group can acquire the leased assets for an agreed fair value on the expiry of the leases. This option lapses in the event the group fails to maintain its credit rating at the level prevailing at inception of the lease.

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**Note 33. Related party transactions**

*Parent entity*

Altium Limited is the parent entity.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 30 and the remuneration report in the directors' report.

*Transactions with related parties*

There were no transactions with related parties during the current and previous financial year.

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2012 US\$	2011 US\$

Current receivables:

Loan to a related party of a director	50	41
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Further information on the loan to a related party of a director is set out in note 8 and note 30.

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 34. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of comprehensive income*

	Parent	
	2012 US\$'000	2011 US\$'000
Profit/(loss) after income tax	5,651	(7,590)
Total comprehensive income	5,651	(7,590)

*Statement of financial position*

	Parent	
	2012 US\$'000	2011 US\$'000
Total current assets	13,448	9,742
Total assets	33,199	24,013
Total current liabilities	20,740	21,137
Total liabilities	25,908	21,753
Equity		
Contributed equity	79,477	79,477
Foreign currency reserve	6,573	6,824
Equity compensation reserve	1,126	1,588
Accumulated losses	(79,885)	(85,629)
Total equity	7,291	2,260

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

Altium Limited has provided financial guarantees in respect of credit card facilities and rental bonds for the Australian offices amounting to US\$1,049,843 (2011: US\$ 1,104,213).

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

**Note 35. Business combinations**

On 2 November 2010, Altium Limited acquired 100% of the issued shares of Morfik Technology Pty Limited, an Australian software company. The consideration paid was 13.3m shares in Altium Limited, which on acquisition date were valued at 18 AU cents (17.7 US cents) per share, giving a total value for the consideration of AU\$2,394,000 (US\$2,364,000). The acquisition is expected to boost Altium's engineering team and technologies as part of the long term plan of helping our industry make the transition from designing stand-alone discrete devices to designing and engineering connected device ecosystems.

**Note 35. Business combinations (continued)**

Details of the acquisition are as follows:

	Acquiree's carrying amount US\$'000	Fair value US\$'000
Cash equivalents	75	75
Trade receivables	15	15
Income tax refund due	118	118
Intellectual property	2,423	2,423
Trade payables	(48)	(48)
Borrowings	<u>(219)</u>	<u>(219)</u>
Net assets acquired	<u>2,364</u>	<u>2,364</u>
Goodwill		-
Acquisition-date fair value of the total consideration transferred		<u>2,364</u>
Representing:		
Altium Limited shares issued to vendor		<u>2,364</u>
Acquisition costs expensed to profit or loss		<u>90</u>

Revenue and profit contribution:

The acquired business contributed revenues of US\$34,324 and net loss after tax of \$US65,509 to the group for the period from 2 November 2010 to 30 June 2011. If the acquisition had occurred on 1 July 2010, consolidated revenue and consolidated loss after tax for the year ended 30 June 2011 would have been US\$48,503,000 and US\$5,998,000 respectively. A loan restructuring benefit of US\$1,394,695 is included in the profit of Morfik Technology Pty Limited in the period prior to acquisition.

There were no acquisitions in the year ended 30 June 2012.

**Note 36. Events after the reporting period**

Apart from the dividend declared as disclosed in note 28, no other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 37. Reconciliation of profit/(loss) after income tax to net cash from operating activities**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Profit/(loss) after income tax (expense)/benefit for the year	6,077	(7,129)
Adjustments for:		
Depreciation and amortisation	3,786	6,061
Impairment of property, plant and equipment	2,254	-
Net gain on disposal of property, plant and equipment	(6)	-
Share-based payments	22	140
Unrealised foreign exchange differences	645	316
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,970)	301
Decrease in inventories	231	583
Decrease in income tax refund due	141	421
Decrease/(increase) in deferred tax assets	(10,413)	20
Decrease/(increase) in other operating assets	(951)	175
Increase in trade and other payables	3,374	2,682
Increase/(decrease) in other provisions	<u>5,352</u>	<u>(552)</u>
Net cash from operating activities	<u>8,542</u>	<u>3,018</u>

**Note 38. Non-cash investing and financing activities**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Acquisition of plant and equipment by means of finance leases	<u>193</u>	<u>555</u>



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**Note 39. Earnings per share**

	Consolidated	
	2012 US\$'000	2011 US\$'000
Profit/(loss) after income tax attributable to the owners of Altium Limited	<u>6,077</u>	<u>(7,129)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>97,512,115</u>	<u>97,896,635</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>97,512,115</u>	<u>97,896,635</u>
	Cents	Cents
Basic earnings per share	6.23	(7.28)
Diluted earnings per share	6.23	(7.28)

Options granted under the Altium Employee 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 40.

For the year ending 30 June 2012 all options were not included in the calculation of diluted earnings per share as the current share price was not greater than the exercise price of the outstanding options.

For the year ending 30 June 2011 all options were anti-dilutive and were not included in the calculation of diluted earnings per share.

For the years ending 30 June 2012 and 30 June 2011 treasury shares were excluded in the calculation of basic and diluted earnings per share.

**Note 40. Share-based payments**

The company has the following share option plan:

*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 8 May 2011 vest over a three-year period from the first anniversary date of issue, 40% in year one and 30% in the two subsequent 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 options 4,138,460 (2011: 5,361,680) are outstanding under the plan to eligible employees as at 30 June 2012. 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 Altium Share and Option Plan Trust is used to hold shares for share and option plans. As at 30 June 2012 the trust held 5,713,137 ordinary shares (2011: 2,060,207).

**Note 40. Share-based payments (continued)**

Set out below are summaries of options granted under the plan:

2012							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
08/12/06	08/12/11	\$1.42	375,800	-	-	(375,800)	-
16/01/07	16/01/12	\$1.42	353,500	-	-	(353,500)	-
08/05/09	08/05/14	\$1.00	4,632,380	-	-	(493,920)	4,138,460
			<u>5,361,680</u>	-	-	<u>(1,223,220)</u>	<u>4,138,460</u>
Weighted average exercise price			\$1.06			\$1.25	\$1.00

2011							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
21/02/06	21/02/11	\$0.92	1,236,400	-	-	(1,236,400)	-
14/03/06	14/03/11	\$0.92	276,100	-	-	(276,100)	-
08/12/06	08/12/11	\$1.42	395,250	-	-	(19,450)	375,800
16/01/07	16/01/12	\$1.42	353,500	-	-	-	353,500
08/05/09	08/05/14	\$1.00	5,558,960	-	-	(926,580)	4,632,380
			<u>7,820,210</u>	-	-	<u>(2,458,530)</u>	<u>5,361,680</u>
Weighted average exercise price			\$1.02			\$0.96	\$1.06

Set out below are the options vested and exercisable at the end of the financial year:

Grant date	Expiry date	2012 Number	2011 Number
08/12/06	08/12/11	-	375,800
16/01/07	16/01/12	-	353,500
08/05/09	08/05/14	<u>4,138,460</u>	<u>3,287,942</u>
Total exercisable		<u>4,138,460</u>	<u>4,017,242</u>

The market price per ordinary share at 30 June 2012 was AU\$0.38 (2011: AU\$0.09).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.85 years (2011: 2.54 years).

**Altium Limited**  
**Directors' declaration**

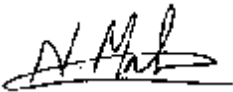
In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



Nicholas Martin  
Director and Chief Executive Officer



Kayvan Oboudiyat  
Director and Executive Vice Chairman

31 August 2012  
Sydney



## **Independent auditor's report to the members of Altium Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Altium Limited (the company), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Altium Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### **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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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

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

### **Independence**

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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## Auditor's opinion

### In our opinion:

- (a) the financial report of Altium Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its 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 financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 11 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's opinion

In our opinion, the remuneration report of Altium Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

## Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Altium Limited (the company) for the year ended 30 June 2012 included on 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 auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. 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 report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers  
Partner

Sydney  
Partner 31 August 2012

**Altium Limited**  
**Shareholder Information**

**Information for shareholders**

The shareholder information set out below was current as at 30 September 2012.

**a) Number of shareholders**

There were 774 shareholders, holding 110,048,872 fully paid ordinary shares.

**b) Distribution of equity securities**

Analysis of equity security holders by size of holding:

Range	Number of shareholders	Number of option holders
1 – 1,000	79	0
1,001– 5,000	257	9
5,001 – 10,000	137	12
10,001 – 100,000	214	45
100,001 – and over	87	5
<b>Total</b>	<b>744</b>	<b>71</b>

There were **23** holders of a less than marketable parcel of ordinary shares.

**c) Equity security holders**

Twenty largest quoted equity security holders

Rank	Name of Holding	Number of Shares	%
1	JP MORGAN NOMINEES AUSTRALIA LIMITED	14,897,523	13.54%
2	PROTEL SYSTEMS PTY LIMITED	12,340,000	11.21%
3	N & M MARTIN HOLDINGS PTY LTD<MARTIN FAMILY A/C>	11,762,690	10.69%
4	MIRKAZEMI HOLDINGS PTY LIMITED	9,253,000	8.41%
5	MR SAMUEL WEISS & MR CARL ROOKE <ALT EMP SH OPT PLAN A/C>	8,250,000	7.50%
6	KAY & JAY INVESTMENTS PTY LTD <K&J SUPERANNUATION FUND A/C:>	2,711,100	2.46%
7	SERGY & SLAVA PTY LTD <KOSTYNSKY FAMILY A/C>	2,228,125	2.02%
8	MIRKAZEMI HOLDINGS PTY LIMITED <MORFIK TECH SUPER A/C>	2,000,000	1.82%
9	MR KAYVAN OBOUDIYAT	2,000,000	1.82%
10	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	1,895,916	1.72%
11	SHAHRAM BESHARATI & KIM BESHARATI <BESHARATI FAMILY A/C>	1,695,625	1.54%
12	MR DMYTRO MEDVEDYEV	1,663,125	1.51%
13	MUTUAL APPRECIATION SOCIETY PTY LIMITED <GARB-WEISS SUPER FUND A/C>	1,595,345	1.45%
14	MR RICHARD LEON	1,568,578	1.43%
15	POTLUCK INVESTMENTS PTY LTD	1,363,125	1.24%
16	ZENDEL PTY LIMITED<PROTEL NO.2 SUPER FUND A/C>	1,288,000	1.17%
17	MR SIMON GAUTIER HANNES <SGH SUPER FUND>	1,124,600	1.02%
18	ZENDEL PTY LIMITED<WARREN FAMILY ACCOUNT>	1,050,000	0.95%
19	WILLRYAN PTY LTD	1,015,000	0.92%
20	MR ROBERT GRANVILLE HOPKINS	1,011,000	0.92%
	<b>TOTAL</b>	<b>80,712,752</b>	<b>73.34%</b>

**Altium Limited**  
**Shareholder Information**

**d) Unquoted equity securities**

	Number of options on issue	Number of holders
Employees	3,394,260	71
Directors	-	-
<b>Total options on issue</b>	<b>3,394,260</b>	<b>71</b>

**e) Substantial shareholders**

The Substantial holders in the company are set out below

Rank	Name	Number of share	%
1	Nicholas Martin	22,524,650	20.47%
2	Mirkazemi Holdings Pty Ltd	12,163,000	11.05%
3	Sam Weiss *	9,845,345	8.95%
4	Carl Rooke *	8,834,414	8.03%
5	Smallco Investment Manager Limited	8,672,346	7.88%
6	David Warren	5,556,300	5.05%
<b>Total</b>		<b>67,596,055</b>	<b>61.42%</b>

\*Sam Weiss and Carl Rooke hold 8,250,000 shares in trust for the Altium Limited Employee Share and Option Plan Trust this is a joint holding.

**f) Voting rights**

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

**g) Share buy-back**

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

**h) Securities subject to escrow**

No shares are currently subject to escrow.

**i) Altium major announcements to the ASX\***



**Altium Limited**  
**Shareholder Information**

Date	Announcement
28-09-12	Change of Company Address
28-09-12	Appendix 3B
26-09-12	Change of Director's Interest Notice
31-08-12	Altium Limited Announces Final Audited Results
31-08-12	Preliminary Final Report & Full Year Statutory Accounts
25-07-12	Altium financial performance update FY12
18-05-12	Change of Director's Interest Notice - Sam Weiss
08-05-12	Change of Director's Interest Notice - Sam Weiss
27-04-12	Completion of Sale of Unmarketable Parcels
27-04-12	Change of Director's Interest Notice - Carl Rooke
27-04-12	Change of Director's Interest Notice - Sam Weiss
18-04-12	Altium Q3 sales and revenue update for FY12
29-02-12	Altium announces half year financial results
29-02-12	Appendix 4D Half Year Report
16-02-12	Divestment Notice - Sale of unmarketable parcels
14-02-12	Change of Director's Interest Notice - Kayvan Oboudiyat
14-02-12	Ceasing to be a substantial holder
31-01-12	Altium Q2 Half Year Sales and Revenue Update for FY12
15-11-11	Appointment of Additional Company Secretary - Alison Raffin
08-11-11	Change of Director's Interest Notice - Carl Rooke 8 Nov 2011
08-11-11	Results of Meeting
08-11-11	Chairman's Address to Shareholders
18-10-11	Altium Q1 Sales Update for FY12
07-10-11	Notice of 2011 Annual General Meeting/Proxy Form
07-10-11	2011 Annual Report to shareholders

\* A complete and up-to-date list of all Altium's financial announcements can be found on the ASX website.

**Annual General Meeting**

Date: Thursday 29 November 2012

Time: 3pm

Venue: Yuan Room, Level 2, Christie Conference Centre, 3 Spring Street, Sydney NSW 2000.

**j) Inquiries about your shareholding**

Please contact our share registry, Computershare for all questions in relation to your shareholding, dividends, share transfers and monthly holding statements. Computershare has a website which provides shareholders with access to shareholder forms and provides answers to frequently asked questions. You are also able to update some of your shareholder information online.

Mailing address: Computershare Investor Services Pty Limited,  
 GPO Box 2975, Melbourne VIC 3001 Australia

Phone (Aus) 1300 850 505  
 (Overseas) +61 (0)3 9415 4000

**k) Have you changed your address?**

Whenever you change your address it is important to notify the share registry. This can be done in a number of ways, either post or fax the share registry a written request quoting your shareholder number, old address, current address and signature, or visit the Computershare website and change your details online.

**l) Inquiries about Altium Limited**

Email: [investor.relations@altium.com](mailto:investor.relations@altium.com)

Website: [www.altium.com](http://www.altium.com)

**m) Altium shareholder communications**

Altium publishes information to its shareholders in the annual report and via releases to the ASX. Investor Information can be found on our website [www.altium.com/company/investors/](http://www.altium.com/company/investors/)

Altium provides quarterly updates on revenue earnings.



***Altium***

[www.altium.com](http://www.altium.com)