

Corporate Communication Contact

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Altium confirms final full year results for the financial year ending 30 June, 2008

Sydney, Australia – 22 August, 2008 – Altium Limited, the electronics design industry's leading developer of unified electronic product development solutions, has confirmed its final financial results for the financial year ending 30 June, 2008.

Reflecting the operating currency used by the company in the majority of its operating regions around the world, Altium now reports its financial results in US Dollars.

In line with previously shared expectations, Altium reports positive EBITDA of US\$576,000 and an after tax loss of US\$2.8 million.

Full Year results highlights

- Revenue growth of 25%, to US\$53.1 million
- Sales growth of 22%, to US\$55.8 million
- Earnings before interest, tax, depreciation and amortization of US\$576,000
- Net loss after tax of US\$2.8 million
- Software license revenue growth of 15%, to US\$34.7 million
- Maintenance/Software Assurance contract revenue growth of 51%, to US\$14.4 million
- China delivered sales growth of 75%

Final sales & revenue results for the financial year to 30 June, 2008

Revenue for the financial year ending 30 June, 2008 is US\$53.1 million, up 25% from US\$42.4 million reported for the corresponding period a year ago.

For the financial year ending 30 June 2008, sales were US\$55.8 million, up 22% from US\$45.7 million for the corresponding period a year ago.

Comments from Nick Martin, CEO of Altium Limited

“In reviewing our progress over the past year it’s clear that we have made significant progress on many fronts, particularly in strengthening the overall leadership team, strengthening our technology and seeing positive sales growth across all major regions. Growth was particularly strong in China and with the recent initiatives launched in the region, we will continue to see significant growth fuelled by license compliance take-up.

“As a result of strong investment in our organization and go-to-market capabilities over this past year, and with our plans already underway, we expect this will translate into strong financial returns this year.”

Summary of final financial results for financial year ending 30 June, 2008

<i>Altium FY 2007/2008 results</i>	12 months ending 30 June, 2008 (US\$,000)	12 months ending 30 June, 2007 (US\$,000)	Change
Sales	55,839	45,743	22%
Revenue	53,073	42,424	25%
EBITDA	576	5,376	(89%)
Profit (loss) from ordinary activities before tax	(3,680)	1,456	(353%)
Income tax (expense) benefit	881	(448)	(297%)
Profit (loss) from ordinary activities after tax attributable to members	(2,799)	1,008	(378%)

<i>Altium FY 2007/2008 local currency results</i>	12 months ending 30 June, 2008 (local currency, 000)	12 months ending 30 June, 2007 (local currency, 000)	Change
Regional Product Sales			
Americas (US\$)	21,034	19,805	6%
Europe (€)	13,579	11,482	18%
China (US\$)	6,034	3,454	75%
APAC excluding China (US\$)	7,397	6,632	12%
Consulting (€)	571	581	(2%)

ENDS

About Altium

Altium Limited (ASX:ALU) provides world-leading unified design solutions that break down the barriers to innovation. These solutions help organizations easily harness the latest devices and technologies, and create their next generation of electronic products.

Altium's solutions are unique because they unify the separate processes of electronics design, all within a single electronics design environment, working off a single data model, which links all the aspects of electronics product design into one process.

Founded in 1985, Altium has headquarters in Sydney, Australia, sales offices in the United States, Europe, Japan, China, and resellers in all other major markets. For more information, please visit www.altium.com.

Altium, Altium Designer, LiveDesign, and their respective logos are trademarks or registered trademarks of Altium Limited or its subsidiaries. All other registered or unregistered trademarks referenced herein are the property of their respective owners, and no trademark rights to the same are claimed.

Appendix 4E Preliminary Final Report

Altium Limited and Controlled Entities
ACN 009 568 772

Year ended 30 June 2008

Results for announcement to the market

	2008 US\$'000	2007 US\$'000	Percentage change
Revenue from ordinary activities	53,073	42,424	25%
Earnings before interest, tax, depreciation and amortisation	576	5,376	(89%)
(Loss) profit from ordinary activities before tax	(3,680)	1,456	(353%)
Income tax benefit (expense)	881	(448)	(297%)
(Loss) profit from ordinary activities after tax attributable to members	(2,799)	1,008	(378%)

Dividends	Amount per security	Franked amount per security
Final dividend	-	-

	2008 US\$'000	2007 US\$'000
Dividends and return of capital		
Return of capital	4,748	-
Dividends paid	-	2,652

	2008 US\$'000	2007 US\$'000
Accumulated losses		
Accumulated losses at the beginning of the financial year	(61,105)	(59,461)
(Loss) profit attributable to members of Altium Limited	(2,799)	1,008
Dividends paid	-	(2,652)
Accumulated losses at the end of the financial year	(63,904)	(61,105)

	2008 US\$ cents	2007 US\$ cents
NTA Backing		
Net tangible asset backing per ordinary share	12.9	17.1

Please refer to the attached audited financial statements for the year ended 30 June 2008:

Income statements
Balance sheets
Statements of changes in equity
Cash flow statements

This report should be read in conjunction with the attached audited financial statements for the year ended 30 June 2008.



Kayvan Oboudiyat
Company Secretary
21 August 2008



Altium Limited and Controlled Entities

ACN 009 568 772

Annual Financial Report

30 June 2008

Altium Limited and Controlled Entities

ACN 009 568 772

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Company particulars

Directors

Samuel S Weiss
Chairman (appointed as Chairman on 4 October 2007)

Nicholas M Martin
Chief Executive Officer and Chief Technology Officer

Kayvan Oboudiyat
Executive Vice Chairman

William A Bartee
Non-Executive Director

André J Pravaz
Executive Director (appointed as Chief Sales Officer on 11 August 2008)

Carl J Rooke
Non-Executive Director (resigned as Chairman on 4 October 2007)

David M Warren
Non-Executive Director

Company Secretary

Kayvan Oboudiyat

Registered office

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

Auditor

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

Annual General Meeting

Thursday 23 October 2008
Hilton Sydney
488 George Street
Sydney NSW 2000
3.30 pm

Share registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Australia 1 300 850 505
Overseas +61 3 9415 4000

Stock exchange listing

Altium Limited shares are listed on the Australian
Stock Exchange (ASX code: ALU)

Review of operations and activities

During the financial year, Altium completed a review of the most appropriate currency for presenting its financial statements and other financial information. Factors considered included but were not limited to, the global nature of Altium's business, the major transactional currency for the Group being US dollars and US dollars being the currency of Altium's major markets.

As a result of the review, Altium has chosen to present its financial reports and other financial information in US dollars. The directors of the group believe this will provide a better representation of Altium's performance in the future. The information contained in these financial statements, and all future information will be presented in US dollars unless otherwise stated.

Overview of financial performance and position:

	2008 US\$'000	2007 US\$'000	Percentage change
Sales	55,839	45,743	22%
Revenue	53,073	42,424	25%
Earnings before interest, tax, depreciation and amortisation	576	5,376	(89%)
(Loss) profit before tax	(3,680)	1,456	(353%)
(Loss) profit attributable to members	(2,799)	1,008	(378%)
Earnings per share (cents)	(3.1)	1.1	(382%)
Return of capital per share (AU\$ cents)	-	6.0	-
Adjusted profit before tax ¹	2,888	8,353	(65%)
Operating cash flows	3,034	6,801	(55%)
Cash position	5,582	9,031	(38%)
Deferred revenue	11,420	7,731	48%
Average number of employees during the year	323	265	22%
Number of employees at end of year	332	301	10%

¹ Adjusted profit before tax represents sales less operating costs adjusted for share based payments and amortisation. Sales represent the value of orders invoiced in the period with no adjustment for deferred revenue recognition.

Altium has maintained strong yearly sales and revenue growth in the year ended 30 June 2008. Revenue for the group grew 25% in US dollars, and sales grew 22%. Regional details are provided in the table below. This year also saw additional investment in the executive level of the organisation with key appointments in particular in the Americas and China. The group delivered positive operating cash flows for the year and also increased deferred revenue balances compared to last year.

Sales in local currencies:

	2008 '000	2007 '000	Percentage change
Product sales			
Americas (USD)	21,034	19,805	6%
Europe (EUR)	13,579	11,482	18%
China (USD)	6,034	3,454	75%
Asia Pacific excluding China (USD)	7,397	6,632	12%
Consulting Services			
Europe (EUR)	571	581	(2%)

The year saw growth in sales in each of the group's four regions. Growth in both the Americas and Asia Pacific accelerated in the second half of the year following a flat first half. Sales also grew in EMEA. China continues to provide a major growth opportunity for Altium and the additional investment in that region resulted in significant growth in the financial year just ended.

Regulatory environment

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

Legal

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

Health and safety

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

Corporate governance

Corporate governance information is included on page 15 of the annual financial report.

Statement of compliance

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

Directors' report

The directors of Altium Limited present their report on the group consisting of Altium Limited and the entities it controlled at the end of, or during, the year ended 30 June 2008.

Directors

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

Samuel S Weiss
Nicholas M Martin
Kayvan Oboudiyat
André J Pravaz
William A Bartee
Carl J Rooke
David M Warren

Principal activities and review of operations

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

Refer to the review of operations and activities on page 2 for further commentary.

Results

	Group	
	2008	2007
	US\$'000	US\$'000
(Loss) profit before income tax	(3,680)	1,456
Income tax benefit (expense)	881	(448)
(Loss) profit after income tax	<u>(2,799)</u>	<u>1,008</u>

Earnings per share

	2008	2007
	US\$ cents	US\$ cents
Basic earnings per share	(3.1)	1.1
Diluted earnings per share	(3.1)	1.1

Return of capital

A return of capital of 6 Australian dollar cents per share was paid on 19 October 2007

Dividends

	2008	2007
	US\$'000	US\$'000
Final unfranked dividend for the year ended 30 June 2006 of 4 Australian cents per share declared on 21 August 2006 and paid on 25 September 2006.	-	<u>2,652</u>

Directors' report continued

Information on directors

Samuel S Weiss AB MS FAICD, Non-Executive Chairman

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 currently serves on the boards of Oron Group Ltd, Housewares International Ltd, GLG Corp Ltd, IPGA Ltd and Open Universities Pty Ltd. He is also a Director of the Sydney Festival and is Vice President of The Benevolent Society and brings valuable business experience from his previous roles as Vice President, Asia-Pacific, Gateway Computers and Chief Operating Officer for Nike Europe.

Nicholas M Martin, Chief Executive Officer and Chief Technology Officer

Nick founded Altium Limited in 1985 (known then as Protel International) and has served as an executive director from the group's inception 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.

Kayvan Oboudiyat BE (Hons) GDA MAICD, Executive Vice Chairman

Kayvan has been a director since 1997. Originally Kayvan was appointed Managing Director, becoming Chief Executive Officer in 1999 and Joint Chief Executive Officer in 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 aggressive acquisition strategy with an active involvement in the continuing development of new business opportunities. Prior to joining the group, Kayvan spent eleven years with Telstra, including three years as a senior executive in the International Business Unit. Kayvan is also the Company Secretary.

André J Pravaz BSc MBA FAICD, Executive Director and Chief Sales Officer

André became a non-executive director of the board in January 2007 and joined the executive team as Global Head of Sales in August 2008. André is the former Vice President, South East Asia Pacific for Autodesk Inc, the world's leading design software and services company for building, manufacturing, infrastructure and digital media. He has also held various senior management roles in organisations such as Digital Equipment Corporation, Silicon Graphics, ASK Computer Systems and Compuware Asia Pacific.

William A Bartee BS MBA JD, Non-Executive Director

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

Carl J Rooke CA FAICD, Non-Executive Director

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 former Chairman of Horwath Australia and currently holds the position of Director of BDO Kendalls (TAS) Pty Ltd. Carl is a Fellow of the Institute of Chartered Accountants and the Institute of Company Directors and brings to the group a history of successful business practice with many years of proven experience in management, accounting and finance. Carl is also Chairman of the audit and risk management committee.

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

Dave has served as a member of the board since 1991. Dave's 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 1994-1995. Since 1995 he has worked in the areas of mergers, acquisitions, sales and corporate development prior to becoming a non-executive board member in 2004. Dave is a non-executive board member of Astronomy Australia Ltd, and sits on the boards of various private companies.

The directors held no other directorships in the past 3 years other than those stated above.

Directors' report continued

Directors' interests

Directors' interest in Altium Limited at 30 June 2008 is as follows:

	Ordinary shares	Share options
Nicolas M Martin	22,524,650	-
David M Warren	5,523,000	-
Kayvan Oboudiyat	1,987,500	400,000
Carl Rooke	515,365	160,000
William A Bartee	-	80,000
Samuel S Weiss	45,000	-
André J Pravaz	20,000	-

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

Directors' meetings

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2008, and the numbers of meetings attended by each director were:

	Full meetings of directors	Meetings of committees	
		Audit and risk management	Remuneration and nomination*
Number of meetings held	8	4	3
Number of meetings attended by:			
Samuel S Weiss	8	3	3
Nicholas M Martin	8	-	-
Kayvan Oboudiyat	8	-	-
William A Bartee	7	4	3
André J Pravaz	8	2	2
Carl J Rooke	8	4	-
David M Warren	8	1**	2

- Not a member of the relevant committee.

* The nomination and remuneration committees merged on 25 February 2008, there were no meetings for the individual committees.

** David M Warren resigned as a member of the audit and risk management committee on 23 July 2007

Audit and risk management committee, the members of the committee are:

Carl J Rooke (Chairman)
Samuel S Weiss, appointed 23 July 2007
William A Bartee
André J Pravaz, appointed 25 February 2008

Remuneration and nomination committee, the members of the committee are:

William A Bartee (Chairman)
Samuel S Weiss, appointed 25 February 2008
André J Pravaz, appointed 25 February 2008
David M Warren

Remuneration report (audited)

Remuneration philosophy

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

Remuneration structure

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

Remuneration 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 also assesses the appropriateness of the nature and amount of the packages on a periodic basis by reference to relevant employment market conditions.

Non-executive remuneration

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

Remuneration of non-executive directors is determined by the board within the maximum amount of cash salary approved by the shareholders from time to time. The pool was increased to AU\$700,000 per annum and was approved in a meeting on 4 October 2007.

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

Executive remuneration

The executive pay and reward framework has three components:

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

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

Base pay

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

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

Short term incentives

Short term incentives are based on achievement of specific performance targets. Performance targets are aligned to both tactical and strategic business objectives using a mixture of quantitative and qualitative targets. Quantitative measures include sales and operating performance targets. Qualitative measures are associated with organisational and business development objectives. The percentage of total remuneration that is allocated to short term incentives varies according to the seniors executive position and range between 20% and 40% of total remuneration for achieving all targets.

Performance monitoring process

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

Long term incentives

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

Remuneration report (audited) continued

Key management personnel

The key management personnel of Altium Limited include the executive directors as per page 5 and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the company:

Emma Lo Russo	President
Darren Charles ¹	Chief Financial Officer
Anand Shankaran ²	Chief People Officer
Benjamin Wells	Director, Embedded Intelligence, Product Development
Marc Depret	Director, Unified Platform, Product Development
Jason Hingston	Associate Director, Board Implementation, Product Development
Peter Williamson ³	Director of Sales, Asia Pacific

¹ Darren Charles ceased employment on 15 August 2008

² Anand Shankaran was appointed on 1 August 2007

³ Peter Williamson ceased employment on 31 December 2007

The key management personnel of the group include the executive directors as per page 5 and the following executive officers:

Emma Lo Russo	President
Darren Charles ¹	Chief Financial Officer
Anand Shankaran ²	Chief People Officer
Gerry Gaffney ³	Senior Vice President & General Manager, Americas
Michael Stipe ⁴	Vice President, Sales, Americas
Frank Hoschar	Vice President, Sales and Support, EMEA
Peter Murman	Managing Director, Amersfoort Technology Centre
Matthew Schwaiger	Vice President, Support & Application, Americas
Jay Cao ⁵	Regional Director, China

¹ Darren Charles ceased employment on 15 August 2008

² Anand Shankaran was appointed on 1 August 2007

³ Gerry Gaffney was appointed on 11 December 2007

⁴ Michael Stipe ceased employment on 10 July 2007

⁵ Jay Cao was appointed on 15 November 2007

Service agreements

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

	Directors base fee	Base salary inclusive of superannuation	Notice period
Non-executive directors of Altium Limited			
Samuel S Weiss ¹	AU\$110,000		
William A Bartee	AU\$60,000		
André J Pravaz	AU\$60,000		
Carl J Rooke ²	AU\$70,000		
David M Warren	AU\$40,000		
Executive directors of Altium Limited			
Nicholas M Martin	AU\$40,000	AU\$319,700	-
Kayvan Oboudiyat	AU\$40,000	AU\$305,000	-
Key executives of Altium Limited (including key executives of the group)			
Emma Lo Russo		AU\$250,000	4 weeks
Darren Charles ³		AU\$240,000	-
Anand Shankaran		AU\$245,250	3 months
Benjamin Wells		AU\$220,000	5 weeks
Marc Depret		AU\$228,900	5 weeks
Jason Hingston		AU\$190,750	5 weeks
Key executives of the group			
Gerry Gaffney		US\$280,000	-
Matthew Schwaiger		US\$161,162	5 weeks
Frank Hoschar		€135,000	3 months
Peter Murman		€146,400	3 months
Jay Cao		CNY 1,440,000	30 days

¹ Samuel S Weiss was appointed as Chairman of the board on 4 October 2007

² Carl J Rooke resigned as Chairman of the board on 4 October 2007

³ Darren Charles ceased employment on 15 August 2008

The above directors and senior executives have open agreements with no fixed term.

Remuneration report (audited) continued

Amounts of remuneration

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

2008	Short-term employee benefits			Post-employment benefits	Long term benefits	Share-based payments	Performance related as a proportion of total remuneration		Options as a proportion of total remuneration
	Salary and fees	Bonus	Non-monetary benefits	Super-annuation	Long service leave	Options	Total		
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%	%
Non-executive directors of Altium Limited									
Samuel S Weiss ¹	80,675	-	-	7,261	-	-	87,936	-	-
William A Bartee	49,327	-	-	4,439	-	-	53,766	-	-
André J Pravaz	49,327	-	-	4,439	-	-	53,766	-	-
Carl J Rooke ²	70,379	-	-	-	-	-	70,379	-	-
David M Warren	32,884	-	-	2,960	-	-	35,844	-	-
	282,592	-	-	19,099	-	-	301,691	-	-
Executive directors of Altium Limited									
Nicholas M Martin	276,584	-	-	45,746	5,583	-	327,913	-	-
Kayvan Oboudiyat	217,488	-	-	102,540	5,473	-	325,501	-	-
	494,072	-	-	148,286	11,056	-	653,414	-	-
Key executives of Altium Limited (including key executives of the group)									
Emma Lo Russo ^{3*}	189,081	-	12,291	18,532	2,009	40,273	262,186	-	15%
Darren Charles ^{3*}	188,593	-	11,175	17,798	3,807	1,863	223,236	-	1%
Anand Shankaran ^{4*}	185,441	24,389	-	16,721	121	-	226,672	11%	-
Benjamin Wells [*]	166,052	3,939	11,041	16,553	6,128	1,863	205,576	2%	1%
Marc Depret [*]	166,416	3,367	-	14,977	15,522	-	200,282	2%	-
Jason Hingston	125,893	2,886	8,519	12,492	7,514	-	157,304	2%	-
Peter Williamson ⁵	90,859	20,285	-	7,303	-	3,793	122,240	17%	3%
	1,112,335	54,866	43,026	104,376	35,101	47,792	1,397,496	4%	3%
Key executives of the group									
Gerry Gaffney ^{6A}	140,975	103,986	38,416	5,694	-	-	289,071	36%	-
Michael Stipe ⁷	67,187	51,147	4,991	-	-	-	123,325	41%	-
Frank Hoschar ^A	201,514	168,750	28,370	-	-	-	398,634	42%	-
Peter Murman ^A	208,689	4,747	5,448	37,908	-	27,601	284,393	2%	10%
Matthew Schwaiger ^A	154,681	73,724	12,628	4,651	6,616	-	252,300	29%	-
Jay Cao ⁸	143,817	80,100	-	3,846	-	-	227,763	35%	-
	916,863	482,454	89,853	52,099	6,616	27,601	1,575,486	31%	2%

¹ Samuel S Weiss was appointed as Chairman to the board on 4 October 2007

² Carl J Rooke resigned as Chairman to the board on 4 October 2007

³ Darren Charles ceased employment on 15 August 2008

⁴ Anand Shankaran was appointed on 1 August 2007.

⁵ Peter Williamson ceased employment on 31 December 2007

⁶ Gerry Gaffney was appointed on 11 December 2007

⁷ Michael Stipe ceased employment on 10 July 2007.

⁸ Jay Cao was appointed on 15 November 2007

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

^{*} Denotes one of the five highest paid executives of the parent, as required to be disclosed under the *Corporations Act 2001*.

Remuneration report (audited) continued

2007	Short-term employee benefits		Post-employment benefits	Long term benefits	Share-based payments	Performance related as a proportion of total remuneration		Options as a proportion of total remuneration	
	Salary and fees US\$	Bonus US\$	Non-monetary benefits US\$	Super-annuation US\$	Long service leave US\$	Options US\$	Total US\$	%	%
Non-executive directors of Altium Limited									
Carl J Rooke	87,473	-	-	-	-	2,725	90,198	-	3%
William A Bartee	43,116	-	-	3,880	-	1,362	48,358	-	3%
André J Pravaz ¹	22,194	-	-	1,997	-	-	24,191	-	-
David M Warren	28,744	-	-	2,587	-	-	31,331	-	-
Samuel S Weiss ¹	22,194	-	-	1,997	-	-	24,191	-	-
	203,721	-	-	10,461	-	4,087	218,269	-	2%
Executive directors of Altium Limited									
Nicholas M Martin	258,480	-	-	23,263	5,435	-	287,178	-	-
Kayvan Oboudiyat	188,185	-	-	82,581	6,587	20,435	297,788	-	7%
	446,665	-	-	105,844	12,022	20,435	584,966	-	3%
Key executives of Altium Limited (including key executives of the group)									
Emma Lo Russo [^]	168,511	29,244	5,401	15,886	1,279	29,792	250,113	12%	12%
Darren Charles [^]	161,028	26,321	5,456	15,233	7,462	6,316	221,816	12%	3%
Benjamin Wells	143,516	20,474	6,686	11,931	9,421	7,525	199,553	10%	4%
Kerri-Ann Wilson ²	116,736	8,503	-	10,499	4,960	3,499	144,197	6%	2%
Marc Depret	118,902	-	-	10,701	4,143	6,812	140,558	-	5%
Jason Hingston	107,878	-	7,350	10,443	4,680	4,598	134,949	-	3%
Peter Williamson ³	98,721	25,181	-	8,885	68	7,990	140,845	18%	6%
	915,292	109,723	24,893	83,578	32,013	66,532	1,232,031	9%	5%
Key executives of the group									
Michael Stipe ^{4^}	179,079	96,473	19,337	9,975	-	7,135	311,999	31%	2%
Frank Hoschar [^]	186,322	93,362	20,259	-	-	2,399	302,342	31%	1%
Peter Murman [^]	188,644	5,016	4,614	28,107	-	7,280	233,661	2%	3%
Matthew Schwaiger	154,625	41,990	12,489	4,805	(532) ⁵	6,812	220,189	19%	3%
	708,670	236,841	56,699	42,887	(532)	23,626	1,068,191	22%	2%

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

² Kerri-Ann Wilson resigned as Chief People Officer on 1 August 2007.

³ Peter Williamson was appointed on 30 October 2006.

⁴ Michael Stipe ceased employment on 10 July 2007.

⁵ Changes in assumptions resulted in a negative expense for Matthew Schwaiger's long service leave.

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

Share-based compensation

Unissued ordinary shares of Altium Limited under option at 30 June 2008 are as follows:

Name of option plan	Exercise price of shares (AU\$) ¹	Value per option at grant date (AU\$)	Grant date	Expiry date	Number of options
Altium Employee Share Option Plan ²	0.80	0.23	5 Dec 2003	5 Dec 2008	5,907,110
Altium Director Share Option Plan ²	0.80	0.23	5 Dec 2003	5 Dec 2008	990,000
Altium Employee Share Option Plan ³	0.80	0.06	7 May 2005	7 May 2009	200,000
Altium Employee Share Option Plan ⁴	0.94	0.09	21 Feb 2006	21 Feb 2011	1,335,200
Altium Employee Share Option Plan ⁴	0.94	0.11	14 Mar 2006	14 Mar 2011	355,100
Altium Employee Share Option Plan ⁴	1.44	0.84	8 Dec 2006	8 Dec 2011	559,250
Altium Employee Share Option Plan ⁴	1.44	1.19	16 Jan 2007	16 Jan 2012	368,500
Total unissued ordinary shares of Altium Limited under option					9,715,160

¹ The exercise price of the options has been reduced in accordance with plan rules relating to the return of capital of 6 Australian cents per share paid on 19 October 2007.

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

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

⁴ Options vest in equal amounts over a four-year period from the first anniversary of the date of issue.

Remuneration report (audited) continued

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

The value of options included as remuneration for directors and executives, is valued at the date they are granted and apportioned over the vesting period. Fair values at grant date have been assessed using a derivative of the Black-Scholes option-pricing model incorporating the following factors; exercise price, stock price, expected life, volatility, risk-free rate, dividend yield and vesting period. Further information on options is set out in note 26 to the financial statements.

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

2008	Balance at 1 July 2007	Granted during the year	Exercised during the year	Expired during the year	Balance at 30 June 2008	Vested and exercisable at 30 June 2008
Directors of Altium Limited						
Kayvan Oboudiyat	400,000	-	-	-	400,000	400,000
William A Bartee	80,000	-	-	-	80,000	80,000
Carl J Rooke	160,000	-	-	-	160,000	160,000
Key management personnel of Altium Limited						
Emma Lo Russo	500,000	-	-	-	500,000	100,000
Darren Charles ¹	571,000	-	-	75,000	496,000	446,000
Benjamin Wells	521,000	-	-	150,000	371,000	321,000
Marc Depret	550,000	-	-	150,000	400,000	400,000
Jason Hingston	470,000	-	-	200,000	270,000	270,000
Peter Williamson ²	100,000	-	-	100,000	-	-
Key management personnel of the group						
Michael Stipe ³	200,000	-	-	150,000	50,000	50,000
Frank Hoschar	375,000	-	-	200,000	175,000	175,000
Peter Murman	357,500	-	-	15,750	341,750	266,750
Matthew Schwaiger	600,000	-	-	200,000	400,000	400,000

¹ Darren Charles ceased employment on 15 August 2008.

² Peter Williamson ceased employment on 31 December 2007.

³ Michael Stipe ceased employment on 10 July 2007.

2007	Balance at 1 July 2006	Granted during the year	Exercised during the year	Expired during the year	Balance at 30 June 2007	Vested and exercisable at 30 June 2007
Directors of Altium Limited						
Kayvan Oboudiyat ¹	1,200,000	-	800,000	-	400,000	400,000
William A Bartee	80,000	-	-	-	80,000	80,000
Carl J Rooke	160,000	-	-	-	160,000	160,000
Key management personnel of Altium Limited						
Emma Lo Russo	200,000	300,000	-	-	500,000	50,000
Darren Charles	571,000	-	-	-	571,000	496,000
Benjamin Wells	521,000	-	-	-	521,000	446,000
Kerri-Ann Wilson ²	270,000	-	-	80,000	190,000	152,500
Marc Depret	550,000	-	-	-	550,000	550,000
Jason Hingston	470,000	-	-	-	470,000	470,000
Peter Williamson ³	-	100,000	-	-	100,000	-
Key management personnel of the group						
Michael Stipe ⁴	200,000	-	-	-	200,000	50,000
Frank Hoschar	375,000	-	-	-	375,000	375,000
Peter Murman	415,000	100,000	-	157,500	357,500	257,500
Matthew Schwaiger	600,000	-	-	-	600,000	600,000

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

² Kerri-Ann Wilson resigned as Chief People Officer on 1 August 2007.

³ Peter Williamson was appointed on 30 October 2006.

⁴ Michael Stipe ceased employment on 10 July 2007.

Remuneration report (audited) continued

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

No options were granted or exercised by directors or key management personnel during the 2008 financial year.

Details of all options granted to or exercised by key management personnel for the year ended 30 June 2007 are set out below:

2007	Fair value at grant date US\$	Value at exercise date US\$	Date granted or exercised
Kayvan Oboudiyat	-	826,767	26 Apr 2007
Emma Lo Russo	71,011	-	8 Dec 2006
Peter Williamson	23,670	-	8 Dec 2006
Peter Murman	38,045	-	16 Jan 2007

No amounts are unpaid on any shares issued on the exercise of options.

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 financial statements.

Significant changes in the state of affairs

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

Events subsequent to balance date

No matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

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

Environmental regulation

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

Likely developments and expected results of operations

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

Insurance of officers

During the year the company paid a premium of US\$136,443 (2007: US\$123,761) to insure the directors and officers of Altium Limited and its subsidiaries. The liabilities insured are legal costs and other expenses that may be incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as directors or officers of the group.

Non-audit services

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

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

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

Directors' report continued

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

	2008 US\$	2007 US\$
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of company income tax returns	11,584	-
Tax consulting and tax advice	2,113	22,001
Related practices of PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of company income tax returns	226,611	134,156
Tax consulting and tax advice	47,454	32,297
Total remuneration for taxation services	287,762	188,454
Advisory services		
PricewaterhouseCoopers Australian firm	13,904	-
Related practices of PricewaterhouseCoopers Australian firm	22,258	-
Total remuneration for advisory services	36,162	-

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

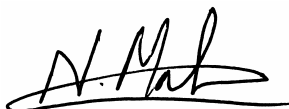
Rounding of amounts

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

Auditor

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

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



Nicholas M Martin
Director and Chief Executive Officer



Kayvan Oboudiyat
Director and Executive Vice Chairman

Sydney
21 August 2008

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Auditors' Independence Declaration

As lead auditor for the audit of *Altium Limited* for the year ended 30 June 2008, 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.



Richard Bradgate
Partner
PricewaterhouseCoopers

Sydney
21 August 2008

Corporate governance statement

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 Stock Exchange (ASX) Corporate Governance Council's best practice recommendations. Minor deviations occur only when a principle or recommendation is not appropriate for the company to incorporate.

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

The roles of the board and management

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

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

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

Board structure

The board is currently comprised of four non-executive directors and three executive directors, as follows;

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

¹ André Pravaz was appointed on the 14 August 2008 to the executive position of Global Head of Sales for the group. He will continue to serve on the Board, however in the capacity of an executive director

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

The following directors are retiring by rotation in accordance with the Constitution and ASX Listing Rules and seek re-election at the 2008 Annual General Meeting:

- Nicholas M Martin
- Carl J Rooke
- William A Bartee

Director independence

The Board believe that in order for a director to add value to the Board they need to have either knowledge of the company or the highly technical industry in which the company operates while bringing independent views and judgment to the Board's deliberations. In line with corporate governance best practice principles, the majority of the Board members are independent with four directors, including the Chairman considered independent.

Whilst the Board has not set independence materiality thresholds, they do consider 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 three executive directors, the Board currently also considers one non-executive director (David Warren) not to be independent due to his status as a substantial shareholder and his length of service as an executive to the company.

Corporate governance statement continued

Meetings of the board

The Board meets formally between six and eight times a year and on other occasions as required. Senior executives attend and make presentations at Board meetings, as considered appropriate, and are available for questioning by directors. The number of meetings attended by each director for the financial year ended 30 June 2008 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 this criteria is 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 on an ongoing basis, with regards to present and future needs of the group and makes recommendations on the Board composition and appointments.

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

Director Induction and training

Upon the appointment of a new director to the Board, they are provided with an induction manual which advises them of the company structure, products, policies, procedures and guidelines. The 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 Company Secretary, the Board supports and encourages directors to seek any relevant on-going training to further enhance their contribution to the Board. In addition training may be recommended as part of the on-going Board assessment process or by the Remuneration and Nomination Committee to further extend the skill-set of the Board.

Review of Board performance

The Board continually assesses its collective performance, the performance of the chairman and of its committees. The chairman also undertakes an on-going assessment of the performance of individual directors. Any concerns arising out of these assessments are raised with the director concerned. The Board prefers to continually monitor performance as it enables them to immediately address any issues, as and when they arise.

Board access to information and independent advice

When seeking information to enable a director to perform their duties, subject to the law, the company 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 Secretary

The Company Secretary has been appointed by the Board as the chief administrative officer of the company and the executive officer who ensures all relevant business is brought to the Board and then follows through the implementation of all Board decisions. The Company Secretary 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 Chair and Board as required;
- Supervise the issue of share and option allotment notifications;
- Liaise with the ASX and ASIC on behalf of the company.

Corporate governance statement continued

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 is reviewed on an annual basis.

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

Audit and risk management committee

The members of the Audit and Risk Management Committee at the date of this report are:

Director Name	Date Appointed
Carl J Rooke – Chairman appointed 10 Dec 2007	22 June 1999
William A Bartee	22 June 1999
Samuel S Weiss	23 July 2007
André J Pravaz	25 February 2008

The main responsibilities of the Audit and Risk Management Committee is to maintain the integrity of financial reporting and monitor the control environment for managing strategic, operation, legal, reputation and financial risks.

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 organisation's internal control environment, recommending to the Board the appointment, removal and remuneration of the external auditor, reviewing the terms of their engagement and the scope and quality of the audit and reviewing company insurance matters.

When appropriate, the Audit and Risk Management Committee may invite non committee members to attend meetings in order to provide information or advice on matters before the committee. The committee also meets from time to time with the external auditor independent of management, to encourage free and open discussion. The composition, operations and responsibilities of the committee is consistent with best practice recommendations. The number of meetings attended by each committee member for the financial year ended 30 June 2008 is outlined in the directors' report.

Financial reporting

The group's financial report preparation and approval process for the financial year ended 30 June 2008, involved both the Chief Executive Officer and Company Secretary giving a sign-off, to the best of their knowledge and belief, that :

- The group's financial report presents a true and fair view, in all material respects, of the group's financial condition and operating results and is in accordance with 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.

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 auditors' independence, performance and effectiveness on an ongoing basis. The selection and appointment of the group's external auditor is the responsibility of the Audit and Risk Management Committee.

Independence declaration

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 2008, which has been included in the directors' report.

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 2008.

Corporate governance statement continued

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\$20,000. The Audit and Risk Management Committee has also adopted guidelines to assist in identifying the types of services that may compromise the independence of the external auditor.

Attendance of external auditor at annual general meetings

PricewaterhouseCoopers is requested to attend Altium Limited's annual general meeting and to be available to answer questions in relation to the audit and audit report.

Risk identification and management

The Board, through the Audit and Risk Management Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems.

The group is committed to the identification; monitoring and management of risks associated with its business activities and is embedding 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.

The Remuneration and Nomination Committee

The Nomination and Remuneration Committees were amalgamated on the 25 February 2008 to form a new consolidated committee - The 'Remuneration and Nomination Committee'. This joint committee resulted after a review of the two committees indicated that it was unnecessarily cumbersome for the company in terms of time and resources to have two separate committees and that it would be more efficient and effective to combine them. The Board approved the amalgamation after ensuring the new committee would be adequately resourced to take on the full responsibilities for both previous committees. The new committee will be monitored to ensure it continues to fulfil its obligations. A new charter has been drafted to reflect the additional duties and responsibilities of the Remuneration and Nomination Committee.

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

Director Name	Date Appointed
William A Bartee - Chairman appointed 25 Feb 2008	22 June 1999
David M Warren	15 July 2005
Samuel S Weiss	25 February 2008
André J Pravaz	25 February 2008

The number of meetings attended by each director for the financial year ended 30 June 2008 is outlined in the directors' report.

The main responsibilities of the committee are to:

1. 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;
2. 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 Chair 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.

Corporate governance statement continued

Remuneration policies

Non-executive directors

The group's non-executive directors receive fees for their services and the reimbursement of reasonable expenses. The fees paid to the group's non-executive directors reflect the demands on, and the responsibilities of, those directors. The advice of independent remuneration consultants is taken to 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

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

A directors' fee pool limit of AU\$700,000 per annum was approved by shareholders at the 2007 annual general meeting. An annual Board review of the current levels of directors' fees determined that there would not be an increase in director fees in the current period. The directors' remuneration is outlined in the remuneration report.

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

Share trading

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

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

Continuous disclosure

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

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

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

Following recent changes to the Corporations Act 2001 after notifying shareholders last year Altium will now predominantly utilise an on-line annual report, with hard 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 Report.

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

Conduct and ethics

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

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

Altium Limited and Controlled Entities

ACN 009 568 772

Financial report

30 June 2008

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

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

A description of the group's principal activities is included in the directors' report on pages 4-13.

The financial report was authorised for issue by the directors on 21 August 2008. 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. For queries in relation to Altium's reporting please email investor.relations@altium.com.au.

Altium Limited and Controlled Entities

ACN 009 568 772

Income statements

For the year ended 30 June

	Notes	Group		Altium Limited	
		2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Revenue	4	53,073	42,424	31,511	26,811
Changes in inventories of finished goods and work in progress		486	192	475	237
Raw materials and consumables used	11	(1,948)	(1,532)	(2,011)	(2,038)
Employee benefits expense		(35,762)	(25,590)	(14,438)	(10,120)
Depreciation and amortisation expense	5	(4,431)	(4,122)	(2,999)	(2,610)
Finance costs	5	(107)	(53)	(128)	(27)
Rental expense		(2,998)	(2,297)	(1,090)	(952)
Marketing expense		(4,331)	(2,632)	(4,345)	(2,635)
Professional advice expense		(1,412)	(810)	(604)	(470)
Communication expense		(749)	(535)	(315)	(204)
Intercompany royalties		-	-	(79)	(545)
Contract research and development expense		-	-	(6,671)	(5,026)
Net foreign exchange loss	5	(389)	(420)	(544)	(741)
Other expenses		(5,112)	(3,169)	(3,951)	(1,524)
(Loss) profit before income tax		(3,680)	1,456	(5,189)	156
Income tax benefit (expense)	7	881	(448)	1,682	274
(Loss) profit attributable to members of Altium Limited		(2,799)	1,008	(3,507)	430
		US cents	US cents		
Basic earnings per share	8	(3.1)	1.1		
Diluted earnings per share	8	(3.1)	1.1		

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

Altium Limited and Controlled Entities

ACN 009 568 772

Balance sheets

As at 30 June

	Notes	Group		Altium Limited	
		2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Current assets					
Cash and cash equivalents	9	5,582	9,031	1,617	5,732
Trade and other receivables	10	16,089	14,148	6,434	8,979
Inventories	11	1,239	770	1,175	717
Current tax receivables	12	138	-	-	-
Total current assets		23,048	23,949	9,226	15,428
Non-current assets					
Trade and other receivables	10	409	277	28	1,173
Other financial assets	13	-	-	5,544	4,876
Property, plant and equipment	14	2,120	1,795	1,240	1,008
Intangible assets	15	12,294	12,708	9,797	9,374
Deferred tax assets	16	5,008	3,013	3,119	1,181
Total non-current assets		19,831	17,793	19,728	17,612
Total assets		42,879	41,742	28,954	33,040
Current liabilities					
Trade and other payables	17	4,449	3,406	5,401	4,916
Deferred revenue	18	11,420	7,731	698	244
Borrowings	19	365	331	266	233
Current tax liabilities	20	400	185	-	-
Provisions	21	1,987	1,536	1,145	894
Total current liabilities		18,621	13,189	7,510	6,287
Non-current liabilities					
Borrowings	19	536	424	258	260
Provisions	21	305	209	304	205
Total non-current liabilities		841	633	562	465
Total liabilities		19,462	13,822	8,072	6,752
Net assets		23,417	27,920	20,882	26,288
Equity					
Contributed equity	22	78,408	83,146	78,408	83,146
Reserves	23	8,913	5,879	9,059	6,220
Accumulated losses	24	(63,904)	(61,105)	(66,585)	(63,078)
Total equity		23,417	27,920	20,882	26,288

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

Altium Limited and Controlled Entities

ACN 009 568 772

Statements of changes in equity

For the year ended 30 June

	Notes	Group		Altium Limited	
		2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Total equity at 1 July		27,920	26,335	26,288	24,135
Exchange differences on translation of foreign operations	23	2,877	2,199	2,682	3,343
(Loss) profit for the year		(2,799)	1,008	(3,507)	430
Total recognised income and expense		78	3,207	(825)	3,773
Transactions with equity holders in their capacity as equity holders:					
Dividends paid	25	-	(2,652)	-	(2,652)
Return of capital	22	(4,748)	-	(4,748)	-
Employee share options	23	157	252	157	252
Issue of shares	22	10	778	10	778
Total equity at 30 June		23,417	27,920	20,882	26,288

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

Altium Limited and Controlled Entities

ACN 009 568 772

Cash flow statements

For the year ended 30 June

	Notes	Group		Altium Limited	
		2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		57,856	44,307	32,888	27,709
Payments to trade creditors, other suppliers and employees (inclusive of goods and services tax)		(54,333)	(37,016)	(34,425)	(23,688)
Interest received		282	256	357	409
Interest paid		(107)	(53)	(128)	(27)
Net income taxes (paid) received		(664)	(693)	145	(53)
Net cash inflows (outflows) from operating activities	31	3,034	6,801	(1,163)	4,350
Cash flows from investing activities					
Payments for research and development		(1,620)	(571)	(1,500)	(431)
Payments for property, plant and equipment		(723)	(670)	(422)	(342)
Proceeds from sale of property, plant and equipment		-	5	11	4
Payments for shares in controlled entities		-	-	(17)	(58)
Amounts granted to related parties		(40)	-	-	-
Repayment of amounts due by related parties		-	-	3,290	-
Net cash (outflows) inflows from investing activities		(2,383)	(1,236)	1,362	(827)
Cash flows from financing activities					
Proceeds from issues of shares		10	767	10	778
Proceeds from borrowings		-	-	-	432
Repayment of borrowings		(443)	(204)	(249)	(148)
Return of capital		(4,748)	-	(4,748)	-
Dividend paid		-	(2,652)	-	(2,652)
Net cash outflows from financing activities		(5,181)	(2,089)	(4,987)	(1,590)
Net (decrease) increase in cash held		(4,530)	3,476	(4,788)	1,933
Cash at beginning of the financial year		9,031	4,636	5,732	3,002
Effects of exchange rate changes on cash		1,081	919	673	797
Cash at end of the financial year	9	5,582	9,031	1,617	5,732
Non-cash financing and investing activities	31				

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

Notes to the financial statements

1. Summary of significant accounting policies

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

a) Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Altium Limited as at 30 June 2008 and the results of all subsidiaries for the year then ended. Altium Limited and its subsidiaries together are referred to in this financial report as the group.

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

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

c) Presentation currency

The presentation currency of the group has changed from Australian dollar to US dollar in 2008. The comparatives have been restated accordingly.

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.

d) Foreign currency translation

(i) Functional currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Summary of significant accounting policies continued

(iii) *Group companies*

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

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

e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group and specific criteria have been met for each of the group's activities as described below.

Revenue is recognised for the major business activities as follows:

- 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.
- Support and assurance* - revenue recognition is deferred and taken to the income statement over the period in which the service is provided.
- Training services* - revenue is recognised at the time the service is provided.
- Projects* - for fixed price contracts, the stage of completion is measured by reference to services performed to date as a percentage of total services to be performed. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus time spent on each contract.
- Hardware* – revenue is recognised when hardware has been despatched to a customer pursuant to a sales order and the associated risks have passed to the customer.
- 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.

f) Income tax

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

Deferred 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 the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Summary of significant accounting policies continued

g) Impairment of assets

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

h) Leases

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

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

i) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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.

j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

k) Trade receivables

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

Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. Collectibility 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. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

Summary of significant accounting policies continued

l) Inventories

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

m) Investments and other financial assets

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

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

n) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Plant and equipment is depreciated and leasehold improvements are amortised over their estimated useful lives using the straight-line method. Assets held under finance lease are depreciated over their expected useful lives as owned assets or, where shorter, the term of the relevant lease.

The expected useful lives of the assets are as follows:

Office equipment	3 – 5 years
Computer hardware and software	2 – 3 years
Leasehold improvements	5 years

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

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

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

o) Intangible assets

(i) *Acquired technology and licenses*

Acquisition costs of software licenses, customer lists and copyrights are amortised on a straight-line basis over the period for which the right is acquired or the period over which economic benefits are expected to arise. These periods vary from 3 to 10 years, starting from the date of commercial release.

(ii) *Software developed for internal use*

Costs relating to software developed for internal use have been capitalised and are being amortised over its estimated useful life using the straight line method. Software developed for internal use is presently being amortised over 3 years. Costs capitalised include labour and other directly attributable costs.

Summary of significant accounting policies continued

p) Research and development expenditure

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

Expenditure on development activities is charged to operating profit before income tax as incurred, or deferred where these costs are directly associated with either integration of acquired technology or the development of new technology and it is determined that the technology has reached technological feasibility. Costs are deferred to future periods to the extent that they are expected beyond any reasonable doubt to be recoverable. The costs capitalised comprises of 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 3 to 10 years.

q) Trade and other payables

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

r) Finance costs

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

s) Employee benefits

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

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

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Share-based payments*

Share-based compensation benefits are provided to employees via the Altium Option Plan, Directors' Plan, Altium Employee Share Option Plan and Altium Director Share Option Plan. Information relating to these schemes is set out in note 26.

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

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

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 income statement with a corresponding adjustment to equity.

(iv) *Bonus plans*

The expected cost of bonus payments is recognised when there is a legal or constructive obligation to make such payments as a result of past performance and the obligation can be measured reliably.

Summary of significant accounting policies continued

t) 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.

u) Earnings per share

(i) *Basic earnings per share*

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

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

v) Segment reporting

AASB 8 'Operating Segments' was early adopted by the group in 2008. AASB 8 replaces AASB 114 'Segment reporting' and aligns segment reporting with the requirements of the US standards SFAS 131 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change in the reportable segments presented. There has been no impact on the measurement of the group's assets and liabilities. Comparatives for 2007 have been restated.

An operating segment is a component of an entity that engages in business activities whose results are reviewed regularly and for which discrete financial information is available. Operating segments are identified using internal reports reviewed by the chief operating decision makers who are evaluating segment performance and deciding how to allocate resources op operating segments.

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

w) Rounding of amounts

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

x) Dividends

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

y) Goods and services tax (GST)

Goods and services tax include other similar taxes used worldwide.

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Notes to the financial statements continued

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.

z) New accounting standards and interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101. A revised AASB101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements

Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This will be a change to the Group's current accounting policy which is to expense all borrowing costs as incurred. The Group will apply the revised AASB 123 from 1 July 2009 and capitalise its borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after this date. The impact on the financial statements will depend on the amount of qualifying assets and related borrowing costs in the first year of application. Had the revised standard been applied in the current financial year there would have been no P&L impact as the group had incurred no borrowing costs in relation to qualifying assets

2. Critical accounting estimates and judgements

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

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

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

- (i) *Impairment tests of assets and intangibles*
Impairment tests are only conducted if there is an impairment indicator. Future cash flows are based on management's estimate of future market value conditions. These cash flows are then discounted and compared to the current carrying value, and if lower, the asset is impaired to the present value of the cash flows. Impairment tests are based on information available at the time of testing. These conditions may change after year end.
- (ii) *Estimate of asset lives, residual lives and depreciation methods*
Property, plant and equipment are depreciated over their useful lives taking into account residual values. Intangible assets are amortised over their useful lives. Useful lives are affected by technology innovations. Future market conditions determine residual values. Depreciation and amortisation is calculated on a straight-line basis which may not represent the actual usage of the asset.
- (iii) *Valuation of share-based payments*
The group has various share option schemes. The fair value of these schemes is determined at inception based on assumptions of market conditions and discount rates. The market conditions at inception may differ significantly to the eventual outcome.
- (iv) *Tax losses*
The group has recognised deferred tax assets for unused tax losses where it is considered probable that future taxable amounts will be available to utilise these losses.

Notes to the financial statements continued

3. Segment information

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 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;
- China – comprises the sales of products throughout China; and
- Asia Pacific – comprises the sales of products throughout Asia (ex-China), Australia and New Zealand.

Global functions, including research and development, are included in the 'Others' column. Sales and revenue in this segment relates to consulting services, which are included as a recovery of research and development costs in the reports provided to the Board and Executive.

Segment information provided to the Board and Executive

The segment information provided to the Board and Executive for the reportable segments for the year ended 30 June 2008 is as follows:

	Americas US\$'000	EMEA US\$'000	China US\$'000	Asia Pacific US\$'000	Others US\$'000	Total US\$'000
Revenue from external customers	19,870	19,262	5,993	6,659	980	52,764
Segment sales	21,293	20,225	6,034	7,397	890	55,839
Adjusted operating profit	10,121	11,786	3,949	2,553	(25,521)	2,888
Depreciation	195	110	22	74	657	1,058
Total segment assets	8,229	8,904	1,739	6,346	12,515	37,733
Total segment liabilities	6,678	5,317	208	2,988	2,970	18,161

The segment information provided to the Board and Executive for the reportable segments for the year ended 30 June 2007 is as follows:

	Americas US\$'000	EMEA US\$'000	China US\$'000	Asia Pacific US\$'000	Others US\$'000	Total US\$'000
Revenue from external customers	17,539	14,284	3,433	5,855	1,025	42,136
Segment sales	19,805	15,096	3,453	6,632	757	45,743
Adjusted operating profit	10,975	8,979	2,047	3,845	(17,493)	8,353
Depreciation	105	114	17	394	83	713
Total segment assets	5,954	6,813	945	4,781	20,236	38,729
Total segment liabilities	5,317	3,631	98	1,021	2,815	12,882

Notes to the financial statements continued

Other segment information

Segment sales and segment revenue

Sales between segments are excluded from the segment information and do not form part of the reports used by the Board and Executive. Segment sales is the measure used by the Board and Executive and consists of the following amounts invoiced for:

- Software despatched to a customer;
- Support and assurance contracts invoiced pursuant to a sales order; and
- Training services invoiced pursuant to a sales order.

Segment revenue is the revenue recognised as per *AASB 118 Revenue* and consists of the following:

- Software despatched to a customer where the associated risks have passed to the customer;
- Support and assurance services performed during the period; and
- Training services performed during the period.

Segment sales reconciles to total revenue as follows:

	Group	
	2008	2007
	US\$'000	US\$'000
Total segment sales	55,839	45,743
Net adjustment for deferred revenue recognition	(3,075)	(3,607)
Total segment revenue	52,764	42,136
Interest revenue	282	256
Other revenue	27	32
Total revenue	53,073	42,424

The entity is domiciled in Australia. The revenue derived from external customers in Australia is US\$2,134,000 (2007: US\$1,778,000), and the total revenue derived from external customers from other countries is US\$50,630,000 (2007: US\$40,358,000).

Revenues of US\$17,826,000 were derived from the United States (2007: US\$15,985,000) and revenues of US\$8,971,000 from Germany (2007: US\$7,520,000). Segment revenues are allocated based on the country in which the customer is located.

Adjusted operating profit

The Board and Executive assess the performance of the operating segments using an adjusted operating profit measure. This measure incorporates segment sales (as described above), excludes non-cash expenses, including amortisation and share based payments, non-recurring expenditure and unrealised gains and losses.

Adjusted operating profit reconciles to (loss) profit before income tax as follows:

Adjusted operating profit	2,888	8,353
Net adjustment for deferred revenue recognition	(3,075)	(3,607)
Amortisation	(3,373)	(3,409)
Share based payments expense	(157)	(249)
Other	37	368
(Loss) profit before income tax	(3,680)	1,456

Segment assets

Amounts provided to the Board and Executive in relation to assets are measured in a manner consistent with the financial statements. Assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

Segment assets	37,733	38,729
Unallocated:		
Current tax	138	-
Deferred tax	5,008	3,013
Total assets as per the balance sheet	42,879	41,742

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is US\$11,037,000 (2007: US\$10,382,000), and the total of these non-current assets located in other countries is US\$3,377,000 (2007: US\$4,121,000). Segment assets are allocated based on the country in which the asset is located.

Notes to the financial statements continued

Segment liabilities

Amounts provided to the Board and Executive in relation to liabilities are measured in a manner consistent with the financial statements. Liabilities are allocated based on the operations of the segment.

The group's interest bearing liabilities are not considered to be segment liabilities as they are managed by the treasury function.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Group	
	2008	2007
	US\$'000	US\$'000
Segment liabilities	18,161	12,882
Unallocated:		
Current tax	400	185
Current borrowings	365	331
Non-current borrowings	536	424
Total liabilities as per the balance sheet	19,462	13,822

	Group		Altium Limited	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
4. Revenue				
Revenue				
Software license revenue	34,734	30,308	8,627	6,843
Support and assurance revenue	14,363	9,488	629	271
Other revenue	3,667	2,340	619	414
Intercompany revenue	-	-	21,257	18,848
	52,764	42,136	31,132	26,376
Other revenue				
Interest	282	256	262	241
Intercompany interest	-	-	95	168
Other	27	32	22	26
	309	288	379	435
Total revenue	53,073	42,424	31,511	26,811

5. Expenses

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

Cost of revenue				
Goods	2,073	1,674	1,963	1,939
Services	245	301	30	32
Total costs of revenue	2,318	1,975	1,993	1,971
Net foreign exchange losses	389	420	544	741
Depreciation				
Plant and equipment	527	402	270	177
Leasehold improvements	87	58	38	22
Plant and equipment under finance leases	444	253	297	169
Total depreciation	1,058	713	605	368
Amortisation				
Technology acquisitions and licenses	1,783	2,023	1,494	1,594
Capitalised research and development	1,590	1,334	900	440
Internally developed information systems	-	52	-	208
Total amortisation	3,373	3,409	2,394	2,242

Notes to the financial statements continued

	Group		Altium Limited	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
Loss (gain) on sale of non-current assets	5	(5)	5	(4)
Other charges against assets				
Write down of inventories to net realisable value	46	195	46	192
Bad and doubtful debts	60	331	61	32
Write down of loans receivable to fair value	368	-	368	-
Finance costs				
Interest paid/payable	3	5	83	2
Finance charges relating to finance leases	104	48	45	25
Total finance costs	107	53	128	27
Operating leases				
Rental expense	2,449	2,393	872	942
Equipment	35	31	8	21
Total cost of operating leases	2,484	2,424	880	963
Defined contribution superannuation expense	1,923	1,274	1,151	739
Research and development costs incurred	10,069	7,743	11,391	8,660
Less: development costs capitalised	(1,620)	(529)	(1,619)	(529)
Research and development costs expensed	8,449	7,214	9,772	8,131

6. Remuneration of auditors

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

Assurance services

Audit and review of financial reports and other audit work under the *Corporations Act 2001*

PricewaterhouseCoopers Australian firm	278,679	213,055	278,679	213,055
Related practices of PricewaterhouseCoopers Australian firm	76,260	17,827	9,408	-
Non-PricewaterhouseCoopers audit firm	5,553	10,198	3,067	8,100
Total remuneration for assurance services	360,492	241,080	291,154	221,155

Taxation services

PricewaterhouseCoopers Australian firm:

Tax compliance services, including review of company income tax returns	11,584	-	11,584	-
Tax consulting and tax advice	2,113	22,001	2,113	22,001
Related practices of PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of company income tax returns	226,611	134,156	786	-
Tax consulting and tax advice	47,454	32,297	8,349	662
Total remuneration for taxation services	287,762	188,454	22,832	22,663

Advisory services

PricewaterhouseCoopers Australian firm	13,904	-	13,904	-
Related practices of PricewaterhouseCoopers Australian firm	22,258	-	-	-
Total remuneration for advisory services	36,162	-	13,904	-

From time to time the company will employ accountants to provide consulting services. The group has a policy of seeking competitive tender for all major projects. The annual audit fee for the group is approved by the audit and risk management committee.

Notes to the financial statements continued

7. Income Tax

(a) Income tax expense (benefit)

	Group 2008 US\$'000	Group 2007 US\$'000	Altium Limited 2008 US\$'000	Altium Limited 2007 US\$'000
Current tax	677	707	-	37
Deferred tax	(1,521)	(281)	(1,641)	(291)
Adjustments in respect of current income tax of prior years	(37)	22	(41)	(20)
	(881)	448	(1,682)	(274)

Deferred income tax benefit included in income tax benefit comprises:

Increase in deferred tax assets (note 16)	(1,556)	(92)	(1,641)	(291)
Increase (decrease) in deferred tax liabilities (note 16)	35	(189)	-	-
	(1,521)	(281)	(1,641)	(291)

(b) Numerical reconciliation of income tax (benefit) expense to prima facie tax payable

(Loss) profit from ordinary activities before income tax expense	(3,680)	1,456	(5,189)	156
Income tax calculated at 30%	(1,104)	437	(1,557)	47

Tax effect of amounts which are not deductible (taxable) in calculating taxable income:

Research and development concession	(443)	(362)	(443)	(362)
Intellectual property amortisation	159	233	15	27
Share-based payments	20	68	17	61
Impairment of loans	116	-	116	-
Sundry items	193	(154)	211	(27)
	(1,059)	222	(1,641)	(254)

Adjustments in respect of current income tax of prior years	(37)	22	(41)	(20)
Effects of changes in income tax rates	75	-	-	-
Effects of different rates of tax on overseas income	140	204	-	-
Aggregate income tax (benefit) expense	(881)	448	(1,682)	(274)

(c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	5,207	3,423	-	-
Potential tax benefit	1,328	1,198	-	-

Evidence supporting the recognition of the net deferred tax asset of US\$5,008,000 (group) and US\$3,013,000 (parent company) includes the following:

- there is no expiry date under current tax legislation for the tax losses that are recognised as a deferred tax asset, and
- profitable trading performance of the group in 2006 and 2007, and
- 2008 saw a significant one off investment in increased headcount, and
- future profit projections indicate it is probable that the deferred tax asset will be recovered.

The benefit for tax losses will only be obtained if:

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

8. Earnings per share

	Group 2008 US cents	Group 2007 US cents
Basic earnings per share	(3.1)	1.1
Diluted earnings per share	(3.1)	1.1

Notes to the financial statements continued

	Group	
	2008 Number	2007 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	89,159,502	88,269,795
Adjustment for share options for the calculation of diluted earnings per share	-	417,564
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	89,159,502	88,687,359

	Group	
	2008 US\$'000	2007 US\$'000
Earnings used for basic and diluted earnings per share	(2,799)	1,008
(Loss) profit per income statement	(2,799)	1,008

Information concerning the classification of securities

Options granted under the Altium Option Plan, Altium Employee Share Option Plan, the Directors' Option Plan and the Altium Director Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that the current share price is greater than the exercise price of the outstanding options. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 26.

For the year ended 30 June 2007, all options were anti dilutive and were not included in the calculation of diluted earnings per share.

	Group		Altium Limited	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000

9. Cash and cash equivalents

Cash at bank and on hand	5,582	9,031	1,617	5,732
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10. Trade and other receivables

Current

Trade receivables	15,143	13,343	5,908	6,143
Less: provision for impairment	(365)	(393)	(79)	(94)
	14,778	12,950	5,829	6,049
Prepayments	570	469	155	217
Amounts due from subsidiaries ¹	-	-	-	2,089
Other receivables	386	138	95	33
Loans to key management personnel (net of provision) ²	202	450	202	450
Employee loans (net of provision) ³	153	141	153	141
	16,089	14,148	6,434	8,979

Non-current

Amounts due from subsidiaries ¹	-	-	-	1,146
Long term deposits	409	277	28	27
	409	277	28	1,173

At 30 June 2008, a portion of the receivables was past due but not considered impaired. No specific collection issues have been identified. The aging of these receivables is as follows:

1 month or less past due	3,127	2,378	824	1,219
Between 1 and 2 months past due	738	390	403	103
Over 2 months past due	1,006	1,483	709	806
	4,871	4,251	1,936	2,128

Notes to the financial statements continued

	Group		Altium Limited	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
Movements in the provision for impairment of receivables are as follows:				
Balance at 1 July	(393)	(132)	(94)	(55)
Amounts recognised as an expense	(60)	(331)	(61)	(32)
Amounts written off as uncollectable	117	84	88	-
Translation differences	(29)	(14)	(12)	(7)
Balance at 30 June	(365)	(393)	(79)	(94)

The loss has been included in other expenses in the income statement. Amounts are written off when all avenues for collection have been exhausted and there is no expectation of recovery.

Movements in the provision for impairment of loans to key management personnel are as follows:

Balance at 1 July	(47)	(73)	(47)	(73)
Amounts recognised as an expense	(321)	35	(321)	35
Translation differences	(4)	(9)	(4)	(9)
Balance at 30 June	(372)	(47)	(372)	(47)

Movements in the provision for impairment of employee loans are as follows:

Balance at 1 July	(7)	(19)	(7)	(19)
Amounts recognised as an expense	(9)	14	(9)	14
Translation differences	-	(2)	-	(2)
Balance at 30 June	(16)	(7)	(16)	(7)

¹ For terms and conditions of amounts due from subsidiaries refer to note 29.

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

³ The loans advanced are charged at the "benchmark interest rate" under the *Fringe Benefits Tax Assessment Act 1986 (Cwith)* as at 30 June 2008 being 9.00% p.a. (2007: 8.05%). The above unsecured loans are for a five year term or repayable within thirty days of separation. During the year repayments of US\$38,983 (2007: US\$126,514) 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 there is an impairment to the carrying value, the loan is written down to the realisable value.

11. Inventories

Finished goods	155	466	131	414
Raw materials	1,084	304	1,044	303
	1,239	770	1,175	717

Inventories recognised as an expense during the year ended 30 June 2008 amounted to US\$1,901,958 (2007:US\$1,337,383). Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2008 amounted to US\$45,786 (2007:US\$194,762). The expense has been included in raw materials and consumables used in the income statement.

12. Current tax receivables

Income tax	138	-	-	-
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13. Other financial assets

	Altium Limited	
	2008	2007
	US\$'000	US\$'000
Shares in subsidiaries	5,544	4,876

Investments in controlled entities comprise:

Name of entity	Country of incorporation	Equity holding		Investment in subsidiary	
		2008	2007	2008	2007
		%	%	US\$'000	US\$'000
Altium Netherlands BV - at recoverable amount	Netherlands	100	100	1,883	1,662
- Altium BV ¹ - at recoverable amount	Netherlands	100	100	-	-
- Altium Limited (UK)	UK	100	100	-	-
Altium Inc - at recoverable amount	USA	100	100	-	-
Altium Europe GmbH	Germany	100	100	3,280	2,895
Protel AG	Switzerland	100	100	96	85
Altium Japan KK	Japan	100	100	109	96
Altium Information Technology (Shanghai) Co. Ltd	China	100	100	176	138

¹ Altium Limited holds 37.4% (2007: 37.4%) of shares in Altium BV directly. The remaining 62.6% (2007: 62.6%) is held indirectly through Altium Netherlands BV.

Notes to the financial statements continued

	Group		Altium Limited	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
14. Property, plant and equipment				
Plant and equipment at cost	1,925	1,506	1,014	724
Less: accumulated depreciation	(932)	(651)	(424)	(292)
	993	855	590	432
Leasehold improvements at cost	448	380	226	142
Less: accumulated depreciation	(182)	(185)	(97)	(49)
	266	195	129	93
Leased plant and equipment	1,252	1,221	790	793
Less: accumulated amortisation	(391)	(476)	(269)	(310)
	861	745	521	483
Total property, plant and equipment	2,120	1,795	1,240	1,008

Reconciliations

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

Group	Plant and equipment US\$'000	Leasehold improvements US\$'000	Leased plant and equipment US\$'000	Total US\$'000
Carrying amount at 1 July 2006	626	160	311	1,097
Additions	579	90	658	1,327
Translation differences	52	3	29	84
Depreciation expense (note 5)	(402)	(58)	(253)	(713)
Carrying amount at 30 June 2007	855	195	745	1,795
Additions	589	134	517	1,240
Disposals	(41)	-	(14)	(55)
Reclassification	8	-	(8)	-
Translation differences	109	24	65	198
Depreciation expense (note 5)	(527)	(87)	(444)	(1,058)
Carrying amount at 30 June 2008	993	266	861	2,120
Altium Limited	Plant and equipment \$'000	Leasehold improvements \$'000	Leased plant and equipment \$'000	Total \$'000
Carrying amount at 1 July 2006	253	66	205	524
Additions	303	39	375	717
Translation differences	53	10	72	135
Depreciation expense (note 5)	(177)	(22)	(169)	(368)
Carrying amount at 30 June 2007	432	93	483	1,008
Additions	363	59	285	707
Disposals	-	-	(15)	(15)
Translation differences	65	15	65	145
Depreciation expense (note 5)	(270)	(38)	(297)	(605)
Carrying amount at 30 June 2008	590	129	521	1,240

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

Notes to the financial statements continued

	Group		Altium Limited	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
15. Intangible assets				
Internally generated intangibles at cost	13,932	11,462	7,992	5,521
Less: accumulated amortisation	(7,940)	(5,992)	(3,485)	(2,227)
	5,992	5,470	4,507	3,294
Other acquired intangibles at cost	16,388	14,434	12,783	11,283
Less: accumulated amortisation	(10,086)	(7,196)	(7,493)	(5,203)
	6,302	7,238	5,290	6,080
Total intangible assets	12,294	12,708	9,797	9,374

Reconciliations

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

Group	Internally generated intangibles US\$'000	Other acquired intangibles US\$'000	Total US\$'000
Carrying amount at 1 July 2006	5,865	8,214	14,079
Additions	529	-	529
Translation differences	462	1,047	1,509
Amortisation expense (note 5)	(1,386)	(2,023)	(3,409)
Carrying amount at 30 June 2007	5,470	7,238	12,708
Additions	1,620	-	1,620
Translation differences	492	847	1,339
Amortisation expense (note 5)	(1,590)	(1,783)	(3,373)
Carrying amount at 30 June 2008	5,992	6,302	12,294

Altium Limited	Internally generated intangibles US\$'000	Other acquired intangibles US\$'000	Total US\$'000
Carrying amount at 1 July 2006	2,947	6,728	9,675
Additions	529	-	529
Translation differences	467	945	1,412
Amortisation expense (note 5)	(648)	(1,594)	(2,242)
Carrying amount at 30 June 2007	3,295	6,079	9,374
Additions	1,620	-	1,620
Translation differences	492	705	1,197
Amortisation expense (note 5)	(900)	(1,494)	(2,394)
Carrying amount at 30 June 2008	4,507	5,290	9,797

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

Impairment test for intangible assets

The recoverable amount of the group's intangible assets has been assessed based on value-in-use calculations. The calculations use cash flow projections based on actual results achieved for 2008. Future cash flows have been extrapolated using average sales growth rates of 10.0% per annum and average cost growth rates of 4.0% per annum. The annual growth rate used for sales extrapolation is significantly less than the current annual sales growth rate. A pre-tax discount rate of 13.76% is applied to pre-tax cash flow projections.

Notes to the financial statements continued

16. Deferred tax

Group	Assets		Liabilities		Net	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Property, plant and equipment	166	136	-	-	166	136
Intangible assets	341	240	2,886	2,741	(2,545)	(2,501)
Finance leases	14	19	-	-	14	19
Foreign currency revaluations	85	222	33	71	52	151
Employee benefits	625	457	3	3	622	454
Provisions	255	143	-	-	255	143
Tax losses	4,410	2,377	-	-	4,410	2,377
Foreign tax credits	2,034	2,236	-	2	2,034	2,234
	7,930	5,830	2,922	2,817	5,008	3,013
Set-off (pursuant to set-off provisions)	(2,922)	(2,817)	(2,922)	(2,817)	-	-
	5,008	3,013	-	-	5,008	3,013
Deferred tax to be recovered after 12 months	6,146	3,825	2,886	2,741	3,260	1,084
Deferred tax to be recovered within 12 months	1,784	2,005	36	76	1,748	1,929
	7,930	5,830	2,922	2,817	5,008	3,013

Movement in temporary differences during the year

Balance at 1 July	3,013	2,960	-	-		
Translation differences	439	(39)	(35)	189		
Charged to the income statement	1,556	92	35	(189)		
Balance at 30 June	5,008	3,013	-	-		

Altium Limited	Assets		Liabilities		Net	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Property, plant and equipment	53	54	-	-	53	54
Intangible assets	-	-	2,886	2,741	(2,886)	(2,741)
Finance leases	14	17	-	-	14	17
Foreign currency revaluations	85	222	12	21	73	201
Employee benefits	435	330	-	-	435	330
Provisions	99	59	-	-	99	59
Tax losses	4,303	2,055	-	-	4,303	2,055
Foreign tax credits	1,028	1,206	-	-	1,028	1,206
	6,017	3,943	2,898	2,762	3,119	1,181
Set-off (pursuant to set-off provisions)	(2,898)	(2,762)	(2,898)	(2,762)	-	-
	3,119	1,181	-	-	3,119	1,181
Deferred tax to be recovered after 12 months	4,599	2,654	2,886	2,741	1,713	(87)
Deferred tax to be recovered within 12 months	1,418	1,289	12	21	1,406	1,268
	6,017	3,943	2,898	2,762	3,119	1,181

Movement in temporary differences during the year

Balance at 1 July	1,181	820	-	-		
Translation differences	297	70	-	-		
Charged to the income statement	1,641	291	-	-		
Balance at 30 June	3,119	1,181	-	-		

Notes to the financial statements continued

	Group		Altium Limited	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
17. Trade and other payables				
Trade payables	1,764	1,682	1,859	2,030
Amounts due to subsidiaries ¹	-	-	2,537	2,137
Other payables	2,685	1,724	1,005	749
	4,449	3,406	5,401	4,916

¹ For terms and conditions of amounts due to subsidiaries refer to note 29.

18. Deferred Revenue

Deferred support and assurance contract revenue	10,215	6,874	640	183
Deferred software license and hardware revenue	809	28	38	6
Other deferred revenue	396	829	20	55
	11,420	7,731	698	244

19. Borrowings

Current

Lease liabilities (note 27)	365	331	266	233
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Non-current

Lease liabilities (note 27)	536	424	258	260
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The lease liability consists of finance leases for plant and equipment. Leases due within one year have a weighted average interest rate of 7.58% (2007: 9.75%).

20. Current tax liabilities

Income tax	400	185	-	-
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21. Provisions

Current

Employee entitlements	1,987	1,536	1,145	894
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Non-current

Employee entitlements	305	209	304	205
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22. Contributed equity

	2008	2007	2008	2007
	Number	Number	\$'000	\$'000
Share capital				
Fully paid ordinary shares	89,162,009	89,147,009	78,408	83,146

	Altium Limited			
	2008		2007	
	Number of shares	US\$'000	Number of shares	US\$'000
Movements in ordinary share capital				
Balance at 1 July 2007	89,147,009	83,146	88,049,459	82,368
Share options exercised	15,000	10	1,097,550	778
Return of capital	-	(4,748)	-	-
Balance at 30 June 2008	89,162,009	78,408	89,147,009	83,146

A return of capital of 6 Australian dollar cents per share was paid on 19 October 2007

Notes to the financial statements continued

Ordinary shares

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

Options

Information relating to the Altium Option Plan, Altium Employee Share Option Plan, Directors' Option Plan and Altium Director Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 26.

23. Reserves

Share-based payments reserve

	Group		Altium Limited	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 July	1,107	855	1,107	855
Option expense	157	252	157	252
Balance at 30 June	1,264	1,107	1,264	1,107

Foreign currency translation reserve

Balance at 1 July	4,772	2,573	5,113	1,770
Currency translation differences arising during the year	2,877	2,199	2,682	3,343
Balance at 30 June	7,649	4,772	7,795	5,113

Nature and purpose of reserves

Share-based payments reserve

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

Foreign currency translation reserve

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

24. Accumulated losses

Accumulated losses at 1 July	(61,105)	(59,461)	(63,078)	(60,856)
(Loss) profit attributable to members of Altium Limited	(2,799)	1,008	(3,507)	430
Dividends paid	-	(2,652)	-	(2,652)
Accumulated losses at 30 June	(63,904)	(61,105)	(66,585)	(63,078)

25. Dividends

Ordinary Shares

Final unfranked dividend for the year ended 30 June 2006 of 4 Australian cents per share declared on 21 August 2006 and paid on 25 September 2006.

Altium Limited	
2008	2007
US\$'000	US\$'000
-	2,652

Notes to the financial statements continued

26. Share-based payments

The company has the following share option plans:

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

Altium Option Plan

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

All exercisable options issued under this plan have expired as at 30 June 2008 (2007: 2,549,040 outstanding). The options granted under the Altium Option Plan vest in equal amounts over a four-year period from the first anniversary date of issue. Each option is convertible into one ordinary share. Conversion can occur no earlier than the first anniversary of the date on which the options were granted. The exercise price payable upon conversion is fixed.

Altium Employee Share Option Plan

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

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

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

A total of 8,725,160 options (2007: 9,279,960) are outstanding under the plan to eligible employees as at 30 June 2008. Each option is convertible into one ordinary share. Conversion can occur no earlier than the first anniversary of the date on which the options were granted.

Directors' Option Plan

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

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

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

All exercisable options issued under this plan have expired.

Altium Director Share Option Plan

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

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

Notes to the financial statements continued

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

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

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

Group and Altium Limited 2008

Grant date	Expiry date	Exercise price AU\$	Balance at 1 July 2007 ¹	Granted	Exercised	Forfeited	Lapsed	Balance at 30 June 2008 ¹	Options vested and exercisable
10 Jul 2002	10 Jul 2007	1.17	400,000	-	-	-	(400,000)	-	-
23 Oct 2002	23 Oct 2007	1.28 ^a	1,914,650	-	-	-	(1,914,650)	-	-
30 Oct 2002	30 Oct 2007	1.28 ^a	7,400	-	-	-	(7,400)	-	-
11 Nov 2002	11 Nov 2007	1.28 ^a	16,940	-	-	-	(16,940)	-	-
19 Nov 2002	19 Nov 2007	1.28 ^a	169,550	-	-	(1,930)	(167,620)	-	-
27 Nov 2002	27 Nov 2007	1.28 ^a	40,500	-	-	-	(40,500)	-	-
5 Dec 2003	5 Dec 2008	0.80 ^a	6,059,910	-	(15,000)	(137,800)	-	5,907,110	5,907,110
5 Dec 2003	5 Dec 2008	0.80 ^a	990,000	-	-	-	-	990,000	990,000
7 May 2005	7 May 2009	0.80 ^a	200,000	-	-	-	-	200,000	200,000
21 Feb 2006	21 Feb 2011	0.94 ^a	1,370,200	-	-	(35,000)	-	1,335,200	680,100
14 Mar 2006	14 Mar 2011	0.94 ^a	556,100	-	-	(201,000)	-	355,100	202,540
8 Dec 2006	8 Dec 2011	1.44 ^a	715,250	-	-	(156,000)	-	559,250	142,439
16 Jan 2007	16 Jan 2012	1.44 ^a	378,500	-	-	(10,000)	-	368,500	92,125
Total			12,819,000	-	(15,000)	(541,730)	(2,547,110)	9,715,160	8,214,314
Weighted average exercise price (AU\$)			1.03	-	0.86	1.09	1.28	0.90	

^a The exercise price of the options has been reduced in accordance with plan rules relating to the return of capital of 6 Australian cents per share paid on 19 October 2007.

Group and Altium Limited 2007

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

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

The weighted average contractual life of the options is 1.12 years (2007: 1.81 years).

The market price per ordinary share at 30 June 2008 was AU\$0.55 (2007: AU\$1.25).

Notes to the financial statements continued

Fair value of options granted

No options were granted in the year ended 30 June 2008.

For the options granted in the year ended 30 June 2007 fair values at grant date have been assessed using a derivative of the Black-Scholes option-pricing model including the following factors; the exercise price, stock price, expected life, volatility, risk-free rate, dividend yield and vesting period. Key assumptions adopted for valuing options as at the date of issue are summarised below:

Grant date	Exercise price AU\$	Share price at grant date AU\$	Expected price volatility %	Expected life of option Years	Risk-free interest rate %	Fair value AU\$
16 Jan 2007	1.50	1.19	67	5	6.13 - 6.26	0.67

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

Expenses arising from share-based payment transactions

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

	Group		Altium Limited	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Options issued under employee option plans	157	252	157	252

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

27. Commitments for expenditure

Lease commitments

Operating leases

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

Within one year	2,660	1,922	810	662
Later than 1 year but not later than 5 years	3,182	2,753	152	39
	5,842	4,675	962	701

Representing:

Non-cancellable operating leases	5,842	4,675	962	701
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Finance leases

Commitments to purchase equipment in relation to finance leases are payable as follows:

Not later than one year	437	391	300	266
Later than 1 year but not later than 5 years	600	476	276	279
Minimum lease payments	1,037	867	576	545
Less: future finance charges	(136)	(112)	(52)	(52)
	901	755	524	493
Representing lease liabilities:				
Current (note 19)	365	331	266	233
Non-current (note 19)	536	424	258	260
	901	755	524	493

Notes to the financial statements continued

28. Contingent liabilities

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

29. Related party information

Directors, specified executives and their related entities

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

Parent entity

The parent entity within the group is Altium Limited. The wholly-owned group consists of Altium Limited, the ultimate parent entity, and its wholly-owned controlled entities, Altium Inc, Altium Japan KK, Protel AG, Altium Netherlands BV, Altium BV, Altium Europe GmbH, Altium Limited (UK) and Altium Information Technology (Shanghai) Co. Ltd. Ownership interests in these controlled entities are set out in note 13.

Transactions between Altium Limited and other entities in the wholly-owned group during the years ended 30 June 2008 and 30 June 2007 consisted of:

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

These transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of principal on loans advanced by Altium Limited. The average interest rate charged on the loans during the year was 5.27% (2007: 4.43%).

	Altium Limited	
	2008	2007
	US\$	US\$
The following transactions occurred with related parties:		
Revenue	21,256,662	18,847,704
Interest revenue	94,836	168,383
Interest expense	(65,785)	(59,417)
Royalty expense	(78,604)	(545,035)
Contract research and development expense	(6,670,854)	(5,562,156)
Contract pre-sales support	(1,521,687)	(490,330)
Marketing expense	(1,748,246)	(896,491)
Employee benefits	240,620	174,727
Other related party transactions	226,163	26,357

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

Current receivables		
Amounts due from subsidiaries	2,463,564	3,028,294
Loans to subsidiaries	-	2,088,552
Non-current receivables		
Amounts due from subsidiaries	-	1,146,151
Current payables		
Amounts due to subsidiaries	933,187	1,560,089
Loans from subsidiaries	2,536,615	2,137,132

Notes to the financial statements continued

30. Key management personnel

	Group		Altium Limited	
	2008	2007	2008	2007
	US\$	US\$	US\$	US\$
Short-term employee benefits	2,594,212	1,844,836	1,704,299	1,496,573
Post-employment benefits	253,436	179,850	252,662	189,422
Other long-term benefits	23,609	20,231	46,157	44,035
Share-based payments	69,737	80,169	47,792	86,967
	2,940,994	2,125,086	2,050,910	1,816,997

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.

Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options can be found in the remuneration report and note 26.

Option holdings

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

2008	Balance at 1 July 2007	Granted during the year	Exercised during the year	Expired during the year	Balance at 30 June 2008	Vested and exercisable at 30 June 2008
Directors of Altium Limited						
Kayvan Oboudiyat	400,000	-	-	-	400,000	400,000
William A Bartee	80,000	-	-	-	80,000	80,000
Carl J Rooke	160,000	-	-	-	160,000	160,000
Key management personnel of Altium Limited						
Emma Lo Russo	500,000	-	-	-	500,000	100,000
Darren Charles ¹	571,000	-	-	75,000	496,000	446,000
Benjamin Wells	521,000	-	-	150,000	371,000	321,000
Marc Depret	550,000	-	-	150,000	400,000	400,000
Jason Hingston	470,000	-	-	200,000	270,000	270,000
Peter Williamson ²	100,000	-	-	100,000	-	-
Key management personnel of the group						
Michael Stipe ³	200,000	-	-	150,000	50,000	50,000
Frank Hoschar	375,000	-	-	200,000	175,000	175,000
Peter Murman	357,500	-	-	15,750	341,750	266,750
Matthew Schwaiger	600,000	-	-	200,000	400,000	400,000

¹ Darren Charles ceased employment on 15 August 2008.

² Peter Williamson ceased employment on 31 December 2007.

³ Michael Stipe ceased employment on 10 July 2007.

Notes to the financial statements continued

2007	Balance at 1 July 2006	Granted during the year	Exercised during the year	Expired during the year	Balance at 30 June 2007	Vested and exercisable at 30 June 2007
Directors of Altium Limited						
Kayvan Oboudiyat ¹	1,200,000	-	800,000	-	400,000	400,000
William A Barte	80,000	-	-	-	80,000	80,000
Carl J Rooke	160,000	-	-	-	160,000	160,000
Key management personnel of Altium Limited						
Emma Lo Russo	200,000	300,000	-	-	500,000	50,000
Darren Charles	571,000	-	-	-	571,000	496,000
Benjamin Wells	521,000	-	-	-	521,000	446,000
Kerri-Ann Wilson ²	270,000	-	-	80,000	190,000	152,500
Marc Depret	550,000	-	-	-	550,000	550,000
Jason Hingston	470,000	-	-	-	470,000	470,000
Peter Williamson ³	-	100,000	-	-	100,000	-
Key management personnel of the group						
Michael Stipe ⁴	200,000	-	-	-	200,000	50,000
Frank Hoschar	375,000	-	-	-	375,000	375,000
Peter Murman	415,000	100,000	-	157,500	357,500	257,500
Matthew Schwaiger	600,000	-	-	-	600,000	600,000

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

² Kerri-Ann Wilson resigned as Chief People Officer on 1 August 2007

³ Peter Williamson was appointed on 30 October 2006.

⁴ Michael Stipe ceased employment on 10 July 2007.

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

No options were granted or exercised by key management personnel during the 2008 financial year.

Details of all options granted to or exercised by key management personnel for the year ended 30 June 2007 are set out below:

2007	Value at grant date US\$	Value at exercise date US\$	Date granted or exercised
Kayvan Oboudiyat	-	826,767	26 Apr 2007
Emma Lo Russo	71,011	-	8 Dec 2006
Peter Williamson	23,670	-	8 Dec 2006
Peter Murman	38,045	-	16 Jan 2007

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

Notes to the financial statements continued

Share holdings

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

2008	Balance at 1 July 2007	Acquisitions during the year	Balance at 30 June 2008
<i>Directors of Altium Limited</i>			
Samuel S Weiss ¹	-	45,000	45,000
Carl J Rooke	465,365	50,000	515,365
Nicholas M Martin	22,524,650	-	22,524,650
Kayvan Oboudiyat	1,987,500	-	1,987,500
William A Bartee	-	-	-
André J Pravaz	-	20,000	20,000
David M Warren	5,523,000	-	5,523,000
<i>Key management personnel of Altium Limited</i>			
Emma Lo Russo	-	20,000	20,000
Darren Charles ²	180,325	-	180,325
Benjamin Wells	5,000	-	5,000
Marc Depret	228,400	-	228,400
Jason Hingston	128,350	-	128,350
Peter Williamson ³	-	-	-
<i>Key management personnel of the group</i>			
Michael Stipe ⁴	175,000	-	175,000
Frank Hoschar	445,500	-	445,500
Peter Murman	-	-	-
Matthew Schwaiger	400,000	-	400,000

¹ Samuel S Weiss was appointed as chairman on 4 October 2007

² Darren Charles ceased employment on 15 August 2008.

³ Peter Williamson ceased employment on 31 December 2007.

⁴ Michael Stipe ceased employment on 10 July 2007.

2007	Balance at 1 July 2006	Acquisitions during the year	Balance at 30 June 2007
<i>Directors of Altium Limited</i>			
Carl J Rooke	465,365	-	465,365
Nicholas M Martin	22,444,000	80,650	22,524,650
Kayvan Oboudiyat	1,187,500	800,000	1,987,500
William A Bartee	-	-	-
André J Pravaz ¹	-	-	-
David M Warren	5,523,000	-	5,523,000
Samuel S Weiss ¹	-	-	-
<i>Key management personnel of Altium Limited</i>			
Emma Lo Russo	-	-	-
Darren Charles	170,890	9,435	180,325
Benjamin Wells	5,000	-	5,000
Kerri-Ann Wilson ²	-	-	-
Marc Depret	228,400	-	228,400
Jason Hingston	128,350	-	128,350
Peter Williamson ³	-	-	-
<i>Key management personnel of the group</i>			
Michael Stipe ⁴	175,000	-	175,000
Frank Hoschar	445,500	-	445,500
Peter Murman	-	-	-
Matthew Schwaiger	400,000	-	400,000

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

² Kerri-Ann Wilson resigned as Chief People Officer on 1 August 2007.

³ Peter Williamson was appointed on 30 October 2006.

⁴ Michael Stipe ceased employment on 10 July 2007.

Notes to the financial statements continued

Loans to directors, key management and related entities

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

2008	Gross balance at 30 June US\$	Provision* US\$	Net balance at 30 June US\$	Annual interest charge US\$	Annual repayments US\$	Highest indebtedness US\$
Stephen Martin**	226,601	202,789	23,812	12,474	-	226,601
Darren Charles	48,333	2,892	45,441	3,800	4,481	53,088
Marc Depret	241,626	163,266	78,360	17,689	17,475	242,118
Jason Hingston	57,493	3,293	54,200	4,514	6,452	57,801

*Loans have been written down to fair value, which has been determined, on a loan by loan basis, by using a present value calculation of the cash receipts outlined in the loan repayment terms of each loan agreement. For the year ended 30 June 2008, the loan repayment terms were extended by 5 years, which has resulted in an additional provision required to write down the loans to fair value. The gross value of the loans remains outstanding and there is no indication that any of the loans will not be repaid.

** This is a loan to a related party of Nicholas M Martin.

2007	Gross balance at 30 June US\$	Provision* US\$	Net balance at 30 June US\$	Annual interest charge US\$	Annual repayments US\$	Highest indebtedness US\$
Stephen Martin**	188,204	18,826	169,378	9,857	-	188,204
Darren Charles	43,303	2,313	40,990	3,006	3,038	46,294
Marc Depret	213,062	23,251	189,811	13,978	14,130	213,227
Jason Hingston	52,578	2,763	49,815	3,705	5,658	54,685

*Loans have been written down to fair value, which has been determined, on a loan by loan basis, by using a present value calculation of the cash receipts outlined in the loan repayment terms of each loan agreement. For the year ended 30 June 2007, the provision represents the difference between the actual cash flows and discounted cash flows as per the loan repayment terms. The gross value of the loans remains outstanding and there is no indication that any of the loans will not be repaid.

** This is a loan to a related party of Nicholas M Martin.

The loans are charged at the "benchmark interest rate" under the *Fringe Benefits Tax Assessment Act 1986 (Cwlth)* as at 30 June 2008 being 9.00% p.a. (2007: 8.05%). The above unsecured loans are for a five year term or repayable within thirty days of separation.

Remuneration of director-related entities

Carl J Rooke is a Director of BDO Kendalls Pty Ltd (formerly Horwath Tas Pty Ltd). BDO Kendalls Pty Ltd has provided taxation services to Altium Limited for many years on normal commercial terms and conditions. The total amounts recognised as expenses during the year total US\$5,767 (2007: US\$5,478). There were no amounts payable at balance sheet date to BDO Kendalls Pty.

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

31. Cash flow information

	Group		Altium Limited	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
Reconciliation of operating (loss) profit after income tax to net cash inflows from operating activities				
Operating (loss) profit after income tax	(2,799)	1,008	(3,507)	430
Depreciation and amortisation	4,431	4,122	2,999	2,610
(Loss) gain on disposal of assets	(5)	5	(5)	4
Unrealised foreign exchange differences	(101)	-	(471)	(276)
Change in operating assets and liabilities				
(Increase) decrease in trade and other debtors	(904)	(3,594)	1,132	1,050
(Increase) in inventories	(355)	(86)	(319)	(34)
(Increase) decrease in prepayments and other assets	(130)	(117)	82	(48)
(Increase) in deferred tax assets	(1,574)	(378)	(1,495)	(311)
Increase in trade and other creditors and employee entitlements	3,956	5,682	87	699
Increase (decrease) in income tax receivable and payable	29	(85)	-	(16)
Increase (decrease) in other provisions	329	(8)	180	(10)
Increase in equity compensation reserve	157	252	154	252
Net cash inflows (outflows) from operating activities	3,034	6,801	(1,163)	4,350
Non-cash financing and investing activities				
Acquisition of plant and equipment by means of finance lease	517	658	285	375

Notes to the financial statements continued

32. Financial risk management

The group'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 group'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 group. No speculative trading in financial instruments was undertaken during the financial year.

(a) Capital risk management

The group's objective is to safeguard their ability to continue as a going concern, so that they 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 group reviews the capital structure, which comprises share capital, reserves and accumulated losses, on a regular basis. In order to adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The groups overall strategy remains unchanged.

(b) 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 group which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of any impairment provision.

The group 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 group has no significant concentrations of credit risk.

Cash transactions are limited to high credit quality financial institutions.

(c) Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entities functional currency and net investments in foreign operations. The group and parent company operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily the Australian dollar (AUD) and the Euro (EUR) relative to the US dollar (USD).

Measuring the exposure to foreign exchange risks are achieved by regular monitoring and performing sensitivity analysis on the group and parent company financial position.

Foreign currency revenues are partially hedged by foreign currency denominated expenses. The group and parent company have no additional hedges against this risk.

The group's exposure to foreign currency risk at the reporting date was as follows:

	2008 '000		2007 '000	
	AUD	EUR	AUD	EUR
Financial assets				
Cash and cash equivalents	709	55	591	144
Trade and other receivables	2,737	63	2,856	85
Long term deposits	12	-	12	-
	3,458	118	3,459	229
Financial liabilities				
Trade and other payables	(136)	(40)	(96)	(17)
	(136)	(40)	(96)	(17)

The parent company's exposure to foreign currency risk at the reporting date was as follows:

Financial assets				
Cash and cash equivalents	709	55	591	144
Trade and other receivables	4,545	175	3,991	1,152
Long term deposits	12	-	12	-
	5,266	230	4,594	1,296
Financial liabilities				
Trade and other payables	(136)	(40)	(96)	(1,115)
	(136)	(40)	(96)	(1,115)

Notes to the financial statements continued

The following tables summarise the sensitivity of financial instruments held at balance sheet date by the group and parent company 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.

The group's sensitivity to foreign currency risk on financial instruments is as follows:

	Impact on post tax profit		Impact on equity	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
USD/AUD + 10%	290	259	290	259
USD/AUD -10%	(354)	(317)	(354)	(317)
USD/EUR +10%	(12)	(26)	(12)	(26)
USD/EUR -10%	12	26	12	26

The parent company's sensitivity to foreign currency risk on financial instruments is as follows:

USD/AUD + 10%	454	347	454	347
USD/AUD -10%	(555)	(425)	(555)	(425)
USD/EUR +10%	63	(24)	63	(24)
USD/EUR -10%	(63)	24	(63)	24

Interest rate risk exposures

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

The group's 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.

		2008 %	US\$'000	2007 %	US\$'000
Financial assets					
Cash	Floating interest	3.12%	4,573	3.10%	7,805
Receivables	Fixed interest	8.05%	430	7.49%	613
Financial liabilities					
Financial lease liabilities	Fixed interest	7.58%	(901)	8.96%	(755)

The parent company's 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.

Financial assets					
Cash	Floating interest	5.07%	1,606	5.01%	5,719
Receivables	Fixed interest	8.05%	388	7.49%	605
Financial liabilities					
Financial lease liabilities	Fixed interest	5.39%	(524)	4.71%	(493)

Group and parent company sensitivity to interest rate movements

The following tables summarise the sensitivity of the fair value of financial instruments held at balance sheet date in both the group and parent company, following a movement of 50 to 100 basis points, with all other variables held constant. The % sensitivity is based on reasonably possible changes over a financial year.

Notes to the financial statements continued

The group's sensitivity to movements in interest rates is as follows:

	Impact on post tax profit	
	2008 US\$'000	2007 US\$'000
+1% change (+100 basis points)	41	77
-0.50% change (-50 basis points)	(21)	(38)

The parent company's sensitivity to movements in interest rates is as follows:

+1% change (+100 basis points)	15	58
-0.50% change (-50 basis points)	(7)	(29)

(d) Liquidity risk

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

The table below analyse the group's financial liabilities based on the remaining period at June to the contractual maturity date. The amounts represent contractual undiscounted cash flows.

	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	Total contractual cashflows US\$'000	Carrying amount US\$'000
2008						
Accounts payable	4,449	-	-	-	4,449	4,449
Financial lease liabilities	365	416	120	-	901	901
	4,814	416	120	-	5,350	5,350
2007						
Accounts payable	3,406	-	-	-	3,406	3,406
Financial lease liabilities	331	424	-	-	755	755
	3,737	424	-	-	4,161	4,161

(e) Net fair value of financial assets and liabilities

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

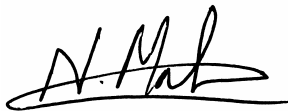
33. Subsequent events

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected the operations of the group, the results of those operations, or the state of affairs of the group.

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 2008 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 2008:
 - (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 2008 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 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 M Martin
Chief Executive Officer



Kayvan Oboudiyat
Company Secretary

Sydney
21 August 2008

Directors' declaration

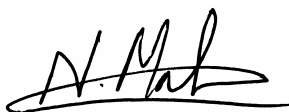
In the directors' opinion:

- (a) the financial statements and notes set out on pages 20 to 54 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and group's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the remuneration disclosures set out on pages 7 to 12 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

For and on behalf of the board



Nicholas M Martin
Director and Chief Executive Officer



Kayvan Oboudiyat
Director and Executive Vice Chairman

Sydney
21 August 2008

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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 balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Altium Limited and the Altium Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

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

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

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

Independent auditor's report to the members of Altium Limited (continued)

Independence

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

Auditor's opinion on the financial report

In our opinion,

(a) the financial report of Altium Limited is in accordance with the Corporations Act 2001, including

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the year ended 30 June 2008. 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 2008, 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 2008 included on the Altium Limited web site. The company's directors are responsible for the integrity of Altium Limited's 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 these statements 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



Richard Bradgate
Partner

Sydney
21 August 2008