

Altium Limited ASX Announcement



March 15, 2006

Corporate Communications Contact

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For immediate release

Altium announces half-year report

14% growth in underlying sales continue to grow revenues

SYDNEY, Australia – March 15, 2006 – Altium Limited (ASX: ALU), a leading developer of Windows-based electronics design software, today advises the market of its half year report for period ending December 31, 2005.

For the six months ending December 31, 2005, the company can announce that it has achieved revenues of AU\$19.3m, up approximately 4% on the results reported for the previous year. In local currency terms this represented an increase in product sales of 14%.

This increase in revenue combined with prudent management of costs narrowed Altium's operating loss before tax from AU\$3.6m to AU\$2.2m. In addition, EBITDA moved up to AU\$968k compared to a negative EBITDA of AU\$611k in the previous year.

"Altium has had a pleasing start to the 2005 fiscal year," said Nick Martin, Altium CEO and founder. *"These results continue to affirm evidence of increasing customer preference for Altium solutions across all key markets. Engineers are demanding real improvements to design flow efficiency and development productivity and Altium is uniquely meeting these needs."*

By far the most compelling growth was observed in the 2nd quarter ending December 31, 2005, as announced on January 9, where the company reported revenue growth of 13% compared to the same period in the previous year. Whilst consulting revenues continued their ongoing decline, reflective of the company's focus on its core software business, this consolidated upward trend is expected to continue, fuelled by increased market penetration and driven by growth in Altium Designer 6.0 product revenues from new license sales, subscription programs and existing customer upgrades.

During the half year, Altium continued the restructure of its global sales operations with key appointments in the US and Europe. Altium is also announcing today the appointments of Mr Takuya Inoue, Regional Director, Japan and Mr Mark Wood, Director of Sales, Asia Pacific. It is expected that these new appointments combined with the recent changes in the sales organization over the last 6 months will deliver continued improved sales performance and drive increased ROI as we move into the second half of the financial year.

“We are anticipating that these encouraging results will continue to improve as we move forward.” Nick Martin continued. *“With our enduring commitment to technology innovation, solid execution of aggressive market penetration strategies, further optimizations of organizational efficiencies and the continued development of a team of passionate and highly skilled employees, we are confident that these measures will deliver returns to all Altium stakeholders over the long term.”*

| Altium half year results | July to Dec 2005 (\$'000s) | July to Dec 2004 (\$'000s) | Change | |
|--|---------------------------------------|---------------------------------------|---------------|---|
| Revenue from ordinary activities | 19,345 | 18,676 | 3.6% | ↑ |
| EBITDA (adjusted for share based payments) | 967 | (611) | 258% | ↑ |
| (Loss) from ordinary activities before tax attributable to members | (2,218) | (3,309) | 33.0% | ↓ |
| Income tax (expense)/ benefit | (329) | 1,802 | 118% | ↓ |
| (Loss) from ordinary activities after tax attributable to members | (2,547) | (1,763) | 44.5% | ↑ |

| Altium half year local currency results | July to Dec 2005 (\$'000s) | July to Dec 2004 (\$'000s) | Change | |
|--|---------------------------------------|---------------------------------------|---------------|---|
| Product Sales | | | | |
| US (USD) | 6,251 | 5,328 | 17% | ↑ |
| Europe (EUR) | 4,554 | 4,091 | 11% | ↑ |
| Japan (JPY) | 88,027 | 108,245 | (19%) | ↓ |
| SE Asia (USD) | 1,283 | 908 | 41% | ↑ |
| Australia (AUD) | 581 | 462 | 26% | ↑ |
| Consulting Services | | | | |
| Consulting (EUR) | 334 | 735 | (55%) | ↓ |

About Altium Limited

Altium Limited (ASX: ALU) is a global developer and supplier of electronics design software for the Microsoft Windows environment. Founded in 1985, Altium released the world's first Microsoft Windows–based printed circuit board design tool in 1991, and continues to provide advanced, easy-to-use and affordable software design tools for complete electronic product development to electronics engineers, designers, and developers worldwide. Altium is headquartered in Sydney, Australia, with sales and support offices in Australia, the United States, Japan, China and Europe – and maintains a large reseller network in all other major markets. More information on Altium and its products can be found at www.altium.com.

Altium, Altium Designer, Board Insight, CAMtastic, CircuitStudio, Design Explorer, DXP, LiveDesign, NanoBoard, NanoTalk, Nexar, nVisage, P-CAD, Protel, Situs, TASKING, and Topological Autorouting 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 4D Half Year Report

Altium Limited and Controlled Entities

ACN 009 568 772

Period ended 31 December 2005

Results for Announcement to the Market

| | | | 2005 | 2004 |
|---|------|-------|---------------|---------------|
| | | | \$'000 | \$'000 |
| Revenue from ordinary activities | Up | 3.6% | 19,345 | 18,676 |
| EBITDA (adjusted for share based payments) | Up | 258% | 967 | (611) |
| (Loss) from ordinary activities before tax attributable to members | Down | 33.0% | (2,218) | (3,309) |
| Income tax (expense)/ benefit | Down | 118% | (329) | 1,802 |
| (Loss) from ordinary activities after tax attributable to members | Up | 44.5% | (2,547) | (1,763) |
| (Loss) for the period attributable to members | Up | 44.5% | (2,547) | (1,763) |

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

| NTA Backing | 2005 | 2004 |
|---|-------------------|-----------|
| Net tangible asset backing per ordinary share | 10.9 cents | 7.3 cents |

Audit

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

Audit Committee

There is a formally constituted audit committee.



Altium Limited

ABN 93 009 568 772

Half-Year Report

31 December 2005

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Altium Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. A copy of the 30 June 2005 annual financial report can be provided to shareholders on request.

Directors' Report

Your directors present their report on the consolidated entity consisting of Altium Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2005.

Directors

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

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

Bruce W Edwards resigned as Non-executive Director on 15 July 2005.

Dr Steven G Duvall resigned as Non-executive Director on 15 July 2005.

Darren Charles resigned as Executive Director on 15 July 2005. Darren Charles has continued in his capacity as Chief Financial Officer.

Principal Activities

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

Half-Year Results

| | 31 Dec 2005 \$'000 | 31 Dec 2004 \$'000 |
|------------------------|-----------------------------------|-----------------------------------|
| Loss before income tax | (2,218) | (3,565) |
| Income tax benefit | (329) | 1,802 |
| Loss after income tax | <u>(2,547)</u> | <u>(1,763)</u> |

Review of Operations

For the six months ended 31 December 2005, the company continued the recent trend of showing improved sales performance when measured in local currencies. Reported revenue increased by 4%, driven by underlying growth in sales bookings of 14%.

During the half year, Altium continued the restructure of its global sales operations and as at the date of this report all key roles have been filled. It is expected that the changes in the sales organisations will have a positive impact and assist in continuing the improved sales performance into the second half of the financial year.

The following table illustrates sales revenue by region for the 6 months to December 2005 compared to the same period in the previous corresponding period.

| Region | 31 Dec 2005 '000 | 31 Dec 2004 '000 | Percentage Change |
|--------------------------------|-----------------------------|-----------------------------|------------------------------|
| Product Sales | | | |
| US (US Dollars) | 6,251 | 5,328 | 17% |
| Europe (Euro) | 4,554 | 4,091 | 11% |
| Japan (Japanese Yen) | 88,027 | 108,245 | (19%) |
| South East Asia (US Dollars) | 1,283 | 908 | 41% |
| Australia (Australian Dollars) | 581 | 462 | 26% |
| Consulting Services | | | |
| Consulting (Euro) | 334 | 735 | (55%) |

Using set exchange rates for both periods, product revenue was up 14% with overall revenue up 10% after incorporating the impact of the decline in consulting revenue. In addition, the company was able achieve revenue growth across each of its major product lines.

When taking in to account the impact of fluctuations in exchange rates, the reported revenue increased by 4% from \$18.7 million to \$19.4 million.

USD exchange rates during the half year:

| | USD |
|-------------------|--------|
| 30 September 2004 | 0.7165 |
| 31 December 2004 | 0.7797 |
| 30 September 2005 | 0.7602 |
| 31 December 2005 | 0.7333 |

As a result of increased revenue and controlled cost management, the operating loss before tax narrowed from \$3.6m to \$2.2m. In addition, this drove EBITDA to \$968,000 compared to negative EBITDA of \$611,000 in the half year to 31 December 2004.

In late December, the company began shipping Altium Designer 6.0, the latest generation of its complete electronic product development system encompassing design capture with board and embedded system implementation capability. Early signs of adoption of the product have been encouraging and further technology releases planned for the early part of 2006 are expected to promote further demand.

Rounding of Amounts to Nearest Thousand Dollars

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

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

For and on behalf of the board



Nicholas M Martin
Director and Chief Executive Officer



Kayvan Oboudiyat
Director and Executive Vice Chairman

Sydney
15 March 2006

Auditor's Independence Declaration

As lead auditor for the review of Altium Limited for the half-year ended 31 December 2005, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



A J Sneddon
Partner

Sydney
15 March 2006

PricewaterhouseCoopers

Altium Limited and Controlled Entities

ACN 009 568 772

Consolidated Income Statement

For the half-year ended 31 December 2005

| | Notes | 31 Dec 2005 \$'000 | 31 Dec 2004 \$'000 |
|--|-------|--------------------------|--------------------------|
| Revenue from continuing operations | | 19,345 | 18,676 |
| Other income | | 113 | 79 |
| Changes in inventories of finished goods and work in progress | | (62) | 168 |
| Raw materials and consumables used | | (509) | (899) |
| Employee expense | | (13,544) | (12,232) |
| Depreciation and amortisation expense | | (2,966) | (2,728) |
| Borrowing costs expense | | (24) | (16) |
| Rental expense | | (1,120) | (1,054) |
| Advertising and direct mail expense | | (835) | (2,421) |
| Professional advice expense | | (531) | (443) |
| Communication expense | | (275) | (266) |
| Net gain/ (loss) on foreign currency transactions | | 176 | (570) |
| Other expenses | | (1,986) | (1,859) |
| Loss before income tax expense | | (2,218) | (3,565) |
| Income tax (expense)/ benefit | | (329) | 1,802 |
| Loss for the half year | | (2,547) | (1,763) |
| Net loss attributable to members of Altium Limited | | (2,547) | (1,763) |
| Earnings per share for loss attributable to the ordinary equity holders of the company: | | Cents | Cents |
| Basic earnings per share | 4 | (2.9) | (2.0) |
| Diluted earnings per share | 4 | (2.9) | (2.0) |

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

Altium Limited and Controlled Entities

ACN 009 568 772

Consolidated Balance Sheet

As at 31 December 2005

| | Notes | 31 Dec 2005 \$'000 | 30 June 2005 \$'000 |
|--------------------------------------|-------|--------------------------|---------------------------|
| Current assets | | | |
| Cash and cash equivalents | | 3,547 | 3,590 |
| Receivables | | 8,857 | 9,358 |
| Current tax receivables | | - | 151 |
| Inventories | | 859 | 921 |
| Other | | 654 | 660 |
| Total current assets | | 13,917 | 14,680 |
| Non-current assets | | | |
| Receivables | | 732 | 750 |
| Property, plant and equipment | | 1,714 | 1,639 |
| Intangible assets | | 23,385 | 25,899 |
| Deferred tax assets | | 2,586 | 2,987 |
| Other | | 346 | 356 |
| Total non-current assets | | 28,763 | 31,630 |
| Total assets | | 42,680 | 46,310 |
| Current liabilities | | | |
| Payables | | 2,444 | 2,871 |
| Interest bearing liabilities | | 232 | 202 |
| Provisions | | 1,291 | 1,457 |
| Current tax liabilities | | 353 | 675 |
| Deferred revenue | | 4,383 | 4,794 |
| Total current liabilities | | 8,703 | 9,999 |
| Non-current liabilities | | | |
| Interest bearing liabilities | | 319 | 376 |
| Provisions | | 674 | 557 |
| Total non-current liabilities | | 993 | 933 |
| Total liabilities | | 9,696 | 10,932 |
| Net assets | | 32,984 | 35,378 |
| Equity | | | |
| Contributed equity | | 119,370 | 119,370 |
| Equity compensation reserve | | 1,022 | 869 |
| Accumulated losses | | (87,408) | (84,861) |
| Total equity | | 32,984 | 35,378 |

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

Altium Limited and Controlled Entities

ACN 009 568 772

Consolidated statement of changes in equity

For the half-year ended 31 December 2005

| | Issued capital \$'000 | Accumulated losses \$'000 | Equity compensation reserve \$'000 | Total equity \$'000 |
|------------------------------------|-----------------------------|---------------------------------|---|------------------------|
| Balance at 1 July 2005 | 119,370 | (84,861) | 869 | 35,378 |
| Employee share options | - | - | 153 | 153 |
| Loss for the half-year | - | (2,547) | - | (2,547) |
| Total expense for the half-year | - | (2,547) | 153 | (2,394) |
| Balance at 31 December 2005 | 119,370 | (87,408) | 1,022 | 32,984 |
| Balance at 1 July 2004 | 119,370 | (83,257) | 313 | 36,426 |
| Employee share options | - | - | 275 | 275 |
| Loss for the half-year | - | (1,763) | - | (1,763) |
| Total expense for the half-year | - | (1,763) | 275 | (1,488) |
| Balance at 31 December 2004 | 119,370 | (85,020) | 588 | 34,938 |

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

Altium Limited and Controlled Entities

ACN 009 568 772

Consolidated cash flow statement

For the half-year ended 31 December 2005

| | Notes | 31 Dec 2005 \$'000 | 31 Dec 2004 \$'000 |
|--|-------|--------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 20,453 | 22,129 |
| Payments to suppliers and employees | | (19,731) | (20,334) |
| Interest received | | 64 | 46 |
| Interest paid | | (37) | (16) |
| Income taxes paid | | (251) | (612) |
| Net cash inflow from operating activities | | 498 | 1,213 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (472) | (155) |
| Proceeds from sale of property, plant and equipment | | 57 | 7 |
| Payments for other technology acquisitions and licenses | | - | (441) |
| Payments for research and development costs | | - | (493) |
| Net cash outflow from investing activities | | (415) | (1,082) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (126) | (46) |
| Net cash outflow from financing activities | | (126) | (46) |
| Net (decrease)/ increase in cash held | | (43) | 85 |
| Cash at the beginning of the reporting period | | 3,590 | 3,571 |
| Cash and cash equivalents at the end of the half-year | | 3,547 | 3,656 |

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

Notes to the Consolidated Financial Statements

1. Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Altium Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

a. Basis of preparation of half-year financial report

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

Application of AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

This interim financial report is the first Altium Limited interim financial report to be prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Altium Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects to AIFRS. When preparing the Altium Limited interim financial report for the half-year ended 31 December 2005, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with adjustments.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRS on the Group's equity and its net loss are given in note 7.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss and certain classes of property, plant and equipment.

b. Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Altium Limited as at 31 December 2005 and the results of all subsidiaries for the half-year then ended. Altium Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, general 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 controls 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.

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.

1. Summary of significant accounting policies (continued)

c. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

The directors have determined the Group does not operate in more than one business segment.

d. Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Altium Limited's functional and presentation currency.

(ii) *Transactions and balances*

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

(iii) *Group companies*

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at the exchange rates at the dates of the transactions.

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. Revenue is recognised for the major business activities as follows:

- Software - a sale is recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the customer.
- Support Services - revenue recognition is deferred and taken to the statement of financial performance over the period which the service is provided.
- Training Services - a sale is recorded and revenue is recognised at the time the service is provided.
- Projects - for fixed price contracts, the stage of completion is measured by reference to time incurred to date as a percentage of estimated total time to complete each project. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus time spent on each contract.

1. Summary of significant accounting policies (continued)

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 national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

g. Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities. 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 is 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.

h. Impairment of assets

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

i. 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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

j. Trade receivables

Trade receivables, which generally have 30 – 90 day terms are recognised and carried at original invoice amount less an allowance for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

1. Summary of significant accounting policies (continued)

k. Inventories

Finished goods and raw materials are stated at the lower of cost and net realisable value. Cost comprises direct materials only. Costs have been assigned to inventory quantities on hand at balance date using the first in first out basis.

l. Investments and other financial assets

The Group has not taken the exemption available under AASB 1 and has applied AASB 132 and AASB 139 from 1 July 2004.

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.

m. Plant and equipment

Plant and equipment are stated at cost.

Plant and equipment is depreciated and leasehold improvements are amortised over their estimated useful lives using the straight line method.

The expected useful lives of the assets are as follows:

| | |
|--------------------------------|--------------|
| Office equipment | 3 – 5 years |
| Computer hardware and software | 2 – 3 years |
| Motor Vehicles | 4 – 5 years |
| Leasehold improvements | 5 – 40 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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(h)).

n. 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.

o. 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 are charged to operating profit before income tax as incurred, or deferred where these costs are associated with integration of acquired 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. 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.

1. Summary of significant accounting policies (continued)

p. 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.

q. Borrowing costs

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

r. Employee benefits

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

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

(ii) Long service leave

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

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Altium Option Plan, Directors' Plan, Altium Employee Share Option Plan and Altium Director Share Option Plan.

Share options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and vested after 1 January 2005

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

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

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

s. Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

1. Summary of significant accounting policies (continued)

t. 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 half-year, adjusted for bonus elements in ordinary shares issued during the half-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.

u. Rounding of amounts

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

2. Segment Information

Primary Reporting – Geographic Segments

| 2005 (6 months to 31 December) | North | | | | | Inter-segment eliminations/ Unallocated/ \$'000 | Consolidated \$'000 |
|---|---------------------|-------------------|------------------|----------------|-----------------|--|------------------------|
| | Australia \$'000 | America \$'000 | Europe \$'000 | Asia \$'000 | Other \$'000 | | |
| Sales to customers outside the economic entity | 667 | 8,373 | 7,741 | 2,404 | 160 | - | 19,345 |
| Inter-segment Sales | 9,491 | 537 | 3,099 | 56 | - | (13,183) | - |
| Other income | 23 | 327 | 162 | - | - | (487) | 25 |
| Revenue from Ordinary Activities | 10,181 | 9,237 | 11,002 | 2,460 | 160 | (13,670) | 19,370 |
| Segment Result | (702) | (506) | 282 | 1,057 | 160 | 177 | 468 |
| Unallocated Expenses | | | | | | | (2,686) |
| Loss from ordinary activities before income tax expense | | | | | | | (2,218) |
| Income tax expense | | | | | | | (329) |
| Net loss | | | | | | | (2,547) |
| Segment Assets | 31,367 | 10,881 | 12,405 | 1,062 | - | (10,972) | 44,743 |
| Segment Liabilities | 4,450 | 6,121 | 7,444 | 755 | - | (7,011) | 11,759 |
| Acquisitions of property, plant and equipment | 316 | 51 | 118 | 81 | - | - | 566 |
| Depreciation and amortisation expenses | 1,651 | 794 | 347 | 70 | - | 104 | 2,966 |
| | | | | | | | |
| 2004 (6 months to 31 December) | North | | | | | Inter-segment eliminations/ Unallocated/ \$'000 | Consolidated \$'000 |
| | Australia \$'000 | America \$'000 | Europe \$'000 | Asia \$'000 | Other \$'000 | | |
| Sales to customers outside the economic entity | 523 | 7,283 | 7,946 | 2,579 | 345 | - | 18,676 |
| Inter-segment Sales | 9,561 | 1,068 | 3,834 | - | - | (14,463) | - |
| Other income | 1 | 1 | 145 | - | - | (136) | 11 |
| Revenue from Ordinary Activities | 10,085 | 8,352 | 11,925 | 2,579 | 345 | (14,599) | 18,687 |
| Segment Result | (1,969) | (289) | 2,526 | 571 | 345 | (959) | 225 |
| Unallocated Expenses | | | | | | | (3,790) |
| Loss from ordinary activities before income tax expense | | | | | | | (3,565) |
| Income tax benefit | | | | | | | 1,802 |
| Net loss | | | | | | | (1,763) |
| Segment Assets | 35,701 | 14,528 | 17,902 | 1,084 | - | (22,829) | 46,386 |
| Segment Liabilities | 6,318 | 12,661 | 8,379 | 825 | - | (16,735) | 11,448 |
| Acquisitions of property, plant and equipment | 115 | - | 38 | 1 | - | - | 154 |
| Depreciation and amortisation expenses | 1,433 | 749 | 322 | 30 | - | 194 | 2,728 |

| | | |
|--|-----------------------------------|-----------------------------------|
| 3. Dividends | 31 Dec 2005 \$'000 | 31 Dec 2004 \$'000 |
| Ordinary Shares | | |
| No dividends paid or declared during the half-year | - | - |

| | | |
|--|-----------------------------------|-----------------------------------|
| 4. Earnings Per Share | 31 Dec 2005 cents | 31 Dec 2004 cents |
| Basic earnings per share | (2.9) | (2.0) |
| Diluted earnings per share | (2.9) | (2.0) |
| | 31 Dec 2005 Number | 31 Dec 2004 Number |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 88,049,459 | 88,049,459 |
| Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share | 88,049,459 | 88,049,459 |
| | 31 Dec 2005 \$'000 | 31 Dec 2004 \$'000 |
| Earnings used for basic and diluted earnings per share | (2,547) | (1,763) |
| Net (loss) per statements of financial performance | (2,547) | (1,763) |

Information concerning the classification of securities

Options

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

5. Contingent Liabilities

No significant contingent liabilities existed within the consolidated entity as at 31 December 2005.

6. Events Occurring After Balance Date

No matter or circumstance has arisen since 31 December 2005 that has significantly affected, or may significantly affect:

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

7. Explanation of transition to Australian equivalents to IFRS

(i) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

At the date of transition to AIFRS: 1 July 2004

| | Notes | Previous AGAAP \$'000 | Effect of transition to AIFRS \$'000 | AIFRS \$'000 |
|--------------------------------------|---------------|-----------------------------|---|-----------------|
| Current assets | | | | |
| Cash assets | | 3,571 | - | 3,571 |
| Receivables | | 9,649 | - | 9,649 |
| Inventories | | 1,001 | - | 1,001 |
| Other | | 761 | - | 761 |
| Total current assets | | 14,982 | - | 14,982 |
| Non-current assets | | | | |
| Receivables | (a) | 921 | (226) | 695 |
| Property, plant and equipment | | 1,324 | - | 1,324 |
| Intangible assets | (b) | 30,832 | (866) | 29,966 |
| Deferred tax asset | (d) | 3,049 | (1,848) | 1,201 |
| Other | | 401 | - | 401 |
| Total non-current assets | | 36,527 | (2,940) | 33,587 |
| Total assets | | 51,509 | (2,940) | 48,569 |
| Current liabilities | | | | |
| Payables | | 3,349 | - | 3,349 |
| Interest bearing liabilities | | 46 | - | 46 |
| Current tax liabilities | | 859 | - | 859 |
| Provisions | | 1,622 | - | 1,622 |
| Other | | 4,887 | - | 4,887 |
| Total current liabilities | | 10,763 | - | 10,763 |
| Non-current liabilities | | | | |
| Provisions | | 395 | - | 395 |
| Deferred tax liabilities | (d) | 2,833 | (1,848) | 985 |
| Total non-current liabilities | | 3,228 | (1,848) | 1,380 |
| Total liabilities | | 13,991 | - | 12,143 |
| Net assets | | 37,518 | (1,092) | 36,426 |
| Equity | | | | |
| Contributed equity | | 119,370 | - | 119,370 |
| Reserves | (c) | - | 313 | 313 |
| Accumulated losses | (a), (b), (c) | (81,852) | (1,405) | (83,257) |
| Total equity | | 37,518 | (1,092) | 36,426 |

7. Explanation of transition to Australian equivalents to IFRS (continued)

At the end of the last half-year reporting period under previous AGAAP: 31 December 2004

| | Notes | Previous AGAAP \$'000 | Effect of transition to AIFRS \$'000 | AIFRS \$'000 |
|--------------------------------------|---------------|-----------------------------|---|-----------------|
| Current assets | | | | |
| Cash assets | | 3,656 | - | 3,656 |
| Receivables | | 7,071 | - | 7,071 |
| Inventories | | 1,151 | - | 1,151 |
| Other | | 798 | - | 798 |
| Total current assets | | 12,676 | - | 12,676 |
| Non-current assets | | | | |
| Receivables | (a) | 935 | (207) | 728 |
| Property, plant and equipment | | 1,123 | - | 1,123 |
| Intangible assets | (b) | 29,395 | (866) | 28,529 |
| Deferred tax asset | (d) | 2,960 | (576) | 2,384 |
| Other | | 370 | - | 370 |
| Total non-current assets | | 34,783 | (1,649) | 33,134 |
| Total assets | | 47,459 | (1,649) | 45,810 |
| Current liabilities | | | | |
| Payables | | 3,400 | - | 3,400 |
| Current tax liabilities | | 1,795 | - | 1,795 |
| Provisions | | 613 | - | 613 |
| Other | | 4,589 | - | 4,589 |
| Total current liabilities | | 10,397 | - | 10,397 |
| Non-current liabilities | | | | |
| Provisions | | 475 | - | 475 |
| Deferred tax liabilities | (d) | 576 | (576) | - |
| Total non-current liabilities | | 1,051 | (576) | 475 |
| Total liabilities | | 11,448 | (576) | 10,872 |
| Net assets | | 36,011 | (1,073) | 34,938 |
| Equity | | | | |
| Contributed equity | | 119,370 | - | 119,370 |
| Reserves | (c) | - | 588 | 588 |
| Accumulated losses | (a), (b), (c) | (83,359) | (1,661) | (85,020) |
| Total equity | | 36,011 | (1,073) | 34,938 |

7. Explanation of transition to Australian equivalents to IFRS (continued)

At the end of the last reporting period under previous AGAAP: 30 June 2005

| | Notes | Previous AGAAP \$'000 | Effect of transition to AIFRS \$'000 | AIFRS \$'000 |
|--------------------------------------|---------------|-----------------------------|---|-----------------|
| Current assets | | | | |
| Cash assets | | 3,590 | - | 3,590 |
| Receivables | | 9,358 | - | 9,358 |
| Current tax receivable | | 151 | - | 151 |
| Inventories | | 921 | - | 921 |
| Other | | 660 | - | 660 |
| Total current assets | | 14,680 | - | 14,680 |
| Non-current assets | | | | |
| Receivables | (a) | 932 | (183) | 749 |
| Property, plant and equipment | | 1,639 | - | 1,639 |
| Intangible assets | (b) | 26,765 | (866) | 25,899 |
| Deferred tax asset | (d) | 4,717 | (1,730) | 2,987 |
| Other | | 356 | - | 356 |
| Total non-current assets | | 34,409 | (2,779) | 31,630 |
| Total assets | | 49,089 | (2,779) | 46,310 |
| Current liabilities | | | | |
| Payables | | 2,871 | - | 2,871 |
| Interest bearing liabilities | | 202 | - | 202 |
| Current tax liabilities | | 675 | - | 675 |
| Provisions | | 1,457 | - | 1,457 |
| Other | | 4,794 | - | 4,794 |
| Total current liabilities | | 9,999 | - | 9,999 |
| Non-current liabilities | | | | |
| Interest bearing liabilities | | 376 | - | 376 |
| Provisions | | 557 | - | 557 |
| Deferred tax liabilities | (d) | 1,730 | (1,730) | - |
| Total non-current liabilities | | 2,663 | (1,730) | 933 |
| Total liabilities | | 12,662 | (1,730) | 10,932 |
| Net assets | | 36,427 | (1,049) | 35,378 |
| Equity | | | | |
| Contributed equity | | 119,370 | - | 119,370 |
| Reserves | (c) | - | 869 | 869 |
| Accumulated losses | (a), (b), (c) | (82,943) | (1,918) | (84,861) |
| Total equity | | 36,427 | (1,049) | 35,378 |

7. *Explanation of transition to Australian equivalents to IFRS (continued)*

(ii) Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRS (AIFRS)

Reconciliation of profit for the half-year ended 31 December 2004

| | Notes | Previous AGAAP \$'000 | Effect of transition to AIFRS \$'000 | AIFRS \$'000 |
|--|-------|-----------------------------|---|-----------------|
| Revenue from operating activities | | 18,676 | - | 18,676 |
| Revenue from non-operating activities | (a) | 58 | 21 | 79 |
| Revenue from ordinary activities | | 18,734 | 21 | 18,755 |
| Changes in inventories of finished goods | | 168 | - | 168 |
| Raw materials and consumables used | | (899) | - | (899) |
| Employee expenses | (c) | (11,957) | (275) | (12,232) |
| Depreciation and amortisation expense | | (2,728) | - | (2,728) |
| Borrowing costs expense | | (16) | - | (16) |
| Rental expense | | (1,054) | - | (1,054) |
| Advertising and direct mail expense | | (2,421) | - | (2,421) |
| Professional advice expense | | (443) | - | (443) |
| Communication expense | | (266) | - | (266) |
| Net loss on foreign currency transactions | | (570) | - | (570) |
| Other | (b) | (1,857) | (2) | (1,859) |
| Loss from ordinary activities before income tax expense | | (3,309) | (256) | (3,565) |
| Income tax benefit | | 1,802 | - | 1,802 |
| Loss from ordinary activities after income tax expense | | (1,507) | (256) | (1,763) |
| Net loss attributable to members of Altium Limited | | (1,507) | (256) | (1,763) |

7. *Explanation of transition to Australian equivalents to IFRS (continued)*

Reconciliation of profit for the year ended 30 June 2005

| | Notes | Previous AGAAP \$'000 | Effect of transition to AIFRS \$'000 | AIFRS \$'000 |
|--|-------|-----------------------------|---|-----------------|
| Revenue from operating activities | | 39,955 | - | 39,955 |
| Revenue from non-operating activities | (a) | 111 | 45 | 156 |
| Revenue from ordinary activities | | 40,066 | 45 | 40,111 |
| Changes in inventories of finished goods | | (80) | - | (80) |
| Raw materials and consumables used | | (1,408) | - | (1,408) |
| Employee expenses | (c) | (24,269) | (556) | (24,825) |
| Depreciation and amortisation expense | | (5,691) | - | (5,691) |
| Borrowing costs expense | | (42) | - | (42) |
| Rental expense | | (2,092) | - | (2,092) |
| Advertising and direct mail expense | | (4,178) | - | (4,178) |
| Professional advice expense | | (812) | - | (812) |
| Communication expense | | (510) | - | (510) |
| Contract research and development expense | | (4) | - | (4) |
| Net loss on foreign currency transactions | | (952) | - | (952) |
| Other | (b) | (3,483) | (2) | (3,485) |
| Loss from ordinary activities before income tax expense | | (3,455) | (513) | (3,968) |
| Income tax benefit | | 2,364 | - | 2,364 |
| Loss from ordinary activities after income tax expense | | (1,091) | (513) | (1,604) |
| Net loss attributable to members of Altium Limited | | (1,091) | (513) | (1,604) |

(iii) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

7. Explanation of transition to Australian equivalents to IFRS (continued)

(iv) Notes to the reconciliations

a) Financial Instruments – Non-current receivables

Under previous AGAAP, the Group's accounting policy was that financial assets were carried at the lower of cost and recoverable amount. The Group's policy for financial assets categorised as loans and receivables under AASB 139 Financial Instruments: Recognition and Measurement is to initially measure the assets at fair value with subsequent measurement at amortised cost, using the effective interest rate method. At the date of transition the carrying value of non-current receivables has been reduced by \$226,000. The effect is:

(i) At 1 July 2004

For the Group there has been an increase in accumulated losses of \$226,000 and a decrease in non-current receivables of \$226,000.

(ii) At 31 December 2004

For the Group there has been an increase in accumulated losses of \$207,000 and a decrease in non-current receivables of \$207,000.

(iii) At 30 June 2005

For the Group there has been an increase in accumulated losses of \$183,000 and a decrease in non-current receivables of \$183,000.

(iv) For the half-year ended 31 December 2004

For the Group other income has increased by \$21,000 and other expenses has increased by \$2,000.

(v) For the year ended 30 June 2005

For the Group other income has increased by \$45,000 and other expenses has increased by \$2,000.

b) Intangible assets – Trademarks

Under previous AGAAP the Group had capitalised certain internally generated intangible assets. The Group's accounting policy for internally generated intangible assets under AASB 138 Intangible Assets is to only capitalise internally generated intangibles for the purposes of development that meet the criteria outlined by AASB 138. The Group has reviewed the intangible assets and at the date of transition trademark assets of \$866,000 are no longer capitalised. The effect is:

(i) At 1 July 2004

For the Group there has been an increase in accumulated losses of \$866,000 and a decrease in intangible assets of \$866,000.

(ii) At 31 December 2004

For the Group there has been an increase in accumulated losses of \$866,000 and a decrease in intangible assets of \$866,000.

(iii) At 30 June 2005

For the Group there has been an increase in accumulated losses of \$866,000 and a decrease in intangible assets of \$866,000.

(iv) For the half-year ended 31 December 2004 and the year ended 30 June 2005

There is no effect on the Group.

7. Explanation of transition to Australian equivalents to IFRS (continued)

(iv) Notes to the reconciliations (continued)

c) Equity-based compensation benefit

Under AASB 2 Share-based Payment from 1 July 2004 the Group is required to recognise and expense for those options that were issued to employees under the Altium Option Plan, Directors' Plan, Altium Employee option Plan and Altium Director Option Plan after 7 November 2002 but that had not vested by 1 January 2005. The effect of this is:

(i) At 1 July 2004

For the Group there has been an increase in accumulated losses of \$313,000 and an increase in reserves of \$313,000.

(ii) At 31 December 2004

For the Group there has been an increase in accumulated losses of \$588,000 and an increase in reserves of \$588,000.

(iii) At 30 June 2005

For the Group there has been an increase in accumulated losses of \$869,000 and an increase in reserves of \$869,000.

(iv) For the half-year ended 31 December 2004

For the Group employee expense has increased by \$275,000.

(v) For the year ended 30 June 2005

For the Group employee expense has increased by \$556,000.

d) Deferred tax assets and deferred tax liabilities

Under AASB 112 income Taxes from 1 July 2004 the Group is required to off-set deferred tax assets and deferred tax liabilities where the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. The effect of this is:

(i) At 1 July 2004

For the Group there has been a decrease in the deferred tax asset of \$1,848,000 and a decrease in the deferred tax liability of \$1,848,000.

(ii) At 31 December 2004

For the Group there has been a decrease in the deferred tax asset of \$576,000 and a decrease in the deferred tax liability of \$576,000.

(iii) At 30 June 2005

For the Group there has been a decrease in the deferred tax asset of \$1,730,000 and a decrease in the deferred tax liability of \$1,730,000.

(iv) For the half-year ended 31 December 2004 and the year ended 30 June 2005

There is no effect on the Group.

Altium Limited

ABN 93 009 568 772

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 6 to 25:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations, the changes in equity and its cash flows, for the half-year ended on that date.

In the directors' opinion:

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

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

For and on behalf of the board



Nicholas M Martin
Director and
Chief Executive Officer



Kayvan Oboudiyat
Director and
Executive Vice Chairman



Darren Charles
Chief Financial Officer

Sydney
15 March 2006

Independent review report to the members of Altium Limited

Statement

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

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Altium Limited Group (defined below) as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

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

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Altium Limited Group (the consolidated entity), for the half-year ended 31 December 2005. The consolidated entity comprises both Altium Limited (the company) and the entities it controlled during that half-year.

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

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows.

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

- inquiries of company personnel/the responsible entity's personnel, and
- analytical procedures applied to financial data.

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

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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

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

Independence

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

PricewaterhouseCoopers



A J Sneddon
Partner

Sydney
15 March 2006