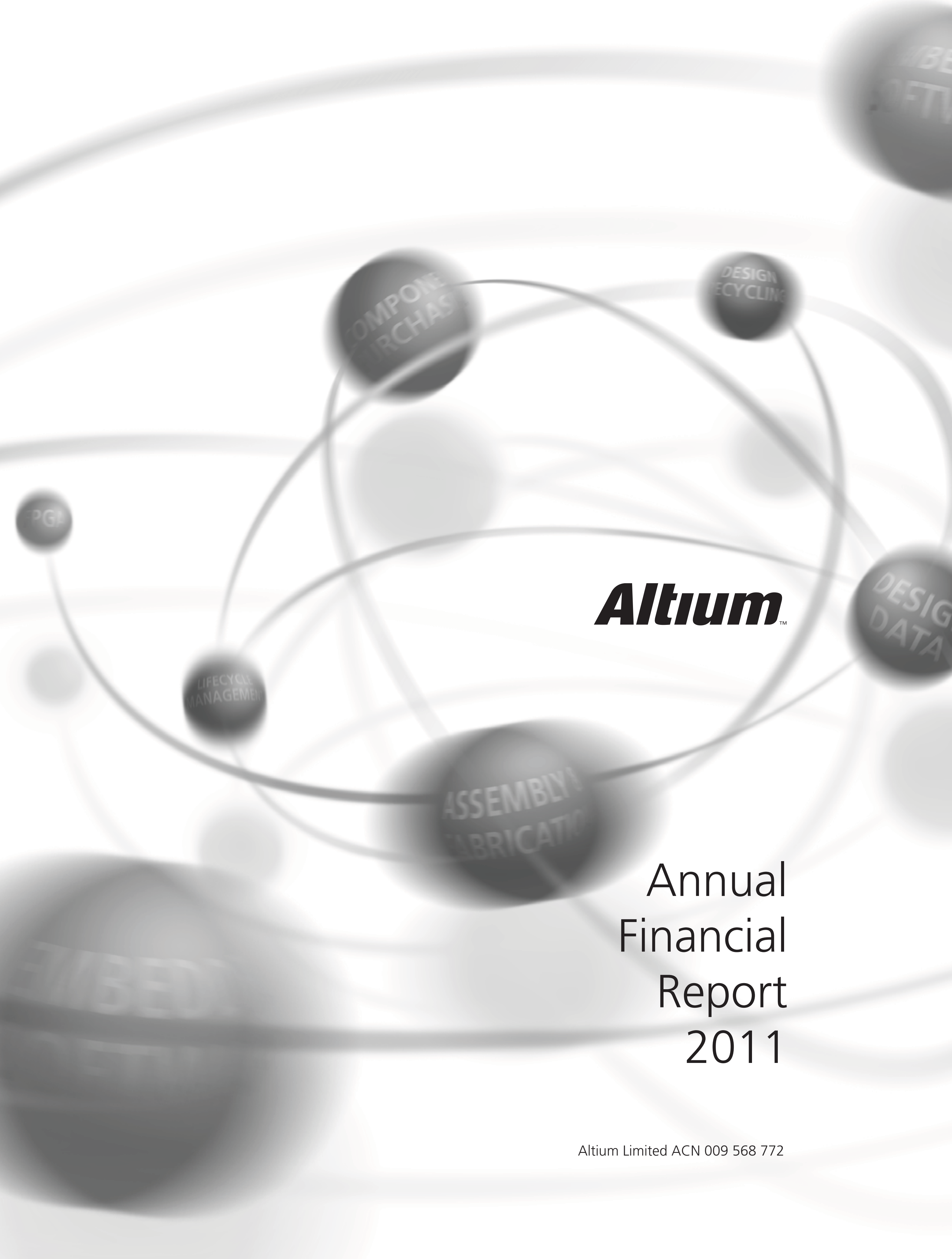

Annual Financial Report 2011

Altium Limited ACN 009 568 772

Altium Limited and Controlled Entities

ACN 009 568 772

Annual Financial Report
30 June 2011

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Company particulars

Directors

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

Company Secretary

Kayvan Oboudiyat

Registered office

3 Minna Close, Belrose NSW 2085
+61 2 8622 8100

Stock exchange listings

Altium Limited shares are listed on the Australian Securities Exchange with ASX code: ALU

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

Auditor

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

Notice of Annual General Meeting

3:00pm Tuesday 8 November 2011
Manly Pacific Hotel
55 North Steyne, Manly NSW 2095

Review of operations and activities

Overview of financial performance and position

	Group		
	2011 US$'000	2010 US$'000	Percentage change
Sales	50,590	46,507	9%
Revenue	48,457	45,008	8%
Earnings (loss) before interest, tax, depreciation and amortisation	(239)	(645)	63%
Earnings (loss) before interest, tax, depreciation and amortisation – adjusted for restructuring costs	927	(645)	243%
Loss before income tax	(6,265)	(6,469)	3%
Loss after income tax	(7,129)	(10,353)	31%
Earnings per share (US cents)	(7.3)	(11.6)	37%
Adjusted operating profit (loss) before tax[1]	2,105	(1,225)	272%
Operating cash flows	3,018	3,155	(4%)
Cash position	6,630	4,845	37%
Deferred revenue	15,722	12,201	29%
Average number of employees during the year	290	276	5%
Number of employees at end of the year	275	275	-

[1] Adjusted operating (loss) profit before tax represents sales less operating costs adjusted for share based payments, amortisation, non-recurring expenditure, foreign exchange difference and research and development salaries capitalised. Sales represent the value of orders invoiced in the period with no adjustment for deferred revenue recognition.

Commentary

The fiscal year ended 30 June 2011 saw Altium achieve 9% increase in total Sales with a solid swing towards subscription sales, an area the company has been focusing heavily on. Subscription sales represented 40% of total sales value, up from 27% last year. At the end of the year there were approximately 18,000 licenses on active paid subscriptions, an increase of around 70% from previous financial year. This contributed to consecutive year-on-year improvement to both cash and deferred revenue balances.

All regions other than Asia Pacific achieved sales growth. In particular, China achieved 32% growth for the year and 67% growth for the last six months. Results we hope to enhance with the recent move of the executive management team and core software development activities to China.

The depreciation of the US dollar during the year, especially against the Australian dollar by 24% and Euro by 18%, has had a significant impact on expenses when presented in US dollars. The impact of the US dollar value during the year ended 30 June 2011 compared to the exchange rates at 30 June 2010 has resulted in total expenses being approximately US$5.2m higher when presented in US dollars. It is expected that the impact of such movements in foreign exchange rates on amounts presented in US dollars will reduce as a result of the relocation of activities to China and a shift away from Australian dollar denominated expenditure. Notwithstanding, costs and working capital continue to be managed carefully as demonstrated with cash balances up 37% from previous year.

Review of operations and activities continued

Sales in local currencies

	2011 '000	2010 '000	Percentage change
Product sales			
Americas (US$)	19,852	19,060	4%
EMEA[1] (€)	14,573	12,432	17%
Greater China[2] (US$)	5,851	4,448	32%
Asia Pacific excluding Greater China[1] (US$)	4,635	5,313	(13%)
Consulting Services			
Europe (€)	183	457	(60%)

[1] EMEA includes Europe, Middle East and Africa
[2] Greater China includes People's Republic of China, Taiwan and Hong Kong.

Regulatory environment

For details regarding the effect of regulatory changes in accounting standards refer to note 1 in the notes to the financial report.

Legal

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

Health and safety

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

Corporate governance

Corporate governance information is included on page 16 of the 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 2011.

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

Principal activities

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

Review of operations

Information pertaining to the operations and financial position of the group is set out in the review of operations and activities on page 2.

Results

	Group	
	2011 US$'000	2010 US$'000
Loss before income tax	(6,265)	(6,469)
Income tax expense	(864)	(3,884)
Loss after income tax	(7,129)	(10,353)

Earnings per share

	2011 US cents	2010 US cents
Basic earnings per share	(7.3)	(11.6)
Diluted earnings per share	(7.3)	(11.6)

Dividends

No dividends were paid or declared for the years ended 30 June 2011 and 30 June 2010.

Directors' report continued

Information on Directors

Samuel 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 is Chairman of Open Universities Pty Ltd and a Non-executive Director of Oroton Group Ltd, Breville Group Ltd, and iProperty Ltd. He is a Director of the Sydney Festival and is President of The Benevolent Society. He brings valuable experience from his previous roles as Vice President, Asia-Pacific, Gateway Computers and Chief Operating Officer for Nike Europe.

Nicholas 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 FAICD, 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 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.

Carl Rooke FCA 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 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.

Dr David Warren BSc Tas, HonDSc Tas, MAIP, FAICD, Non-executive Director

Dave has served as a member of the Board since 1991. His work in astronomy led him into the world of software and electronic design where he has since gained more than 30 years experience. After joining Altium's management team in 1987, Dave served as President of Altium's USA operation from 1994 to 1995. Since 1995 he has worked in the areas of mergers, acquisitions, sales and corporate development prior to becoming a Non-executive Board member in 2004. Dave has served on a number of company boards both private and public.

William 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.

The Directors held no other Directorships in the past three years other than those stated above.

Directors' report continued

Directors' interest

Directors' interest in Altium Limited at 30 June 2011 was as follows:

	Ordinary shares
Samuel Weiss	1,385,697
Nicholas Martin	22,524,650
Kayvan Oboudiyat	2,650,000
Carl Rooke	565,365
Dr David Warren	5,523,000
William Bartee	-

None of the Directors currently hold share options.

Directors' meetings

The number of meetings of Altium's Board of Directors and of each Board Committee held during the year ended 30 June 2011, 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	7	3	1
Number of meetings attended by:			
Samuel Weiss	7	3	1
Nicholas Martin	7	-	-
Kayvan Oboudiyat	6	-	1*
Carl Rooke	7	3	-
Dr David Warren	7	3	1
William Bartee	6	3	1

- Not a member of the relevant Committee.
* Attended in capacity of Company Secretary

Remuneration report (audited)

The information provided in the remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

Remuneration philosophy

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

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

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

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

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

Remuneration and Nomination Committee

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

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

Remuneration structure

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

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

Non-executive Director remuneration

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

Remuneration of Non-executive Directors is determined by the Board within the maximum amount of cash salary approved by the shareholders from time to time. The Directors' fee pool is AU$700,000 per annum and was last approved in a general meeting on 4 October 2007.

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

Remuneration report (audited) continued

Executive remuneration

The executive pay and reward framework has three key elements:

- Base pay and benefits, including superannuation
- Variable compensation - short-term incentives
- Variable compensation - long-term incentives, through participation in equity-based plans

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

Base pay

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

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

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

Short-term incentives

Short-term incentives are based on achieving specific performance targets. Performance targets are aligned to both tactical and strategic business objectives using quantitative targets. Quantitative measures include sales and operating performance targets. The percentage of total remuneration that is allocated to short-term incentives varies according to the senior executive position and ranges between 30% and 40% of total remuneration for achieving all targets.

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

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

Performance monitoring process

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

Long-term incentives

Long-term incentives are provided to senior executives through a share plan. Unlike share options, these are fully paid up shares. The objective of the share plan is to align senior executives' rewards with the creation of shareholder value. The Long-term incentives component forms part of the total remuneration of the executive and tied both to company performance as well as longevity of service (currently 3 years).

Remuneration report (audited) continued

Key management personnel

The key management personnel of the group and Altium Limited include the Executive Directors listed on page 4 and the following Executive Officers who have authority and responsibility for planning, directing and controlling the activities:

Aram Mirkazemi	Chief Of Engineering	Commenced employment on 2 November 2010
Richard Leon	Chief Financial Officer	
Alan Perkins	Chief Information Officer	
Anand Shankaran	Chief People Officer	Ceased employment on 21 July 2011
Matthew Schwaiger	Senior Vice President, Global Customer Success	
Martin Harris	Head of Global Field Operations	
Gerry Gaffney	Regional Chief Executive Officer, Americas	Ceased employment on 31 December 2010

In addition, the following persons must be disclosed under the Corporations Act 2001 as they are among the five highest remunerated group executives.

Peter Murman	Managing Director, Amersfoort Technology Centre

Service agreements

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

	Director's Base fee	Base salary inclusive of superannuation	Notice period
Non-executive Directors of Altium Limited			
Samuel Weiss	AU$110,000		
Carl Rooke	AU$70,000		
Dr David Warren	AU$60,000		
William Bartee	AU$60,000		
Executive Directors of Altium Limited			
Nicholas Martin	AU$40,000	AU$319,700	-
Kayvan Oboudiyat	AU$40,000	AU$305,000	-
Key executives of the group			
Aram Mirkazemi[1]		AU$260,000	3 months
Richard Leon		AU$280,000	3 months
Alan Perkins		AU$218,000	1 month
Anand Shankaran[2]		AU$245,250	3 months
Matthew Schwaiger		AU$210,000	4 weeks
Martin Harris		€132,000	6 weeks
Other executives of the group			
Peter Murman		€118,800	3 months

[1] Aram Mirkazemi commenced employment on 2 November 2010.
[2] Anand Shankaran ceased employment on 21 July 2011.

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.

2011	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									
Samuel Weiss	99,885	-	-	8,990	-	-	108,875	-	-
Carl Rooke	69,284	-	-	-	-	-	69,284	-	-
Dr David Warren	54,483	-	-	4,904	-	-	59,387	-	-
William Bartee	54,483	-	-	4,904	-	-	59,387	-	-
Executive Directors of Altium Limited									
Nicholas Martin^*	326,625	-	-	29,396	6,270	-	362,291	-	-
Kayvan Oboudiyat^*	313,277	-	-	28,195	6,014	-	347,486	-	-
Key executives of the group									
Aram Mirkazemi[1]	162,721	55,622	-	19,651	102	-	238,096	23%	-
Richard Leon^*	254,254	54,965	-	27,830	392	3,216	340,657	16%	1%
Alan Perkins*	197,955	42,794	-	21,667	1,351	9,649	273,416	16%	4%
Anand Shankaran*[3]	224,124	48,451	-	24,532	1,694	3,216	302,017	16%	1%
Matthew Schwaiger	190,690	41,223	-	20,872	3,168	12,865	268,818	15%	5%
Martin Harris^	232,125	131,672	-	-	-	-	363,797	36%	-
Gerry Gaffney[2]	162,390	86,354	3,375	-	-	-	252,119	34%	-
Other executives of the group									
Peter Murman^	179,415	117,094	6,747	17,678	-	4,906	325,840	36%	2%

[1] Aram Mirkazemi commenced employment on 2 November 2010.
[2] Gerry Gaffney ceased employment on 31 December 2010.
[3] Anand Shankaran ceased employment on 21 July 2011.

^ 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

2010	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									
Samuel Weiss	89,040	-	-	8,014	-	-	97,054	-	-
Carl Rooke	61,761	-	-	-	-	-	61,761	-	-
Dr David Warren	48,567	-	-	4,371	-	-	52,938	-	-
William Bartee	48,567	-	-	4,371	-	-	52,938	-	-
Executive Directors of Altium Limited									
Nicholas Martin^*	291,161	-	-	26,204	5,589	-	322,954	-	-
Kayvan Oboudiyat^*	279,262	-	-	25,134	5,361	-	309,757	-	-
Key executives of the group									
Richard Leon*	226,648	-	-	20,523	446	11,790	259,407	-	5%
Alan Perkins	173,329	-	-	15,724	246	18,082	207,381	-	9%
Anand Shankaran	199,789	-	-	18,106	309	6,027	224,231	-	3%
Matthew Schwaiger	169,985	-	-	15,423	4,254	24,110	213,772	-	11%
Martin Harris[1]	207,017	99,841	-	-	-	-	306,858	33%	-
Gerry Gaffney[2]^	312,000	172,448	15,136	-	-	6,027	505,611	34%	1%
André Pravaz[3]^*	343,583	15,769	-	30,870	-	7,444	397,666	4%	2%
Other executives of the group									
Peter Murman^	192,566	106,258	6,359	17,046	-	9,973	332,202	32%	3%
Andrew Mansfield*	145,702	87,128	-	21,069	376	-	254,275	34%	-

[1] Martin Harris commenced employment on 10 August 2009.
[2] Gerry Gaffney ceased employment on 31 December 2010.
[3] André Pravaz ceased employment on 27 November 2009. Included in the salary and fees of André Pravaz are termination benefits amounting to US$207,725.

^ 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.

Share based compensation

Unissued ordinary shares of Altium Limited under option at 30 June 2011 are as follows:

Name of option plan	Exercise price of shares (AU$)	Value per option at grant date (AU$)	Grant date	Expiry date	Number of options
Altium Employee Share Option Plan[1]	1.42[3]	0.41	8 Dec 2006	8 Dec 2011	375,800
Altium Employee Share Option Plan[1]	1.42[3]	0.67	16 Jan 2007	16 Jan 2012	353,500
Altium Employee Share Option Plan[2]	1.00	0.13	8 May 2009	8 May 2014	4,632,380
Total unissued ordinary shares of Altium Limited under option					5,361,680

[1] Options vest in equal amounts over a four-year period from the first anniversary of the date of issue.
[2] Options vest over a three-year period from the first anniversary of the date of issue, with 40% vesting in year one and 30% vesting in the two subsequent years.
[3] The exercise price of the options has been reduced in accordance with plan rules relating to the return of capital of 2 Australian cents per share paid on 7 November 2008 and 6 Australian cents per share paid on 19 October 2007.

The vesting period of options granted under the Altium Employee 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.

Remuneration report (audited) continued

The value of options included as remuneration for Directors and executives is determined 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 24 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 management personnel of the group are set out below:

2011	Balance at 1 July 2010	Balance at 30 June 2011	Vested and exercisable at 30 June 2011
Key executives of the group[2]			
Richard Leon	100,000	100,000	70,000
Alan Perkins	300,000	300,000	210,000
Anand Shankaran[3]	100,000	100,000	70,000
Matthew Schwaiger	400,000	400,000	280,000
Gerry Gaffney[1]	100,000	-	-
Other executives of the group[2]			
Peter Murman	100,000	100,000	100,000

[1] Gerry Gaffney ceased employment on 31 December 2010.
[2] Martin Harris and Aram Mirkazemi did not have any options as at 30 June 2011
[3] Anand Shankaran ceased employment on 21 July 2011

2010	Balance at 1 July 2009	Balance at 30 June 2010	Vested and exercisable at 30 June 2010
Key executives of the group[2]			
Richard Leon	100,000	100,000	40,000
Alan Perkins	300,000	300,000	120,000
Anand Shankaran	100,000	100,000	40,000
Matthew Schwaiger	400,000	400,000	160,000
Gerry Gaffney	100,000	100,000	40,000
Andre Pravaz[1]	100,000	100,000	40,000
Other executives of the group[2]			
Peter Murman	100,000	100,000	75,000

[1] André Pravaz ceased employment on 27 November 2009. Options retained with Board approval.
[2] Martin Harris did not have any options as at 30 June 2010.

Nicholas Martin, Dr David Warren and Samuel Weiss have not been granted options over ordinary shares at any time since the commencement of any company option plans. No options were granted to key executives during the 2011 or 2010 financial year. No amounts are unpaid on any shares issued on the exercise of options. No options were exercised during the current or previous financial year by key executives.

Directors' report continued

Loans to Directors and executives

Information on loans to Directors and executives, including amounts, interest rates and repayment terms, can be found in note 27 to the financial statements.

Significant changes in the state of affairs

During the financial year, Altium Limited completed the acquisition of Australian cloud application development company Morfik Technology Pty Limited. The acquisition augmented Altium's engineering team and technological capabilities in the web application domain, which is a key element of Altium's development strategy. Further detail in relation to the acquisition can be found in note 31 to the financial statements.

In addition to the Morfik Technology acquisition, the Altium group has also commenced relocation of its core software development activities, corporate office and executive management team to its existing office in Shanghai, China.

Events subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- the group's operations in future financial years, or
- the results of those operations in future financial years, or
- 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 group paid a premium of US$36,654 (2010: US$38,493) 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 following 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 influence 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.

	2011 US$	2010 US$
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of company income tax returns	14,021	-
Tax consulting and tax advice	-	21,226
Related practices of PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of company income tax returns	34,758	131,891
Tax consulting and tax advice	125,852	58,548
Total remuneration for taxation services	174,631	211,665
Advisory and Legal services		
PricewaterhouseCoopers Australian firm	-	36,558
Related practices of PricewaterhouseCoopers Australian firm	-	7,741
Total remuneration for advisory and legal services	-	44,299

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

Rounding of amounts

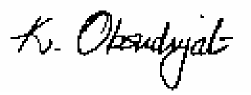
The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand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



Kayvan Oboudiyat
Director and Executive Vice Chairman

Sydney
30 August 2011

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Altium Limited for the year ended 30 June 2011, 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.

Michelle Chiang

M W Chiang
Partner

Sydney
30 August 2011

PricewaterhouseCoopers

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

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

ASX Principle 1 – The roles of the Board and management

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

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

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

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

ASX Principle 2 – Board structure

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

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

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

The following Directors are retiring by rotation in accordance with the Constitution and ASX Listing Rules and seek re-election at the 2011 Annual General Meeting:

- Sam Weiss
- Kayvan Oboudiyat
- Dr David Warren

Corporate governance statement continued

Director independence

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

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

Meetings of the Board

The Board meets formally between 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 2011 is outlined in the Directors' report.

Retirement and re-election

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

Nomination and appointment of new Directors

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

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

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

Director induction and training

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

Corporate governance statement continued

Review of Board performance

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

Board access to information and independent advice

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

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

The role of the Company 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.;
- attend Board committee meetings to facilitate access to the executive team and be at hand to provide information and access to resources when required;
- keep abreast of current protocols and procedures in order to advise the Chairman and Board as required;
- supervise the issue of share and option allotment notifications; and
- liaise with the ASX and ASIC on behalf of the group.

Committees of the Board

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

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

Corporate governance statement continued

ASX Principle 3 – Conduct and ethics

Code of Conduct

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

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

Ethical Behaviour Policy

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

Share trading

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

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

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

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

The designated blackout periods are

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

Diversity policy

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

Corporate governance statement continued

ASX Principle 4 – Financial Reporting Integrity

Audit and Risk Management Committee

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

Director Name	Independent Status	Date Appointed
Carl Rooke – appointed Chairman on 10 December 2007	Independent	22 June 1999
Samuel Weiss	Independent	23 July 2007
Dr David Warren	-	3 February 2010
William Bartee	Independent	22 June 1999

The qualifications of each director are disclosed in the Directors report.

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

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

When appropriate, the Audit and Risk Management Committee may invite non-committee members to attend meetings to provide information or advice on matters before the committee. The committee also meets from time to time with the external auditor independently of management, to encourage free and open discussion. The composition, operations and responsibilities of the committee are consistent with best practice recommendations. The number of meetings attended by each committee member for the financial year ended 30 June 2011 is outlined in the Directors' report.

Audit governance and independence

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

Appointment of auditor

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

Rotation of lead external audit partners

PricewaterhouseCoopers' current policy is to rotate audit engagement partners on listed companies at least every five years.

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 2011, which has been included in the Directors' report.

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$5,000. The Audit and Risk Management Committee has also adopted guidelines to assist in identifying the types of services that may compromise the independence of the external auditor.

Attendance of external auditor at Annual General Meetings

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

ASX Principle 5 – Disclosure

Continuous disclosure

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

The group has established written policies, available at www.altium.com, 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:

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

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

In addition, all group announcements, media briefings, press releases and financial reports are available on Altium Limited's website www.altium.com.

ASX Principle 6 – Rights of Shareholders

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

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

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

Corporate governance statement continued

ASX Principle 7 – Risk management

Risk identification and management

The Board, through the Audit and Risk Management Committee, is responsible for ensuring that 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 key areas such as occupational health and safety, finance, legal and insurance;
- procedures for the management of financial risk and treasury operations including exposure to foreign currencies and movements in interest rates;
- a formal planning process of product development and upgrade programs with a one to two year horizon;
- annual budgeting and monthly reporting systems for all businesses which enable the monitoring of progress against performance targets and the evaluation of trends;
- appropriate due diligence procedures for acquisitions and divestments; and
- crisis management systems for IT infrastructure within the group.

Financial reporting

The group’s financial report preparation and approval process for the financial year ended 30 June 2011, involved both the Chief Executive Officer and Chief Financial Officer approving, to the best of their knowledge and belief, that :

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

ASX Principle 8 – Responsible Remuneration

The Remuneration and Nomination Committee

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

Director Name	Independent Status	Date Appointed
William Bartee - appointed Chairman on 25 February 2008	Independent	22 June 1999
Samuel Weiss	Independent	25 February 2008
Dr David Warren	-	15 July 2005

The number of meetings attended by each Director for the financial year ended 30 June 2011 is outlined in the Directors’ report.

The Remuneration and Nomination Committee Charter is available at www.altium.com. The main responsibilities of the committee are to:

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

Corporate governance statement continued

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

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

Remuneration policies

Non-executive Directors' remuneration

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

Executive Directors' and senior executives' remuneration

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

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

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

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 2011 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 2011:

  (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 2011 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

(c) the financial records and financial statements have been prepared and are founded on a sound system of risk management and internal control, a system which is operating effectively in all material respects in relation to financial reporting.

Nicholas Martin
Chief Executive Officer

Sydney
30 August 2011

Richard Leon
Chief Financial Officer

Sydney
30 August 2011

Altium Limited and Controlled Entities

ACN 009 568 772

Financial report
30 June 2011

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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: 3 Minna Close, Belrose, NSW 2085.

A description of the group's principal activities is included in the Directors' report on pages 4-14.

The financial report was authorised for issue by the Directors on 30 August 2011. 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.

Altium Limited and Controlled Entities

ACN 009 568 772

Statements of comprehensive income

For the year ended 30 June

	Notes	Group 2011 US$'000	Group 2010 US$'000
Revenue	4	48,457	45,008
Raw materials and consumables used	11	(762)	(1,498)
Changes in inventories of finished goods and work in progress		(514)	(26)
Employee benefits expense		(32,986)	(30,750)
Depreciation and amortisation expense	5	(6,061)	(5,790)
Rental expense		(4,311)	(3,753)
Travel expense		(1,541)	(1,852)
Communications expense		(1,325)	(1,180)
Marketing expense		(1,233)	(2,167)
Professional advice expense		(1,133)	(1,163)
Restructuring costs	5	(1,166)	-
Net foreign exchange (loss)/gain	5	(267)	392
Finance costs		(79)	(77)
Other expenses		(3,344)	(3,613)
Loss before income tax		(6,265)	(6,469)
Income tax expense	7	(864)	(3,884)
Loss after income tax		(7,129)	(10,353)
Other comprehensive income			
Exchange differences on translation of foreign operations	22	1,473	622
Total comprehensive loss attributed to the owners		(5,656)	(9,731)
		US cents	US cents
Basic earnings per share	8	(7.3)	(11.6)
Diluted earnings per share	8	(7.3)	(11.6)

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

Altium Limited and Controlled Entities
ACN 009 568 772

Statements of financial position
As at 30 June

	Notes	Group 2011 US$'000	Group 2010 US$'000
Current assets			
Cash and cash equivalents	9	6,630	4,845
Trade and other receivables	10	11,780	10,804
Inventories	11	986	1,285
Tax receivables	12	310	445
Total current assets		19,706	17,379
Non-current assets			
Other receivables	10	249	279
Property, plant and equipment	13	4,526	3,641
Intangible assets	14	4,125	5,334
Deferred tax assets	15	844	809
Total non-current assets		9,744	10,063
Total assets		29,450	27,442
Current liabilities			
Trade and other payables	16	5,731	5,035
Deferred revenue	17	15,037	11,891
Borrowings	18	377	232
Tax liabilities	19	174	29
Provisions	20	2,389	1,516
Total current liabilities		23,708	18,703
Non-current liabilities			
Deferred revenue	17	685	310
Borrowings	18	321	154
Provisions	20	511	518
Total non-current liabilities		1,517	982
Total liabilities		25,225	19,685
Net assets		4,225	7,757
Equity			
Contributed equity	21	79,534	77,170
Reserves	22	8,078	6,845
Accumulated losses	23	(83,387)	(76,258)
Total equity		4,225	7,757

The above statements of financial position 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

		Attributable to owners of Altium Limited			
		Contributed equity	Reserves	Accumulated losses	Total
	Notes	US$'000	US$'000	US$'000	US$'000
Balance at 1 July 2009		77,170	5,351	(65,403)	17,118
Restatement of recognised income and expense		-	502	(502)	-
Restated balance at 30 June 2009		77,170	5,853	(65,905)	17,118
Total recognised income and expense		-	622	(10,353)	(9,731)
Transactions with equity holders in their capacity as equity holders:					
Employee share options	22	-	370	-	370
Balance at 30 June 2010		77,170	6,845	(76,258)	7,757
Total recognised income and expense		-	1,473	(7,129)	(5,656)
Transactions with equity holders in their capacity as equity holders:					
Issue of shares		2,364	-	-	2,364
Purchase of treasury shares	22	-	(378)	-	(378)
Employee share options	22	-	138	-	138
Balance at 30 June 2011	21	79,534	8,078	(83,387)	4,225

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

Statements of cash flows

For the year ended 30 June

		Group	
	Notes	2011 US$'000	2010 US$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		53,385	50,576
Payments to trade creditors, other suppliers and employees (inclusive of goods and services tax)		(50,008)	(47,277)
Interest received		115	43
Interest paid		(79)	(77)
Net income taxes paid		(395)	(110)
Net cash inflows from operating activities	28	3,018	3,155
Cash flows from investing activities			
Payments for research and development		-	(705)
Payments for property, plant and equipment		(1,103)	(631)
Payments for purchase of business, net of cash acquired		75	-
Proceeds from sale of property, plant and equipment		74	-
Net cash outflows from investing activities		(954)	(1,336)
Cash flows from financing activities			
Repayment of borrowings		(529)	(442)
Payments for treasury shares acquired by Altium Limited employee share and option plan trust		(378)	-
Net cash outflows from financing activities		(907)	(442)
Net increase in cash held		1,157	1,377
Cash at beginning of the financial year		4,845	3,526
Effects of exchange rate changes on cash		628	(58)
Cash at end of the financial year	9	6,630	4,845
Non-cash financing and investing activities	28	555	37

The above statements of cash flows 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 these consolidated financial statements are set out on the following pages. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Altium Limited and its subsidiaries.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS
The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and amended standards adopted by the group
The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues
- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19, and
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

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

Comparatives
Certain balances in the prior period have been reclassified in order to conform with the current year presentation.

Going concern
At 30 June 2011, the group had a net current asset deficiency of US$4,002,000 (June 2010: net current asset deficiency of US$1,324,000). This arises primarily due to the deferred revenue liability of US$15,037,000 (June 2010: US$11,891,000), which is not expected to result in a significant cash outflow for the group. The net current asset position excluding deferred revenue would be US$11,035,000 (June 2010: US$10,567,000).

Having reviewed and considered the expected cash flow, working capital, deferred revenue, capital expenditure and loan facilities available to the group, the directors and management have formed the view that the group will continue as a going concern for a period of at least 12 months from the date of this report and consequently will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report for the group has therefore been prepared on a going concern basis.

b) Presentation currency

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

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

The functional currency of Altium Limited is Australian dollars.

c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Altium Limited as at 30 June 2011 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 or the consolidated entity.

Summary of significant accounting policies continued

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.

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.

Employee Share Trust
The group has formed a trust to administer the group's employee share scheme. Shares held by the Altium Employee Share Trust are disclosed as treasury shares and deducted from equity.

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 statement of comprehensive income.

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

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

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:

(i) 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.

(ii) Subscriptions - revenue recognition is deferred and taken to the statement of comprehensive income over the period in which the subscription service is provided.

(iii) Training services - revenue is recognised at the time the service is provided.

(iv) Project services - for fixed price contracts, the stage of completion is measured by reference to services performed to date as a percentage of total services to be performed. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus time spent on each contract.

(v) Hardware - revenue is recognised when hardware has been delivered to a customer pursuant to a sales order and the associated risks have passed to the customer.

Summary of significant accounting policies continued

(vi) 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.

(vii) Dividends - Dividends are recognised as revenue when the right to receive payment is established.

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

f) Income tax

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

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

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

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

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

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

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

g) Cash and cash equivalents

Cash and cash equivalents include 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.

h) Trade receivables

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

Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Summary of significant accounting policies continued

The amount of the impairment is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

i) 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 after deducting rebates and discounts. Costs have been assigned to inventory quantities on hand using the first-in, first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs necessary to make the sale.

j) 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 statement of financial position date which are classified as current assets. Loans and receivables are included in receivables in the statement of financial position.

k) Plant and equipment

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

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

The expected useful lives of the assets are as follows:

Office equipment	3 – 5 years
Computer hardware and software	2 – 3 years
Leasehold improvements	5 – 8 years

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

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(n)).

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

l) Intangible assets

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

(ii) Internally generated intangible assets - Development costs relating to internally generated software are treated as per note 1(m).

(iii) 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

m) Research and development expenditure

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

Expenditure on development activities is charged as incurred, or deferred where these costs are directly associated with either integration of acquired technology or the development of new technology and it is determined that the technology has reached technological feasibility. Costs are deferred to future periods to the extent that they are expected beyond any reasonable doubt to be recoverable. The costs capitalised comprises directly attributable costs, including costs of materials, services and direct labour. Deferred costs are amortised from the date of commercial release on a straight-line basis over the period of the expected benefit, which varies from 2 to 10 years.

n) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

o) 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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

p) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

q) Employee benefits

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

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

(iii) Other long-term employee benefit obligations - The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related services is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Summary of significant accounting policies continued

(iv) Share based payments – Share based compensation benefits are provided to employees via the Altium Employee Share Option Plan. Information relating to these schemes is set out in note 24.

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

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

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

(v) 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.

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

r) Leases

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

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

s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

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.

Summary of significant accounting policies continued

u) Earnings per share

(i) **Basic earnings per share -** Basic earnings per share is calculated by dividing the profit attributable to owners of Altium Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the 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) Dividends

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

w) Business combinations

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

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

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

x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

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.

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 statement of financial position.

Summary of significant accounting policies 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) 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.

aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The group's and Altium Limited's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments and AASB 2010-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)
AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. The group has not yet decided when to adopt AASB 9.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)
In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)
In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The group does not make any such prepayments. The amendment is therefore not expected to have any impact on the group's financial statements. The group intends to apply the amendment from 1July 2011.

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)
On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Altium Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)
Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the group's disclosures. The group intends to apply the amendment from 1 July 2011.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)
In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

Summary of significant accounting policies continued

IFRS 10 Consolidated financial statements (effective from 1 January 2013)
This standard was issued in May 2011, and builds upon the existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The group will apply the amendment from 1 July 2013. It is currently evaluating the impact of the amendment.

IFRS 13 Fair Value Measurement (effective from 1 January 2013)
This standard was issued in May 2011, and replaces the fair value measurement guidance currently dispersed across different IFRS standards with a single definition of fair value and extensive application guidance. The group will apply the amendment from 1 July 2013. It is currently evaluating the impact of the amendment.

IAS 19 Employee Benefits (effective from 1 January 2013)
This standard was revised in June 2011, and prescribes the accounting and disclosure for employee benefits by employers. It distinctly identifies four categories of employee benefits with requirements for each of short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits. The group will apply the amendment from 1 July 2013. It is currently evaluating the impact of the amendment as opposed to early adoption which is permitted.

IAS 1 Presentation of Financial Statements (effective from 1 July 2012)
In June 2011, the IASB made an amendment to IAS 1 Presentation of Financial Statements. The AASB is expected to make equivalent changes to AASB 101 shortly. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. It will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from 1 July 2012.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)
In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

bb) Parent entity financial information

The financial information for the parent entity, Altium Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries
Investments in subsidiaries are accounted for at cost in the financial statements of Altium Limited.

(ii) Financial guarantees
Where Altium Limited has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

Notes to the financial statements

2. Critical accounting estimates and judgments

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. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

a) Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

ii) Estimated Impairment of Intangible Assets – The group tests annually whether intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1(n). The value in use calculation has been applied. These calculations require the use of assumptions. Refer to note 14 for details of these assumptions and the potential impact of changes to the assumptions.

b) Critical judgments in applying the entity's accounting policies

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) 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.

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

(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.

(v) Restructuring provisions - The group is in the process of relocating its global headquarters, including its core software development activities, corporate office and executive management team, to its existing office in Shanghai, China. A restructuring provision has been recognised for committed and communicated redundancy costs for individual employees where the employees end date is after 30 June 2011 and other committed costs in relation to the relocation. Refer to note 20 of the financial statements for further details.

The provision does not include costs where the group has not yet committed to course of actions. Additionally, the group has various lease contracts. In considering whether such contracts are onerous, the group has considered the future benefits and unavoidable costs. Future benefits and unavoidable costs are assessed based on management's plans which involve significant judgments.

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

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

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

Segment information provided to the Board and executive team

The segment information provided to the Board and executive team for the reportable segments is as follows:

2011	Americas	EMEA	Greater China	Asia Pacific	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Segment revenue	19,041	16,955	5,383	6,280	681	48,340
Segment sales	19,852	20,009	5,851	4,635	243	50,590
Adjusted operating profit	10,223	13,211	1,784	2,461	(25,574)	2,105
Depreciation	111	28	177	-	1,159	1,475
Total segment assets	6,379	5,563	2,744	1,347	12,263	28,296
Total segment liabilities	8,577	7,004	488	2,617	5,667	24,353

2010	Americas	EMEA	Greater China	Asia Pacific	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Segment revenue	17,936	16,430	5,194	4,854	516	44,930
Segment sales	19,060	17,076	4,448	5,313	610	46,507
Adjusted operating profit	9,983	9,895	1,811	2,881	(25,795)	(1,225)
Depreciation	177	36	77	-	1,143	1,433
Total segment assets	6,589	3,961	1,130	2,015	12,493	26,188
Total segment liabilities	7,904	4,736	216	1,926	4,489	19,271

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 team. Segment sales is the measure used by the Board and executive team and consists of the following amounts invoiced for:

- software and hardware despatched to a customer;
- subscription 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 and hardware despatched to a customer where the associated risks have passed to the customer;
- subscription services performed during the period; and
- training services performed during the period.

Segment sales reconciles to total revenue as follows:

	Group	
	2011 US$'000	2010 US$'000
Total segment sales	50,590	46,507
Net adjustment for deferred revenue recognition	(2,250)	(1,577)
Total segment revenue	48,340	44,930
Interest revenue	115	43
Other revenue	2	35
Total revenue	48,457	45,008

The entity is domiciled in Australia. The revenue derived from external customers in Australia is US$2,381,269 (2010: US$2,215,519), and the total revenue derived from external customers from other countries is US$45,958,620 (2010: US$42,714,481). Revenues of US$17,132,354 were derived from the United States (2010: US$17,936,468) and revenues of US$8,133,412 from Germany (2010: US$14,227,791). Segment revenues are allocated based on the country in which the customer is located.

Adjusted operating profit

The Board and executive team 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, such as amortisation and share based payments, non-recurring expenditure, foreign exchange gains and losses and research and development employee costs capitalised.

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

	Group	
	2011 US$'000	2010 US$'000
Adjusted operating profit (loss)	2,105	(1,225)
Net adjustment for deferred revenue recognition	(2,250)	(1,577)
Amortisation	(4,586)	(4,357)
Share based payments expense	(138)	(370)
Restructuring costs	(1,166)	-
Capitalisation research and development employee costs	-	675
Foreign exchange translation difference	(267)	392
Other	37	(7)
Loss before income tax	(6,265)	(6,469)

Segment assets

Amounts provided to the Board and executive team 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

Notes to the financial statements continued

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

	Group	
	2011 US$'000	2010 US$'000
Segment assets	28,296	26,188
Unallocated:		
Current tax	310	445
Deferred tax	844	809
Total assets as per the statement of financial position	29,450	27,442

The total of non-current assets other than financial assets and deferred tax assets located in Australia is US$7,265,691 (2010: US$8,085,646), and the total of these non-current assets located in other countries is US$1,633,440 (2010: US$1,168,274). Segment assets are allocated based on the country in which the asset is located.

Segment liabilities

Amounts provided to the Board and executive team 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 finance function.

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

	Group	
	2011 US$'000	2010 US$'000
Segment liabilities	24,353	19,270
Unallocated:		
Current tax	174	29
Current borrowings	377	232
Non-current borrowings	321	154
Total liabilities as per the statement of financial position	25,225	19,685

4. Revenue

	Group	
	2011 US$'000	2010 US$'000
Revenue		
Software licence revenue	23,183	25,176
Subscription revenue	21,136	16,057
Service revenue	3,416	2,673
Hardware revenue	605	1,024
	48,340	44,930
Other revenue		
Interest	115	43
Other	2	35
	117	78
Total revenue	48,457	45,008

Notes to the financial statements continued

5. Expenses

Loss before income tax includes the following specific expenses:

	Group	
	2011 US$'000	2010 US$'000
Cost of revenue		
Goods	1,535	1,760
Services	202	119
Total cost of revenue	1,737	1,879
Net foreign exchange loss/(gain)	267	(392)
Depreciation		
Plant and equipment	521	582
Leasehold improvements	597	400
Plant and equipment under finance leases	357	451
Total depreciation	1,475	1,433
Amortisation		
Internally generated intangibles	2,860	2,673
Acquired software intellectual property	1,535	1,489
Databases	191	195
Total amortisation	4,586	4,357
Loss on sale of non-current assets	-	8
Charges against assets		
Bad and doubtful debts	106	50
Restructuring costs		
Redundancy costs	704	-
Other costs relating to relocating headquarters to Shanghai	462	-
Total restructuring costs	1,166	-
Finance costs		
Finance charges relating to finance leases	79	77

	Group	
	2011 US$'000	2010 US$'000
Operating leases relating to:		
Office rent	3,592	3,204
Equipment	288	248
Total cost of operating leases	3,880	3,452
Defined contribution superannuation expense	1,565	1,564
Research and development costs incurred	8,258	7,669
Less: development costs capitalised	-	(705)
Research and development costs expensed	8,258	6,964

Notes to the financial statements continued

6. Remuneration of auditors

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

	Group	
	2011 US$	2010 US$
Assurance services		
Audit and review of financial reports and other audit work under the Corporations Act 2001		
PricewaterhouseCoopers Australian firm	274,414	201,013
Related practices of PricewaterhouseCoopers Australian firm	-	2,374
Non-PricewaterhouseCoopers audit firm	37,739	83,333
Total remuneration for assurance services	312,153	286,720
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of company income tax returns	14,021	-
Tax consulting and tax advice	-	21,226
Related practices of PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of company income tax returns	34,758	131,891
Tax consulting and tax advice	125,852	58,548
Non-PricewaterhouseCoopers audit firm	143,752	32,848
Total remuneration for taxation services	318,383	244,513
Advisory and Legal services		
PricewaterhouseCoopers Australian firm	-	36,558
Related practices of PricewaterhouseCoopers Australian firm	-	7,741
Non-PricewaterhouseCoopers audit firm	66,005	20,779
Total remuneration for advisory and legal services	66,005	65,078

From time to time the company will employ accountants to provide consulting services. The group has a policy of seeking competitive tenders for all major projects. The annual audit fee for the group is approved by the Audit and Risk Management Committee.

Notes to the financial statements continued

7. Income Tax

	Group	
	2011 US$'000	2010 US$'000
(a) Income tax expense		
Current tax	627	361
Deferred tax	19	4,105
Adjustments in respect of current income tax of prior years	218	(582)
	864	3,884
Deferred income tax benefit included in income tax benefit comprises:		
Decrease in deferred tax assets (note 15)	(19)	(4,105)
(b) Numerical reconciliation of income tax expense (benefit) to prima facie tax payable		
Loss before income tax	(6,265)	(6,469)
Income tax calculated at 30%	(1,880)	(1,941)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Research and development concession	(449)	(398)
Intellectual property amortisation	72	139
Attribution of income	321	171
Share based payments	41	96
Sundry items	125	198
	(1,770)	(1,735)
Benefit of tax losses previously recognised written down	-	2,635
Tax losses not brought to account	2,544	1,292
Tax credits written down	-	1,181
Benefit of timing differences previously recognised written down	-	805
Adjustment in respect of current income tax of prior years	(99)	(363)
Effects of different rates of tax on overseas income	59	67
Effects of changes in income tax rates	130	2
Aggregate income tax expense	864	3,884
(c) Amounts recognised directly in equity		
Net tax credited directly to equity	(16)	52
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	32,444	16,880
Potential tax benefit	9,733	5,064

A deferred tax asset shall be recognised for the carry forward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these deferred tax assets can be utilised. The group has written off its deferred tax assets to the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised.

Notes to the financial statements continued

8. Earnings per share

	Group	
	2011 US cents	2010 US cents
Basic earnings per share	(7.3)	(11.6)
Diluted earnings per share	(7.3)	(11.6)

	Group	
	2011 Number	2010 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	97,907,214	89,162,009
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	97,907,214	89,162,009

	Group	
	2011 US$'000	2010 US$'000
Earnings used for basic and diluted earnings per share	(7,129)	(10,353)
Loss per statement of comprehensive income	(7,129)	(10,353)

Information concerning the classification of securities

Options granted under the Altium Employee Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that the current share price is greater than the exercise price of the outstanding options. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 24.

For the years ended 30 June 2011 and 30 June 2010, all options were anti-dilutive and were not included in the calculation of diluted earnings per share.

9. Cash and cash equivalents

	Group	
	2011 US$'000	2010 US$'000
Cash at bank and on hand	6,630	4,845
Including deposit at call	1,298	1,002

The value of bank guarantees amounted to US$1,104,213 (2010: US$1,040,895).

10. Trade and other receivables

	Group	
	2011 US$'000	2010 US$'000
Current		
Trade receivables	11,250	10,146
Less: provision for impairment	(129)	(69)
	11,121	10,077
Prepayments	388	439
Other receivables	141	171
Employee loans relating to[2]:		
Loan to related party of a director (net of provision)[1]	23	21
Other employee loans (net of provision)	107	96
	11,780	10,804

[1] Further information on the loan to related party of a director is set out in note 27.
[2] The loans advanced are charged at the "benchmark interest rate" under the *Fringe Benefits Tax Assessment Act 1986 (Cwlth)* as at 30 June 2011 being 7.8% p.a. (2010: 6.65%). The above unsecured loans are for a five year term or repayable within thirty days of separation. During the year repayments of US$53,094 (2010: US$71,078) were made. An assessment of the carrying value of all employee loans is conducted by the Directors at the end of each reporting period. Where the Directors believe that the carrying value is impaired, the loan is written down to the realisable value.

Notes to the financial statements continued

	Group	
	2011 US$'000	2010 US$'000
Non-current		
Long-term deposits	249	279

At 30 June 2011, a portion of the receivables was past due but not considered impaired. No specific collection issues have been identified. The ageing of these receivables is as follows:

	Group	
	2011 US$'000	2010 US$'000
1 month or less past due	1,962	1,589
Between 1 and 2 months past due	237	252
Over 2 months past due	340	265
	2,539	2,106
Movements in the provision for impairment of receivables are as follows:		
Balance at 1 July	(69)	(128)
Amounts recognised as an expense	(106)	(50)
Amounts written off as uncollectable	56	108
Translation differences	(10)	1
Balance at 30 June	(129)	(69)

The loss has been included in other expenses in the statement of comprehensive income. 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 key management loans are as follows:		
Balance at 1 July	(189)	(170)
Additions	-	(8)
Translation differences	(54)	(11)
Balance at 30 June	(243)	(189)
Movements in the provision for impairment of employee loans are as follows:		
Balance at 1 July	(143)	(142)
Decrease in provision	-	8
Translation differences	(15)	(9)
Balance at 30 June	(158)	(143)

11. Inventories

	Group	
	2011 US$'000	2010 US$'000
Finished goods	408	590
Raw materials	578	695
	986	1,285

Inventories recognised as an expense during the year ended 30 June 2011 amounted to US$1,213,930 (2010: US$1,497,822). Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2011 amounted to USS$62,857 (2010: Nil). The expense has been included in 'raw materials and consumables used' in the statement of comprehensive income.

None of the inventories are pledged as security for liabilities.

Notes to the financial statements continued

12. Current tax receivables

	Group	
	2011 US$'000	2010 US$'000
Income tax	310	445

13. Property, plant and equipment

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
Cost	1,831	2,520	1,513	5,864
Accumulated depreciation	(789)	(109)	(811)	(1,709)
Carrying amount at 1 July 2009	1,042	2,411	702	4,155
Additions	208	423	37	668
Translation differences	53	163	35	251
Depreciation expense (note 5)	(582)	(400)	(451)	(1,433)
Cost	1,607	3,098	1,001	5,706
Accumulated depreciation	(886)	(501)	(678)	(2,065)
Carrying amount at 30 June 2010	721	2,597	323	3,641
Additions	483	620	555	1,658
Disposals	(7)	(66)	-	(73)
Translation differences	128	595	52	775
Depreciation expense (note 5)	(521)	(597)	(357)	(1,475)
Cost	1,842	4,303	1,210	7,355
Accumulated depreciation	(1,038)	(1,154)	(637)	(2,829)
Carrying amount at 30 June 2011	804	3,149	573	4,526

During the year a number of fully depreciated assets have been written off, with no impact on the financial results of the group.

Notes to the financial statements continued

14. Intangible assets

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$'000	Acquired software intellectual property US$'000	Databases US$'000	Total US$'000
Cost	12,967	12,246	2,841	28,054
Accumulated amortisation	(7,602)	(9,719)	(2,246)	(19,567)
Carrying amount at 1 July 2009	5,365	2,527	595	8,487
Additions	705	-	-	705
Amortisation expense (note 5)	(2,673)	(1,489)	(195)	(4,357)
Translation differences	425	127	(53)	499
Cost	14,470	12,652	2,470	29,592
Accumulated amortisation	(10,648)	(11,487)	(2,123)	(24,258)
Carrying amount at 30 June 2010	3,822	1,165	347	5,334
Acquisition of business (note 31)	-	2,423	-	2,423
Amortisation expense (note 5)	(2,860)	(1,535)	(191)	(4,586)
Translation differences	725	178	51	954
Cost	11,199	5,742	2,911	19,852
Accumulated amortisation	(9,512)	(3,511)	(2,704)	(15,727)
Carrying amount at 30 June 2011	1,687	2,231	207	4,125

Reassessment of in useful life

During the year, the group re-assessed the useful life of its intellectual property. The amortisation expense related to internally generated intangibles increased by US$719,181 as a result of this re-assessment.

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 2011 adjusted for non-recurring items. Future cash flows have been extrapolated using average sales growth rates of between 0%-3% per annum and average cost growth rates of between 0%-4% per annum. A pre-tax discount rate of 18.55% has been used.

Key assumptions used for value-in-use calculations

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

Impact of reasonably possible changes in key assumptions

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

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

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

Notes to the financial statements continued

15. Deferred tax

Group	Assets		Liabilities		Net	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Intangible assets	354	418	625	1,428	(271)	(1,010)
Property, plant and equipment	148	163	-	-	148	163
Employee benefits	118	128	1	2	117	126
Tax losses	632	1,500	-	-	632	1,500
Provisions	27	29	-	-	27	29
Foreign tax credits	192	3	-	-	192	3
Foreign currency revaluations	-	-	1	2	(1)	(2)
	1,471	2,241	627	1,432	844	809
Set-off (pursuant to set-off provisions)	(627)	(1,432)	(627)	(1,432)	-	-
	844	809	-	-	844	809
Deferred tax to be recovered after 12 months	1,045	1,970	625	1,428	420	542
Deferred tax to be recovered within 12 months	426	271	2	4	424	267
	1,471	2,241	627	1,432	844	809
Movement in deferred tax during the year:						
Balance at 1 July					809	4,751
Translation differences					54	163
Charged to the statement of comprehensive income					(19)	(4,105)
Balance at 30 June					844	809

16. Trade and other payables

	Group	
	2011 US$'000	2010 US$'000
Trade payables	1,458	1,594
Other payables	4,273	3,441
	5,731	5,035

17. Deferred revenue

	Group	
	2011 US$'000	2010 US$'000
Current		
Deferred subscription revenue	13,884	10,847
Other deferred revenue	1,153	1,044
	15,037	11,891
Non-current		
Deferred subscription revenue	685	310

Notes to the financial statements continued

18. Borrowings

	Group	
	2011 US$'000	2010 US$'000
Current		
Lease liabilities (note 25)	301	232
Loan from Mirkazemi Holdings Pty Limited	76	-
	377	232
Non-current		
Lease liabilities (note 25)	321	154

The lease liability consists of finance leases for plant and equipment. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Leases due within one year have a weighted average interest rate of 12.21% (2010: 12.25%).

The loan from Mirkazemi Holdings Pty Ltd was a pre-existing loan made to Morfik Technology Pty Limited prior to the acquisition disclosed in note 31. The balance is being repaid from certain outstanding receivable balances received by and due to Morfik Technology Pty Limited, at acquisition date. The loan is unsecured and interest free.

19. Current tax liabilities

	Group	
	2011 US$'000	2010 US$'000
Income tax	174	29

20. Provisions

	Group	
	2011 US$'000	2010 US$'000
Current		
Employee entitlements	1,817	1,492
Restructuring provision	572	-
Make good provisions	-	24
	2,389	1,516
Non-current		
Employee entitlements	299	347
Make good provisions	212	171
	511	518

Make good provision on leased premises

In respect of its previously leased premises, Altium was required to make good any damage caused to the premises and to remove any fixtures and fittings installed. The amount represents the expected costs to make good the property at the end of the lease.

Restructuring provision

The group is in the process of relocating its global headquarters, including its core software development activities, corporate office and executive management team, to its existing office in Shanghai, China. The provision represents redundancy costs for individual employees where the employees end date is after 30 June 2011 and other committed costs related to the relocation.

Notes to the financial statements continued

Movements in make good provisions were as follows:

Movement in make good provisions	Current		Non-current
	Make good provision	Restructuring provision	Make good provision
	US$'000	US$'000	US$'000
Carrying value 2009	64	-	-
Additions	86	-	171
Releases	(138)	-	-
Translation differences	12	-	-
Carrying value 2010	24	-	171
Additions	-	572	-
Releases	(24)	-	-
Translation differences	-	-	41
Carrying value 2011	-	572	212

21. Contributed equity

Share capital	2011 Number	2010 Number	2011 US$'000	2010 US$'000
Fully paid ordinary shares	102,462,009	89,162,009	79,534	77,170

Movements in ordinary share capital	2011		2010	
	Number of shares	US$'000	Number of shares	US$'000
Balance at 1 July	89,162,009	77,170	89,162,009	77,170
Issue of shares	13,300,000	2,364	-	-
Balance at 30 June	102,462,009	79,534	89,162,009	77,170

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. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Options

Information relating to the Altium Employee 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 24.

22. Reserves

	Group	
	2011 US$'000	2010 US$'000
Share based payments reserve		
Balance at 1 July	1,828	1,458
Purchase of treasury shares	(378)	-
Option expense	138	370
Balance at 30 June	1,588	1,828
Foreign currency translation reserve		
Balance at 1 July	5,017	4,395
Currency translation differences arising during the year	1,473	622
Balance at 30 June	6,490	5,017

Notes to the financial statements continued

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.

23. Accumulated losses

	Group	
	2011 US$'000	2010 US$'000
Accumulated losses at 1 July	(76,258)	(65,905)
Loss for the year after income tax	(7,129)	(10,353)
Accumulated losses at 30 June	(83,387)	(76,258)

24. Share based payments

The company has the following share option plan:

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

The vesting period of options granted under the Altium Employee Share Option Plan is at the Directors' discretion. Options granted on 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 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. Options granted on 8 May 2011 vest over a three-year period from the first anniversary date of issue, 40% in year one and 30% in the two subsequent years.

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

A total of options 5,361,680 (2010: 7,820,210) are outstanding under the plan to eligible employees as at 30 June 2011. 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 following tables set out details of options granted under the share option plan:

Group 2011

Grant date	Expiry date	Exercise price AU$	Balance at 1 July 2010	Granted	Exercised	Forfeited	Lapsed	Balance at 30 June 2011	Options vested and exercisable
21 Feb 2006	21 Feb 2011	0.92[1]	1,236,400	-	-	(50,000)	(1,186,400)	-	-
14 Mar 2006	14 Mar 2011	0.92[1]	276,100	-	-	(9,750)	(266,350)	-	-
8 Dec 2006	8 Dec 2011	1.42[1]	395,250	-	-	(19,450)	-	375,800	375,800
16 Jan 2007	16 Jan 2012	1.42[1]	353,500	-	-	-	-	353,500	353,500
8 May 2009	8 May 2014	1.00	5,558,960	-	-	(926,580)	-	4,632,380	3,287,942
Total			7,820,210	-	-	(1,005,780)	(1,452,750)	5,361,680	4,017,242
Weighted average exercise price (AU$)			1.02	-	-	1.00	0.92	1.06	

[1] The exercise price of the options has been reduced in accordance with plan rules relating to the return of capital of 2 Australian cents per share paid on 7 November 2008.

Notes to the financial statements continued

Group 2010

Grant date	Expiry date	Exercise price AU$	Balance at 1 July 2009	Granted	Exercised	Forfeited	Lapsed	Balance at 30 June 2010	Options vested and exercisable
21 Feb 2006	21 Feb 2011	0.92[1]	1,246,400	-	-	(10,000)	-	1,236,400	1,236,400
14 Mar 2006	14 Mar 2011	0.92[1]	282,400	-	-	(6,300)	-	276,100	276,100
8 Dec 2006	8 Dec 2011	1.42[1]	414,500	-	-	(19,250)	-	395,250	296,438
16 Jan 2007	16 Jan 2012	1.42[1]	368,500	-	-	(15,000)	-	353,500	265,125
8 May 2009	8 May 2014	1.00	5,821,920	-	-	(262,960)	-	5,558,960	2,223,584
Total			8,133,720	-	-	(313,510)	-	7,820,210	4,297,647
Weighted average exercise price (AU$)			1.04	-	-	1.04	-	1.02	

[1] The exercise price of the options has been reduced in accordance with plan rules relating to the return of capital of 2 Australian cents per share paid on 7 November 2008.

The weighted average contractual life of the options is 2.54 years (2010: 3.01 years).
The market price per ordinary share at 30 June 2011 was AU$0.09 (2010: AU$0.22).

Fair value of options granted

No options were granted in the year ended 30 June 2011 and 30 June 2010.

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	
	2011 US$'000	2010 US$'000
Options issued under employee option plans	138	370

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.

25. Commitments for expenditure

Operating leases

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

	Group	
	2011 US$'000	2010 US$'000
Within one year	3,818	3,489
Later than 1 year but not later than 5 years	8,738	6,356
Over 5 years	1,468	2,594
	14,024	12,439
Representing:		
Non-cancellable operating leases	14,024	12,439

The group leases various offices, equipment and vehicles under non-cancellable operating leases expiring within one to six years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Notes to the financial statements continued

Finance leases

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

	Group	
	2011 US$'000	2010 US$'000
Not later than one year	362	266
Later than 1 year but not later than 5 years	355	163
Minimum lease payments	717	429
Less: future finance charges	(95)	(43)
	622	386
Representing lease liabilities:		
Current (note 18)	301	232
Non-current (note 18)	321	154
	622	386

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

26. 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.

27. Key management personnel

	Group	
	2011 US$	2010 US$
Short-term employee benefits	2,831,872	2,836,255
Post-employment benefits	189,821	190,099
Other long-term benefits	18,992	16,581
Share based payments	33,853	83,454
Termination benefits	-	207,725
	3,074,538	3,334,114

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 24.

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 on the following page:

Notes to the financial statements continued

2011	Balance at 1 July 2010	Balance at 30 June 2011	Vested and exercisable at 30 June 2011
Key executives of the group[1]			
Richard Leon	100,000	100,000	70,000
Alan Perkins	300,000	300,000	210,000
Anand Shankaran[3]	100,000	100,000	70,000
Matthew Schwaiger	400,000	400,000	280,000
Gerry Gaffney[2]	100,000	-	-
Other key executives of the group[1]			
Peter Murman	100,000	100,000	100,000

[1] Martin Harris did not have any options as at 30 June 2011.
[2] Gerry Gaffney ceased employment on 31 December 2010.
[3] Anand Shankaran ceased employment on 21 July 2011.

2010	Balance at 1 July 2009	Balance at 30 June 2010	Vested and exercisable at 30 June 2010
Key executives of the group[1]			
Richard Leon	100,000	100,000	40,000
Alan Perkins	300,000	300,000	120,000
Anand Shankaran	100,000	100,000	40,000
Matthew Schwaiger	400,000	400,000	160,000
André Pravaz[2]	100,000	100,000	40,000
Gerry Gaffney	100,000	100,000	40,000
Other key executives of the group[1]			
Peter Murman	100,000	100,000	75,000

[1] Martin Harris did not have any options as at 30 June 2010.
[2] André Pravaz ceased employment on 27 November 2009. Options retained with Board approval.

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

There were no options exercised by Directors during the financial year. No options were granted or exercised by key management personnel during the 2011 and 2010 financial years. No amounts are unpaid on any shares issued on the exercise of options.

Shareholdings

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 on the following page.

Notes to the financial statements continued

2011	Balance at 1 July 2010	Acquisitions during the year	Balance at 30 June 2011
Directors of Altium Limited			
Samuel Weiss	696,197	689,500	1,385,697
Carl Rooke	565,365	-	565,365
Dr David Warren	5,523,000	-	5,523,000
William Bartee	-	-	-
Nicholas Martin	22,524,650	-	22,524,650
Kayvan Oboudiyat	2,400,000	250,000	2,650,000
Key executives of the group			
Aram Mirkazemi[1]	-	11,303,000	11,303,000
Richard Leon	620,578	679,578	1,300,336
Alan Perkins	100,000	-	100,000
Anand Shankaran[3]	9,000	74,999	83,999
Matthew Schwaiger	400,000	-	400,000
Gerry Gaffney[2]	-	-	-
Martin Harris	-	-	-
Other key executives of the group			
Peter Murman	-	-	-

[1] Aram Mirzazemi commenced employment on 2 November 2010. Shares held at commencement of employment were 11,303,000.
[2] Gerry Gaffney ceased employment on 31 December 2010.
[3] Anand Shankaran ceased employment on 21 July 2011.

2010	Balance at 1 July 2009	Acquisitions during the year	Balance at 30 June 2010
Directors of Altium Limited			
Samuel Weiss	177,274	518,923	696,197
Carl Rooke	515,365	50,000	565,365
Dr David Warren	5,523,000	-	5,523,000
William Bartee	-	-	-
Nicholas Martin	22,524,650	-	22,524,650
Kayvan Oboudiyat	1,987,500	412,500	2,400,000
Key executives of the group			
Richard Leon	210,916	409,662	620,578
Alan Perkins	50,000	50,000	100,000
André Pravaz[1]	170,000	-	-
Anand Shankaran	-	9,000	9,000
Matthew Schwaiger	400,000	-	400,000
Gerry Gaffney	-	-	-
Martin Harris[2]	-	-	-
Other key executives of the group			
Peter Murman	-	-	-
Andrew Mansfield	-	-	-

[1] André Pravaz ceased employment on 27 November 2009.
[2] Martin Harris commenced employment on 10 August 2009.

Notes to the financial statements continued

Loan to related party of a Director

The employee loans and loans to key management personnel, as per note 10, relate to a number of loans provided to senior employees of the group. One of these loans is to a related party of a director, Nicholas Martin, and is made on the same terms as the other employee loans.

The following unsecured loan was outstanding to a related party of a Director:

	Gross balance at 30 June US$	Provision* US$	Net balance at 30 June US$	Annual interest charge US$	Annual repayments US$	Highest indebtedness US$
2011[1]	264,771	242,253	22,518	11,502	6,932	264,771
2010[1]	210,068	189,027	21,041	8,942	6,448	210,068

[1]There were no other loans provided to Directors and other key management, including their personally related parties as at 30 June 2010 and 30 June 2011.

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

The loan is charged at the “benchmark interest rate” under the Fringe Benefits Tax Assessment Act 1986 (Cwlth) as at 30 June 2011 being 7.80% p.a. (2010: 6.65%). The above unsecured loan is for a five year term or repayable within thirty days of separation.

Loan from related party of a key executive of the group

A loan balance of $75,837 (2010: $nil) was outstanding to Mirkazemi Holdings Pty Limited, a related party of Aram Mirkazemi, and is disclosed in note 18. The loan was a pre-existing loan made to Morfik Technology Pty Limited prior to the acquisition disclosed in note 31. The balance is being repaid from certain outstanding receivable balances received by and due to Morfik Technology Pty Limited, at acquisition date. The loan is unsecured and interest free.

Remuneration of Director-related entities

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

28. Cash flow information

Reconciliation of loss after income tax to net cash inflows from operating activities

	Group	
	2011 US$'000	2010 US$'000
Operating loss after income tax	(7,129)	(10,353)
Depreciation and amortisation	6,061	5,790
Increase in equity compensation reserve	139	373
Gain on disposal of assets	-	8
Unrealised foreign exchange differences	316	(444)
Change in operating assets and liabilities		
Decrease in trade and other debtors	301	2,167
Decrease (increase) in inventories	583	(13)
Decrease (increase) in prepayments and other assets	175	(128)
Decrease in deferred tax assets	20	4,102
Increase in trade and other creditors	2,683	1,392
Decrease (increase) in income tax receivable and payable	421	(261)
(Decrease) increase in other provisions	(552)	522
Net cash inflows from operating activities	3,018	3,155
Non-cash financing and investing activities		
Acquisition of plant and equipment by means of finance lease	555	37

Notes to the financial statements continued

29. 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 its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The 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 group's 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 statement of financial position, 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 entity's functional currency and from net investments in foreign operations. The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily the Australian dollar (AU$) and the euro (€) relative to the US dollar (US$).

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

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

The exposure to foreign currency risk at the reporting date, expressed in US dollars, was as follows:

	Group			
	2011		2010	
	AU$'000	€'000	AU$'000	€'000
Financial assets				
Cash and cash equivalents	1,095	289	303	11
Trade and other receivables	3,593	547	1,166	443
	4,688	836	1,469	454
Financial liabilities				
Trade and other payables	(23)	(12)	(231)	(1)

The following tables summarise the sensitivity of financial instruments held at statement of financial position date by the group 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.

Notes to the financial statements continued

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

	Group			
	Impact on profit (loss) after tax		Impact on equity	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
US$/AU$ +10%	297	79	297	79
US$/AU$ -10%	(363)	(96)	(363)	(96)
US$/€ +10%	(58)	(3)	(58)	(32)
US$/€ -10%	58	3	58	32

Interest rate risk exposures

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

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

		Group			
		2011		2010	
		%	US$'000	%	US$'000
Financial assets					
Cash	Floating interest	2.26%	3,525	0.37%	2,840
Receivables	Fixed interest	6.94%	161	6.05%	129
Financial liabilities					
Financial lease liabilities	Fixed interest	12.21%	(622)	12.25%	(386)

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

The sensitivity to movements in interest rates is as follows:

	Group	
	2011 US$'000	2010 US$'000
Impact on profit (loss) after tax:		
+1% change (+100 basis points)	21	18
-0.50% change (-50 basis points)	(11)	(9)

(d) Liquidity risk

The liquidity position of the group 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 group had access to the following undrawn borrowing facilities at the reporting date:

	Group	
	2011 US$'000	2010 US$'000
Bank overdraft facility	-	-
Bank guarantees	1,104	1,041

Notes to the financial statements continued

The table below analyses 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$'000	Total contractual cashflows US$'000	Carrying amount US$'000
2011					
Accounts payable	5,797	-	-	5,797	5,797
Financial lease liabilities	362	258	97	717	622
	6,159	258	97	6,514	6,419
2010					
Accounts payable	4,431	-	-	4,431	4,431
Financial lease liabilities	266	138	25	429	386
	4,697	138	25	4,860	4,817

(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.

30. Parent entity financial information

(a) Summary financial information

The individual financial statements for Altium Limited show the following aggregate amounts:

	Altium Limited	
	2011 US$'000	2010 US$'000
Balance sheet		
Current assets	9,742	7,093
Total assets	24,013	20,301
Current liabilities	21,137	13,532
Total liabilities	21,753	13,928
Shareholders' equity		
Issued capital	79,477	77,170
Reserves		
Share-based payments	1,588	1,828
Foreign currency translation reserve	6,824	5,414
Retained earnings	(85,629)	(78,039)
Net assets	2,260	6,373
Loss for the year	(7,590)	(10,311)
Total comprehensive loss	(6,117)	(9,128)

(b) Guarantees entered into by Altium Limited

Altium Limited has provided financial guarantees in respect of credit card facilities and rental bonds for the Australian offices amounting to US$1,104,213 (2010: US$ 1,040,895).

Notes to the financial statements continued

31. Business combination

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

Details of the purchase consideration:

	US$'000
Equity swap	2,364

There is no contingent consideration.

The determined fair values of the assets and liabilities, as prescribed under AASB 3: Business Combinations, recognised as a result of the acquisition are as follows:

	US$'000
Cash and cash equivalents	75
Receivables	15
Tax receivables	118
Intellectual property	2,423
Payables	(48)
Borrowings	(219)
Net identifiable assets acquired	2,364

Acquisition-related costs of US$89,784 are included in the statement of comprehensive income.

Revenue and profit contribution:
The acquired business contributed revenues of US$34,324 and net loss after tax of US$65,509 to the group for the period from 2 November 2010 to 30 June 2011. If the acquisition had occurred on 1 July 2010, consolidated revenue and consolidated loss after tax for the year ended 30 June 2011 would have been US$48,503,000 and US$5,998,000 respectively. A loan restructuring benefit of US$1,394,695 is included in the profit of Morfik Technology Pty Ltd in the period prior to acquisition.

There were no acquisitions in the year ending 30 June 2010.

32. 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.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 26 to 62 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 2011 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 13 of the Directors' report comply with Australian Accounting Standards and the Corporations Regulations 2001.

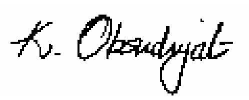
Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 Martin
Director and Chief Executive Officer



Kayvan Oboudiyat
Director and Executive Vice Chairman

Sydney
30 August 2011

Independent auditor's report to the owners of Altium Limited

Report on the financial report

We have audited the accompanying financial report of Altium Limited (the company), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration for the Altium Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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.

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Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 12 of the directors' report for the year ended 30 June 2011. 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 2011, 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 2011 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

PricewaterhouseCoopers

Michelle Chiang

M W Chiang
Partner

Sydney
30 August 2011

Information for shareholders

The shareholder information set out below was current as at 31August 2011.

a) Number of shareholders

There were 1,339 shareholders, holding 102,462,009 fully paid ordinary shares.

b) Distribution of equity securities

Analysis of equity security holders by size of holding:

Range	Number of shareholders	Number of option holders
1 – 1,000	412	0
1,001 – 5,000	468	14
5,001 – 10,000	150	16
10,001 – 100,000	232	61
100,001 – and over	77	9
Total	1,339	100

There were 811 holders of a less than marketable parcel of ordinary shares.

c) Equity security holders

Twenty largest quoted equity security holders

Rank	Name of Holding	Number of Shares	%
1	JP MORGAN NOMINEES AUSTRALIA LIMITED	15,470,415	15.10%
2	PROTEL SYSTEMS PTY LIMITED	12,340,000	12.04%
3	N & M MARTIN HOLDINGS PTY LTD<MARTIN FAMILY A/C>	11,762,690	11.48%
4	MIRKAZEMI HOLDINGS PTY LIMITED	9,253,000	9.03%
5	MR SAMUEL WEISS & MR CARL ROOKE <ALT EMP SH OPT PLAN A/C>	3,377,930	3.30%
6	NATIONAL NOMINEES LIMITED	2,336,658	2.28%
7	KAY & JAY INVESTMENTS PTY LTD<K&J SUPERANNUATION FUND A/C>	2,247,300	2.19%
8	SERGY & SLAVA PTY LTD <KOSTYNSKY FAMILY A/C>	2,228,125	2.17%
9	MR SAMUEL WEISS & MR CARL ROOKE <ALT EMP SH OPT PLAN A/C>	2,060,207	2.01%
10	MIRKAZEMI HOLDINGS PTY LIMITED <MORFIK TECH SUPER A/C>	2,000,000	1.95%
11	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	1,711,811	1.67%
12	SHAHRAM BESHARATI & KIM BESHARATI <BESHARATI FAMILY A/C>	1,695,625	1.65%
13	MUTUAL APPRECIATION SOCIETY PTY LIMITED <GARB-WEISS SUPER FUND A/C>	1,385,697	1.35%
14	DMYTRO MEDVEDYEV PTY LTD <MEDVEDYEV FAMILY A/C>	1,363,125	1.33%
15	POTLUCK INVESTMENTS PTY LTD	1,363,125	1.33%
16	ZENTEL PTY LIMITED<PROTEL NO.2 SUPER FUND A/C>	1,288,000	1.26%
17	MR RICHARD LEON	1,220,578	1.19%
18	MR SIMON GAUTIER HANNES <SGH SUPER FUND>	1,124,600	1.10%
19	ZENTEL PTY LIMITED<WARREN FAMILY ACCOUNT>	1,050,000	1.02%
20	MR ROBERT GRANVILLE HOPKINS	1,011,000	0.99%
	TOTAL	76,289,886	74.46%

d) Unquoted equity securities

	Number of options on issue	Number of holders
Employees	5,210,760	100
Directors	-	-
Total options on issue	5,210,760	100

e) Substantial shareholders

The substantial holders in the company are set out below

Rank	Name	Number of shares	%
1	Nicholas Martin	22,524,650	21.98%
2	Mirkazemi Holdings Pty Ltd	11,303,000	11.03%
3	Smallco Investment Manager Limited	8,672,346	8.46%
4	Sam Weiss *	6,823,834	6.66%
5	Carl Rooke *	6,003,502	5.86%
6	David Warren	5,523,000	5.39%
7	Commonweatlh Bank of Australia	5,402,113	5.27%
8	SAS Trustee Corporation	5,005,000	4.88%
9	Accident Compensation Corporation	4,547,873	4.44%
Total		75,805,318	73.98%

*Sam Weiss and Carl Rooke hold 5,438,137 shares in trust for the Altium Limited Employee Share and Option Plan Trust this is a joint holding.

f) Voting rights

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

g) Share buy-back

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

h) Securities subject to escrow

No shares are currently subject to escrow.

i) Altium major announcements to the ASX*

Date	Announcement
2-Sep-11	Change of Director's Interest Notice - Sam Weiss
30-Aug-11	Altium announces full year audited results
30-Aug-11	Appendix 4E / Full Year Statutory Accounts
1-Aug-11	Becoming a substantial holder - Carl Rooke
1-Aug-11	Becoming a substantial holder - Sam Weiss
19-Jul-11	Altium announces update on financial performance
24-May-11	Change of Director's Interest Notice - Sam Weiss
5-Apr-11	Altium Q3 sales and revenue results FY11
5-Apr-11	Altium to relocate global HQ to China
1-Mar-11	Announcement of Major Product Release
25-Feb-11	Amended previously released form due to NEW Appdx 3Y Form
25-Feb-11	3Y Change of Director's Interest Notice Sam Weiss
23-Feb-11	ASX announcement for half year FY11
23-Feb-11	Half Year Report and Accounts
11-Jan-11	Altium Q2 and half year sales and revenue update FY11
17-Dec-10	Altium Director and Employee Share Trading Policy
15-Dec-10	Ceasing to be a substantial holder from IFL
14-Dec-10	Change in substantial holding - Mirkazemi Holdings Pty Ltd
14-Dec-10	Change of Director's Interest Notice - Sam Weiss
14-Dec-10	Change of Director's Interest Notice - Kayvan Oboudiyat
3-Dec-10	Change of Director's Interest Notice - Sam Weiss
23-Nov-10	Change of Director's Interest Notice
16-Nov-10	Change in substantial holding
12-Nov-10	New Constitution adopted by Shareholders at 2010 AGM

12-Nov-10	Results of Meeting
11-Nov-10	Chairman`s Address to Shareholders
9-Nov-10	Ceasing to be a substantial holder from CBA
5-Nov-10	Change in substantial holding - Nick Martin
5-Nov-10	Becoming a substantial holder - Mirkazemi Holdings Pty Ltd
3-Nov-10	Appendix 3B

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

j) Annual General Meeting

Date: Tuesday 8 November 2010
Time: 3pm
Venue: Manly Pacific Hotel Sydney, 55 North Steyne, Manly, Sydney, 2095.

k) Inquiries about your shareholding

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

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

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

l) Have you changed your address?

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

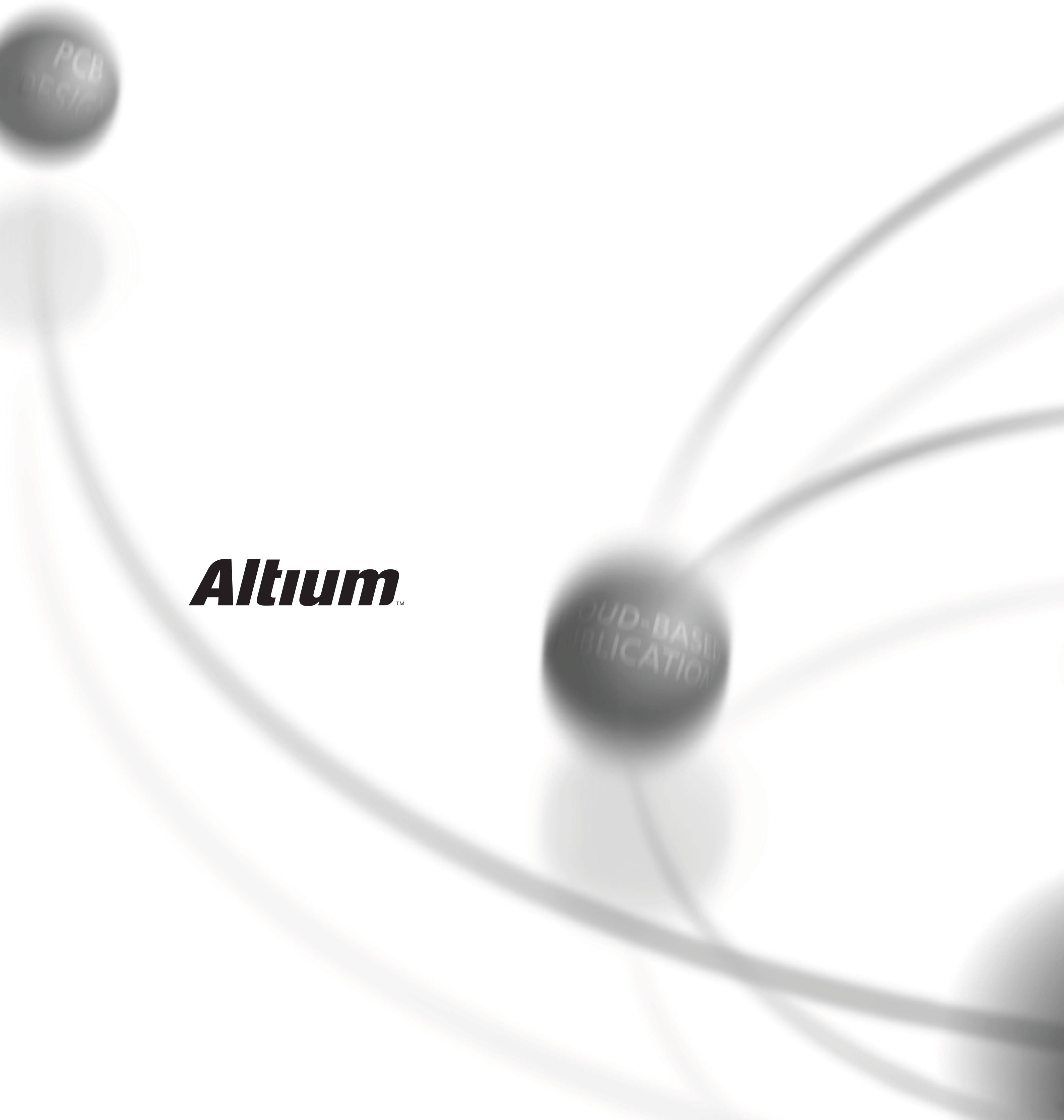
m) Inquiries about Altium Limited

Email: investor.relations@altium.com
Website: www.altium.com

n) Altium shareholder communications

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

Altium provides quarterly updates on revenue earnings.



Altium

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