

Altium Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Altium Limited
ACN:	009 568 772
Reporting period:	For the year ended 30 June 2014
Previous period:	For the year ended 30 June 2013

2. Results for announcement to the market

			US\$'000
Revenues from ordinary activities	up	14.6% to	71,112
Earnings Before Interest and Tax (EBIT)	up	354.0% to	17,120
Profit before tax	up	390.4% to	17,134
Profit from ordinary activities after tax attributable to the owners of Altium Limited	up	717.4% to	11,166
Profit for the year attributable to the owners of Altium Limited	up	717.4% to	11,166

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for year ended 30 June 2013 paid on 28 October 2013. There was no conduit foreign income component. (AU\$)	8.000	-
Interim dividend for half year ended 31 December 2013 paid on 22 April 2014. There was no conduit foreign income component. (AU\$)	4.000	-

The Directors have declared a final unfranked dividend of AU 8 cents per share paid out of current year profits for the year ended 30 June 2014. The dividend will be paid on 23 October 2014 based on a record date of 2 October 2014. This amounts to a total dividend of US\$8,432,000 based on the total number of shares outstanding.

Comments

The profit for the consolidated entity after providing for income tax amounted to US\$11,166,000 (30 June 2013: US\$1,366,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	6.70	4.37

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Final dividend for year ended 30 June 2013 paid on 28 October 2013. There was no conduit foreign income component. (AU\$)	8.000	-
Interim dividend for half year ended 31 December 2013 paid on 22 April 2014. There was no conduit foreign income component. (AU\$)	4.000	-

The Directors have declared a final unfranked dividend of AU 8 cents per share paid out of current year profits for the year ended 30 June 2014. The dividend will be paid on 23 October 2014 based on a record date of 2 October 2014. This amounts to a total dividend of US\$8,432,000 based on the total number of shares outstanding.

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for year ended 30 June 2012 paid on 30 October 2012. There was no conduit foreign income component. (AU\$)	5.000	-
Interim dividend for half year ended 31 December 2012 paid on 15 April 2013. The entire unfranked dividend is conduit foreign income. (AU\$)	3.000	-

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The last date(s) for receipt of election notices for the dividend or distribution plans: Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

Altium Limited
Appendix 4E
Preliminary final report

11. Attachments

Details of attachments:

The Annual Report of Altium Limited for the year ended 30 June 2014 is attached.

12. Signed

Signed

A handwritten signature in grey ink, appearing to read 'S. Weiss', is written over a horizontal line.

Date: 26 August 2014

Samuel Weiss
Non-executive Chairman
Sydney

Altium Limited

ACN 009 568 772

Annual Report - 30 June 2014

Altium Limited and Controlled Entities
ACN 009 568 772

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Altium Limited
Corporate directory
30 June 2014

Directors	Samuel Weiss - Non-executive Chairman Aram Mirkazemi - Chief Executive Officer Carl Rooke - Non-executive Director Dr David Warren - Non-executive Director
Company secretary	Alison Raffin (BBus, ACSA)
Notice of annual general meeting	The details of the annual general meeting of Altium Limited are: Yuan Room Level 2, Christie Conference Centre 3 Spring Street, Sydney, NSW 2000 Time: 10.00am Date: Thursday 6th November 2014
Registered office	3 Minna Close Belrose, NSW 2085 Australia
Principal place of business	3 Minna Close Belrose, NSW 2085 Australia
Share register	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
Stock exchange listing	Altium Limited shares are listed on the Australian Securities Exchange (ASX code: ALU)
Website	www.altium.com

Altium Limited
Directors' report
30 June 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Altium Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors

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

Samuel Weiss (Chairman)

Carl Rooke

Dr David Warren

Aram Mirkazemi (appointed as Chief Executive Officer on 16 January 2014)

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

Kayvan Oboudiyat (retired as Director and Chief Executive Officer on 16 January 2014)

Principal activities

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

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Final dividend for the year ended 30 June 2013 of AU 8 cents (2012: AU 5 cents)	8,594	5,663
Interim dividend for the half year ended 31 December 2013 of AU 4 cents (2012: AU 3 cents)	4,214	3,428
	<u>12,808</u>	<u>9,091</u>

The Directors have declared a final unfranked dividend of AU 8 cents per share paid out of current year profits for the year ended 30 June 2014. The dividend will be paid on 23 October 2014 based on a record date of 2 October 2014. This amounts to a total dividend of US\$8,432,000 based on the total number of shares outstanding.

Review of operations

Overview

Altium achieved another record full year result building on the performance from the 2013 financial year. Key drivers were strong sales and effective operating cost management leading to a solid growth in revenue of 15% and net profit after tax of US\$11.2 million.

The balance sheet remains in a strong position with cash of US\$22.0 million after paying dividends of US\$12.8 million. Altium carries no debt with the exception of finance leases. Net current assets excluding deferred revenue increased to US\$38.4 million. There were 3.2 million employee share options exercised during the year. All share options have now expired.

Cash flows were positive with operating cash flow increasing by US\$6.2 million to US\$18.5 million, reflecting the increase in sales and effective management of costs.

Key Financial Results

The Altium Board assesses the performance of the business using a number of key financial metrics.

Sales to customers represent the invoiced value of sales which increased 10% compared to the prior year. Underlying profit contains adjustments from statutory profit before tax for deferred revenue, one-off and non-cash items such as restructuring costs and share based payments to give a view of the underlying earnings of the business. Underlying profit was up 14% to US\$22.9 million.

Revenue increased by 15% to US\$71.1m, which included a 12% increase in subscription revenue. For more detail of revenue refer to Note 4 of these financial statements.

A summary of consolidated results is set out below. For more detailed description of the reconciling items between statutory and underlying profit refer to Note 3 of these financial statements.

	2014	2013	Change
	US\$'000	US\$'000	%
Revenue	71,112	62,054	15%
<i>Sales to customers</i>	76,091	69,244	10%
Operating cash expenses and depreciation	(53,154)	(49,107)	8%
Underlying profit	22,937	20,137	14%
Movement in provision for leasehold facility	1,029	1,733	
Net adjustment for deferred revenue	(5,421)	(8,313)	
Share based payments	(520)	(5,224)	
Restructuring costs	(152)	(2,554)	
Other items ¹	(739)	(2,285)	
Profit before income tax	17,134	3,494	390%
Income tax expense	(5,968)	(2,128)	
Profit after income tax	11,166	1,366	717%
EBIT	17,120	3,774	354%

¹. Other items are described in further detail in the Net Profit section below.

Product Revenue	2014	2013	Change
	US\$'000	US\$'000	%
Altium Designer Licence	25,301	23,469	8%
Altium Designer Subscriptions	33,586	27,541	22%
TASKING Licences	3,628	2,546	43%
TASKING Maintenance	3,273	2,824	16%
Other	5,324	5,674	(6%)
Total Revenue	71,112	62,054	15%

Product Sales	2014	2013	Change
	US\$'000	US\$'000	%
Altium Designer Licence	27,162	24,046	13%
Altium Designer Subscriptions	36,344	32,854	11%
TASKING Licences	3,622	3,694	(2%)
TASKING Maintenance	3,004	3,743	(20%)
Other	5,959	4,907	21%
Total Sales	76,091	69,244	10%

Underlying Profit

Underlying profit increased 14% to US\$22.9 million. Key contributions to the underlying profit growth were:

- Sales increased by 10%. Analysis by product is as follows:
- TASKING maintenance sales in the prior financial year included the full invoice value of several multi-year contracts. Revenue was recognised for a full year of service provision in the year ended 30 June 2014.
- Contributing to the significant increase in underlying profit was the tight control of expenses which increased 8% in total.
- Marketing expenses have significantly increased over the prior period and reflect new marketing initiatives that have been implemented globally and commenced in the second half of the prior financial year.

Net Profit

Net profit after tax increased by 717% to US\$11.2 million from US\$1.4 million in the prior year.

Other items

Included in other items are:

- Amortisation expense fell from US\$1.2 million to US\$0.3 million as intangible assets became fully amortised.
- Legal expenses of US\$0.5 million (2013: US\$0.8 million) were incurred during the year to address legal disputes. These have been resolved.
- FX Losses of US\$0.3 million (2013: US\$0.1 million) have been incurred due to the weakening of the Australian dollar earlier in the year. US\$0.2 million were unrealised gains.

Income tax expense

- The current period effective tax rate of 35% reflects the tax effect of attributable income and non-deductible items including share based payments. Altium will utilise tax-effected losses in Australia of US\$4.1 million for the year ended 30 June 2014. The use of existing tax losses will reduce the actual cash payment that will be required. Altium will have further US\$0.7 million of tax-effected losses in Australia available to utilise in future periods.

Operational Highlights

In October 2013, Altium Designer 14 was released extending Altium's leadership position in native 3D PCB design systems by delivering a new customer centric platform.

Altium's R&D team is focused on core product development, dedicated Product Management, and Product Marketing. Additionally, the R&D team has settled into a rhythm of delivering fixed annually recurring product releases. This is delivering predictability for our customers.

Appointment of CEO

Mr Aram Mirkazemi was appointed as Chief Executive Officer by the Board of Altium Limited on 16 January 2014 following the retirement of former CEO Mr Kayvan Oboudiyat. Mr Mirkazemi had served as Altium's Chief Technology Officer and is an Executive Director of the Board.

Mr Mirkazemi has been at the forefront of Altium's strategy to create long-term shareholder wealth through delivering on-going value for our customers. He has been the driving force leading Altium's focus on building financial strength while pursuing customer-centric product development.

Mr Mirkazemi is the architect and champion of Altium's new product development strategy with high-end design tools. He has also lead the initiation of strategic partnerships within the EDA industry, to assist Altium to grow its market share in the areas in which it already leads and as it expands its reach into upper and lower market segments.

Strategy

The Board and executive team are committed to a Strategic Plan to build financial strength through sales growth and expanding margins. Sales growth is expected to be delivered through a combination of growing license sales as well as continuing our focus on building on our subscriber base through content driven subscription.

Altium seeks to create long-term shareholder wealth through delivering on-going value for our customers.

Altium will continue to pursue its strategy that has delivered strong financial results. At the heart of this strategy is Altium's focus on building financial strength while pursuing customer-centric product development. Altium will also look to develop strategic partnerships within the electronic design automation (EDA) industry as it seeks to grow market share in the areas in which it already leads and as it expands its reach into upper and lower market segments.

Outlook

Looking ahead, Altium will be seeking to drive growth in the following areas:

- Expand Altium's channel capacity through its reseller network, product offering and increase market share within its growing market segment. Our increasing reseller network is expanding our ability to reach customers.
- Expand Altium's strategic sales through a global key accounts sales team and deliver product customization services through its R&D. Our product development strategy aimed at "Closing the Capability Gaps" with high-end design tools supports our expansion of strategic sales.
- Introduce a more sophisticated product delivery structure by restructuring Altium Designer into a suite of software products. We recognise that a one-size-fits-all approach is not in the best interests of our customers and that a suite approach will better serve our customers' needs.
- Leverage Altium's leadership position in embedded software, through its TASKING brand, to drive strategic sales. TASKING is a leading provider of compiler solutions to software developers within the micro-controller market. TASKING's development tools are predominately used within the automotive industry and the broader industrial market to program micro-controller based powertrain, driver assistance and safety related applications worldwide.

Risk

Factors that may impact the maintenance of sales growth include foreign currency fluctuations, ramp up times for new resellers, product development delivery and the global economy.

The major currency risk is the EUR/USD due to the large proportion of sales conducted in EUR. A depreciation of the EUR against the USD would have a negative impact on group sales and revenue.

As the global reseller network is expanded there is a risk that lengthy ramp up times for new resellers will have a negative impact on sales because of the time to train and educate resellers about Altium's products. This risk has and will continue to be mitigated through the due diligence process prior to appointing a new reseller and then training once the reseller is appointed.

The ongoing delivery of new product releases is a key factor in driving new license and subscription growth. New technology development required for inclusion in releases carries inherent risks in terms of timing and quality. These risks are mitigated through forward planning of the technology requirements for each release and a disciplined project management and quality assurance process.

The future condition of the global economy will have an impact on Altium and the growth of the markets in which Altium operates. Given that the contribution of the European and the United States regions is approximately 80% of Altium's sales, these are the two regions in which a downturn would have the greatest impact.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

At the date of this report there are no likely developments in the operations of the consolidated entity that would materially impact the results of the group. The key opportunities that may benefit the consolidated entity are set out in the "Outlook" section above, and the associated risks are set out under the heading 'risks' above.

Environmental regulation

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

Information on directors

Name:	Samuel Weiss
Title:	Non-executive Chairman
Qualifications:	AB MS FAICD
Experience and expertise:	Sam joined the Altium Board as a Non-executive Director on 1 January 2007 and was elected Chairman of the Board on 4 October of that year. Sam is also Chairman of 3PLearning Ltd and a Non-executive director of Oroton Group Ltd, Breville Group Ltd, and iBuy Group Limited. He is a Director of the Sydney Festival and Former Chairman of The Benevolent Society. He brings valuable experience in international markets from his previous roles as Vice President, Asia-Pacific, Gateway Computers and Chief Operating Officer for Nike Europe.
Other current directorships:	Oroton Group Ltd, Breville Group Ltd, iBuy Group Limited and 3PLearning Ltd
Former directorships (last 3 years):	GLG Corp Ltd, iProperty Ltd, Open Universities Australia Pty Ltd and the Benevolent Society
Special responsibilities:	Member of the Audit and Risk Management Committee and the Human Resources Committee
Interests in shares:	1,795,345 (2013: 1,795,345) ordinary shares - Sam also holds a nominee interest in 3,701,500 (2013: 6,250,000) ordinary shares as a trustee of the Employee Share and Option Plan Trust
Interests in options:	None
Name:	Carl Rooke
Title:	Non-executive Director
Qualifications:	FCA FAICD
Experience and expertise:	Carl joined the Board in 1990 as a Non-executive Director and was appointed Chairman in 1999 and served as Chairman until October 2007. Carl is a Chairman of a Property Trust, fellow of the Institute of Chartered Accountants and the Institute of Company Directors. Carl sits on the board of several private companies and brings to the group a history of successful business practice with many years of proven experience in management, accounting and finance.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit and Risk Management Committee and member of the Human Resources Committee
Interests in shares:	675,574 (2013: 675,574) ordinary shares - Carl also holds a nominee interest in 3,701,500 (2013: 6,250,000) ordinary shares as a trustee of the Employee Share and Option Plan Trust
Interests in options:	None

Altium Limited
Directors' report
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Name: Dr David Warren
Title: Non-executive Director
Qualifications: BSc Tas Hon DSc Tas MAIP FAICD
Experience and expertise: David has been associated with Altium since its inception in 1985. After joining Altium's management team in 1987, David served as President of Altium's USA operation from 1994 to 1995. He has served as a member of the Board since 1991. 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. David has served on a number of company boards both private and public. His work in astronomy led him into the world of software and electronic design where he has since gained more than 30 years' experience.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the Audit and Risk Management Committee and Chair of the Human Resources Committee
Interests in shares: 2,471,300 (2013: 5,556,300) ordinary shares
Interests in options: None

Name: Aram Mirkazemi
Title: Chief Executive Officer
Qualifications: BE
Experience and expertise: Aram joined Altium in 1991 serving as Director of Research and Development from 1992 until 1999 and as a member of Altium's Board from 1992 to 2000. Following Altium's successful IPO in 1999 Aram left to explore his interest in web based software systems and went on to found Morfik Technology. Aram returned to Altium in 2010 as part of the Morfik acquisition and was appointed as Head of Engineering and later as Director and Chief Technology Officer in October 2012 before his appointment as Chief Executive Officer on the 16th January 2014. Aram brings the group over 20 years' experience in senior management roles at the forefront of CAD software development and web-based technology, and has extensive experience in directing complex software engineering projects and products.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 12,538,000 (2013: 12,413,000) ordinary shares
Interests in options: None

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

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

Company secretary
Alison Raffin

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board		Human Resources Committee		Audit and Risk Management Committee	
	Attended	Held	Attended	Held	Attended	Held
Samuel Weiss	8	8	5	5	2	2
Carl Rooke	8	8	5	5	2	2
Dr David Warren	8	8	5	5	2	2
Aram Mirkazemi	8	8	-	-	-	-
Kayvan Oboudiyat*	4	4	-	-	-	-

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

* Kayvan Oboudiyat retired as Director on 16 January 2014

Remuneration report (audited)

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

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

- Provide competitive rewards to attract, motivate and retain high calibre executives;
- Link executive rewards to shareholder value;

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 rewards 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 recognise 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 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 long-term incentive opportunities.

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

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

Executive remuneration

The executive pay and reward framework has two key elements:

- Base pay and benefits, including superannuation
- 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 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.

Long-term incentives

The company believes that the best way to motivate its executive team so that its work delivers value to shareholders is to create opportunities for those individuals to be shareholders themselves and for their incentive compensation to include share ownership so that they benefit from capital appreciation and dividend payments. A long-term incentive plan to include at risk compensation will be introduced in the year ending 30 June 2015.

The Long-term Incentive Plan will make awards based on employees contribution and commitment to the company over a period of several years, the ability of the employees to impact and influence the outcome and direction of the organisation in the future, and the achievement of financial based hurdles and period of service as determined by the Board.

Details of remuneration

Amounts of remuneration

The key management personnel of the consolidated entity consisted of the directors of Altium Limited and Richard Leon - Chief Financial Officer.

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

Altium Limited
Directors' report
30 June 2014

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees US\$	Termination US\$	Non-monetary US\$	Super-annuation US\$	Long service leave US\$	Equity-settled US\$	Total US\$
2014							
<i>Non-Executive Directors:</i>							
Samuel Weiss	138,878	-	-	12,846	-	-	151,724
Carl Rooke	87,146	-	-	-	-	-	87,146
Dr David Warren	114,697	-	-	10,609	-	-	125,306
<i>Executive Directors:</i>							
Kayvan Oboudiyat*	300,607	251,679	111,412	-	-	-	663,698
Aram Mirkazemi**	309,315	-	258,685	-	-	57,654	625,654
<i>Other Key Management Personnel:</i>							
Richard Leon	295,926	-	285,447	-	-	57,654	639,027
	1,246,569	251,679	655,544	23,455	-	115,308	2,292,555

* Kayvan Oboudiyat retired as Director and Chief Executive Officer on 16 January 2014

** Aram Mirkazemi was appointed Chief Executive Officer on 16 January 2014

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees US\$	Termination US\$	Non-monetary US\$	Super-annuation US\$	Long service leave US\$	Equity-settled US\$	Total US\$
2013							
<i>Non-Executive Directors:</i>							
Samuel Weiss	103,648	-	-	9,328	-	-	112,976
Carl Rooke	71,894	-	-	-	-	-	71,894
Dr David Warren	116,024	-	-	10,442	-	-	126,466
William Bartee*	23,788	-	-	2,141	-	-	25,929
<i>Executive Directors:</i>							
Kayvan Oboudiyat	387,032	-	146,961	-	-	922,460	1,456,453
Aram Mirkazemi**	182,167	-	170,842	-	-	115,308	468,317
Nicholas Martin***	112,738	262,706	45,369	-	-	-	420,813
<i>Other Key Management Personnel:</i>							
Richard Leon	273,659	-	265,823	-	-	345,923	885,405
	1,270,950	262,706	628,995	21,911	-	1,383,691	3,568,253

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Directors' report
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* William Barteo retired as Non-Executive Director on 29 November 2012

** Aram Mirkazemi was appointed as Director on 16 October 2012 - remuneration disclosed from the date of appointment

*** Nicholas Martin ceased as Director on 15 October 2012

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2014	2013	2014	2013	2014	2013
<i>Non-Executive Directors:</i>						
Samuel Weiss	100%	100%	-%	-%	-%	-%
Carl Rooke	100%	100%	-%	-%	-%	-%
Dr David Warren	100%	100%	-%	-%	-%	-%
William Barteo	100%	100%	-%	-%	-%	-%
<i>Executive Directors:</i>						
Kayvan Oboudiyat	100%	100%	-%	-%	-%	-%
Aram Mirkazemi	100%	100%	-%	-%	-%	-%
<i>Other Key Management Personnel:</i>						
Richard Leon	100%	100%	-%	-%	-%	-%

Service agreements

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

Name:	Samuel Weiss
Title:	Chairman
Term of agreement:	Open agreement with no fixed term.
Details:	Base fee of AU\$220,000, inclusive of superannuation effective 1 January 2014.
Name:	Carl Rooke
Title:	Non-executive Director
Term of agreement:	Open agreement with no fixed term.
Details:	Base fee of AU\$120,000, effective 1 January 2014.
Name:	Dr David Warren
Title:	Non-executive Director
Term of agreement:	Open agreement with no fixed term.
Details:	Base fee of AU\$120,000, inclusive of superannuation effective 1 January 2014.
Name:	Aram Mirkazemi
Title:	Chief Executive Officer (appointed to this position on 16 January 2014)
Term of agreement:	Open agreement with no fixed term, 3 months notice period.
Details:	Base salary of USD 400,000, housing allowance of RMB 822,000 and tuition fees allowance of RMB 374,000 per annum.
Name:	Richard Leon
Title:	Chief Financial Officer
Term of agreement:	Open agreement with no fixed term, 3 months notice period.
Details:	Base salary of RMB 1,839,348, housing allowance of RMB 732,000 and tuition fees allowance of RMB 626,000 per annum.

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

Share-based compensation

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Altium Limited
Directors' report
30 June 2014

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2014.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Value of options granted during the year US\$	Value of options exercised during the year US\$	Value of options lapsed during the year US\$	Remuneration consisting of options for the year %
Richard Leon*	-	100,000	-	-%

* The exercise price on the options were AU\$1 per share

Retention rights

Details of retention rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Grant date	Vesting date	Number of rights granted	Value of rights granted US\$	Value of rights vested during the year US\$	Number of rights lapsed during the year	Value of rights lapsed during the year US\$
Aram Mirkazemi	28/08/2012	30/06/2014	125,000	57,654	57,654	-	-
Aram Mirkazemi	28/08/2012	30/06/2015	125,000	57,654	-	-	-
Richard Leon	28/08/2012	30/06/2014	125,000	57,654	57,654	-	-
Richard Leon	28/08/2012	30/06/2015	125,000	57,654	-	-	-

The shares are subject to service conditions. Refer to note 39 of the financial report.

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Samuel Weiss	1,795,345	-	-	-	1,795,345
Carl Rooke	675,574	-	-	-	675,574
Dr David Warren	5,556,300	-	-	(3,085,000)	2,471,300
Kayvan Oboudiyat *	4,861,300	-	-	(4,861,300)	-
Aram Mirkazemi	12,413,000	125,000	-	-	12,538,000
Richard Leon	2,398,336	225,000	-	-	2,623,336
	27,699,855	350,000	-	(7,946,300)	20,103,555

* Kayvan Oboudiyat's holdings were removed on 16 January 2014, being the date he retired as a director.

Altium Limited
Directors' report
30 June 2014

Option holding

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

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

* The exercise price on the options were AU\$1 per share

This concludes the remuneration report, which has been audited.

Loans to directors and executives

There are no loans to Directors and executives for the years ended 30 June 2014 and 30 June 2013.

Shares under option

There were no unissued ordinary shares of Altium Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

The following ordinary shares of Altium Limited were issued during the year ended 30 June 2014 and up to the date of this report on the exercise of options granted:

Date options exercised	Exercise Price AU\$	Number of shares issued
17 July 2013	\$1.00	10,000
18 July 2013	\$1.00	110,000
19 July 2013	\$1.00	107,600
22 July 2013	\$1.00	120,000
23 July 2013	\$1.00	100,000
26 July 2013	\$1.00	1,983,310
1 August 2013	\$1.00	10,500
22 August 2013	\$1.00	20,000
13 September 2013	\$1.00	200,000
16 September 2013	\$1.00	10,000
24 September 2013	\$1.00	100,000
26 September 2013	\$1.00	19,000
12 March 2014	\$1.00	10,000
21 March 2014	\$1.00	200,000
1 April 2014	\$1.00	6,500
11 April 2014	\$1.00	10,000
2 May 2014	\$1.00	40,000
5 May 2014	\$1.00	39,250
6 May 2014	\$1.00	110,000
		<u>3,206,160</u>

Indemnity and insurance of officers

During the year the group paid a premium of US\$40,999 (2013: US\$42,985) 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.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 32 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 32 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the company who are former audit partners of PricewaterhouseCoopers

There are no officers of the company who are former audit partners of PricewaterhouseCoopers.

Rounding of amounts

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

Auditor's independence declaration

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

Auditor

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

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

On behalf of the directors



Aram Mirkazemi
Director and Chief Executive Officer

26 August 2014
Sydney



Auditor's Independence Declaration

As lead auditor for the audit of Altium Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read "S. Horlin", with a long horizontal flourish extending to the right.

Susan Horlin
Partner
PricewaterhouseCoopers

Sydney
26 August 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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 2014 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 2014:
 - (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 2014 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.



Aram Mirkazemi
Chief Executive Officer



Richard Leon
Chief Financial Officer

Sydney
26 August 2014

Altium Limited
Corporate Governance Statement
30 June 2014

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 Principles and Recommendations 2nd Edition. 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 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 three Non-executive Directors and one Executive Director, as follows;

Name	Position	Date appointed
Samuel Weiss	Chairman, Non-executive Director	1 January 2007
Aram Mirkazemi	Chief Executive Officer, Executive Director	Director - 16 October 2012 CEO - 16 January 2014
Carl Rooke	Non-executive Director	13 June 1990
Dr David Warren	Non-executive Director	4 December 1991

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

- Kayvan Oboudiyat retired from the board and his position as Chief Executive Officer on the 16th January 2014. Aram Mirkazemi replaced him as Chief Executive Officer on this date.

The following Directors are retiring by rotation in accordance with the Constitution and ASX Listing Rules and seek re-election at the 2014 Annual General Meeting:

- Aram Mirkazemi
- Carl Rooke

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. Two 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 length of service as an executive to the group.

Meetings of the Board

The Board meets formally between at least six times a year and on other occasions as required. Senior executives attend and make presentations at Board meetings, as considered appropriate, and are available for questioning by Directors. The number of meetings attended by each Director for the financial year ended 30 June 2014 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 Human Resources Committee for consideration by the Board, notwithstanding ASX listing rule requirements*. 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 election by shareholders.

The Human Resources 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 Chairman and Company Secretary who are on hand to answer questions and tailor the orientation towards the specific needs of each Director. With written approval from either the Chairman or a Company Secretary, the Board supports and encourages Directors to seek any relevant training to enhance their contribution to the Board. Training may also be recommended by the Board or by the Human Resources Committee to further extend the skills of Board members.

Review of Board performance

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

Board access to information and independent advice

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

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

The role of the Company Secretary

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

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

Committees of the Board

The Board establishes sub-committees to assist in the execution of its duties and to allow detailed consideration of complex issues.

Current committees of the Board are the 'Human Resources' Committee and the 'Audit and Risk Management' Committee. The structure, membership and contribution of each committee are reviewed on an annual basis.

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

ASX Principle 3 – Conduct and ethics

Code of Conduct

Altium is committed to conducting business with honesty and integrity and the conduct of every employee is vital in achieving this aim. Altium Limited's Code of Conduct, available at www.altium.com, 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. This policy was revised on 1 March 2014.

Directors and Designated Officers can only trade in specified trading window unless they have written consent from the chairman. The designated Trading Windows are the 4 week period immediately following;

- The release of a Quarterly Sales Update

- The release of the Audited Half Year Financial Results Announcement to the ASX.
- The release of the Audited Annual Financial Results Announcement to the ASX
- The Annual General Meeting

Even during these periods all Directors and employees of Altium Limited are prohibited from trading at any time they have access to 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 the financial results disclosure of the four trading quarters, half-year results, the full year results and the company's Annual General Meeting.

Diversity policy

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

The following table provides details of employee numbers;

Category	Number of employees	Percentage
<u>Australia</u>		
Total Employees	19	100%
Female Employees	6	29%
<u>Globally</u>		
Total Employees	403	100%
Female Employees	141	35%
Senior Female Executives	-	-%
Female Board Members	-	-%

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 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 – Chairman appointed December 2007	Independent	22 June 1999
Samuel Weiss	Independent	23 July 2007
Dr David Warren	Not independent	3 February 2010

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 fulfill its corporate governance and oversight responsibilities covering the group's financial reporting, internal control systems, risk management system and the 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 2014 is outlined in the Directors' report.

Audit governance and independence

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

Appointment of auditor

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

Rotation of lead external audit partners

Altium Limited has adopted a policy of rotating its lead audit partner every five years. This policy has been applied to all audit work undertaken in the financial year ended 30 June 2014.

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 2014, which has been included in the Directors' report.

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

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

Attendance of external auditor at Annual General Meetings

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

ASX Principle 5 – Disclosure

Continuous disclosure

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

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

ASX Principle 7 – Risk Management

Risk identification and management

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

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

These include:

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

- crisis management systems for IT infrastructure within the group.

Financial reporting

The group's financial report preparation and approval process for the financial year ended 30 June 2014 involved both the Chief Executive Officer and Chief Financial Officer giving a sign-off, to the best of their knowledge and belief, that:

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

ASX Principle 8 – Responsible Remuneration

The Human Resources Committee

The members of the Human Resources Committee at the date of this report are:

Director Name	Independent Status	Date Appointed
Dr David Warren – Appointed Chair 29 November 2012	-	15 July 2005
Samuel Weiss	Independent	25 February 2009
Carl Rooke	Independent	16 October 2012

The number of meetings attended by each Director for the financial year ended 30 June 2014 is outlined in the Directors' report.

The Human Resources Charter is available at www.altium.com. The main responsibilities of the committee are to:

- identify the necessary and desirable competencies of directors;
- determine appropriate size of the Board to encourage efficient decision-making;
- develop and review the process for the selection, appointment and re-election of directors;
- identify and recommend new Board candidates, with regard to their skills, experience and expertise;
- oversee the process for evaluating the performance of the Board, Board committees, and directors individually;
- review Board and senior executive succession plans and processes;
- maintain awareness of each director's tenure, to maintain an appropriate balance of skills, experience and expertise;
- determine broad policy for the remuneration of Altium's Chairman, CEO and senior executives;
- review incentive schemes and equity based remuneration, including consideration of performance thresholds and regulatory and market requirements;
- within the terms of the agreed policy, recommending the total remuneration packages for the CEO and Executive Directors to the Board and advise on the total remuneration packages of senior executives in consultation with the CEO;
- determine the policy for and scope of superannuation arrangements, service agreements for senior executives, termination payments and compensation commitments;

- ensure Altium's human resources strategy, policies and procedures are appropriate to the company's needs are clearly designed and executed;
- review and monitor the effectiveness of Altium's health and safety processes and procedures;
- keep informed of changes to relevant legislation and ensure statutory requirements are implemented in a timely manner.

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

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

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General information

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

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

3 Minna Close
Belrose, NSW 2085
Australia

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 August 2014. The directors have the power to amend and reissue the financial statements.

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
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

		Consolidated	
	Note	2014 US\$'000	2013 US\$'000
Revenue	4	71,112	62,054
Expenses			
Changes in inventories		(191)	147
Raw materials and consumables used		(144)	(476)
Rental and occupancy expense		(3,006)	(2,776)
Travel expense		(3,103)	(2,124)
Employee benefits expense		(34,806)	(32,406)
Share based payment expense		(520)	(5,224)
Depreciation and amortisation expense	5	(1,226)	(2,135)
Professional advice expense		(1,859)	(2,190)
Restructuring costs	5	(152)	(2,562)
Communications expense		(1,336)	(1,678)
Net foreign exchange loss		(298)	(110)
Marketing expense		(3,916)	(1,618)
Finance costs	5	(134)	(426)
Other expenses		(3,287)	(4,982)
Profit before income tax expense		17,134	3,494
Income tax expense	6	(5,968)	(2,128)
Profit after income tax expense for the year attributable to the owners of Altium Limited	28	11,166	1,366
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		700	(934)
Other comprehensive income for the year, net of tax		700	(934)
Total comprehensive income for the year attributable to the owners of Altium Limited		11,866	432
		Cents	Cents
Basic earnings per share	38	10.26	1.33
Diluted earnings per share	38	10.26	1.33

he above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Altium Limited
Statement of financial position
As at 30 June 2014

	Note	Consolidated 2014 US\$'000	2013 US\$'000
Assets			
Current assets			
Cash and cash equivalents	7	22,049	14,756
Trade and other receivables	8	22,429	16,193
Inventories	9	520	611
Tax receivables	10	259	262
Other assets	11	803	717
Total current assets		46,060	32,539
Non-current assets			
Trade and other receivables	12	1,136	2,201
Property, plant and equipment	13	1,908	1,565
Intangible assets	14	-	263
Deferred tax assets	15	4,879	9,819
Other assets	16	19	40
Total non-current assets		7,942	13,888
Total assets		54,002	46,427
Liabilities			
Current liabilities			
Trade and other payables	17	5,499	4,595
Borrowings	18	60	156
Tax liabilities	19	338	264
Provisions	20	1,773	2,846
Deferred revenue	21	29,727	24,279
Total current liabilities		37,397	32,140
Non-current liabilities			
Borrowings	22	88	35
Provisions	23	2,829	3,700
Deferred revenue	24	5,981	5,345
Other liabilities	25	116	137
Total non-current liabilities		9,014	9,217
Total liabilities		46,411	41,357
Net assets		7,591	5,070
Equity			
Contributed equity	26	82,494	79,551
Reserves	27	11,774	10,554
Accumulated losses	28	(86,677)	(85,035)
Total equity		7,591	5,070

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

Altium Limited
Statement of changes in equity
For the year ended 30 June 2014

Consolidated	Contributed equity US\$'000	Reserves US\$'000	Accumulated losses US\$'000	Total equity US\$'000
Balance at 1 July 2012	79,534	6,778	(77,310)	9,002
Profit after income tax expense for the year	-	-	1,366	1,366
Other comprehensive income for the year, net of tax	-	(934)	-	(934)
Total comprehensive income for the year	-	(934)	1,366	432
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 39)	-	4,710	-	4,710
Contribution on conversion of employee options	17	-	-	17
Dividends paid (note 29)	-	-	(9,091)	(9,091)
Balance at 30 June 2013	79,551	10,554	(85,035)	5,070
Consolidated	Contributed equity US\$'000	Reserves US\$'000	Accumulated losses US\$'000	Total equity US\$'000
Balance at 1 July 2013	79,551	10,554	(85,035)	5,070
Profit after income tax expense for the year	-	-	11,166	11,166
Other comprehensive income for the year, net of tax	-	700	-	700
Total comprehensive income for the year	-	700	11,166	11,866
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 39)	-	520	-	520
Contribution on conversion of employee options	2,943	-	-	2,943
Dividends paid (note 29)	-	-	(12,808)	(12,808)
Balance at 30 June 2014	82,494	11,774	(86,677)	7,591

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

Altium Limited
Statement of cash flows
For the year ended 30 June 2014

		Consolidated	
	Note	2014 US\$'000	2013 US\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		75,689	69,579
Payments to suppliers and employees (inclusive of GST)		(55,708)	(55,620)
		19,981	13,959
Interest received		148	146
Interest and other finance costs paid		(10)	(68)
Net income taxes paid		(1,667)	(1,719)
Net cash from operating activities	37	18,452	12,318
Cash flows from investing activities			
Payments for property, plant and equipment	13	(1,296)	(678)
Net cash used in investing activities		(1,296)	(678)
Cash flows from financing activities			
Proceeds from exercise of options		2,943	17
Dividends paid	29	(12,808)	(9,091)
Repayment of borrowings		(157)	(265)
Net cash used in financing activities		(10,022)	(9,339)
Net increase in cash and cash equivalents		7,134	2,301
Cash and cash equivalents at the beginning of the financial year		14,756	13,246
Effects of exchange rate changes on cash and cash equivalents		159	(791)
Cash and cash equivalents at the end of the financial year	7	22,049	14,756

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

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

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

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

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Presentation currency

Altium Limited has selected US dollars as its presentation currency as 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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 35.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Altium Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Altium Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 1. Significant accounting policies (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Employee Share Trust

The group has formed a trust to administer the group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the group.

Shares held by the Altium Employee Share and Option Plan Trust are disclosed as treasury shares and deducted from contributed equity.

Operating segments

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

Foreign currency translation

The financial statements are presented in Australian dollars, which is Altium Limited's functional and presentation currency.

Foreign currency transactions

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

Foreign operations

The assets and liabilities of foreign operations are translated into US dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into US dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

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

Revenue recognition

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

Note 1. Significant accounting policies (continued)

Software

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

Subscriptions

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

Hardware

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

Training services

Revenue is recognised at the time the service is provided.

Project Services

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

Multiple element contracts

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

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 the assets net carrying amount.

Dividends

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

Income tax

The income tax expense or revenue for the period is 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 asset 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period 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 foreign operations where the company 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.

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables generally have 30 to 90 day terms.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the 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 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance 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.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'weighted average' basis. Cost comprises direct materials after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

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

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

Note 1. Significant accounting policies (continued)

The expected useful lives of the assets are as follows:

Office equipment	3-5 years
Computer hardware and software	2-3 years
Leasehold improvements	3-7 years

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

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

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

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

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 the economic benefits are expected to arise. These periods vary from 3 to 10 years, starting from the date of commercial release.

Note 1. Significant accounting policies (continued)

Research and development

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

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

Internally generated intangibles

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

Impairment of non-financial assets

Goodwill and other 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 non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

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

Finance costs

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

- interest on finance leases
- unwinding of the discount on provisions

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Note 1. Significant accounting policies (continued)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is 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.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Bonus plans

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

Termination benefits

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

Share-based payments

Options

Share-based compensation benefits are provided to employees via the Altium Employee Option Plan and an employee share scheme. Information relating to these schemes is set out in note 39.

The fair value of options granted under the Altium's Employee Option Plan is recognised as an employee benefits 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-tradable 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 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.

Shares

Under the employee share scheme, shares issued by the Altium Employee Share and Option Plan Trust to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

The fair value of deferred shares granted to employees for nil consideration under the incentive scheme is recognised as an expense over the relevant service period. The fair value of compensation is determined based on the actual market price of the company's share price at the dates of grant.

Note 1. Significant accounting policies (continued)

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Altium Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Altium Limited.

Issued capital

Ordinary shares are classified as equity.

Dividends

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 1. Significant accounting policies (continued)

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 January 2014 may increase the disclosures by the consolidated entity.

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 January 2015 will not have a material impact on the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

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

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Calculation of future taxable amounts involve the use of assumptions and management judgements.

Onerous lease provision

A provision has been made for onerous lease contracts. Calculation of this provision involves significant estimates and judgement which may affect the carrying amount of the liability. These include the potential for future sub-lease rental, the make-good liability, the amount of the space that will be occupied by Altium, and the discount rate.

Multiple element contracts

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

Note 3. Operating segments

Description of segments

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

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

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

Segment sales represent invoiced sales. These are subsequently adjusted for the deferred component which is recognised over the service period. Sales is management's key metric in understanding the results by segment. Sales from segments comprise software and hardware sales, subscriptions services, training services and project services.

Types of products and services

Sales from segments comprise;

- Software and hardware
- Subscription services
- Training services
- Project services

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.

Note 3. Operating segments (continued)

The chief operating decision maker assesses the performance of individual segments on the basis of an underlying profit measure. The underlying profit comprises expenses which are incurred in the normal trading activity of the segments, and excludes the impact of restructuring costs, finance costs, share based payments and other expenses which are determined to be outside of the control of the respective segments.

Intersegment transactions

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

Intersegment receivables, payables and loans

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

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 2014	Americas US\$'000	EMEA US\$'000	Greater China US\$'000	Asia Pacific US\$'000	Intersegment eliminations/ unallocated US\$'000	Total US\$'000
Revenue						
Segment sales	27,151	32,826	9,731	5,547	836	76,091
Net adjustment for deferred revenue recognition	(1,404)	(3,250)	(930)	123	40	(5,421)
Other revenue	-	-	-	-	294	294
Interest Income	-	-	-	-	148	148
Total revenue	<u>25,747</u>	<u>29,576</u>	<u>8,801</u>	<u>5,670</u>	<u>1,318</u>	<u>71,112</u>
Underlying profit	<u>16,636</u>	<u>25,651</u>	<u>4,253</u>	<u>4,800</u>	<u>(28,403)</u>	<u>22,937</u>
Amortisation						(263)
Share based payments						(520)
Legal settlement and associated fees						(479)
Finance costs						(134)
Other expenses						(7)
Movement in provision for leasehold facility						1,029
Restructuring costs						(152)
Foreign exchange loss						(298)
Net adjustment for deferred revenue recognition						(5,421)
Other Income						442
Profit before income tax expense						<u>17,134</u>
Income tax expense						<u>(5,968)</u>
Profit after income tax expense						<u>11,166</u>
Assets						
Segment assets	<u>10,480</u>	<u>11,676</u>	<u>5,661</u>	<u>1,334</u>	<u>19,713</u>	<u>48,864</u>
<i>Unallocated assets:</i>						
Deferred tax asset						4,879
Income tax receivables						259
Total assets						<u>54,002</u>
Liabilities						
Segment liabilities	<u>17,441</u>	<u>16,586</u>	<u>2,500</u>	<u>4,980</u>	<u>4,418</u>	<u>45,925</u>
<i>Unallocated liabilities:</i>						
Provision for income tax						338
Current borrowings						60
Non-current borrowings						88
Total liabilities						<u>46,411</u>

Altium Limited
Notes to the financial statements
30 June 2014

Note 3. Operating segments (continued)

Consolidated - 2013	Americas US\$'000	EMEA US\$'000	Greater China US\$'000	Asia Pacific US\$'000	Intersegment eliminations/ unallocated US\$'000	Total US\$'000
Revenue						
Segment sales*	28,177	26,727	8,197	5,568	575	69,244
Net adjustment for deferred revenue recognition *	(4,287)	(3,571)	(226)	(197)	(32)	(8,313)
Other revenue	-	-	-	-	977	977
Interest Income	-	-	-	-	146	146
Total revenue	<u>23,890</u>	<u>23,156</u>	<u>7,971</u>	<u>5,371</u>	<u>1,666</u>	<u>62,054</u>
Underlying profit	<u>20,350</u>	<u>20,402</u>	<u>3,984</u>	<u>4,646</u>	<u>(29,245)</u>	<u>20,137</u>
Amortisation						(1,201)
Share based payments						(5,224)
Provision for legal settlement and associated fees						(759)
Finance costs						(426)
Other expenses						(609)
Forgiveness of loans						(305)
Movement in provision for leasehold facility						1,733
Restructuring costs						(2,554)
Foreign exchange loss						(110)
Net adjustment for deferred revenue recognition						(8,313)
Other Income						1,125
Profit before income tax expense						<u>3,494</u>
Income tax expense						(2,128)
Profit after income tax expense						<u>1,366</u>
Assets						
Segment assets	<u>10,004</u>	<u>10,130</u>	<u>4,485</u>	<u>1,189</u>	<u>10,538</u>	<u>36,346</u>
<i>Unallocated assets:</i>						
Deferred tax asset						9,819
Current tax						262
Total assets						<u>46,427</u>
Liabilities						
Segment liabilities	<u>15,273</u>	<u>12,771</u>	<u>1,960</u>	<u>3,615</u>	<u>7,283</u>	<u>40,902</u>
<i>Unallocated liabilities:</i>						
Provision for income tax						264
Current borrowings						156
Non-current borrowings						35
Total liabilities						<u>41,357</u>

* Sales and revenue for the year ended 30 June 2013 has been adjusted to reflect changes to territories made in the year ended 30 June 2014.

Note 4. Revenue

	Consolidated	
	2014	2013
	US\$'000	US\$'000
<i>Sales revenue</i>		
Software license revenue	29,273	26,198
Hardware revenue	193	392
Subscription and maintenance revenue	36,870	30,364
Service revenue	4,334	3,977
	<u>70,670</u>	<u>60,931</u>
<i>Other revenue</i>		
Interest income	148	146
Other revenue	294	977
	<u>442</u>	<u>1,123</u>
Revenue	<u><u>71,112</u></u>	<u><u>62,054</u></u>

Note 5. Expenses

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	201	218
Plant and equipment	574	450
Plant and equipment under lease	188	266
Total depreciation	<u>963</u>	<u>934</u>
<i>Amortisation</i>		
Internally generated intangibles	-	386
Acquired software intellectual property	263	815
Total amortisation	<u>263</u>	<u>1,201</u>
Total depreciation and amortisation	<u>1,226</u>	<u>2,135</u>
<i>Cost of revenue</i>		
Goods	401	610
Services	1,643	604
Total cost of revenue	<u>2,044</u>	<u>1,214</u>
<i>Charges against assets</i>		
Bad and doubtful debts	<u>(7)</u>	<u>122</u>
<i>Restructuring costs</i>		
Redundancy costs	152	1,339
Costs associated with terminating lease contracts previously committed to	<u>-</u>	<u>1,223</u>
Total restructuring costs	<u>152</u>	<u>2,562</u>

Note 5. Expenses (continued)

	Consolidated	
	2014	2013
	US\$'000	US\$'000
<i>Finance costs</i>		
Interest and finance charges paid/payable	10	67
Unwinding of the discount on provisions	124	359
	<hr/>	<hr/>
Finance costs expensed	134	426
	<hr/>	<hr/>
<i>Net foreign exchange loss (gain)</i>		
Net foreign exchange loss (gain)	298	110
	<hr/>	<hr/>
<i>Rental expense relating to operating leases</i>		
Office rent	2,317	2,024
Equipment	86	215
Motor vehicle	96	184
	<hr/>	<hr/>
Total rental expense relating to operating leases	2,499	2,423
	<hr/>	<hr/>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	178	170
	<hr/>	<hr/>
<i>Research and development costs expensed</i>		
Research and development costs incurred	12,064	10,525
	<hr/>	<hr/>

Note 6. Income tax expense

	Consolidated	
	2014	2013
	US\$'000	US\$'000
<i>Income tax expense</i>		
Current tax	919	1,250
Deferred tax - origination and reversal of temporary differences	5,056	502
Adjustment recognised for prior periods	(7)	376
	<u>5,968</u>	<u>2,128</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets (note 15)	<u>5,056</u>	<u>502</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>17,134</u>	<u>3,494</u>
Tax at the statutory tax rate of 30%	5,140	1,048
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	60	48
Share-based payments	156	1,097
Attribution of income	362	257
Sundry items	<u>146</u>	<u>68</u>
	5,864	2,518
Adjustment recognised for prior periods	(7)	376
Difference in overseas tax rates	23	(30)
Prior year tax credits not recognised now recognised	30	(345)
Temporary differences not recognised now recognised	<u>58</u>	<u>(391)</u>
	<u>5,968</u>	<u>2,128</u>
Income tax expense		
	<u>5,968</u>	<u>2,128</u>
	Consolidated	Consolidated
	2014	2013
	US\$'000	US\$'000
<i>Amounts credited directly to equity</i>		
Deferred tax assets (note 15)	<u>-</u>	<u>(41)</u>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	<u>5,178</u>	<u>4,969</u>
Potential tax benefit at statutory tax rates	<u>1,553</u>	<u>1,267</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses are located in the Netherlands and are unlikely to be utilised.

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Cash at bank	20,778	13,555
Deposit at call	1,271	1,201
	<u>22,049</u>	<u>14,756</u>

The value of bank guarantees at 30 June 2014 amounted to US\$1,208,045 (2013: US\$1,245,314).

Note 8. Current assets - trade and other receivables

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Trade receivables	21,129	15,552
Less: Provision for impairment	(98)	(107)
	<u>21,031</u>	<u>15,445</u>
Other receivables	1,398	748
	<u>22,429</u>	<u>16,193</u>

Impairment of receivables

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

	Consolidated	
	2014	2013
	US\$'000	US\$'000
0 to 3 months overdue	13	23
3 to 6 months overdue	18	40
Over 6 months overdue	67	44
	<u>98</u>	<u>107</u>

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

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Opening balance	107	118
Additional provisions recognised	-	136
Translation differences	2	(15)
Receivables written off during the year as uncollectable	(7)	(132)
Unused amounts reversed	(4)	-
	<u>98</u>	<u>107</u>

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$2,602,000 as at 30 June 2014 (\$1,957,000 as at 30 June 2013).

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

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

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

	Consolidated	
	2014	2013
	US\$'000	US\$'000
0 to 1 month overdue	1,920	1,588
1 to 2 months overdue	243	262
Over 2 months overdue	439	107
	<u>2,602</u>	<u>1,957</u>

Note 9. Current assets - inventories

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Raw materials - at cost	267	313
Finished goods - at cost	253	298
	<u>520</u>	<u>611</u>

Inventories recognised as an expense during the year ended 30 June 2014 amounted to US\$335,000 (2013: US\$329,000). Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2014 amounted to US\$Nil (2013: US\$202,000). The expense has been included in 'raw materials and consumables used' in the statement of profit or loss and comprehensive income.

Note 10. Current assets - tax receivables

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Income tax receivables	<u>259</u>	<u>262</u>

Note 11. Current assets - other assets

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Prepayments	<u>803</u>	<u>717</u>

Note 12. Non-current assets - trade and other receivables

	Consolidated 2014 US\$'000	2013 US\$'000
Trade receivables	589	1,426
Other receivables	547	775
	<u>1,136</u>	<u>2,201</u>

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

	Consolidated 2014 US\$'000	2013 US\$'000
Leasehold improvements - at cost	1,125	814
Less: Accumulated depreciation	(573)	(379)
	<u>552</u>	<u>435</u>
Plant and equipment - at cost	2,215	1,559
Less: Accumulated depreciation	(1,006)	(646)
	<u>1,209</u>	<u>913</u>
Plant and equipment under lease	533	772
Less: Accumulated depreciation	(386)	(555)
	<u>147</u>	<u>217</u>
	<u>1,908</u>	<u>1,565</u>

Reconciliations

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

Consolidated	Plant & equipment US\$'000	Leasehold improvements US\$'000	Leased plant & equipment US\$'000	Total US\$'000
Balance at 1 July 2012	739	701	479	1,919
Additions	678	-	-	678
Disposals	(64)	(59)	-	(123)
Exchange differences	10	11	4	25
Depreciation expense	(450)	(218)	(266)	(934)
Balance at 30 June 2013	913	435	217	1,565
Additions	862	317	117	1,296
Disposals	(18)	-	(3)	(21)
Exchange differences	26	1	4	31
Depreciation expense	(574)	(201)	(188)	(963)
Balance at 30 June 2014	<u>1,209</u>	<u>552</u>	<u>147</u>	<u>1,908</u>

Property, plant and equipment secured under finance leases

Refer to note 33 for further information on property, plant and equipment secured under finance leases.

Note 14. Non-current assets - intangible assets

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Acquired software intellectual property - at cost	-	2,439
Less: Accumulated amortisation	-	(2,176)
	<u>-</u>	<u>(2,176)</u>
	<u><u>-</u></u>	<u><u>263</u></u>

Reconciliations

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

Consolidated	Internally generated US\$'000	Acquired software US\$'000	Total US\$'000
Balance at 1 July 2012	378	1,075	1,453
Exchange differences	8	3	11
Amortisation expense	(386)	(815)	(1,201)
	<u>-</u>	<u>(815)</u>	<u>(1,201)</u>
Balance at 30 June 2013	-	263	263
Amortisation expense	-	(263)	(263)
	<u>-</u>	<u>(263)</u>	<u>(263)</u>
Balance at 30 June 2014	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Note 15. Non-current assets - deferred tax assets

	Consolidated	
	2014	2013
	US\$'000	US\$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	639	4,675
Property, plant and equipment	1,024	1,040
Employee benefits	223	195
Finance leases	-	61
Foreign tax credits	207	396
Provisions	935	1,006
Intangible assets	71	196
Foreign currency translation	322	402
Provision for onerous lease contract	1,176	1,410
Other tax credits	492	479
Undistributed reserves	(210)	-
	<u>4,879</u>	<u>9,860</u>
Amounts recognised in equity:		
Foreign currency translation	-	(41)
Deferred tax asset	<u>4,879</u>	<u>9,819</u>
Amount expected to be recovered within 12 months	3,096	7,462
Amount expected to be recovered after more than 12 months	1,783	2,357
	<u>4,879</u>	<u>9,819</u>
<i>Movements:</i>		
Opening balance	9,819	11,212
Charged to profit or loss (note 6)	(5,056)	(502)
Credited to equity (note 6)	-	41
Translation differences	116	(932)
Closing balance	<u>4,879</u>	<u>9,819</u>

Note 16. Non-current assets - other assets

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Prepayments	<u>19</u>	<u>40</u>

Note 17. Current liabilities - trade and other payables

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Trade payables	1,260	842
Other payables	4,239	3,753
	<u>5,499</u>	<u>4,595</u>

Refer to note 30 for further information on financial risk management.

Note 18. Current liabilities - borrowings

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Lease liability	60	156

Refer to note 30 for further information on financial risk management.

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. As at 30 June 2014, leases due within one year have a weighted average interest rate of 8.18% (2013: 10.28%).

Assets pledged as security

The carrying amounts of assets pledged as security for current borrowings amount to US\$147,000 (2013: US\$217,000).

Note 19. Current liabilities - tax liabilities

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Provision for income tax	338	264

Note 20. Current liabilities - provisions

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Employee benefits	678	773
Onerous lease contract	1,095	1,052
Other	-	1,021
	<u>1,773</u>	<u>2,846</u>

Onerous lease

The provision represents the present value of the estimated costs, net of any sub-lease revenue, that will be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

Other

The provision represents the estimated amount of non-recoverable Value Added Tax that is subject to an export of services exemption application in China. The exemption was received in the year ended 30 June 2014.

Note 20. Current liabilities - provisions (continued)

Movements in provisions

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

	Other US\$'000	Onerous lease contract US\$'000
Consolidated - 2014		
Carrying amount at the start of the year	1,021	1,052
Amounts transferred from non-current (note 23)	-	1,160
Amounts used	-	(1,029)
Unwinding of discount	-	20
Unused amounts reversed	(1,021)	-
Translation differences	-	(108)
	<hr/>	<hr/>
Carrying amount at the end of the year	-	1,095

Amounts not expected to be settled within the next 12 months

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

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

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Long service leave obligation expected to be settled after 12 months	111	101

Note 21. Current liabilities - Deferred revenue

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Deferred subscription and maintenance revenue	27,473	22,658
Other deferred revenue	2,254	1,621
	<hr/>	<hr/>
	29,727	24,279

Note 22. Non-current liabilities - borrowings

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Lease liability	88	35

Refer to note 30 for further information on financial risk management.

Note 22. Non-current liabilities - borrowings (continued)

Total secured liabilities

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

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Lease liability	148	191

Assets pledged as security

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

Note 23. Non-current liabilities - provisions

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Employee benefits	2	-
Onerous lease contract	2,827	3,700
	2,829	3,700

Movements in provisions

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

	Onerous lease contract US\$'000
Consolidated - 2014	
Carrying amount at the start of the year	3,700
Amounts transferred to current (note 20)	(1,160)
Unwinding of discount	104
Translation differences	183
Carrying amount at the end of the year	2,827

Note 24. Non-current liabilities - Deferred revenue

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Deferred subscription and maintenance revenue	5,981	5,345

Note 25. Non-current liabilities - other liabilities

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Other payables	116	137

Note 26. Equity - Contributed equity

	2014 Shares	Consolidated 2013 Shares	2014 US\$'000	2013 US\$'000
Ordinary shares - fully paid	<u>113,272,762</u>	<u>110,066,602</u>	<u>82,494</u>	<u>79,551</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price AU\$	US\$'000
Balance	1 July 2012	102,462,009		79,534
Shares issued	September 2012*	7,586,863	\$0.00	-
Issue shares on exercise of employee options	May 2013	3,000	\$1.00	3
Issue shares on exercise of employee options	June 2013	14,730	\$1.00	14
Balance	30 June 2013	110,066,602		79,551
Issue shares on exercise of employee options	July 2013	2,430,910	\$1.00	2,232
Issue shares on exercise of employee options	August 2013	210,500	\$1.00	190
Issue shares on exercise of employee options	September 2013	149,000	\$1.00	140
Issue shares on exercise of employee options	March 2014	210,000	\$1.00	190
Issue shares on exercise of employee options	April 2014	16,500	\$1.00	15
Issue shares on exercise of employee options	May 2014	189,250	\$1.00	176
Balance	30 June 2014	<u>113,272,762</u>		<u>82,494</u>

Movements in treasury shares

Details	Date	Shares
Balance	1 July 2012	5,713,137
Less: Shares transferred to employees		(5,050,000)
Add: Shares issued*	28 September 2012	7,586,863
Less: Shares transferred to employees		<u>(2,000,000)</u>
Balance	30 June 2013	6,250,000
Less: Shares transferred to employees		(2,603,000)
Add: Shares issued		<u>54,500</u>
Balance	30 June 2014	<u>3,701,500</u>

* The issue was made to the trustees of the Altium Employee Share and Option Plan Trust. No consideration was paid for the shares.

Ordinary Shares

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

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 27. Equity - reserves

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Foreign currency reserve	5,418	4,718
Equity compensation reserve	6,356	5,836
	<u>11,774</u>	<u>10,554</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to US dollars. It is also used to recognise gains and losses on the net investments in foreign operations.

Equity compensation reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency translation US\$'000	Equity compensation US\$'000	Total US\$'000
Balance at 1 July 2012	5,652	1,126	6,778
Foreign currency translation	(934)	-	(934)
Share based payments	-	4,710	4,710
	<u>4,718</u>	<u>5,836</u>	<u>10,554</u>
Balance at 30 June 2013	4,718	5,836	10,554
Foreign currency translation	700	-	700
Share based payments	-	520	520
	<u>5,418</u>	<u>6,356</u>	<u>11,774</u>
Balance at 30 June 2014	<u>5,418</u>	<u>6,356</u>	<u>11,774</u>

Note 28. Equity - accumulated losses

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Accumulated losses at the beginning of the financial year	(85,035)	(77,310)
Profit after income tax expense for the year	11,166	1,366
Dividends paid (note 29)	(12,808)	(9,091)
	<u>(86,677)</u>	<u>(85,035)</u>
Accumulated losses at the end of the financial year	<u>(86,677)</u>	<u>(85,035)</u>

Note 29. Equity - dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Final dividend for the year ended 30 June 2013 of AU 8 cents (2012: AU 5 cents)	8,594	5,663
Interim dividend for the half year ended 31 December 2013 of AU 4 cents (2012: AU 3 cents)	4,214	3,428
	<u>12,808</u>	<u>9,091</u>

The Directors have declared a final unfranked dividend of AU 8 cents per share paid out of current year profits for the year ended 30 June 2014. The dividend will be paid on 23 October 2014 based on a record date of 2 October 2014. This amounts to a total dividend of US\$8,432,000 based on the total number of shares outstanding.

Note 30. Financial risk management

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance'). Risk management includes identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a quarterly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

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

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

	Assets		Liabilities	
	2014	2013	2014	2013
Consolidated	US\$'000	US\$'000	US\$'000	US\$'000
Euros	3,266	978	(1)	(31)
Australian dollars	4,184	3,595	(67)	(60)
	<u>7,450</u>	<u>4,573</u>	<u>(68)</u>	<u>(91)</u>

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

Note 30. Financial risk management (continued)

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

Consolidated - 2014	% change	US\$ strengthened		% change	US\$ weakened	
		Effect on profit after tax	Effect on equity		Effect on profit after tax	Effect on equity
AU\$	10%	343	343	10%	(419)	(419)
EUR	10%	(229)	(229)	10%	229	229
		<u>114</u>	<u>114</u>		<u>(190)</u>	<u>(190)</u>
Consolidated - 2013	% change	US\$ strengthened		% change	US\$ weakened	
		Effect on profit after tax	Effect on equity		Effect on profit after tax	Effect on equity
AU\$	10%	301	301	10%	(368)	(368)
EUR	10%	(66)	(66)	10%	66	66
		<u>235</u>	<u>235</u>		<u>(302)</u>	<u>(302)</u>

Price risk

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

Interest rate risk

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

As at the reporting date, the consolidated entity had the following variable rate borrowings outstanding:

Consolidated	2014		2013	
	Weighted average interest rate %	Balance US\$'000	Weighted average interest rate %	Balance US\$'000
Cash	1.29%	15,989	1.28%	9,692
Receivables	5.66%	2	6.37%	9
Financial lease liabilities	8.18%	(148)	10.28%	(191)
Net exposure to cash flow interest rate risk		<u>15,843</u>		<u>9,510</u>

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

The sensitivity to movements in interest rates is as follows:

Consolidated - 2014	Basis points change	Basis points increase		Basis points change	Basis points decrease	
		Effect on profit after tax	Effect on equity		Effect on profit after tax	Effect on equity
Net exposure	100	<u>111</u>	<u>111</u>	(50)	<u>(55)</u>	<u>(55)</u>

Note 30. Financial risk management (continued)

Consolidated - 2013	Basis points change	Basis points increase	Effect on equity	Basis points change	Basis points decrease	Effect on equity
		Effect on profit after tax			Effect on profit after tax	
Net exposure	100	<u>67</u>	<u>67</u>	(50)	<u>(33)</u>	<u>(33)</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

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

Cash transactions are limited to high credit quality financial institutions.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

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

Consolidated - 2014	Weighted average interest rate %	1 year or less US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Remaining contractual maturities US\$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-%	5,499	-	-	-	5,499
<i>Interest-bearing - variable</i>						
Lease liability	8.18%	60	88	-	-	148
Total non-derivatives		<u>5,559</u>	<u>88</u>	<u>-</u>	<u>-</u>	<u>5,647</u>

Note 30. Financial risk management (continued)

Consolidated - 2013	Weighted average interest rate %	1 year or less US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Remaining contractual maturities US\$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-%	4,595	-	-	-	4,595
<i>Interest-bearing - fixed rate</i>						
Lease liability	10.28%	156	35	-	-	191
Total non-derivatives		4,751	35	-	-	4,786

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

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 31. Key management personnel disclosures

Directors

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

Samuel Weiss	Non-executive Chairman
Aram Mirkazemi (appointed as Chief Executive Officer on 16 January 2014)	Chief Executive Officer
Carl Rooke	Non-executive Director
Dr David Warren	Non-executive Director
The following person were directors of Altium Limited for part of the financial year;	
Kayvan Oboudiyat (retired as Director and Chief Executive Officer on 16 January 2014)	Chief Executive Officer

Other key management personnel

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

Richard Leon	Chief Financial Officer
--------------	-------------------------

Compensation

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

	Consolidated	
	2014	2013
	US\$	US\$
Short-term employee benefits	1,902,113	1,899,945
Post-employment benefits	23,455	21,911
Termination benefits	251,679	262,706
Share-based payments	115,308	1,383,691
	<u>2,292,555</u>	<u>3,568,253</u>

The group has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' report.

Note 31. Key management personnel disclosures (continued)

Remuneration of Director-related entities

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

Note 32. Remuneration of auditors

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

	Consolidated	
	2014	2013
	US\$	US\$
<i>Audit services - PricewaterhouseCoopers</i>		
Audit or review of the financial statements	291,981	286,071
<i>Other services - PricewaterhouseCoopers</i>		
Tax consulting and tax advice	90,712	86,749
	<u>382,693</u>	<u>372,820</u>
<i>Other services - network firms</i>		
Tax compliance services, including review of company income tax return	10,412	20,561
Tax consulting and tax advice	34,156	21,066
	<u>44,568</u>	<u>41,627</u>
<i>Audit services - unrelated firms</i>		
Audit or review of the financial statements	62,289	57,948
<i>Other services - unrelated firms</i>		
Tax compliance services, including review of company income tax return	171,762	184,744
Tax consulting and tax advice	69,965	150,422
	<u>241,727</u>	<u>335,166</u>
	<u>304,016</u>	<u>393,114</u>

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

Note 33. Commitments

	Consolidated	
	2014	2013
	US\$'000	US\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	4,730	4,426
One to five years	8,409	6,830
More than five years	392	-
	<u>13,531</u>	<u>11,256</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	70	167
One to five years	95	38
	<u>165</u>	<u>205</u>
Total commitment	(17)	(14)
Less: Future finance charges	<u>148</u>	<u>191</u>
Net commitment recognised as liabilities	<u>148</u>	<u>191</u>
Representing:		
Lease liability - current (note 18)	60	156
Lease liability - non-current (note 22)	88	35
	<u>148</u>	<u>191</u>

Included in the commitments are amounts also provided for as onerous leases. The amount included in current provision is US\$1,095,000 (2013: US\$1,052,000) and the amount included in non-current provisions is US\$2,827,000 (2013: US\$3,700,000). Further details of the provision can be found in note 20 and note 23.

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.

Note 34. Related party transactions

Parent entity

Altium Limited is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 31 and the remuneration report in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2014	2013
	US\$	US\$
Payment for other expenses:		
Consulting fees paid to key management personnel*	42,175	64,843

* This is included in the Remuneration Report, consulting fees is included in cash salary and fees.

Note 34. Related party transactions (continued)

Receivable from and payable to related parties

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

Loans to/from related parties

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

Terms and conditions

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

Note 35. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2014	2013
	US\$'000	US\$'000
Profit after income tax	10,330	2,883
Total comprehensive income	10,330	2,883

Statement of financial position

	Parent	
	2014	2013
	US\$'000	US\$'000
Total current assets	21,026	11,295
Total assets	33,024	27,293
Total current liabilities	23,473	18,817
Total liabilities	26,611	22,567
Equity		
Contributed equity	82,494	79,494
Foreign currency reserve	6,327	5,734
Equity compensation reserve	6,353	5,781
Accumulated losses	(88,761)	(86,283)
Total equity	6,413	4,726

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

Altium Limited has provided financial guarantees in respect of credit card facilities amounting to US\$103,682 (2013: US\$91,091).

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2014 and 30 June 2013.

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

Note 36. Events after the reporting period

The Directors have declared a final unfranked dividend of AU 8 cents per share paid out of current year profits for the year ended 30 June 2014. The dividend will be paid on 23 October 2014 based on a record date of 2 October 2014. This amounts to a total dividend of US\$8,432,000 based on the total number of shares outstanding.

No other matter or circumstances has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 37. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Profit after income tax expense for the year	11,166	1,366
Adjustments for:		
Depreciation and amortisation	1,226	2,135
Net loss on disposal of non-current assets	20	123
Share-based payments	520	4,710
Unrealised foreign exchange differences	172	(700)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(5,478)	(1,724)
Decrease in inventories	106	51
Decrease/(increase) in income tax refund due	217	(190)
Decrease in deferred tax assets	4,140	460
Increase in deferred revenue	6,781	8,427
(Increase)/decrease in other operating assets	(102)	197
Increase/(decrease) in trade and other payables	1,107	(267)
Decrease in other provisions	(1,423)	(2,270)
Net cash from operating activities	<u>18,452</u>	<u>12,318</u>

Note 38. Earnings per share

	Consolidated	
	2014	2013
	US\$'000	US\$'000
Profit after income tax attributable to the owners of Altium Limited	<u>11,166</u>	<u>1,366</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	108,782,726	102,547,112
Adjustments for calculation of diluted earnings per share:		
Options	<u>-</u>	<u>93,309</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>108,782,726</u>	<u>102,640,421</u>
	Cents	Cents
Basic earnings per share	10.26	1.33
Diluted earnings per share	10.26	1.33

For the year ending 30 June 2014 there are no outstanding options.

Note 38. Earnings per share (continued)

For the year ending 30 June 2013 all options were included in the calculation of diluted earnings per share as the share price was greater than the exercise price of the outstanding options.

For the years ending 30 June 2014 and 30 June 2013 treasury shares were included in the calculation of basic and diluted earnings per share.

Note 39. Share-based payments

Share Plan

In August 2012, the board of directors approved the Key Employee Share Plan ("Share Plan"), which is part of the Altium Limited Employee Share and Option Plan Trust, with the purpose of encouraging ownership of Altium shares in key employees within the Altium Group. The Share Plan awards shares on a long-term basis as an incentive to encourage employees to focus on creating sustainable value and a sense of ownership and accountability to the group.

The Share Plan grants are based on employees contribution and commitment to the company over a period of several years plus the ability of the employees to impact and influence the outcome and direction of the organisation in the future. In recognising past contributions a large portion of shares granted under the Share Plan vested in the period to June 2013 and as a result have been fully accounted for in the period. The shares under the Share Plan which are not yet vested will be accounted for as non-cash expense over the remainder of the vesting periods.

The Share Plan is the only Long-term Incentive Plan operated by the group. None of the participants have received any other incentive payments, either short or long-term since the Trust was established three years ago.

During the period to 30 June 2013 the Directors of the company granted 13,550,000 shares to 23 employees of Altium Limited and its subsidiaries. The shares vest over a 3 year period up to and including 31 December 2015.

No new shares were granted during the period to 30 June 2014.

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

2014

Grant date	Expiry date	Fair value AU\$	Balance at the start of the year	Granted	Vested	Forfeited/ other	Balance at the end of the year
28/08/2012	30/06/2014	\$0.44	1,012,500	-	(912,500)	(100,000)	-
28/08/2012	30/06/2015	\$0.44	1,012,500	-	-	(100,000)	912,500
31/12/2012	31/12/2013	\$1.28	100,000	-	(100,000)	-	-
31/12/2012	31/12/2014	\$1.28	75,000	-	-	(45,000)	30,000
31/12/2012	31/12/2015	\$1.28	75,000	-	-	(45,000)	30,000
			2,275,000	-	(1,012,500)	(290,000)	972,500

2013

Grant date	Expiry date	Fair value AU\$	Balance at the start of the year	Granted	Vested	Forfeited/ other	Balance at the end of the year
28/08/2012	28/08/2012	\$0.44	-	7,050,000	(7,050,000)	-	-
28/08/2012	30/06/2013	\$0.44	-	3,375,000	(2,525,000)	(850,000)	-
28/08/2012	30/06/2014	\$0.44	-	1,437,500	-	(425,000)	1,012,500
28/08/2012	30/06/2015	\$0.44	-	1,437,500	-	(425,000)	1,012,500
31/12/2012	31/12/2013	\$1.28	-	100,000	-	-	100,000
31/12/2012	31/12/2014	\$1.28	-	75,000	-	-	75,000
31/12/2012	31/12/2015	\$1.28	-	75,000	-	-	75,000
			-	13,550,000	(9,575,000)	(1,700,000)	2,275,000

Note 39. Share-based payments (continued)

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 the options granted under the Altium Employee Share Option Plan is the Directors discretion. Options granted on 8 May 2009 vest over a three year period from the first anniversary date of issue, 40% in year 1 and 30% in the 2 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 option to participate in any other option share issue of the company or of any other entity within the group.

There are no options (2013: 3,223,660) outstanding under the plan to eligible employees as at June 2014.

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

Grant date	Expiry date	2014 Number	2013 Number
08/05/2009	08/05/2014	-	3,223,660
		-	3,223,660

Share Based Payment Expense

	Consolidated 2014 US\$'000	2013 US\$'000
Shares issued under the Share Plan	520	5,224

The Altium Share and Option Plan Trust is used to hold shares for share and option plans. As at 30 June 2014 the trust held 3,701,500 ordinary shares (2013: 6,250,000).

Altium Limited
Directors' declaration
30 June 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



Aram Mirkazemi
Director and Chief Executive Officer



Samuel Weiss
Non-executive Chairman

26 August 2014
Sydney



Independent auditor's report to the members of Altium Limited

Report on the financial report

We have audited the accompanying financial report of Altium Limited (the company), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other 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 Altium Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 consolidated 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.

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

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 consolidated entity's financial position as at 30 June 2014 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*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers, ABN 52 780 433 757

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Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 15 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'S. Horlin', with a long, sweeping horizontal line extending to the right.

Susan Horlin
Partner

Sydney
26 August 2014

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