

Altium Limited and controlled entities
(formerly known as Protel International Limited)
ACN 009 568 772



Financial Report 30 June 2001

→ Statements of financial performance	30
→ Statements of financial position	31
→ Statements of cash flows	32
→ Notes to the financial statements	33 - 61
→ Directors' declaration	62
→ Independent audit report	63
→ Information for shareholders	64-65
→ Additional shareholder information	66

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

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

Altium Limited
Level 3, 12a Rodborough Road
Frenchs Forest
NSW 2086

A description of the nature of the consolidated entity's operations and its principal activities are included in the review of operations and activities on pages 18-19 and in the directors' report on pages 20-25.

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STATEMENTS OF FINANCIAL PERFORMANCE

for the year ended 30 June 2001

	Note	Consolidated		Parent Entity	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Revenue from ordinary activities	2	57,876	33,908	32,977	18,330
Changes in inventories of finished goods		249	119	206	120
Raw materials and consumables used		(1,792)	(2,565)	(667)	(774)
Employee benefits expense		(17,792)	(9,620)	(6,914)	(4,826)
Depreciation and amortisation expense	3	(4,636)	(2,109)	(1,498)	(1,121)
Borrowing costs expense	3	(10)	(142)	(21)	(116)
Other expenses from ordinary activities		(13,810)	(8,351)	(8,194)	(5,396)
Profit from ordinary activities before income tax expense		20,085	11,240	15,889	6,217
Income tax attributable to operating profit	4	(7,487)	(3,222)	(4,605)	(1,492)
Profit from ordinary activities after income tax expense		12,598	8,018	11,284	4,725
Net profit attributable to members of Altium Limited	19	12,598	8,018	11,284	4,725
Basic earnings per share	32	16.4	12.8		
Diluted earnings per share	32	16.2	11.6		

The above statements of financial performance should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2001

	Note	Consolidated		Parent Entity	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current assets					
Cash assets	6	8,036	30,439	1,413	26,635
Receivables	7	15,908	8,203	90,469	7,122
Inventories	8	535	251	355	149
Other	12	678	574	48	110
Total current assets		25,157	39,467	92,285	34,016
Non-current assets					
Receivables	7	-	-	16,060	14,833
Property, plant and equipment	9	2,594	1,553	909	1,014
Intangibles	11	123,378	43,688	13,145	8,586
Investments	29	-	-	19,630	19,598
Future income tax benefit	10	5,119	3,627	443	381
Other	12	379	197	-	-
Total non-current assets		131,470	49,065	50,187	44,412
Total assets		156,627	88,532	142,472	78,428
Current liabilities					
Accounts payable	13	6,239	3,733	3,032	1,425
Borrowings	14	718	566	457	201
Provision for income tax	15	992	(250)	1,402	(7)
Provisions	15	1,609	660	619	428
Other	17	9,051	4,241	2,788	10
Total current liabilities		18,609	8,950	8,298	2,057
Non-current liabilities					
Borrowings	14	-	236	-	44
Provisions	15	213	125	213	125
Deferred income tax liabilities	16	2,223	1,202	3,159	1,649
Total non-current liabilities		2,436	1,563	3,372	1,818
Total liabilities		21,045	10,513	11,670	3,875
Net assets		135,582	78,019	130,802	74,553
Equity					
Contributed equity	18	117,190	65,158	117,190	65,158
Retained profits	19	18,392	12,861	13,612	9,395
Total equity	20	135,582	78,019	130,802	74,553

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

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2001

		Consolidated		Parent Entity		
	Note	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	
Cash flows from operating activities						
Receipts from customers		49,163	28,813	18,356	11,931	
Payments to trade creditors, other suppliers and employees		(29,363)	(19,406)	(11,714)	(8,833)	
Interest received		1,124	993	2,258	1,473	
Interest paid		(10)	(142)	(21)	(116)	
Income taxes paid		(6,433)	(1,500)	(1,748)	(1,198)	
Net cash inflows from operating activities	30	14,481	8,758	7,131	3,257	
Cash flows from investing activities						
Payments for property, plant and equipment		(1,084)	(911)	(589)	(495)	
Proceeds from sale of property, plant and equipment		33	300	31	240	
Payments for additional shares in controlled entity		-	-	(33)	(12,891)	
Payments for purchase of controlled entities, net of cash acquired		29	(50,763)	(32,760)	-	(6,492)
Payments for transaction costs of purchase of controlled entities		29	(1,511)	-	-	-
Payments for restructuring of acquired controlled entities		29	(766)	(2,872)	-	-
Loans to related parties		-	-	(54,933)	(14,638)	
Repayment of loans by related parties		-	-	5,032	150	
Payments for technology acquisitions and licenses		(4,154)	(102)	(4,009)	(102)	
Payments for research and development		(1,178)	(1,138)	(768)	(847)	
Payments for trademark		(614)	-	(614)	-	
Net cash outflows from investing activities		(60,037)	(37,483)	(55,883)	(35,075)	
Cash flows from financing activities						
Proceeds from issues of shares		18	30,384	63,000	30,384	63,000
Proceeds from borrowings			308	-	-	-
Share issue transaction costs			-	(2,449)	-	(2,449)
Repayment of borrowings			(992)	(3,527)	(231)	(2,976)
Dividends paid			(7,067)	-	(7,067)	-
Net cash inflows from financing activities		22,633	57,024	23,086	57,575	
Net increase/(decrease) in cash held			(22,923)	28,299	(25,666)	25,757
Cash at the beginning of the financial period			30,439	2,140	26,635	878
Cash at the end of the financial year	6	7,516	30,439	969	26,635	
Non-cash financing and investing activities		30				

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

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

The principal accounting policies adopted in preparing the financial report of Altium Limited are stated to assist in a general understanding of this financial report. These policies have been consistently applied except as otherwise indicated. Comparative information is reclassified where appropriate to enhance comparability.

a) Basis of accounting

The financial statements have been prepared on the basis of historical costs and do not take into account current valuations of non-current assets.

b) Principles of consolidation

The financial statements incorporate the assets and liabilities of all entities controlled by Altium Limited ("company" or "parent entity") as at 30 June 2001 and the results of all controlled entities for the year then ended. Altium Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during the financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for the part of the year during which control existed.

c) Income tax

Income tax has been brought to account using the liability method of tax effect accounting, whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

No provision is made for additional taxes which could become payable if certain reserves of foreign operations were to be distributed as it is not expected that any substantial amount will be distributed from those reserves in the foreseeable future.

d) Foreign currency translation

i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date monetary amounts are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the financial year.

ii) Foreign operations

As the foreign operations are integrated, their accounts have been translated using the temporal method, whereby monetary items are translated at the exchange rate current at balance date and non-monetary items are translated at exchange rates prevailing at the relevant transaction dates. Exchange differences arising on translation are brought to account in determining the profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS

e) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructure of the acquired entity and a reliable estimate of the amount of the liability can be made.

Goodwill is brought to account on the basis described in note 1(k).

f) Receivables and revenue recognition

Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid. Revenue is recognised for the major business activities as follows:

i) Sales of software

A sale is recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the carrier or customer.

ii) Sales of support services

Revenue recognition is deferred and taken to the statement of financial performance over the period the service is provided.

iii) Training services

A sale is recorded and revenue is recognised at the time the service is provided.

iv) Project revenue

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

All trade debtors are recognised at the amount receivable, as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off.

A provision for doubtful debts is raised where some doubt as to collection exists.

g) Inventories

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

h) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant class of assets. The decrement in the carrying amount is recognised as an expense in the net profit or loss in the reporting period in which the recoverable write-down occurs.

The expected net cash flows in determining recoverable amounts of non-current assets are not discounted to their present values.

NOTES TO THE FINANCIAL STATEMENTS

i) Depreciation of plant and equipment and amortisation of leasehold improvements

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

The expected useful lives of the assets are as follows:

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

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity. Leasehold improvements held at the reporting date is being amortised over 5 years. Profit or loss on disposal of plant and equipment is brought to account in determining the result for the year.

j) Leased assets

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 non-current assets (finance leases) 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 present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The leased asset is amortised on a straight-line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Leased assets held at balance date are being amortised over periods ranging from 2 to 5 years.

Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased asset.

k) Intangible assets

i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over the period during which the benefits are expected to arise. Goodwill is presently being amortised over 20 years.

ii) Acquired technology and licenses

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

l) Research and development expenditure

Research and development costs are charged to operating profit before income tax as incurred, or deferred where these costs are associated with integration of acquired technology and it is determined that the technology has reached technological feasibility. Costs are deferred to future periods to the extent that they are expected beyond any reasonable doubt to be recoverable. Deferred costs are amortised from the date of commercial release on a straight-line basis over the period of the expected benefit, which varies from 3 to 10 years.

m) Trade and other creditors

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

NOTES TO THE FINANCIAL STATEMENTS

n) Borrowings

Loans are carried at their face value. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

o) Goods and services tax system changes

Costs incurred to update existing systems or to design, develop and implement new systems to deal with the GST are charged as expenses as incurred, except where they result in an enhancement of future economic benefit and are recognised as an asset.

p) Web site costs

Costs in relation to web sites controlled by the consolidated entity are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses.

q) Employee entitlements

i) Wages and salaries

Liabilities for employee entitlements to wages, salaries and annual leave are recognised, and are measured as the amount unpaid at balance date at current pay rates in respect of employee services up to that date.

ii) Long service leave

Liabilities for long service leave are recognised, and measured as the present values of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match as closely as possible, the estimated future cash flows.

iii) Superannuation

The consolidated entity participates in various employee superannuation plans, being accumulation plans. The benefits provided by an accumulation plan are based on the contributions and income thereon held by the plan on behalf of the member. Contributions to employee superannuation plans are charged as expense as the contributions are paid or become payable.

r) Cash

For the purpose of the statement of cash flows, cash includes cash on hand, deposits held at call with the banks and investments in money market instruments, net of bank overdrafts.

s) Earnings per share

(i) Basic Earnings per Share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, 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 year.

(ii) Diluted Earnings per Share

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

t) Rounding of amounts

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

NOTES TO THE FINANCIAL STATEMENTS

2. Revenue	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Revenue from operating activities:				
Sale of goods	49,284	31,551	24,985	15,442
Services	3,836	774	816	121
	53,120	32,325	25,801	15,563
Revenue from outside the operating activities:				
Interest	1,124	993	2,258	1,473
Sale of non-current assets	9	300	-	240
Foreign exchange gains (net)	3,524	286	4,885	1,054
Other income	99	4	33	-
	4,756	1,583	7,176	2,767
Total Revenue	57,876	33,908	32,977	18,330

3. Operating profit				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains:				
Net gain on disposal of plant and equipment	(9)	105	2	45
Net gain on foreign currency transactions	3,524	286	4,885	1,054
Expenses:				
Cost of sales of goods	2,934	2,446	1,695	654
Depreciation				
Plant and equipment (note 9)	857	358	492	226
Total depreciation	857	358	492	226
Amortisation				
Leasehold improvements (note 9)	150	11	144	10
Plant and equipment under finance leases (note 9)	30	121	30	100
Goodwill (note 11)	2,294	595	-	-
Technology acquisitions & licenses (note 11)	1,305	1,024	832	785
Total amortisation	3,779	1,751	1,006	895
Other charges against assets				
Write down of inventories to net realisable value	14	17	-	6
Bad and doubtful debts	284	173	20	99
Borrowing costs				
Interest paid/payable	4	107	15	83
Finance charges relating to finance leases	6	35	6	33
Total borrowing costs	10	142	21	116
Other provisions				
Employee entitlements	146	133	195	97
Rental expense relating to operating leases	1,612	1,129	576	387
Research and development costs incurred	4,990	3,640	3,357	3,068
Less: Amounts capitalised (note 11)	(1,178)	(1,138)	(768)	(847)
Research and development costs expensed	3,812	2,502	2,589	2,221

NOTES TO THE FINANCIAL STATEMENTS

4. Income tax

(a) Income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Profit from ordinary activities before income tax expense	20,085	11,240	15,889	6,217
Income tax calculated @ 34% (2000: @ 36%)	6,829	4,046	5,402	2,238
Tax effect of permanent differences:				
Research and development claim	(410)	(317)	(410)	(317)
US stock option deductions	(506)	-	-	-
Goodwill amortisation	780	214	-	-
Sundry items	(143)	(104)	(235)	(133)
Income tax adjusted for permanent differences	6,550	3,839	4,757	1,788
Under/(over) provision in prior year	577	30	(2)	8
Recognition of unbooked timing differences	212	(105)	212	-
Net adjustment to deferred income tax liabilities and assets to reflect the decrease in company tax rate to 30% (2000: 34%)	(365)	(278)	(362)	(304)
Effect of different rates of tax on overseas income	513	(264)	-	-
Aggregate income tax expense	7,487	3,222	4,605	1,492
Aggregate income tax comprises:				
Current taxation provision	4,386	674	3,009	565
Deferred income tax provision	910	549	1,650	997
Future income tax benefit	1,614	1,969	(52)	(78)
Under/(over) provision in prior year	577	30	(2)	8
	7,487	3,222	4,605	1,492

Adjustment to deferred income tax balances

Legislation reducing the company tax rate from 36% to 34% in respect of the 2000-2001 income tax year and then to 30% from 2001-2002 income tax year was passed during the year ended 30 June 2000. As a consequence, deferred tax balances have been remeasured using the appropriate new rates, depending on the timing of their reversals.

(b) Future income tax benefit attributed to losses included in future income tax benefit in note 10.

	3,014	2,770	-	-
The directors estimate that the potential future income tax benefit at 30 June 2001 in respect of tax losses not brought to account is	262	-	-	-

The benefit for tax losses will be only obtained if:

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

NOTES TO THE FINANCIAL STATEMENTS

5. Segment information

Geographic segments	Australia \$'000	North America \$'000	Europe \$'000	Asia \$'000	Other \$'000	Inter-segment eliminations \$'000	Consolidated \$'000
2001 (12 months to 30 June)							
Sales to customers outside the economic entity	1,428	29,916	13,290	7,633	854	-	53,120
Intersegment sales	876	14,285	5,008	2,236	-	(22,405)	-
Other income	7,177	(865)	(157)	(41)	-	(1,358)	4,756
Total revenue	9,481	43,336	18,141	9,828	854	(23,763)	57,876
Segment result	2,391	13,856	5,327	4,925	854	(54)	27,299
Unallocated expenses							(7,214)
Operating profit before tax							20,085
Segment assets	142,227	59,319	88,831	4,299	-	(138,049)	156,627

	Australia \$'000	North America \$'000	Europe \$'000	Asia \$'000	Other \$'000	Inter-segment eliminations \$'000	Consolidated \$'000
2000 (12 months to 30 June)							
Sales to customers outside the economic entity	1,146	18,555	6,400	5,520	704	-	32,325
Intersegment sales	86	6,785	3,048	2,102	-	(12,021)	-
Other income	1,714	69	4	1	286	(491)	1,583
Total revenue	2,946	25,409	9,452	7,623	990	(12,512)	33,908
Segment result	1,717	11,034	3,996	3,658	990	-	21,395
Unallocated expenses							(10,155)
Operating profit before tax							11,240
Segment assets	78,182	41,840	1,786	1,880	-	(35,156)	88,532

Notes to and forming part of the segment information

- (a) The consolidated entity operated within only one industry segment (manufacturer and distributor of computer software) during the reporting period.
- (b) The pricing of intersegment transaction is based on a notional mark-up on cost, similar to transactions with parties outside the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

6. Cash assets	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current				
Cash at bank and on hand	8,036	5,996	1,413	2,192
Deposits at call	-	24,443	-	24,443
	8,036	30,439	1,413	26,635
The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:				
Balances as above	8,036	30,439	1,413	26,635
Less: Bank overdrafts (note 14)	(520)	-	(444)	-
Balances per statements of cash flows	7,516	30,439	969	26,635
Deposits at call				
The deposits bear floating interest rates between 5.75% and 6.2%.				
7. Receivables				
Current				
Trade debtors	14,962	8,898	16,863	6,604
Less: Provision for doubtful debts	(1,112)	(875)	(114)	(77)
	13,850	8,023	16,749	6,527
Loan to subsidiaries	-	-	73,696	555
Other debtors	2,058	180	24	40
	15,908	8,203	90,469	7,122
Non-current				
Loan to subsidiaries	-	-	16,060	14,833
Reconciliation of non-current loan				
Opening carrying value			14,833	652
Additions			-	12,891
Repayments			(1,518)	-
Exchange effect			2,745	1,290
			16,060	14,833
8. Inventories				
Current				
Raw materials at cost	535	164	355	149
Finished goods at cost	-	87	-	-
	535	251	355	149

NOTES TO THE FINANCIAL STATEMENTS

9. Property, plant and equipment

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Non-current				
Plant and equipment at cost	5119	2,655	2,076	1,512
Less: accumulated depreciation	(2,812)	(1,458)	(1,312)	(820)
	2,307	1,197	764	692
Leasehold improvements - at cost	463	277	265	241
Less: accumulated depreciation	(214)	(16)	(158)	(14)
	249	261	107	227
Plant and equipment on lease	136	225	136	225
Less: accumulated amortisation	(98)	(130)	(98)	(130)
	38	95	38	95
Total property, plant and equipment	2,594	1,553	909	1,014

Reconciliations

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

	Plant & equipment \$'000	Leasehold improvements \$'000	Leased plant & equipment \$'000	Total \$'000
Consolidated - 2001				
Carrying amount at 1 July 2000	1,197	261	95	1,553
Additions	942	141	-	1,084
Disposals	-	-	(27)	(28)
Additions through acquisition of entity	1,015	4	-	1,019
Depreciation/amortisation expense (note 3)	(857)	(150)	(30)	(1,037)
Foreign currency exchange differences	42	-	-	42
Transfer between asset classes	(32)	(7)	-	(39)
Carrying amount at 30 June 2001	2,307	249	38	2,594
Parent entity - 2001				
Carrying amount at 1 July 2000	692	227	95	1,014
Additions	564	24	-	589
Disposals	-	-	(27)	(28)
Depreciation/amortisation expense (note 3)	(492)	(144)	(30)	(666)
Carrying amount at 30 June 2001	764	107	38	909

NOTES TO THE FINANCIAL STATEMENTS

10. Future income tax benefit	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Future income tax benefit	5,119	3,627	443	381
Future income tax benefit attributed to tax losses included above	3,014	2,770	-	-
Reconciliations - future income tax benefit				
Reconciliations of the consolidated carrying amounts of future income tax benefit at the beginning and end of the current and previous financial year are set out below.				
Carrying amount at the start of the year	3,627	464	381	335
Amount utilised during the year	(1,193)	(2,040)	121	97
Amount acquired from purchased controlled entities (note 29)	2,744	5,254	-	-
Adjustment due to tax rate change	(59)	(51)	(59)	(51)
Carrying amount at end of year	5,119	3,627	443	381

11. Intangibles				
Non-current				
Goodwill	101,437	27,000	-	-
Less: accumulated amortisation	(2,891)	(595)	-	-
	98,546	26,405	-	-
Trademark Altium	614	-	614	-
Less: accumulated amortisation	-	-	-	-
	614	-	614	-
Acquired technology	24,022	17,167	12,480	8,471
Capitalised integration costs	3,014	1,837	2,365	1,597
Less: accumulated amortisation	(2,818)	(1,721)	(2,314)	(1,482)
	24,218	17,283	12,531	8,586
	123,378	43,688	13,145	8,586

NOTES TO THE FINANCIAL STATEMENTS

Reconciliations

Reconciliations of the consolidated amounts of each class of intangible asset at the beginning and end of the current and previous financial year are set out below.

	Goodwill \$'000	Trademark Altium \$'000	Capitalised Technology \$'000	Total \$'000
Consolidated - 2001				
Carrying amount at 1 July 2000	26,405	-	17,283	43,688
Additions through acquisition of controlled entities	74,435	-	4,001	78,436
Additions from research and development costs capitalised	-	-	1,178	1,178
Other additions	-	614	3,061	3,675
Amortisation expense	(2,294)	-	(1,305)	(3,599)
Carrying amount at 30 June 2001	98,546	614	24,218	123,378

Consolidated - 2000

Carrying amount at 1 July 1999	-	-	8,371	8,371
Additions through acquisition of controlled entities	27,000	-	8,696	35,696
Additions from research and development costs capitalised	-	-	1,138	1,138
Other additions	-	-	102	102
Amortisation expense	(595)	-	(1,024)	(1,619)
Carrying amount at 30 June 2000	26,405	-	17,283	43,688

12. Other assets

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current				
Prepayments	678	574	48	110
	678	574	48	110
Non-current				
Long term notes & deposits	315	123	-	-
Security deposits	64	74	-	-
	379	197	-	-

13. Accounts payable

Current (unsecured)				
Trade creditors	5,614	3,542	2,252	1,423
Other payables	625	191	780	2
	6,239	3,733	3,032	1,425

NOTES TO THE FINANCIAL STATEMENTS

14. Borrowings	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current				
Bank overdrafts (note 6)	520	-	444	-
Lease liabilities (note 26) (secured)	13	76	13	76
Other loans	185	490	-	125
	718	566	457	201
Non-current				
Lease liabilities (note 26)	-	44	-	44
Other loans	-	192	-	-
	-	236	-	44
The lease liability consists of finance leases for plant and equipment. Leases due within one year have a weighted average interest rate of 8.49% (2000: 10.62%).				
Financing arrangements				
Credit standby arrangements				
Total facilities				
Bank overdrafts	4,451	1,000	2,000	1,000
Used at balance date				
Bank overdrafts	334	-	286	-
Unused at balance date	4,117	1,000	1,714	1,000

NOTES TO THE FINANCIAL STATEMENTS

15. Provisions	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current				
Employee entitlements	883	540	429	308
Provision for auditing	200	120	190	120
Provision for restructuring	196	-	-	-
Other provisions	330	-	-	-
	1,609	660	619	428
Provision for income tax	992	(250)	1,402	(7)
	2,601	410	2,021	421
Non-current				
Employee entitlements	213	125	213	125
	213	125	213	125
16. Deferred income tax liabilities				
Non-current				
Deferred income tax	2,223	1,202	3,159	1,649
17. Other liabilities				
Current				
Unearned income	593	287	15	10
Deferred maintenance revenue	8,458	3,954	2,773	-
	9,051	4,241	2,788	10

NOTES TO THE FINANCIAL STATEMENTS

18. Contributed equity

Parent Entity

	Number of shares 2001	Number of shares 2000	2001 \$'000	2000 \$'000
(a) Share capital (notes b, c)				
Ordinary shares fully paid	87,436,974	68,753,588	117,190	65,158

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue Price \$	\$'000
1 July 2000	Opening Balance	68,753,588	-	65,158
11 August 2000	Exercise of Options - Protel International Employee Share Option Scheme	5,343,540	0.34	1,817
10 October 2000	Exercise of Options - Macquarie ECM Options	140,892	2.20	310
12 February 2001	Exercise of Options - Protel International Employee Share Option Scheme	666,000	0.34	226
21 March 2001	Exercise of Options - Macquarie ECM Options	1,324,108	2.20	2,913
27 March 2001	Issue of shares TASKING acquisition	5,434,783	4.60	25,000
30 March 2001	Issue of new shares to TASKING Sellers (note 29)	5,652,174	3.83	21,648
9 April 2001	Issue of shares TASKING employees	87,389	-	-
18 June 2001	Exercise of Options - Protel Option Plan	34,500	3.42	118
30 June 2001	Balance	87,436,974		117,190

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

On 30 June 2001, there were 87,436,974 ordinary shares paid in full.

NOTES TO THE FINANCIAL STATEMENTS

(d) Options

The company has the following share option plans (see Note 27 for further detail):

- i) Protel International Employee Share Option Scheme
- ii) Protel Option Plan
- iii) Directors' Option Plan

Options	2001				2000	
	20 Nov 2000 (iii)	29 Sep 2000 (ii)	9 June 2000 (ii)	4 Aug 1999 (i)	9 June 2000 (ii)	4 Aug 1999 (i)
Date of Issue						
On issue at the beginning of the year	-	-	3,617,500	6,187,140	-	6,227,100
Issued during the year	1,440,000	1,747,550	-	-	3,617,500	-
Exercised during the year	-	-	(34,500)	(6,009,540)	-	-
Expired during the year	-	(57,000)	(390,000)	-	-	(39,960)
Outstanding at balance date	1,440,000	1,690,550	3,193,000	177,600	3,617,500	6,187,140
Number of recipients	3	66	136	83	136	83
Exercise price	\$5.50	\$5.50	\$3.42	\$0.34	\$3.42	\$0.34
Exercise period	Nov 2001 to Nov 2005	Sep 2001 to Sep 2005	Jun 2001 to Jun 2005	Aug 2000 to Jun 2004	Jun 2001 to Jun 2005	Aug 2000 to Jun 2004
Expiration date	20 Nov 2005	29 Sep 2005	9 Jun 2005	18 Jun 2004	9 Jun 2005	18 Jun 2004

Macquarie ECM were issued 1,465,000 options in August 1999, all of which were exercised prior to the balance sheet date. (See Contributed equity above).

The market price per ordinary share at balance date was \$5.00.

19. Retained profits

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Retained profits				
Retained profits at the beginning of the financial year	12,861	4,843	9,395	4,670
Net profit attributable to members of Altium Limited	12,598	8,018	11,284	4,725
Dividends paid or provided for (note 21)	(7,067)	-	(7,067)	-
Retained profits at the end of the financial year	18,392	12,861	13,612	9,395

NOTES TO THE FINANCIAL STATEMENTS

20. Equity

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Total equity at the beginning of the year	78,019	4,943	74,553	4,770
Total changes in equity recognised in the statements of financial performance	12,598	8,018	11,284	4,725
Transactions with owners as owners:				
Contributions of equity, net of transaction costs (note 18)	52,032	65,058	52,032	65,058
Dividends provided for or paid (note 21)	(7,067)	-	(7,067)	-
Total equity at the end of the financial year	135,582	78,019	130,802	74,553

21. Dividends

	Parent Entity	
	2001 \$'000	2000 \$'000
Ordinary shares		
Final dividend paid of 6c per share paid 29 September 2000 fully franked at 34% (in relation to 2000 financial year)	4,445	-
Interim unfranked dividend of 3.5c per share paid 16 March 2001	2,622	-
Dividends provided for or paid	7,067	-
Franking credits available for the subsequent financial years	3,981	2,137

The above amount represents the balance of the franking account as at the end of the financial period, adjusted for:

1. Franking credits that will arise from the payment of current tax liability
2. Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
3. Franking credits that may be prevented from being distributed in the subsequent year.

The balances of the franking accounts disclosed above are based on a tax rate of 34% (2000: 36%). Legislation was introduced into Parliament in December 1999, which deals with the implications for franking accounts of the company tax rate change from 34% to 30% for the 2001-2002 income tax year. The legislation requires companies to convert their existing Class C franking account balances from an underlying tax rate of 34% to an underlying tax rate of 30% on 1 July 2001. Should the legislation be enacted and the above accounts be converted, the balances of the franking accounts will increase accordingly and all franking debits and credits arising after 1 July 2001 (including those relating to dividends) will be entered into the converted franking account using the new rate of 30%.

NOTES TO THE FINANCIAL STATEMENTS

22. Financial instruments

(a) Credit risk exposures

The credit risk on financial assets of the company which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest rate risk exposures

The company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the company intends to hold fixed rate assets and liabilities to maturity.

	Note	Floating interest rate \$'000	Fixed interest rate maturities			Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	1 to 5 years \$'000	over 5 years \$'000		
Consolidated 2001							
Financial assets							
Cash	6	7,636	-	-	-	400	8,036
Receivables	7	-	-	-	-	15,908	15,908
		7,636	-	-	-	16,308	23,944
Weighted average interest rate		2.45%					
Financial liabilities							
Bank Overdraft	6,14	520	-	-	-	-	520
Accounts payable	13	-	-	-	-	6,239	6,239
Other Loans	14	-	-	-	-	185	185
Financial lease liabilities	14	-	13	-	-	-	13
		520	13	-	-	6,424	6,957
Weighted average interest rate		9.25%	8.50%	-	-		
Net financial assets (liabilities)		7,116	(13)	-	-	9,884	16,987
Consolidated 2000							
Financial assets							
Cash	6	28,386	-	-	-	2,053	30,439
Receivables	7	-	-	-	-	8,203	8,203
		28,386	-	-	-	10,256	38,642
Weighted average interest rate		5.6%					
Financial liabilities							
Accounts payable	13	-	-	-	-	(3,733)	(3,733)
Other Loans	14	-	(240)	(151)	-	(291)	(682)
Financial lease liabilities	14	-	(76)	(44)	-	-	(120)
		-	(316)	(195)	-	(4,024)	(4,535)
Weighted average interest rate		-	11.91%	5.07%	-		
Net financial assets (liabilities)		28,386	(316)	(195)	-	6,232	34,107

NOTES TO THE FINANCIAL STATEMENTS

		Consolidated	
	Note	2001 \$'000	2000 \$'000
Reconciliation of net financial assets to net assets			
Net financial assets as above		16,987	34,107
Non-financial assets and liabilities			
Inventories	8	535	251
Property, plant and equipment	9	2,594	1,553
Intangibles	11	123,378	43,688
Other assets	12	1,057	771
Future income tax benefit	10	5,119	3,627
Provision for income tax	15	(992)	250
Provisions	15	(1,822)	(785)
Deferred income tax liabilities	16	(2,223)	(1,202)
Other liabilities	17	(9,051)	(4,241)
Net assets per balance sheet		135,582	78,019

Net fair value of financial assets and liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

23. Directors' remuneration

	Directors of entities in the Consolidated Entity		Directors of the Parent Entity	
	2001 \$	2000 \$	2001 \$	2000 \$
Income paid or payable to directors by entities in the consolidated entity and the related parties in connection with the management of affairs of the company or its controlled entities	2,569,628	1,713,965	1,593,169	1,044,167

Options are granted to directors under the Protel International Employee Share Option Scheme, the Protel Option Plan, and the Directors' Option Plan, details of which are set out in notes 27 & 28. Details of options granted to and exercised by directors during the year ended 30 June 2001 is set out in note 28. No options were granted in the previous year. No directors' retirement benefits were paid during the year ended 30 June 2001.

The number of company directors whose total income from the company or related parties was within the specified bands are as follows:

	2001	2000
Income of \$0 to \$9,999	1	-
Income of \$30,000 to \$39,999	1	1
Income of \$40,000 to \$49,999	-	1
Income of \$90,000 to \$99,999	1	1
Income of \$150,000 to \$159,999	-	1
Income of \$170,000 to \$179,999	-	1
Income of \$190,000 to \$199,999	1	-
Income of \$200,000 to \$209,999	-	1
Income of \$240,000 to \$249,999	1	-
Income of \$330,000 to \$339,999	-	1
Income of \$1,000,000 to 1,009,999	1	-

24. Executives' remuneration

	Executive Officers of the Consolidated Entity		Executive Officers of the Parent Entity	
	2001 \$	2000 \$	2001 \$	2000 \$
Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by Australian based executive officers (including directors) whose remuneration was at least \$100,000:				
Executive officers of the company	2,323,472	2,076,941	2,323,472	2,076,941
	2,323,472	2,076,941	2,323,472	2,076,941

The amounts disclosed above for remuneration relating to options are the assessed fair values of options at the date they were granted to executive directors and other executives during the year ended 30 June 2001. Fair values have been assessed using a Black-Scholes based option-pricing model. Factors taken into account by this option-pricing model include the exercise price, the term of the option and the market value of the share at the time the options were granted.

NOTES TO THE FINANCIAL STATEMENTS

The number of Australian based executive officers (including directors) whose remuneration from entities in the consolidated entity was within the specified bands are as follows:

	Executives of entities in the Consolidated Entity		Executives of entities in the Parent Entity	
	2001	2000	2001	2000
Income of \$100,000 to \$109,999	2	-	2	-
Income of \$110,000 to \$119,999	1	-	1	-
Income of \$120,000 to \$129,999	1	-	1	-
Income of \$130,000 to \$139,999	1	-	1	-
Income of \$140,000 to \$149,999	1	-	1	-
Income of \$150,000 to \$159,999	-	1	-	1
Income of \$160,000 to \$169,999	-	1	-	1
Income of \$170,000 to \$179,999	2	1	2	1
Income of \$180,000 to \$189,999	-	1	-	1
Income of \$190,000 to \$199,999	-	1	-	1
Income of \$200,000 to \$209,999	-	1	-	1
Income of \$210,000 to \$219,999	-	2	-	2
Income of \$220,000 to \$229,999	-	1	-	1
Income of \$240,000 to \$249,999	1	-	1	-
Income of \$330,000 to \$339,999	-	1	-	1
Income of \$1,000,000 to \$1,009,999	1	-	1	-

Options are granted to executives under the Protel International Employee Option Scheme and the Protel Option Plan, details of which are set out in note 23. A summary of the number of options granted to and exercised by Australian based executive officers (with income of at least \$100,000) for the year ended 30 June 2001 is set out below:

	Opening Balance	Granted	Exercised	Outstanding at Year End
Australian based executives officers of the company	3,239,940	1,686,500	(3,603,950)	1,322,490

25. Remuneration of auditors

	Consolidated		Parent Entity	
	2001 \$	2000 \$	2001 \$	2000 \$
Audit or review of financial reports of the entity or any entity in the consolidated entity	222,000	163,000	102,500	74,500
Other services				
- Other assurance services	487,767	228,591	3,250	137,622
- Taxation compliance, consulting and advisory services	36,735	43,285	5,250	39,135
	524,502	271,876	8,500	176,757
Total remuneration	746,502	434,876	111,000	251,257
Related practices of PricewaterhouseCoopers Australian firm (including overseas PricewaterhouseCoopers firms)				
Audit or review of financial reports of the entity or any entity in the consolidated entity	13,566	13,043	-	-
Other services				
- Legal services	45,188	43,400	45,188	43,400
- Taxation compliance, consulting and advisory services	505,401	47,130	-	-
	550,589	90,530	45,188	43,400
Total remuneration	564,155	103,573	45,188	43,400

NOTES TO THE FINANCIAL STATEMENTS

26. Commitments for expenditure	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Lease commitments				
<i>Operating Leases</i>				
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	2,159	497	346	304
Later than 1 years but not later than 5 years	2,205	1,394	105	201
Later than 5 years	45	102	-	-
	4,409	1,993	451	505
Representing:				
Cancellable operating leases	-	-	-	-
Non-cancellable operating leases	4,409	1,993	451	505
	4,409	1,993	451	505
<i>Finance Leases</i>				
Commitments in relation to finance leases are payable as follows:				
Not later than one year	14	84	14	84
Later than 1 years but not later than 5 years	-	46	-	46
Minimum lease payments	14	130	14	130
Less: Future finance charges	(1)	(10)	(1)	(10)
Provided for in accounts	13	120	13	120
Representing lease liabilities:				
Current (note 14)	13	76	13	76
Non-current (note 14)	-	44	-	44
	13	120	13	120

NOTES TO THE FINANCIAL STATEMENTS

27. Employee entitlements

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Employee entitlement liabilities				
Accrued salaries and wages	39	457	-	221
Provision for employee entitlements				
Current (note 15)	883	540	429	308
Non-current (note 15)	213	125	213	125
Aggregate employee entitlement liability	1,135	1,122	642	654
Employee numbers				
Average number of employees during the financial year	210	170	102	90

Protel International Employee Share Option Scheme

The board of directors approved the establishment of the Protel International Employee Share Option Scheme in July 1997. All employees (including executive directors) of Altium Limited and its subsidiaries are eligible to participate in the scheme. Invitations for employees to participate are determined at the discretion of the directors of the company.

A total of 6,227,100 (2000: 6,227,100) options have been granted under the scheme to eligible employees as at 30 June 2001. Each option is convertible into one ordinary share. Conversion can occur no earlier than the first anniversary of the listing of the company's shares on the Australian Stock Exchange. The last exercise date for options issued under the scheme is 18 June 2004. The exercise price payable upon conversion is fixed at \$0.34.

Protel Option Plan

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

A total of 5,365,050 options (2000: 3,617,500) have been granted under the plan to eligible employees as at 30 June 2001. Each option is convertible into one ordinary share. Conversion can occur no earlier than the first anniversary of the date on which the options were granted being 29 September 2001 (2000: 9 June 2001). The last exercise date for options issued during the year is 29 September 2005 (2000: 9 June 2005). The exercise price payable upon conversion is fixed at \$5.50 (2000: \$3.42).

Directors' Option Plan

For details see note 28.

Details of share options granted and exercised during the year ended 30 June 2001 are set out in note 18.

Options are granted for no consideration. The amount received on the exercise of options is recognised as issued capital at the date of issue of the shares and are set out in note 18. The amount so recognised during the year ended 30 June 2001 was \$2,161,234.

NOTES TO THE FINANCIAL STATEMENTS

28. Related party information

Directors

The names of persons who were directors of Altium Limited at any time during the financial year ended 30 June 2001 are as follows: Nicholas M Martin; David M Warren; Kayvan Oboudiyat; Carl J Rooke; William A Bartee and Colin G Yamey.

Colin G Yamey held office as a director until his resignation on 17 November 2000.

Information on remuneration of directors is disclosed in Note 23 to the accounts.

Transactions of directors and director-related entities concerning shares or share options

	Parent Entity	
	2001 Number	2000 Number
Aggregate number of shares and share options acquired or disposed of by directors of Altium Limited or their director-related entities:		
<i>Acquisitions</i>		
Ordinary shares	1,290,100	180,000
Protel International Employee Share Options convertible to ordinary shares	-	-
<i>Disposals</i>		
Ordinary shares	5,663,000	11,278,200
<i>Aggregate numbers of shares and share options held directly, indirectly or beneficially by directors of Altium Limited or their director-related entities at balance date:</i>		
Ordinary shares	28,928,900	33,301,800
Options over ordinary shares	1,440,000	1,287,600

Directors' Option Plan

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

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

When the Board is exercising its discretion in respect of the Director's Option Plan a director will not be able to vote if the exercise of the discretion relates to options or shares in the Company which will be issued to that director.

A total of 1,440,000 options were granted to directors after approval was given at the November 2000 AGM. Each option is convertible into one ordinary share. Conversion can occur no earlier than the first anniversary of the date on which the options were granted being 20 November 2001. The last exercise date for an option issued during the year is the 20 November 2005. The exercise price payable upon conversion is fixed at \$5.50.

NOTES TO THE FINANCIAL STATEMENTS

Amounts receivable from and payable to directors and director-related entities

A director, Carl J Rooke, is a partner in Horwath Tas Pty Limited. Horwath Tas has provided accounting services to Altium Limited for several years on normal commercial terms and conditions. The aggregate amounts payable at balance date to a director, Carl J Rooke was \$7,000 (2000: \$4,000).

Wholly-owned Group

The wholly-owned group consists of Altium Limited, the ultimate parent entity, and its wholly-owned controlled entities, Altium BV, Altium, Inc., Accel Technologies Foreign Sales Corporation, Altium Japan Ltd., Metamor, Inc., Altium Software, Inc., Altium Europe AG, Tasking, Inc., Altium Netherlands BV, Altium Software BV, Altium Beheer BV, Tasking Software Nederland BV, Tasking Embedded Software Services BV, Altium Germany GmbH, Tasking Srl, Altium Limited (UK), Boston Systems Office Limited, Nihon Tasking KK, BSO, Inc., and Whitesmiths, Inc. Ownership interests in these controlled entities are set out in note 29.

Transactions between Altium Limited and other entities in the wholly owned group during the year ended 30 June 2001 and 2000 consisted of:

- (a) Supply of computer software for sale by Altium Limited;
- (b) Purchase of computer software for sale by Altium Limited ;
- (c) Loans advanced by Altium Limited and interest received thereon;
- (d) Loans repaid to Altium Limited;
- (e) Purchase of research and development services by Altium Limited; and
- (f) Supply of finance, administration and marketing services by Altium Limited.

The above transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of principal on loans advanced by Altium Limited. The average interest rate charged on the loans during the year was 6.7% (2000: 6.7%)

Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with entities in the wholly-owned group:

	Parent Entity	
	2001 \$'000	2000 \$'000
Interest revenue	1,177	491
Aggregate amounts receivable from and payable to entities in the wholly-owned group at balance date:		
Current receivables	86,861	6,219
Non-current receivables	16,060	14,833
Current payables	(259)	-

NOTES TO THE FINANCIAL STATEMENTS

29. Investments in controlled entities

Parent entity

2001
\$'000

2000
\$'000

Shares in subsidiaries 19,630 19,598

(a) Investments in controlled entities comprises:

Name of entity *	Country of incorporation	Equity holding		Investment in subsidiary	
		2001 %	2000 %	2001 \$'000	2000 \$'000
Altium Netherlands BV (Altium BV)	Netherlands	100	-	32	-
- Altium Beheer BV (Despomare Beheer BV)	Netherlands	100	-	49,547	-
- Altium BV (Tasking BV)	Netherlands	100	-	23,899	-
- Altium Software BV (Tasking Software BV)	Netherlands	100	-	32	-
- Tasking Software Nederland BV	Netherlands	100	-	286	-
- Tasking Embedded Software Services BV	Netherlands	100	-	32	-
- Altium Limited UK (Tasking Limited)	UK	100	-	-	-
- Altium Germany GmbH (Tasking GmbH)	Germany	100	-	91	-
- Tasking Srl	Italy	100	-	91	-
- Boston Systems Office Limited	UK	100	-	-	-
- Nihon Tasking KK	Japan	100	-	325	-
Altium, Inc. (Protel Technology, Inc.)	USA	100	100	12,891	12,891
- Altium Software, Inc. (Accel Technologies, Inc.)	USA	100	100	26,396	26,396
- Accel Tech Foreign Sales Corporation	Barbados	100	100	-	-
- BSO, Inc.	USA	100	-	2,022	-
- Tasking, Inc.	USA	100	-	10	-
Altium Europe AG (Protel Europe AG)	Switzerland	100	100	100	100
Altium Japan KK (Protel Japan KK)	Japan	100	100	114	114
Metamor, Inc.	USA	100	100	6,493	6,493

Altium Netherlands BV owns 32.54% of Altium BV and the remaining 67.46% of Altium BV is owned by Altium Beheer BV.

* Current name of entity (name of entity at 30 June 2001)

The TASKING Group currently has a financial year-end of 31 December. It is the company's intention to synchronise the financial year-end of the TASKING companies to be consistent with the Altium Group's financial year-end (30 June).

NOTES TO THE FINANCIAL STATEMENTS

(b) Acquisition of controlled entities:

Innovative CAD Software, Inc.

On 4 August 2000 Altium's US based subsidiary Altium Software, Inc. entered into a merger agreement to acquire a US based company, Innovative CAD Software, Inc. (ICS) for a cash consideration of \$2,967,258. Under this agreement all assets, technologies and liabilities of ICS were transferred to Altium Software, Inc. The legal entity of ICS was dissolved upon submission of final tax returns in October 2000.

	2001 \$'000
Fair value of identifiable net assets of controlled entity acquired	
Trade debtors	43
Cash	13
Future income tax benefit	30
Acquired technology	2,907
Other current liabilities	(26)
Net assets	2,967
Goodwill on consolidation	-
Cash consideration	2,967

TASKING Group of companies

On 30 March 2001, Altium Netherlands BV acquired Altium BV and Altium Beheer BV (collectively TASKING) for \$73,446,276. Included in this purchase was the acquisition of BSO, Inc by Altium, Inc.

Transaction costs of the acquisition amounted to \$1,511,407. The operating results of the newly controlled entities have been included in the consolidated statement of financial performance since the date of acquisition.

At the date of acquisition, existing functions of the acquired entities such as finance and marketing were to be transferred to the parent entity as soon as possible after acquisition. A liability for the estimated costs of restructuring of \$998,610 consisting mainly of retrenchment payments to employees, was recognised at the date of acquisition. The restructuring program was completed by July 2001 at an actual cost of \$869,957.

Fair value of identifiable net assets of controlled entities acquired

Receivables	5,868
Cash	2,478
Other current receivables	251
Inventory	35
Property, plant & equipment	1,019
Future income tax benefit	2,744
Accounts payable	(8,998)
Provisions	(3,117)
Deferred income tax liability	(270)
Less: Provision for restructuring	(999)
Net assets	(989)
Goodwill on consolidation	74,435
	73,446
Funded by:	
Cash consideration	50,287
Altium Limited share issue (refer note 18)	21,648
Transaction costs	1,511
	73,446

NOTES TO THE FINANCIAL STATEMENTS

Details of acquisitions made in the previous financial year are set out below:

Accel Technologies, Inc.

On 13 January 2000, Altium, Inc. acquired 100% of the issued share capital of Altium Software, Inc. (Accel Technologies, Inc.) for \$25,781,013. Transaction costs of the acquisition amounted to \$677,572. The operating results of this controlled entity have been included in the consolidated statements of financial performance since the date of acquisition.

At the date of acquisition, existing functions of the acquired entity such as research & development, finance, and marketing were transferred to the parent entity as soon as possible after acquisition. A liability for the estimated costs of restructuring of \$2,871,845 consisting mainly of retrenchment payments to employees, was recognised at the date of acquisition. The restructuring program was completed by June 2000 at an actual cost of \$2,871,845.

Metamor, Inc.

On 9 June 2000 Altium Limited acquired US based Metamor, Inc. for \$6,373,216. Transaction costs of the acquisition amounted to \$119,957.

Summary of acquisition cash outflows

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Outflow of cash to acquire controlled entities, net of cash acquired				
Cash consideration	(53,254)	(32,951)	-	(6,493)
Less: Balances acquired cash	2,491	191	-	1
Outflow of cash	(50,763)	(32,760)	-	(6,492)

30. Cash flow information

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

Operating profit after income tax	12,598	8,018	11,284	4,725
Depreciation and amortisation	4,636	2,109	1,498	1,121
Net loss (gain) on disposal of assets	9	(105)	(2)	(45)
Unrealised foreign exchange differences	62	-	(2,819)	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities				
(Increase)/decrease in trade and other debtors	(1,764)	(1,979)	(10,221)	(3,527)
(Increase)/decrease in inventories	(249)	(119)	(206)	(120)
(Increase)/decrease in prepayments and other assets	(45)	(18)	78	(96)
(Increase)/decrease in future income tax benefit	1,252	2,091	(63)	(46)
Increase/(decrease) in trade and other creditors and employee entitlements	(1,820)	(918)	4,662	905
Increase in deferred income tax	751	551	1,510	998
Increase/(decrease) in income tax payable	(949)	(872)	1,410	(658)
Net cash inflows from operating activities	14,481	8,758	7,131	3,257
Non-cash financing and investing activities				
Acquisition of controlled entity by issue of ordinary shares (note 18, 29)	21,648	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31. Foreign currency	Consolidated		Parent entity	
The amounts listed below represent assets and liabilities converted to Australian Dollars that are receivable or payable in foreign currencies. These amounts have not been hedged.	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Receivables				
Current				
US Dollars	8,761	6,430	11,432	4,450
Japanese Yen	1,036	1,023	1,727	1,591
Netherlands Guilders	808	-	112	-
Euro Dollars	4,245	737	303	-
French Francs	27	16	-	-
German DM	20	-	2	-
British Pounds	451	337	409	278
Swiss Francs	227	250	2,691	666
Italian Lira	866	-	-	-
Non-current				
Swiss Francs	76	10	-	-
US Dollars	41	123	35,760	14,833
Japanese Yen	261	64	-	-
Payables				
Current				
US Dollar	2,172	1,932	858	296
Euro Dollars	2,079	15	31	-
Japanese Yen	310	198	47	6
German DM	(927)	86	59	15
French Francs	148	53	10	17
Italian Lira	37	5	-	5
British Pounds	41	53	16	46
Swiss Francs	85	170	20	11
Danish Kroner	(1)	-	-	-
Netherlands Guilders	417	-	77	-
Non-current				
US Dollars	-	192	-	-

NOTES TO THE FINANCIAL STATEMENTS

32. Earnings per share

		Consolidated	
		2001	2000
Basic earnings per share	cents	16.4	12.8
Diluted earnings per share	cents	16.2	11.6
Weighted average number of ordinary shares used in the calculation of basic earnings per share		76,973,147	62,828,033
Weighted average number of ordinary shares used in the calculation of diluted earnings per share		80,343,747	70,991,940

Information concerning the classification of securities

Options

Options granted under the Protel International Employee Share Option Scheme, the Protel Option Plan, and the Directors' Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in notes 18, 27 & 28.

33. Subsequent events

On 6 August 2001 Protel launched the new corporate brand "Altium". All Group companies previously known as Protel were renamed Altium (refer to note 29 for specific name changes). Altium is the new corporate brand that will work hand-in-hand with all current and future individual product brands and serves as a highly recognisable corporate platform adding value to the organisation's current and future products.

On 6 August 2001 Altium Inc entered into a merger agreement with Altium Software, Inc., BSO, Inc., Tasking, Inc. and Whitesmiths, Inc. Under this agreement all assets and liabilities of these companies were transferred to Altium, Inc. Altium Software, Inc., BSO, Inc., Tasking, Inc. and Whitesmiths, Inc. as legal entities were liquidated as of this date.

The financial effects of the above transactions have not been brought to account at 30 June 2001.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes thereon set out on pages 30 to 61:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2001 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

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

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

For and on behalf of the board



Kayvan Oboudiyat
Director



Nicholas M Martin
Director

Sydney
10 September 2001

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ALTUM LIMITED

Scope

We have audited the financial report of Altium Limited (the Company) for the financial year ended 30 June 2001 as set out on pages 29 to 62. The Company's directors are responsible for the financial report which includes the financial statements of the Company and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the financial year. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act (2001) in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of the Company is in accordance with:

- (a) the Corporations Act (2001), including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations (2001); and
- (b) other mandatory professional reporting requirements.



PricewaterhouseCoopers
Chartered Accountants



Andrew Sneddon
Partner

Sydney
10 September 2001

PRICEWATERHOUSECOOPERS 

INFORMATION FOR SHAREHOLDERS

The shareholder information set out below was applicable as at 31 August 2000

A. Distribution of equity securities

Analysis of number of equity security holders by size of holding:
Altium held only one class of equity security - ordinary shares.

ORDINARY SHARES

	Number of shareholders	Number of option holders
1 - 1,000	835	0
1,001 - 5,000	1,216	2
5,001 - 10,000	112	37
10,001 - 100,000	119	67
100,001 and over	69	16

There were 25 holders of less than a marketable parcel of ordinary shares

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below;

Name	Number held	Percentage of issued shares
Protel Systems Pty Limited	12,340,000	14.08
N & M Martin Holdings Pty Ltd	11,189,000	12.77
Chase Manhattan Nominees Limited	9,562,822	10.91
National Nominees Limited	3,802,248	4.34
N & M Martin Holdings Pty Ltd	3,000,000	3.42
Frank Despomare	2,698,388	3.08
Mirkazemi Holdings Pty Limited	2,603,000	2.97
Perpetual Trustees Nominees Limited	2,339,275	2.67
Citicorp Nominees Pty Limited	2,032,317	2.32
Citicorp Nominees Pty	1,832,976	2.09
Citicorp Nominees Pty	1,724,792	1.97
Cogent Nominees Pty Limited	1,642,603	1.87
Queensland Investment Corporation	1,505,300	1.72
Amp Life Limited	1,345,933	1.54
Commonwealth Custodial Services Limited	1,253,567	1.43
Citicorp Nominees Pty Limited	1,208,400	1.38
Frank Despomare	1,114,552	1.27
Mr Kayvan Oboudiyat	1,110,000	1.27
Citicorp Nominees Pty Limited	1,109,372	1.27
Zentel Pty Limited	1,018,000	1.16
TOTAL	64,432,545	73.53

Unquoted equity securities

	Number of options on issue	Number of holders
Employee Option Plan	4,692,400	119
Directors' Option Plan	1,440,000	3
Total issued to employees/directors	6,132,400	122

Whilst no person holds 20% or more of these securities, Joint CEO Kayvan Oboudiyat holds 19.57%

C. Substantial holders

Nicholas M Martin	23,444,000	26.75%
Deutsche Australia Limited	11,565,080	13.20%
Commonwealth Bank of Australia	11,038,153	12.60%
AMP Limited	6,589,868	7.52%
SAS Trustee Corporation	6,305,557	7.20%

D. Voting rights

(a) Ordinary shares

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

(b) Options: No voting rights

Altium major announcements to ASX

Document date	Headline
11/09/01	Altium preliminary final report
11/09/01	Altium exceeds market expectations and delivers record results
23/08/01	Shareholder Altium newsletter No 1 - August 2001
06/08/01	Company name change Altium for Protel International Limited
06/08/01	Results of GM resolution passed to change company name to Altium Limited
06/08/01	Chairman's Address to GM regarding company name change
10/07/01	Protel appoints joint CEO's and two additional executive directors
06/07/01	Protel pleased with preliminary results
05/07/01	Notice of GM issued
03/04/01	Protel appoints CEO of newly acquired TASKING group
02/04/01	Protel International acquires TASKING group
27/03/01	New Issue as part of Tasking group acquisition
20/03/01	Protel enters into agreement to acquire Tasking group/resolution dispute
28/02/01	Shareholder newsletter released March 2001
21/02/01	Release of half yearly results for the 2000/2001 financial year
14/02/01	Roll-out of latest product P-CAD 2001
11/01/01	Protel and Atmel enter into strategic partnership
17/11/00	Results of AGM resolutions passed to issue options to directors
17/11/00	Chairman's AGM address to shareholders
01/11/00	Announces 1st quarter performance in line with strong growth

ADDITIONAL SHAREHOLDER INFORMATION

Notice of annual general meeting

The annual general meeting of Altium Limited:

will be held at	ANA Hotel 176 Cumberland Street The Rocks, Sydney.
time	3.30pm.
date	Tuesday 13 November 2001.

Inquiries about your shareholding

Please contact Computershare for all questions in relation to your shareholding, dividends, share transfers and monthly holding statements. See the Directory on the inside back cover for contact details.

Website:	www.computershare.com
Forms are now found at:	www-au.computershare.com/investor/formscatalogue.asp
FAQ's are now found at:	www-au.computershare.com/investor/answerstoyourquestions.asp

Inquiries about Altium Limited

E-mail:	investor.relations@altium.com.au
Website:	www.altium.com.au

Changed your address?

Whenever you change your address it is important to notify the share registry. This can be done in one of two ways. Either write or fax the share registry quoting your shareholder number, old address, current address and signature, or visit the share registry website and download a change of address form. This form can be found at:

www-au.computershare.com/investor/formscatalogue.asp?CountryCode=AU

Altium communications

Altium publishes information to its shareholders in the form of a newsletter, in conjunction with the Annual Report and media releases. Copies of this and other information can be found on the Investor Relations page of our website:

www.altium.com/investors/index.html

GLOSSARY

Autorouting

The process of automatically placing tracks on the PCB to connect the various components that form the circuit.

Circuit Simulation

Enables the designer to electronically verify the design prior to laying out the Printed Circuit Board, detecting any errors in the circuit design, and 'fine tuning' the circuit's performance.

Embedded software

Software, which controls 'intelligent' microprocessors, used in electronic products. This software must be embedded into the memory of the Integrated Circuit (used in such electronic applications as Palm Pilots).

Embedded system

An embedded system is a self-contained microprocessor-based electronic system that is often used to control products such as VCRs, mobile phones, automotive systems, home and office appliances, handheld units of all kinds, as well as machines as sophisticated as space satellites. Unlike a general purpose computer which runs a variety of application software, an embedded system implies a fixed set of functions programmed into a non-volatile memory (ROM, flash memory, etc.).

EDA

Electronic Design Automation uses the computer to design and simulate the performance of electronic circuits on a chip.

EDA software

Software that automates much of the design of electronic components (Electronic Design Automation) that electronic engineers use to design increasingly complicated electronic circuits and printed circuit boards.

Microcontroller

A microcontroller or microcontroller unit (MCU) is essentially a computer on a chip. It is a single chip that integrates a microprocessor, memory, and various other peripheral circuits. Hundreds of millions of microcontrollers are used each year for a myriad of electronic devices and applications from automobiles to children's toys. Microcontrollers are the workhorses of embedded systems.

Microprocessor

A microprocessor is an integrated circuit that is designed to process digital numbers under the direction of a specifically written program or software. Microprocessors form the heart of desktop computers and embedded computer systems and perform all the necessary processing tasks of the system. Since the introduction of the first generation microprocessors (such as Intel's 8080, Zilog's Z80, Motorola's 6800 and Rockwell's 6502) the number of transistors on a microprocessor chip has grown from a couple of thousand to today's contemporary chips that contain tens of millions of transistors.

PCB

A Printed Circuit Board is a flat board that holds chips and other electronic components. The board is made of layers (typically 2 to 10) that interconnect components via copper pathways. The main printed circuit board in a system is called a 'system board' or 'motherboard', while smaller ones that plug into the slots in the main board are called 'boards' or 'cards'.

PCB design

Most electronic products are based on PCBs. The design involves 'capturing' a circuit in a diagram, transferring component/connectivity information to a

design program, laying out & routing the board, then providing files necessary for manufacture and assembly.

PLD

Programmable Logic Devices are logic chips that are programmed at the customer's site.

PLD design

Programmable Logic Device design. PLD's enable designers to create a single programmed chip that will perform functions that would usually require the interaction of many discrete components.

Schematic capture

The process of taking an idea or concept for an electronic circuit then using computer based diagrammatical tools to document the design.

Signal integrity analysis

Methods to check the integrity of signals on the board, highlighting for investigation potential problems prior to manufacture.

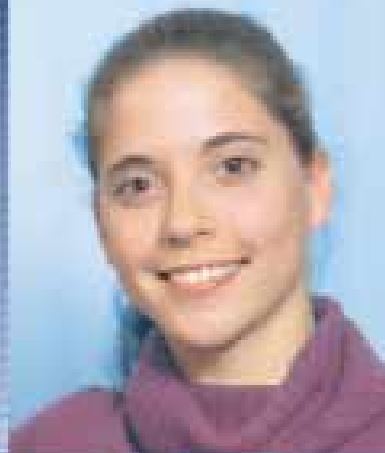
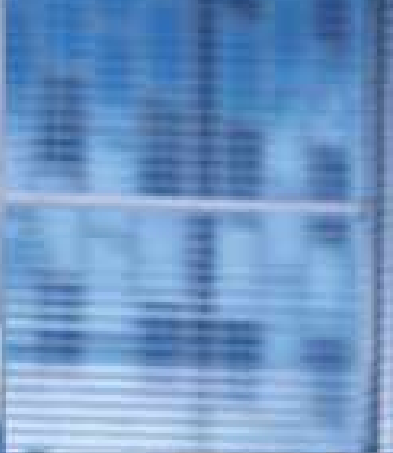
VHDL

A hardware description language used to design electronic systems at the component, board and system level. VHDL allows models to be developed at a very high level of abstraction.

Windows NT

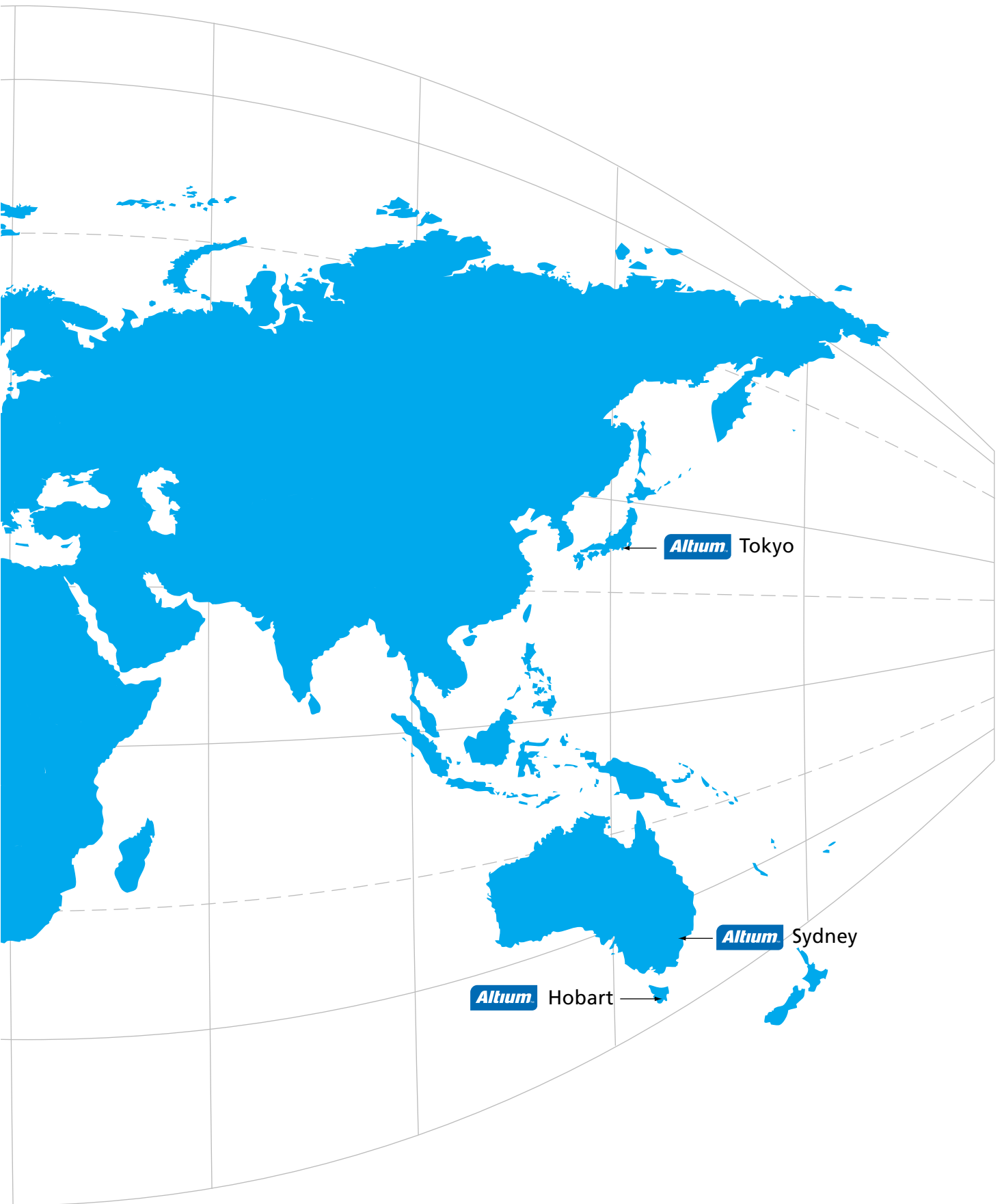
Microsoft operating system for windows based software applications.





Altium - OFFICES WORLD WIDE





Altium Tokyo

Altium Sydney

Altium Hobart

DIRECTORY

Directors

Carl J Rooke
Non-Executive Chairman

Kayvan Oboudiyat
Joint Chief Executive Officer

Nicholas M Martin
Joint Chief Executive Officer

David M Warren
Executive Director

William A Bartee
Non-Executive Director

Darren Charles
Executive Director & CFO

Bruce W Edwards
Executive Director

Secretary

Kayvan Oboudiyat

Registered office

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Website: www.altium.com.au

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ASX Code: ALU

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